

Oregon State Agricultural College Extension Service

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Cooperative Marketing and Purchasing in Oregon in 1929

An Appraisal of the Present Situation with Suggestions
for Further Development



We pledge our hearty cooperation to the Federal Farm Board in their efforts to solve the marketing problems and other economic problems of the farmers. We deem it to be the duty and responsibility of the cooperative extension forces of the states and federal government to disseminate information relative to the advantages of large scale commodity cooperative marketing under farmer control as contemplated in the agricultural marketing act, and to explain the plans and objectives of the Federal Farm Board. We pledge our continued efforts to develop a well balanced agriculture; disseminate outlook, price and marketing information; promote the grading and standardization of agricultural products, and otherwise apply the best known methods to the solution of the economic problems of agriculture.—Resolution adopted by Directors of Extension at the annual convention of the Association of Land Grant Colleges and Universities, Chicago, Nov. 12-14, 1929.

FOREWORD

How can Oregon avail itself of the benefits of the Agricultural Marketing Act? This is a question of paramount and immediate importance. The answer appears to be: by developing cooperative marketing associations that conform with the standards advocated by the Federal Farm Board. These standards and the general plans of the Board for cooperative development are rapidly becoming known. In the words of Alexander Legge, chairman, "The Board believes that it can be of greatest assistance to the American farmers by encouraging the development of large-scale, central cooperative organizations."

Larger bargaining power, better control of production at its source, better distribution, more orderly marketing, more adequate financing, more capable management, are among the objects sought by the Federal Farm Board and cooperating agencies. Unwarranted competition between cooperative associations serving the producers of a given territory is being discouraged. Mergers, consolidations, and federations are being sponsored. The advantage of providing loans to cooperative associations at low rates of interest is recognized; but the Farm Board is stressing the greater benefit that will result from the more powerful and effective system of cooperative marketing associations which it seeks to establish.

This bulletin presents a picture of cooperative marketing as it now exists in Oregon. It is a reprint of the paper read at the request of Charles S. Wilson, visiting member of the Federal Farm Board, by George O. Gatlin, Extension Economist of the College, before the meeting of the Oregon Cooperative Council, held in Portland on November 21, 1929. Portions of the statement first appeared in the press of the state and in the April, 1929, issue of the "Eggsaminer" as a progress report, based upon a survey of Oregon cooperative marketing undertaken by Mr. Gatlin.

Because of the demand for copies of Mr. Gatlin's paper, and because a knowledge of cooperative marketing as it now exists is essential as a basis for an intelligent program of readjustment, the Extension Service is printing this bulletin. It is probable that in the near future the march of events may make this publication a less authentic picture of conditions than it is at present. It should at least be of immediate interest to officers, directors, employees, and members of our cooperative associations, to farmers who contemplate organizing cooperative associations, to county agricultural agents and others who are to be actively associated with the new period of readjustment and progress.

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Cooperative Marketing and Purchasing in Oregon in 1929

An Appraisal of the Present Situation with Suggestions for Further Development

By

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There are 145 cooperative marketing and purchasing associations in Oregon. Included in this number are 100 separate and distinct marketing organizations, 33 local units that are combined for sales purposes into three central associations, and 12 associations that confine their activities largely to the purchase of farm supplies. In addition to these 145 associations, there are 7 out-of-state cooperatives that have members in Oregon. This brings the total of cooperative organizations doing business in the state to 152. The total volume of business transacted annually by this group is roughly estimated to be between 25 and 30 million dollars.

Oregon's cooperatives vary so greatly in size, organization features, and operating methods that it is no easy task to attempt to describe or appraise the entire group. We have organizations that cover the entire state, one that serves a half-dozen states, some that cover rather large producing districts, and others operating in very restricted areas. All types of associations are represented. Some are stock companies, and others are nonstock; some are Simon-pure cooperatives and others barely qualify under the broadest definition of the term. Exceptions can be found to almost any general statement that can be made regarding the group as a whole.

Bearing in mind that there are exceptions to general statements, what significance should we attach to the fact that Oregon has one hundred cooperative marketing associations operating more or less independently? What do the figures mean? Do they indicate progress? The answer depends, of course, on the point of view and on the consideration of other factors, such as volume of business. I have been in personal contact during 1928 and 1929 with most of the associations in the state and I do not hesitate to say that the number of associations in relation to volume of business is far too large. In fact, to increase the number of small competing cooperatives, or even to maintain all of those now operating on their present basis, is inimical to the best interest of the cooperative movement.

Many small cooperative enterprises, operating independently, do not fit in with conditions and trends in modern business. Rapid and radical changes have occurred in recent years. Mass distribution quickly followed mass production. Mergers, amalgamations, and federations are constantly bringing business enterprises into fewer and stronger hands. Competition was never so keen, profit margins are becoming more narrow, and there is a fight for markets going on between giants. Organizations that cannot "stand the gaff," that cannot operate on margins and by methods brought about by large-scale enterprises must themselves become large-scale enterprises or get out of the way.

Shall we continue to organize in Oregon small creameries, local canneries, and other cooperative enterprises that will have to compete with large private organizations or combinations of private organizations that have reduced operating and merchandising costs to a minimum? Shall we go ahead with a program of cooperative marketing that was sound twenty years ago, or shall we keep pace with the procession? For cooperatives to make real progress we need fewer organizations in stronger hands, more volume, a wider reach, and more adequate financing. This means expansions, consolidations, and an extension of activities. I do not intend to discourage new organizations where special conditions justify local cooperative action. In fact, there must be a beginning and many of the largest cooperatives in the United States have developed from a very small beginning. But the promiscuous promotion of half-baked enterprises that are not likely to get a single "break" under modern marketing conditions, needs to be discouraged.

In addition to the rapid development of large-scale enterprises in the marketing of farm products, there are other changes occurring that are significant. I have in mind the "damming up" of products in producing areas. The chain store systems, of which there are more than 4,000 with 100,000 retail outlets, are helping to bring this about. Some have organized their own buying machinery in producing districts and are operating as distributors and marketing agents. Many are buying direct from producers' organizations and small shippers, thus going around the brokers and wholesale receivers. It is not my purpose to discuss the merits or demerits of this change, but merely to point out that new methods and hand-to-mouth buying mean that producers and producers' organizations in some agricultural industries at least must hold stocks until they are wanted by the retailers and must finance this holding.

FRUIT AND VEGETABLE ASSOCIATIONS

Considering our cooperatives by general commodity groups, we find we have 63 organizations handling fruits and vegetables, not including units of a federation. There is, in fact, only one federation in this group, the North Pacific Cooperative Prune Exchange, which is the central marketing agency for eight local associations. Eight of these fruit and vegetable associations are cooperative canneries, and 17 are bargaining associations composed largely of berry growers. In other words, over one-half of our cooperatives are in the fruit and vegetable industry.

Cooperative canning has probably made more progress in the Pacific Northwest than in any part of the United States. If more progress is to be made, however, and if the gains made are to be held there needs to be more cooperation between the cooperatives themselves. It is doubtful if any group of cooperative enterprises in Oregon has so great an opportunity to make progress through federation as the cooperative cannery group. One central organization, wisely managed, could handle all necessary financing through the Intermediate Credit Bank of Spokane and through the Federal Farm Board, could handle the United States licensed warehouse problem, could eliminate price cutting and dumping, establish brands at home and abroad, bring about standardization of pack, reduce

selling expenses, and obtain wider and more advantageous distribution through mixed cars, advertising, and other methods. At present the cooperative canneries are competing among themselves as well as with large private canning concerns, such as the California Packing Corporation and Reid, Murdock & Co. The California Packing Co. (which owns the Oregon Packing Co. and has 4 of its 78 plants in Oregon) has assets of \$23,000,000 and does an annual business of about \$70,000,000.

There is a possibility for Oregon's cooperative canneries not only to obtain a higher and more uniform price but also to make savings in brokerage and interest charges. Savings in interest charges alone might amount to a considerable sum, if money were borrowed from the Federal Intermediate Credit Bank. The rate would be less if the group were financed in part by the Federal Farm Board. The volume of business done by our 8 cooperative canneries now amounts to approximately \$3,000,000 annually. I should add, here, that these figures do not include the cannery recently put into operation by the Apple Growers' Association of Hood River. I may add, also, that a meeting of cooperative canneries of both Oregon and Washington may be called in December to consider group action.

Closely associated with the canning and packing industry, we have 17 associations that operate independently of each other in price bargaining with non-cooperative canners and packers for the sale of their product. Most of these handle berries. One, the Woodburn Fruit Growers Cooperative Association, doing a \$200,000 business, has a salaried manager, handling facilities, and assets amounting to about \$17,000, with \$10,000 of this in a revolving fund. A few are working along the same general lines, while others operate as informal pools. Here, again, is an opportunity to strengthen individual associations through group action, although some of these bargaining associations are not yet in a position to take this forward step. They need first to strengthen their position in their own localities and become more cooperative. It should be understood, however, that wise management can be bought by several associations when it would cost too much for the volume of a single organization. Bargaining power can also be increased when group action can be brought about.

Of the remaining 38 fruit and vegetable cooperatives, most of these distribute their own products locally, nationally, or internationally, either directly or through private marketing agencies. These handle such commodities as apples, pears, prunes, cherries, tomatoes, celery, cauliflower, broccoli, lettuce, potatoes, melons, grapes, etc. Some are outstanding successes; others are on the reverse end of the scale. Numerous examples could be given of several local fruit and vegetable associations in a single locality that are dividing a tonnage that is not large enough for one. They are struggling to maintain their separate existence with inadequate volume. The fact is that our cooperatives in various commodity lines need to combine their volume and their resources, reduce operating costs and per-unit overhead, and put themselves in a position to carry out the purposes and aims for which they should have been organized. The inadequacy of the bookkeeping alone, in many small organizations, is deplorable. But what can a little association do when its volume of business is too small to justify it in employing a bookkeeper, to say nothing of a manager? What can it do when it has a handful of products and is operating on a shoestring?

FACTORS TO CONSIDER IN DEVELOPING COOPERATIVES

In general, a cooperative association should be in a position to bring about improvement in production; to standardize varieties, grades, and packs; to reduce competitive wastes; bring about better adjustment of supply and demand; exert bargaining powers; finance operations on favorable terms; control the flow of products to market; effect equitable distribution as between markets; extend and develop markets; and employ management ability and provide facilities to carry out its purposes. Some of Oregon's cooperatives are in this position. Some others can attain it through reorganization and federated activity. Each organization represented here today can ask itself if it is in a position to accomplish any or all of these improvements.

In any program seeking to develop cooperative business enterprises in Oregon, certain misconceptions need to be overcome. One of these is the idea that a cooperative does not need money. Many producers are willing to invest all they have or all they can borrow in production equipment, land, buildings, and machinery, but when they propose to set up marketing facilities or machinery they want to do it with a membership fee of \$1.00. This idea, coupled with competitive conditions in Oregon, has resulted in most of our cooperatives being under financed. Many have built up no reserves whatever. A mistake has been made in making too large a net return to members, instead of putting more money back into the business. This policy has resulted in "ham-stringing" many organizations and has not been for the best interests of the members. Without retaining sufficient money for operating capital, for contingencies, and for expansion, it is not surprising that many associations are in about the same position as when they started.

One reason, perhaps, why we have so many small, independent cooperatives is because of past experience with large-scale organization. The Oregon Dairymen's Cooperative League, formed in 1918 and reorganized under a plan of Aaron Sapiro's in the winter of 1919-20, collapsed after a disastrous career. It left in its wake considerable distrust of organizations of this type. The Oregon Growers Cooperative Association, formed about the same time with Sapiro's aid, was another example that the producers cannot forget. Disastrous experience with these two highly centralized associations has helped to make many Oregon farmers decidedly "local-minded." However, the local associations that are now affiliated with the North Pacific Cooperative Prune Exchange were developed to take over packing plants of the Oregon Growers' Cooperative Association and then they combined for sales purposes. The Lower Columbia Cooperative Dairy Association, the largest cooperative creamery in the state, developed out of the mistakes of the Dairymen's League. It is possible, therefore, to profit by past experience in building sound organizations. The proposed grain growers association in the North Pacific states intends to organize local elevator or warehouse associations that will be cooperative units of a large association. These units will be locally owned and controlled.

Another reason for some of our small cooperatives remaining small is that they are managed by men best suited for small jobs. It's an old, old story in cooperative marketing history. Men who should lead in development are frequently the ones who retard it. The answer to this problem

is not easy. Some associations have been purposely wrecked by members as the only way to get rid of an entrenched manager who retarded development, a method too drastic to recommend. Again the reverse of this condition is sometimes true—sometimes we have managers who want to move faster than the directors and members can follow.

Unwise promotion has contributed materially to the problems before us, and will continue to do so. Many of the most successful organizations now operating were formed after a careful study of actual and potential volume. Numerous associations were formed, however, with an apparent disregard of all the factors that should be determined in advance. Many of these unwise promotions of the past lasted only a short time. Some associations have been promoted by men who wanted jobs as managers, and some by men who wanted to “unload” an unprofitable private business on to farmers. Certain others have been promoted by men with good intentions, but without adequate understanding or information. It is not surprising, therefore, to find much loose talking and unsound thinking about cooperation. My hat is off to the farmer who refuses to be stampeded into unsound ventures just because they are labeled “cooperative.” I have been in meetings, however, where the main reason for organizing seemed to be because some speaker had told the story of the California Fruit Growers’ Exchange and had indicated that the local growers could adopt a brand, paste it on their crates, advertise it, and live happily ever after. The idea fires the imagination of a community, especially when each little district in the United States thinks that it produces the finest apples, the best potatoes, and the choicest tomatoes in the world.

Regardless of the warnings of the Federal Farm Board and of the Oregon Cooperative Council, we may expect to see the Agricultural Marketing Act used as an argument to bring about unsound cooperative promotions. There are many men now wanting to be managers, many “white elephants” to be sold in the shape of creameries, cheese factories, canneries, elevators, warehouses, etc. And, of course, we still have the enthusiasts and community builders whose intentions are good. “Saving the farmer” is going to be a popular business with many people who have been reading about the \$500,000,000 fund available to cooperatives.

It should be understood that the situation in cooperative marketing in Oregon is much better than in many other states, also that it rather closely parallels that of private enterprises in the same field in Oregon. Organizations of the same size, both cooperative and private, operating under similar conditions, have much the same difficulties and problems. In some of our agricultural industries, such as dairying, the small private creameries and the small cooperative creameries are caught in the same trap. Both need to employ much the same methods to get out.

COOPERATIVE MARKETING OF DAIRY PRODUCTS

What, then, is the situation regarding cooperative creameries and other cooperative dairy enterprises? We find that we have 10 creameries generally recognized as cooperatives. As a group these do an annual volume of business between \$2,500,000 and \$3,000,000. These 10 cooperatives are included in the 108 creameries and 70 cream-buying stations located in Oregon. Really, they are a part of a system of small dairy enterprises in Oregon, a system with such competitive conditions in obtain-

ing supplies and in marketing the manufactured output that it has been extremely difficult for the cooperatives to make either relative or actual progress. Indications are, however, that mergers will be brought about in some of the privately-owned creameries and that the expansion programs of out-of-state creamery organizations will force a change in marketing conditions that will make a federation of our cooperative creameries more feasible than in the past.

Several efforts to federate Oregon's cooperative creameries have failed. An effort to do so now will face such serious handicaps as (1) lack of volume, (2) lack of quality, (3) lack of money, and (4) serious competitive conditions that make it extremely difficult to overcome the first three handicaps. The door is open to our cooperatives, however, to become affiliated with either the United Dairies Association of Washington and its sales organization, the Consolidated Dairy Products Company, or the Challenge Cream and Butter Association, of California. Affiliation with a strong out-of-state association that has large volume, high quality, and the money to force improvement in price and marketing conditions, would seem the most simple, the logical thing to do. If, for instance, through affiliation with a strong out-of-state organization, an arrangement could be worked out to place an adequate volume of 93-score butter, government inspected and certified, into the Portland market, backed by advertising that would move it into consumer hands at a premium, our cooperatives would then be in a position to bring about improvements for their own benefit as well as for the industry as a whole. It means "pioneer" work to make Portland a quality butter market, to raise the general price level, and to extend markets at home and abroad. The cost of doing this must be spread over a large volume of business, larger than our cooperatives now control.

Do not get the idea that we cannot or that we do not produce quality butter cooperatively. Listen to this United Press Dispatch, dated November 19: "Butter from plants of the Lower Columbia Cooperative Dairy Association won three out of the first five awards made at the Pacific Slope Dairy Show being held at Oakland, California. These awards were won in competition with butter from dairy sections all over the West and as far east as Wisconsin, Minnesota, and Iowa." Remember, too, that this cooperative creamery, the largest and most favorably known in the state, is the one that has developed since the failure of the Dairymen's League.

Regardless of the methods or agencies that may be used to bring about united action on the part of cooperative creameries, the need for such action clearly exists. Mergers, consolidations, and affiliations are the order of the day in the dairy business. The National Dairy Products Corporation now has over a hundred subsidiary and sub-subsidiary companies. Borden has been very active in acquiring other companies. The same thing is happening or being proposed in Oregon, the larger concerns acquiring control of smaller ones. The Carnation company in Portland recently acquired ten or twelve milk plants in Portland and now controls the distribution of a large part of the city milk. In December, 1928, the Carnation Milk Products Company had a net working capital of about \$7,000,000. Other dairy concerns in Oregon are beginning to acquire independent creameries. Creameries in the Central Northwest and Middle West, it may be pointed out, are also changing their methods of operation to meet changing marketing conditions. Plants are becoming larger. Whole milk is being re-

ceived from farmers and diverted into the most profitable outlets in accordance with market conditions.

There are four milk or cream bargaining associations in the state, these being local in character and operating somewhat informally in bargaining with local creameries and milk distributors. Recent reports indicate that the Eugene Milk Producers' Association has been instrumental in bringing about a satisfactory solution of the market milk problem in Eugene.

Plans are now being made for the organization of a large-scale milk marketing association in the Portland milk-shed. It is contemplated that such an organization will cover about eight or ten counties in Oregon and Washington, and that it will operate as a bargaining association. Three separate associations have been started in the past few months in a small way and in addition a committee of representative dairymen from each county has been studying the situation and the plans of the several organizations. Indications now are that some agreement will be reached for one single association to cover the entire milk-shed, this association to be modeled after some of the largest and most successful in the United States. It is estimated that there are between 1500 and 2000 milk shippers in the Portland milk-shed. There is an opportunity here for a strong, well organized, quality bargaining association in the Portland territory, and with proper leadership in organizing and wise management in operation the dairymen should greatly improve their position.

In the marketing of cheese we have a different picture from that of other dairy products. Creameries have gradually increased in number in Oregon, and cheese factories have declined in number. In Tillamook county there are now 19 factories operating more advantageously than the 40 that were once in operation. Each of these sell through a central organization, the Tillamook County Creamery Association, which maintains uniform high quality under a single brand. This organization, while more cooperative in spirit than in legal form, affords a splendid example of the benefits of united action on the part of producers. It is one of the largest associations in the state, doing a business in excess of \$2,000,000 annually. In addition to this association, which operates only in Tillamook county, there are seven cheese factories in other counties which are generally recognized as cooperatives. It should be recognized, also, that some of these factories which operate independently and in close proximity to each other offer an opportunity for reorganization and consolidation that should be brought about for the benefit of the dairymen.

LIVESTOCK, WOOL, AND POULTRY ASSOCIATIONS

In the marketing of livestock there is little cooperative activity in proportion to the size of the industry. There are five associations listed in the state, but some of these are associations in name only, run by men who act for the farmers on a definite commission basis; and others operate informally or on a small scale. One out-of-state cooperative, the Western Cattle Marketing Association, in California, gets something over a quarter of a million dollar business out of Jackson, Lake, Klamath, and Malheur counties. In the handling of wool and mohair we have the largest cooperative of its kind in the United States. The Pacific Cooperative Wool Growers operates in a half-dozen or more states and last year handled about

5,000,000 pounds of wool and mohair for its 3,500 members. It maintains warehouses and offices in Portland, San Francisco, and Boston. It is now working with the Farm Board on plans for a national organization.

Six poultry and egg associations are listed in our 152 cooperatives. Three of these are strictly local associations, one is a small turkey association marketing this year through the Idaho Turkey Growers' Association, and another is the Douglas County Cooperative Turkey Growers. This is our largest turkey association and serves several counties, marketing as a pool either through closed bid sales to cash buyers or on a sort of consignment basis. In our turkey deal there exists a good opportunity to increase returns to growers by further development of cooperative activity and by direct sales in eastern markets. The sixth association in this group is the Pacific Cooperative Poultry Producers, which covers practically the entire state, has a membership of 2,300 poultrymen, and does a business of about \$2,500,000 annually. The success of this large-scale organization can be judged by the results of the sign-up on the expiration of its contract in January, 1929. There was no sign-up campaign or expense, the association merely mailing out new contracts to its members and receiving 87 percent of them back, properly signed on the dotted line, before the old ones expired.

OTHER ASSOCIATIONS AND OUT-OF-STATE COOPERATIVES

Among the marketing associations that do not fall in the groups mentioned, is the North Pacific Nut Growers' Cooperative, a central organization handling walnuts and filberts for six local nut associations. Of the 12 cooperative purchasing organizations a few do some marketing, but the main business is cooperative buying. These 12 purchasing associations do a total business of approximately \$1,500,000. Some thought is being given to the possibility of working out an arrangement for an exchange of information among these associations and possibly some group buying. The out-of-state associations that operate in Oregon are the Dairymen's Cooperative Creamery of Boise Valley, Idaho; the Farmers' Cooperative Creamery, Idaho; the Idaho Egg Producers; the Idaho Turkey Growers' Association; the Mountain States' Honey Association, Idaho; the Oregon-Washington Egg and Poultry Association, Walla Walla, Washington; and the Western Cattle Marketing Association, California.

In addition to the count of 152 cooperatives operating in Oregon, we might add 20 farmers' elevator or warehouse companies. These will doubtless take a more prominent part in the cooperative picture, now that the North Pacific Grain Growers, Inc., is about to be launched. This proposed regional organization, with a capital stock of \$1,000,000 will be a stockholder in the \$10,000,000 Farmers' National Grain Corporation. Its own stock, in turn, will be subscribed by local associations in Oregon, Washington, Western Montana, and Northern and Southwestern Idaho. The Farm Board has not only approved the plan of this large grain marketing organization, but has indicated that it will be presented as a model for all other regional grain associations. Our present farmers' elevators store about 15 percent of the wheat crop of the state.

PRESENT SITUATION PROVIDES GOOD FOUNDATION FOR DEVELOPMENT

In many respects Oregon ranks high in the character of its cooperative enterprises. Although it has many small associations, it has the ground work in fairly good shape for development and expansion. As for the legal status of our cooperatives, few if any states have a larger percentage of incorporated associations. Most of our associations have marketing contracts with their members, and it is interesting to know that a rather quick and wholesale change has been made from the long-term, non-cancellable type of contract so popular a few years ago to continuous contracts with withdrawal privileges and in some cases optional sales methods. The switch to modern, liberalized contracts means that Oregon is using contract as business instruments rather than legal weapons to force cooperation down a farmer's throat. It means, also, that our cooperatives must make good, be on their toes, meet competition, do business as business is done, and get better results than growers can get in any other way.

We have three federated associations in the state, the Tillamook County Creamery Association, the North Pacific Cooperative Prune Exchange, and the North Pacific Nut Growers' Cooperative. Our large-scale associations of the centralized type (which operate over a wide area without locals) are the Pacific Cooperative Wool Growers' and the Pacific Cooperative Poultry Producers. Then there are organizations like the Apple Growers' Association, of Hood River, doing a \$4,000,000 business, and the Eugene Fruit Growers' Association, doing a \$2,000,000 business, which cover fairly well defined producing areas and have characteristics of both centralized and local cooperatives. Both of the latter associations, I believe, had their beginnings over 30 years ago. As might be expected, we have in the districts where these oldest associations operate more cooperative spirit and more trained leadership than in areas where cooperation is not "seasoned."

There are a number of cooperatives in Oregon, each doing a business exceeding \$1,000,000, that compare favorably with the best organizations in other states, both cooperative and private. There are others, even among the small associations, that have more than justified their formation, and are making a good job of marketing. More power to them! We have some associations as soundly organized and as efficiently operated as any cooperatives in the country. The bulk of our organizations, however, pull down the general average and I have had this group in mind in preparing parts of this paper. In fact, many of these are cross-bred organizations, only partly cooperative.

Now that a long fight for farm-relief has culminated in the passage of the Agricultural Marketing Act, and now that we have a Federal Farm Board to administer the Act with its \$500,000,000 fund, what are we in Oregon going to do about it? A large sum is available for the purchase of facilities, for reorganization, and for commodity loans. This sum, however, is available only for cooperatives that deserve aid, that can qualify for loans on a legal and business basis, and that conform to plans and ideas that the Board considers sound and desirable. For instance, the Board has said, in effect, to the main grain organizations, the cotton cooperatives, and others, "Get together in large organizations and we will see you through." It has

said in numerous instances, in effect, "If you have established a line of credit with the Intermediate Credit Banks we may go a little further with financial aid."

At the present time we in Oregon need to recognize that relatively few of our associations are in a position to obtain financial aid from the Farm Board, or to profit directly from the operation of the Intermediate Credit Banks. Many organizations cannot qualify as cooperatives under the Federal Capper-Volstead Act, and must therefore undergo some reorganization before they can be viewed as cooperatives in the eyes of the Farm Board. In some associations the managers have been buying up the capital stock instead of keeping it in the hands of producers, which is one requirement of the Capper-Volstead Act. In other cases, non-members contribute the bulk of the business. In other words, semi-cooperatives must become real cooperatives to receive full benefit under Federal Acts.

A few of the factors which should influence a forward movement of the cooperatives at this time have been indicated, but may be stated again in different words. Following the trend in business in general, private concerns in Oregon that compete with cooperative enterprises or do business with them, are beginning to effect combinations. This not only makes it advisable for cooperatives to strengthen their own position by similar methods, but in some agricultural industries it makes this easier to accomplish. Another factor in the situation is that neighboring states, with large-scale cooperative organizations, are obtaining advantages in out-of-state markets and even in Oregon's home markets. Large private agencies are also extending their operations into Oregon for the first time. It is therefore not only opportune but imperative that Oregon's cooperatives adopt methods and practices that will enable them to compete advantageously. To remain self-satisfied or inactive in the face of economic pressure and rapid change, is to go backward.

To sum up, Oregon's cooperative movement is in a position to go forward. A number of associations are in a strong position, with large volume, established connections, adequate capital, and plenty of credit. A few, however, are sitting just right for a "fade-out." For the strengthening of the movement as a whole, steps should be taken to consolidate activities, increase volume, reduce operating costs, improve and standardize quality of products, eliminate unnecessary competition and duplication, take on new lines of activity, and extend the scope of activities or services so that they are comparable with the most successful competing agencies. This means cooperation not only between members, but also between associations. To do this, a start should be made now to build up resources and credit and to bring about changes in the organization structure and management of our cooperatives that will facilitate business consolidation. All signs point to development through some form of united action. Splendid progress has been made in recent years and under conditions that now exist, and with the guidance of the Federal Farm Board we may expect to see our cooperatives become "bigger and better."