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COOPERATIVE MARKETING OF FARM PRODUCTS
IN
SOUTH DAKOTA

By
WENDELL F. KUMLIEN

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- Thesis -

Presented to the faculty of the South Dakota
State College of Agriculture and Mechanic Arts
in partial fulfillment of the requirements for
the degree of Master of Science.

June

1920

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COOPERATIVE MARKETING OF FARM PRODUCTS

IN SOUTH DAKOTA

I. GENERAL FACTS UNDERLYING THE WHOLE PROBLEM OF DISTRIBUTION AND MARKETING OF FARM PRODUCTS

Before entering into a detailed discussion of cooperative marketing of farm products as applied to South Dakota, I wish to briefly mention a few general historical facts which in a large part go to make up the background for the whole present day problem of distribution and marketing.

1. Pioneer America's Agricultural Problems Mainly Those Of Production

During the period when our country was predominately agricultural, each farm produced practically everything it needed and was in the main self-sufficing. Each farmer produced his own wheat and hauled it to the local mill to be converted into flour, bran and shorts. Likewise, he grew and slaughtered his own meat, made his own butter, cheese and sugar, and quite generally provided himself with the means of subsistence. Whatever surplus he had, he bartered off to other local men in the nearby village or small town for goods or cash. Accordingly, at that time there were practically no problems in distribution as we now know them and few in marketing except of a local character and where both buyer and seller knew each other.

2. Development Of Industrial Life Modified Conditions

The real problem of modern distribution and marketing came later when the country began to develop industrially and where

producer and consumer became separated by long distances. With the development of modern facilities for transportation and communication, agriculture grew away from the old self-sufficient basis and began the production of large surpluses of foodstuffs for commercial purposes. As land was both cheap and plentiful and the prospects for profits good, farmers concerned themselves largely with production and were content to follow their products only to the nearest shipping point or market. As a consequence it was only natural that a class of middlemen developed who stepped in to bridge the gap of distribution and marketing between the producer and the distant consumer. After the railroads and the distant markets were once established, it was inevitable that our intricate modern system of distribution and marketing should follow. In fact so important has the later process become in comparison to that of production that in many instances the cost charges for the former service almost double the cost charges of the later.

3. Economic Pressure Gradually Forcing Farmers To Assume A Larger Share In The Distribution And Marketing Of Their Own Products

Within comparatively recent years, however, the economic condition of the farmer has been undergoing a complete change. Free and new land has now become a thing of the past. Land rental has necessarily increased the cost of production until today with a low market price for farm produce, the cost of production has reduced the margin of profit to where the average farmer's annual net labor income covering a period of years, is said to be even less than \$500. In the past the farmer has had the increase in land values to fall back on. With this pros-

spect now taken away he has no option but to find some method of getting a larger share of the consumer's dollar in return for his labor. Statistics show that in the United States farmers have been receiving as low as 32% for their share of the consumer's dollar paid for foodstuffs.

In Denmark, on the other hand, where cooperative marketing is highly developed, farmers receive as much as 68% for many of their staple products, as their share of the consumer's dollar. Naturally, therefore the farmers of America are looking toward taking over a larger share in the process and distribution of marketing of their own products in the hope that they^{too} can increase the profits of their own business. It should be understood in this connection, of course, that most farmers believe that middlemen are deriving an unduly large profit for their share of getting foodstuffs to the consumer. In fact so established has this idea become in the minds of most farmers that they commonly charge the middlemen with wasteful and dishonest practices. As might be expected under such circumstances, the middlemen reciprocate in their estimate of the farmers, so at the present time considerable distrust exists between the two classes.

Within the last two decades, therefore, farmers have been gradually entering into the first stages of distribution and marketing. So far their efforts have been limited largely to the formation of local community cooperatives to take the place of the one time community private buyers of farm commodities. According to the United States Bureau of Markets report for 1919 there are now over 1400 cooperative^{buying} and selling agencies in the

II. STANDARD PRINCIPLES OF CO-OPERATION.

Inasmuch as the main emphasis of co-operation for the marketing of farm products has up to the present time been laid on the establishment of local community co-operatives perhaps it would not be out of place to enumerate a few standard principles of organization which are equally applicable to any form of such co-operation. Naturally this first period in co-operation has been more or less experimental and a testing time for many ideas concerning organization work. Accordingly the following are the crystallized ideas which are commonly agreed upon by most authorities on the subject.

I. Successful Local Co-operation Must be Born of Necessity.

In going over the state one frequently sees a dead co-operative which stands as a fitting monument to the work of some wary professional promoter who has at some time come into the community and started to organize the farmers along the line of his pet form of co-operation. In all probability he appealed to the prejudices and misconceptions of the community in order to sell his idea. He had no scruples in painting with glowing colors successes that were supposed to have been attained by some other community along this same line of endeavor. The multiplicity of such instances should make farmers beware of all outside professional promoters who do not have proper credentials. It has been proven so many times as to become almost axiomatic that an organization which is founded on dire need so determined by the community itself, certainly has the best chance to succeed.

2. A Sufficient Volume of Business at an Available Point is Essential.

Many local co-operative organizations have started where this essential was lacking and sooner or later the deficiency proved fatal. This has been especially true of co-operative creameries. The main excuse for co-operation is to effect a saving for its members on the basis of their patronage, and if enough business cannot be assured from the beginning it is eventually doomed to failure.

3. Should Operate on Distinctly Co-operative Principles.

There is a vital difference between the operations of a general business corporation and a co-operative association. The ordinary business corporation is operated for the profit of the persons who are financially interested in it, and the distribution of profits is made according to the proportion of capital invested. The number of votes per member is also usually based on the amount of invested capital. On the other hand, in a truly co-operative marketing organization each member is limited to a certain number of shares, is allowed only one vote and the returns on his investment is restricted to a fair rate of interest. The surplus in the earnings in such a company is distributed in accordance with the patronage. One of the main safeguards of all true co-operatives is to prevent the ownership and control of the enterprise from falling into the hands of the few.

4. Must Have Capable Management.

It goes without saying that capable management is one of the prime requisites for success in any sort of a business organization. Many organizations in not observing this principle have

had disasterous experiences. It is always poor economy in a co-operative organization to attempt to save by hiring incompetent managers.

5. A Good Accounting System Necessary.

Where a good many people are members of a single organization it is especially important that a good businesslike set of books be kept that are both simple and accurate. It will save many disputes, create confidence in the minds of the members, and make it possible for the directors to act intelligently and with dispatch.

6. Should Have Loyal Members.

Loyalty on the part of members, while one of the prime essentials, is also one of the most difficult to enforce. The average farmer is too often beguiled into taking his products to some other concern if he sees a chance to temporarily save a few cents especially if his action is unknown to his neighbors. Nothing is more fatal to a co-operative organization than to have its volume of business cut down owing to its members giving their patronage to other concerns.

7. Membership Contracts an Excellent Safeguard.

Within the last few years in order to overcome a tendency toward disloyalty on the part of members, many of the newer and more successful co-operatives are now requiring a binding contract whereby members are required to market certain products through the organization. Such contracts are made more or less "water tight" and in the practical working out holds members together, insures a steady and consistent volume of business and enables the managers to plan intelligently for some time ahead.

8. Membership Should Preferably be Limited to Those Actually Engaged in the Business.

Of late years especially since considerable distrust has grown up between the producer and middleman an increasing number of local co-operatives are limiting their membership to those actually engaged in the business. This precaution has the distinct value of making it virtually impossible for competitive outside interests to get control by buying shares in a co-operative business, or to use inside information to further competition in the interest of their own private organization.

IV COOPERATIVE MARKETING ORGANIZATIONS IN SOUTH DAKOTA

Inasmuch as South Dakota's future as a predominately ^{of grain} ~~agricultural~~ culture area, is closely tied up with the success or failure of this present active cooperative movement involving the distribution and marketing of farm products in America, it would seem timely to consider in detail the status of the movement in this State. Fortunately, the five commodities of livestock products, grain, seeds, potatoes and wool, which are now receiving so much attention nationally, are our main farm products in South Dakota. The following pages, therefore, will contain a brief discussion of the cooperative organizations for marketing each of the commodities in this State. The discussion will include a description of the scope of each organization, its plan of operation, its advantages, limitations and future outlook. Maps have been inserted in the discussion showing the location of the various units involved.

1. Livestock Shipping Associations

Farmers' livestock shipping associations are one of the newer forms of organized cooperative effort in the United States. While it has been a common custom for many years for farmers to combine their livestock in order to make a carload for shipment to market, it is only since 1908 that the first shipping association as we know it, was formed for this purpose and was located at Litchfield, Minnesota. The immediate success of the movement prompted similar organizations in other communities until today the number in the entire country has reached approximately 3000. The movement is especially well developed in the middle west.

a. Scope of the movement

In this State there are now 176 cooperative shipping associations on record. The first one was formed at Melham in 1916, a few more in 1917 but the great majority of them have been organized since 1919. As far as can be ascertained, there are now 17,072 members or an average membership of 97 to each association. During 1920 these 176 associations shipped 8976 cars or a average of 51 to each association. The local associations shipped stock to three different central markets, namely, Sioux City, Sioux Falls and St. Paul.

b. Plan of operation

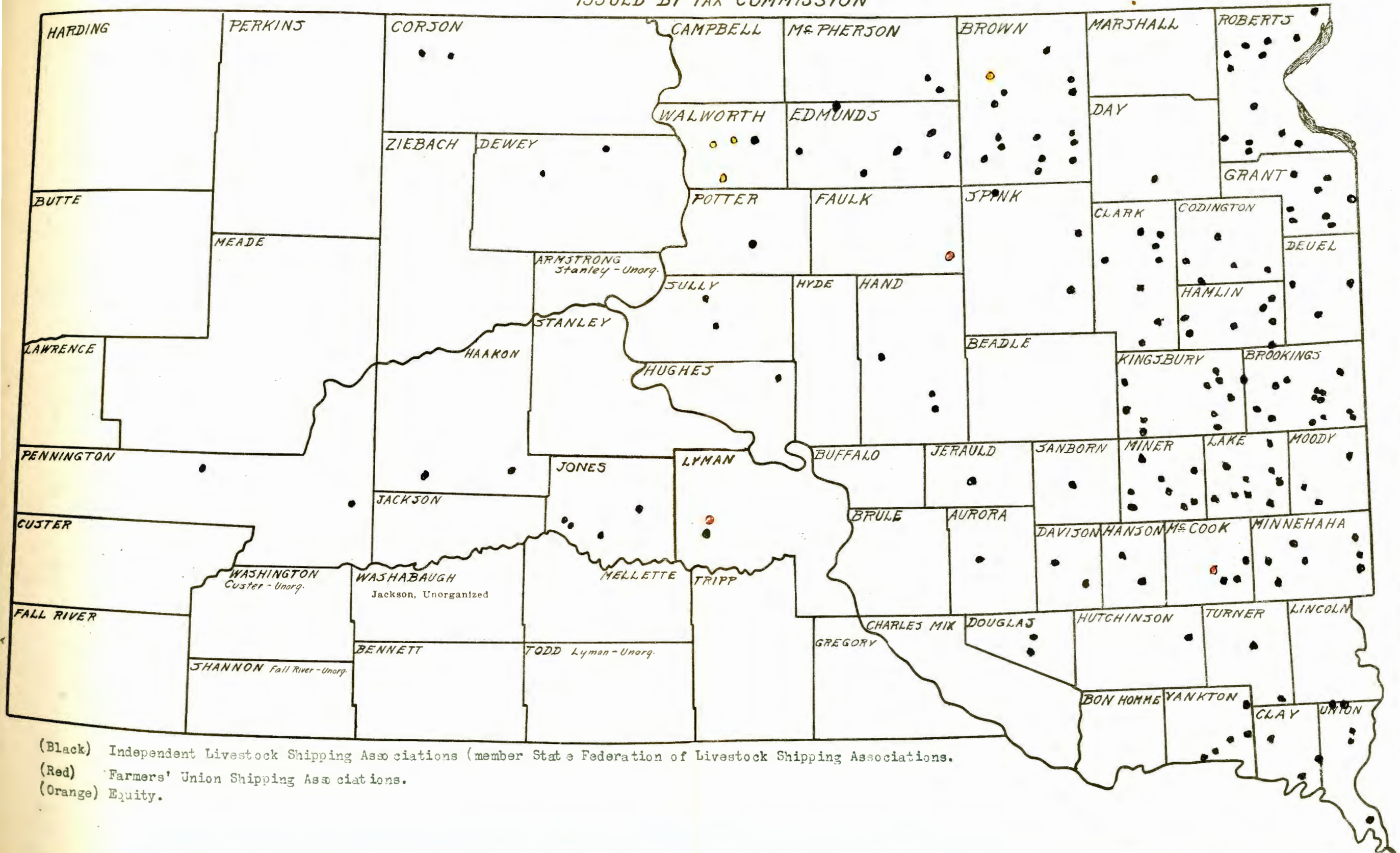
By far the majority of cooperative shipping associations have been started in this State under the auspices of the county farm bureaus. The county agent has given material aid in this work. As the farm bureaus ^{themselves} ~~do not~~ carry on any commercial business,

these shipping associations have all been organized as independent locals. Last year they were federated into a State Federation and now employ a full time paid secretary to look after their interests. The federation has also organized a farmers cooperative commission company at Sioux Falls which handles most of the stock of these independent locals. In addition to the independent associations, there are seven which have been organized by the equity exchange and four by the farmers cooperative and educational union. The equity exchange locals shipped to an equity commission firm in St. Paul and the Farmers' Union locals ship their stock to a farmers' union commission company at Sioux City and Omaha.

In explaining the method of operation of the local shipping

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



associations, it should be understood that the association seldom buy stock at all. It simply receives stock for shipment. This service is one formerly performed by the stock buyer. The stock from the local association is simply consigned then to a commission firm at the central market where the commission charges are deducted from the sale and the proceeds prorated back to the farmer owners. The local manager largely acts as a clerk to take care of the routine business and is paid for his services either on a percentage basis according to the amount of stock handled, or so much per day by the local association.

c. Advantages

When asked why these livestock shipping associations have increased so rapidly, the reply from the members almost invariably is that the private stock buyers have not paid what the stock was worth. In defence of the private buyers however, it should be said that they had to incur considerable expense in soliciting and collecting the stock and ^{therefore} had to make more on the transaction in order to insure a profit. One of the many advantages of the cooperative association is that it gets its business without the expense of solicitation. It has been estimated that approximately from 15 to 25 cents per hundredweight was saved on all livestock shipped from South Dakota last year by the cooperative associations. This would amount to between 50 to 150 dollars per car. If we take the lowest figure of \$50 per car, we have a saving of nearly one-half million dollars to the members of the association, when we consider that 8976 cars were shipped altogether.

In addition to the financial game which of course, is the main objective, there are many others as follows:

1. Farmers become familiar with markets and market demands.

In this way they learn to know the market grades and classes and can govern their livestock production accordingly.

2. They learn not to over-feed stock since over-feeding results in excessive loss from shrinkage, and death or injury while in transit.
3. Much time and labor is saved in buying, collecting and delivering stock for shipment
4. The farmer can market his stock when it is ready without waiting for the buyer to come after it.
5. During the car shortage an association of several members can usually secure its share of cars better than one individual can.
6. Any crippled stock can be disposed of at nearly the same price where formerly they were docked to half price.
7. The farmer is educated up to higher standards of breeding since he will see that when he ships a good animal, he will get a correspondingly good price.
8. The individual farmer will receive genuine consideration at the central market through the volume of business done by his association.

9. The community in which he lives will benefit as the result of there being a good livestock shipping association in it.

d. Limitations

If the cooperative marketing of livestock should go no further than shipping through the locals, the influence of the movement would be largely limited to the various communities and the savings effected would simply be the profits of the local private buyers. Some control must be had of the central markets if the farmer is to receive enough for his livestock. While something has been done along this line, it has not been concerted enough to get to the heart of the problem.

e. Future outlook

At the present time a national committee of fifteen is at work trying to devise ways and means of improving the whole problem of marketing livestock cooperatively. This committee while appointed by the President of the American Farm Bureau Federation, has in its membership representatives from all of the main farmers' organizations of the country which are doing work with livestock marketing. While the committee's report has not been made as yet, it is probably that the main recommendation will be to establish farmers' commission firms at all of the central markets which will receive consignments from all local cooperative shipping associations on the same basis no matter under what auspices they have been organized. It is also probable that they will recommend leaving the local associations as we now have them as the basis for the new plan. It

is to be hoped that something will also be done pertaining to better relationship with the packers, railway transportation and with sanitary laws and practices.

2. Cooperative Creameries And Cheese Factories

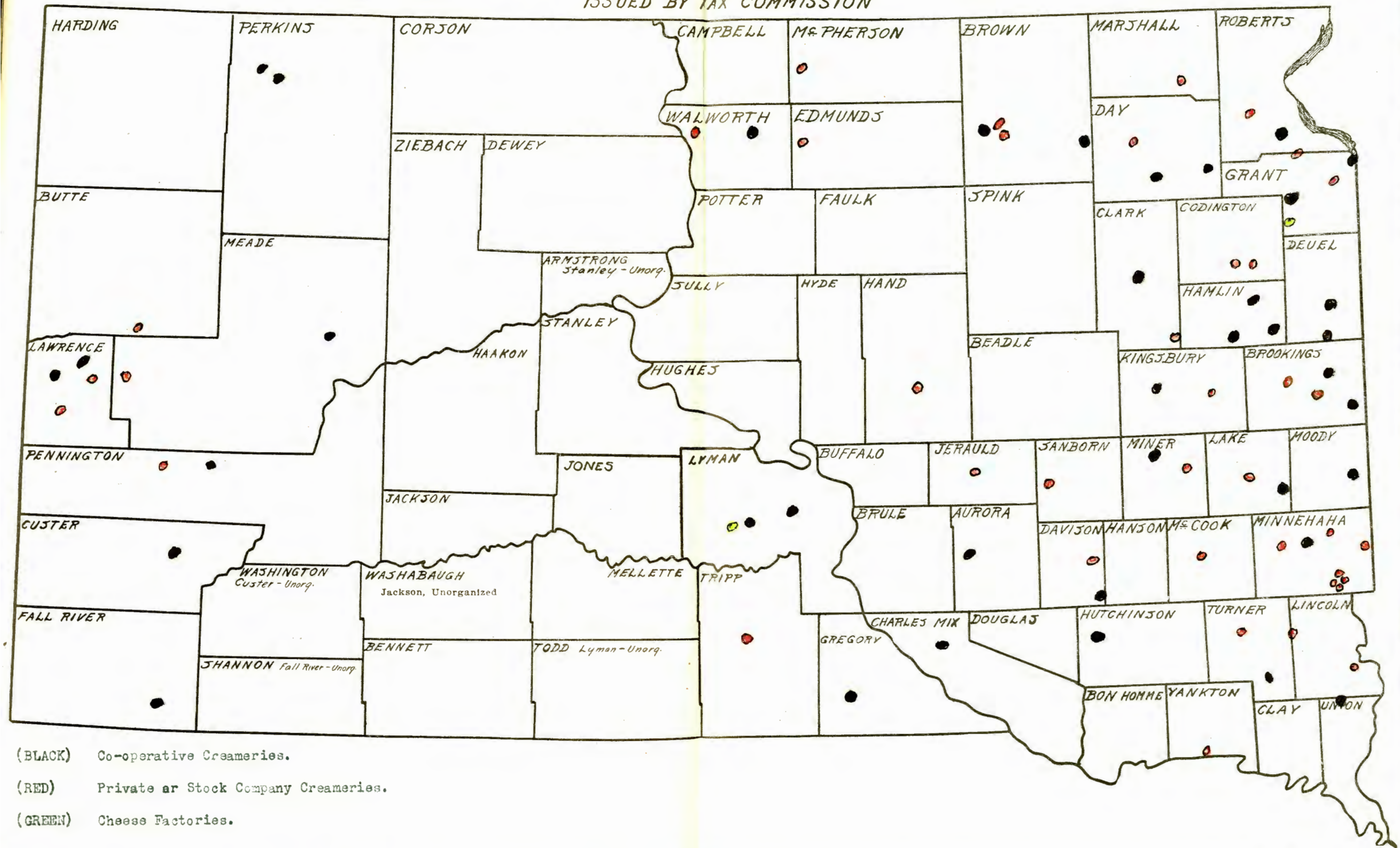
a. Scope of the movement

While the State of South Dakota has an annual butterfat production sufficient to make thirty million pounds of butter each year, according to the latest ^{data} only 58% of the total output was handled by cooperative creameries during 1919. This is owing to the fact that in many communities the volume of dairy products produced is not sufficient or else is not produced in a sufficiently concentrated area to warrant the building and maintenance of a local creamery. The report of the dairy expert for 1919 shows that only 23 of the individual and stock owned plants or cooperative creameries shipped in cream from outside their local territory. As a consequence, only a little over half of the butterfat was manufactured into dairy products here, the balance being shipped out of the state. Despite this fact the value of South Dakota's dairy products for 1919 was \$29,302,256.00. This was an increase of 84% during the past ten years. These figures should further indicate that dairying is fast becoming one of the main industries of the state.

Out of 80 creameries approximately half are owned by private companies and the other half are cooperative. There are only two cheese factories in the state, both being cooperative. One of the interesting facts connected with the dairy industry in South Dakota is that during 1920, 39 ice cream factories and creameries manufactured nearly one million gallons of ice cream

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



(BLACK) Co-operative Creameries.

(RED) Private or Stock Company Creameries.

(GREEN) Cheese Factories.

b. Plan of operation

The operation of a cooperative creamery or cheese factory is simple the members take out shares in the association, each member being limited to a certain amount . Out of the earnings of the company, he will receive simply a standard rate of interest on his capital invested and the balance of the net earnings are prorated as patronage dividends.

The butter or other dairy products manufactured by the local creameries are usually sold to jobbers or wholesalers in the central markets where it passes through the hands of several other middlemen before finally reaching the consumer.

c. Advantages

Naturally the greatest advantage in cooperative creameries has been the financial gain to the farmer in receiving a higher price for his dairy products. However, one of the other far reaching results is that the best dairy stock, and some of the most progressive farmers in the state are developed in the ^{territory} tributary to cooperative creameries.

d. Limitations

While farmers are well repaid for maintaining their local cooperative creameries there are several other large problems of marketing, such as pertain to transportation, market stabilization, etc., that can never be solved until reached through the central markets. In order to do this, it will be necessary to form some kind of a national federation to control the situation much the same as is being done with regard to grain and livestock commodities.

e. Future outlook

At the present time a committee of eleven members is being

appointed by President Howard of the American Farm Bureau Federation to make recommendations toward a national scheme of marketing dairy products. It is too early as yet to predict just what their recommendations will include. It will probably be some six or eight months before these recommendations will be ready.

3. Cooperative Breeders' Associations and Sales Pavilions

While we do not definitely think of a breeders' association or sales pavilion company as being a cooperative marketing organization, the selling of purebred stock ^{should} rightfully be classified as such in South Dakota. These associations form one of the most successful ventures in rural cooperation.

a. Scope of the movement

The first public cooperative breed association and sales pavilion company to be formed in South Dakota was at Mitchell in 1904. After the formation of the state association of breeders, the state legislature appropriated \$10,000 toward the construction of a pavilion. The number of sales held in this pavilion have increased each year since that time until last year, when 17 sales were held.

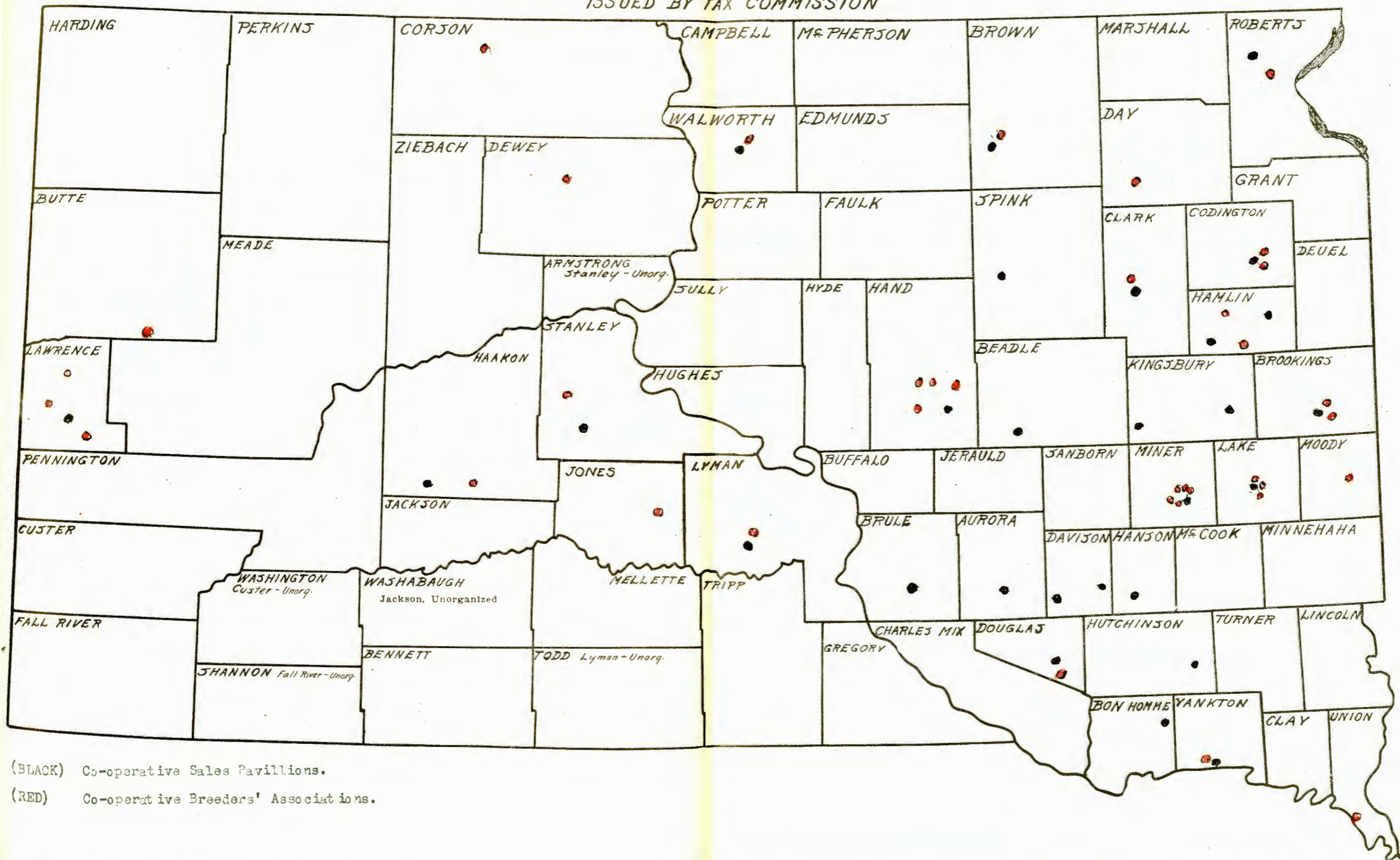
The influence of this association and pavilion has spread over the state until at the present time there are 25 community sales pavilions and 37 breeders' associations in the state.

b. Plan of operation

The community or county breed associations in the past have been made up of the purebred livestock breeders of various kinds of animals in that section. These ^{organizations} were often called combination breed associations. Of late years, however, as the number of breeders have increased, they have split up into separate breed associations. Except for the cooperative sales which are put on

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



during the year, most of the meetings which are held are purely educational in nature. As a usual thing one sales pavilion suffices for the whole community and is used both by the different breed associations in the community and such individual breeders as may wish to put on sales. It is not uncommon in some of the South Dakota communities to have from 15 to 25 purebred sales in one year. Ordinarily the breed association is organized separately from the sales pavilion company. The breed association has annual membership dues for its maintenance. The sales pavilion, however, is usually built through the sale of shares of stock. The earnings of the pavilion are then prorated on the basis of capital invested rather than through patronage dividends. In most cases the sales pavilion company charges either the breed association or the individual putting on a sale so much per day or a given charge for each animal run through the ring.

c. Advantages

The advantages of a breed association and sales pavilion in a community are many. Among them are the following:

1. It raises the standard of livestock in a community.
2. A home interest is created.
3. It leads to better control and management of livestock in the community. In short it develops a definite policy in breeding.
4. It leads toward community breed centers.
5. Develops community interest.
6. Stimulates prices for exchange in breeding stock.

7. Promotes confidence between breeders.
8. The small breeder receives his share of recognition.
9. The overhead expense of each members herd is reduced.
10. It often times brings local fame to a community
11. Through club work, which is one of its by-products, it encourages the interest of young people in good stock.

e. Limitations

Owing to the nature of these community breed associations and sales pavilions, there are very few limitations. As the work becomes older, the best offering of the good herds of the State are often times saved for state or district sales. Perhaps one limitation in the breed sales which come as a result of the community breed association and sales pavilion, is in certain adverse results on new beginners in the purebred business. Many people lose their head in buying purebred livestock at a sale, while if purchasing for foundation stock by private treaty they would use more mature judgment. Thus, through the glib tongue of certain unscrupulous auctioneers, purebred culls are sold at inflated prices to people who have not taken the time to investigate the work of pedigrees.

e. Future outlook

While at present the average price of purebred animals seems to be pretty low in comparison to the fabulously high prices of the past two or three years, the purebred business is probably on a good basis for the future. There is no doubt that prices have been too high and poor ideals established by

certain breeders in the past who have tried to commercialize the business. The reversal in prices will probably go a long way to correct this difficulty and induce breeders to work for quality and a higher standard.

4. Cooperative Grain Elevators

a. Scope of the movement

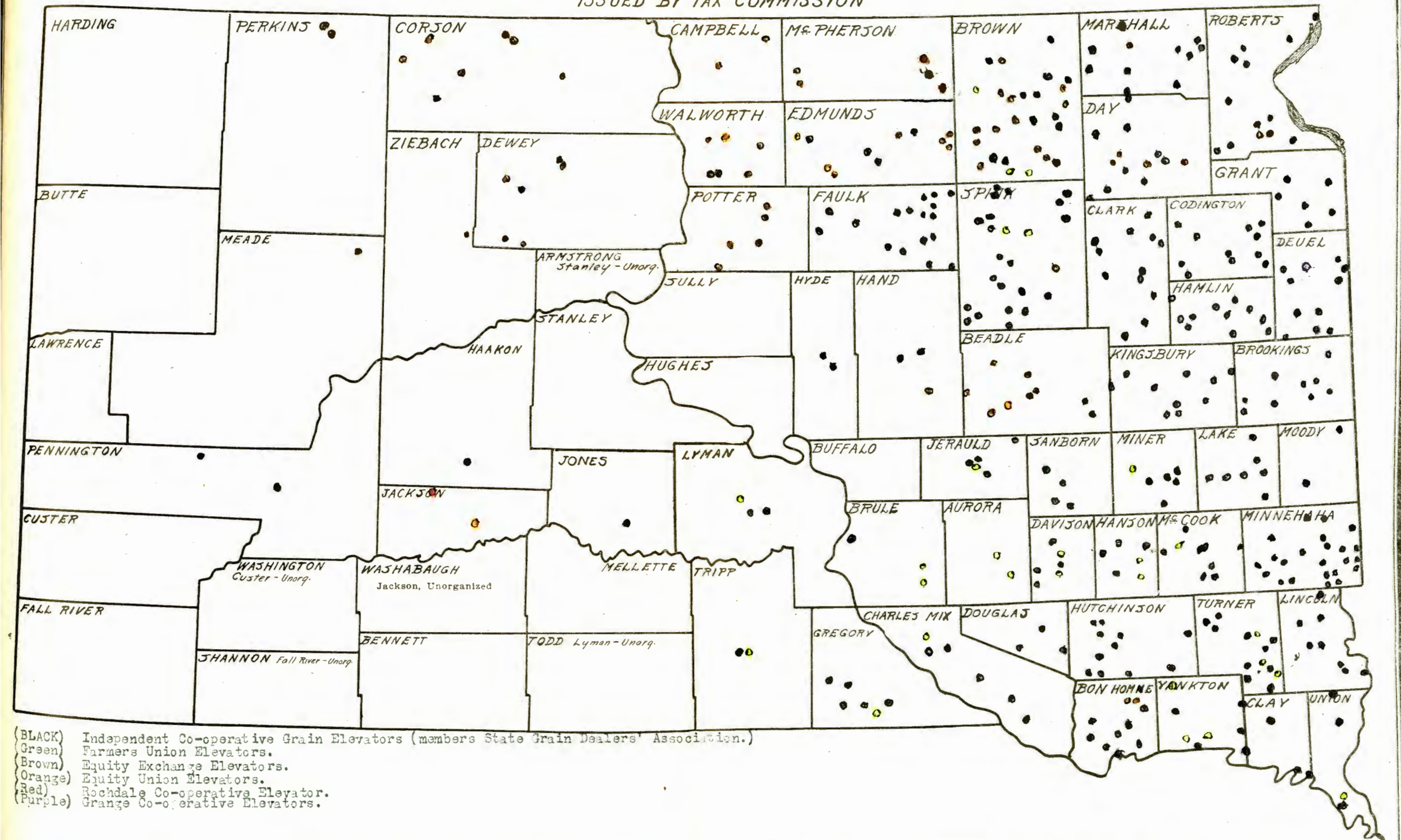
Cooperative elevators are one of the oldest and most successful forms of rural cooperation in the entire country. There are now on record over 4000 of these elevators and approximately 415 of these are located in South Dakota. The greater majority of these 415 elevators are independent cooperative elevators which are members of a state-wide federation known as the State Grain Dealers' Association. In addition to the independent cooperative elevators there are 59 which are classified as Equity Exchange elevators, 25 of the Farmers' Union, 9 of the Equity Union and one formed by a Rochdale Company.

b. Plan of operation

There seem to be two distinct forms of farmers elevators in this State, namely, joint stock companies and cooperative associations incorporated under our South Dakota cooperation law. Both forms are operated under the usual plan for that kind of an organization. The stock companies prorate their net earnings on the basis of capital stock invested, while the truly cooperative elevator simply pay^a/ standard rate of interest on capital stock and the balance of the net earnings^{are}/ prorated then according to patronage dividends. In the past most of these elevators have not pooled their grain but simply bought it direct from their members paying the current prices for the day.

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



Many of the cooperative elevators have observed the same practices as private buyers with reference to hedging, speculation, etc. Most of the grain in South Dakota is shipped to some one of the central markets at Minneapolis and St. Paul, Sioux City and Sioux Falls, although some goes direct to Chicago.

c. Advantages

The presence of over 400 cooperative elevators in a state with the size and population of South Dakota is perhaps the best evidence of their being considered a financial success. In most instances ^{a member of a} cooperative elevator has probably succeeded in netting anywhere from two to six or seven cents per bushel for his grain than he would have received from a private buyer. Considering the amount of grain shipped out of South Dakota, this, of course, would aggregate a tremendous amount of money to the cooperative elevator members. As a usual thing, even though apparently, the cooperative elevator in a given community does not pay a higher price for grain brought in than the private elevator, its presence as a competing agency has succeeded in keeping the price up to standard and is a constant assurance of honest grading. This fact should never be overlooked in all forms of cooperative organizations where it is competing with private business in a community. While usually not credited, this advantage is perhaps one of the outstanding ones that can honestly be attributed to cooperative effort.

d. Limitations

Despite the fact that there seem to be very definite advantages in having local cooperative elevators, the influence that they have had on the central grain marketing has probably been very limited. These elevators have not been federated to where

they have much weight with the boards of trade, exporting agencies and other central grain marketing machinery. The local cooperatives have also lacked the facilities for storing grain so in most instances they have had to sell in the fall, thereby glutting the market. It is estimated that 75% of the entire wheat crop is usually marketed within a four months period. It is then up to the terminal elevators which are mostly private concerns to store the grain or hold until the millers are ready to handle it. This, of course, means that these same agencies must make arrangements to finance the wheat crop as well, as the farmer producers and local elevators have largely shifted the responsibility of handling the grain after it has left their control in the fall. It is only natural that large margins of profit have been made on wheat before the time when the consumer gets around to use it. All through this system which has been established the market is usually glutted during the four months period when it is being shipped and the price is forced down. The grain marketing machinery, therefore, has an opportunity to buy grain when it is cheap and by feeding it on the market gradually, manage to get a ^{good} price throughout the season. This, of course, is simply good business on their part but has greatly incensed the farmer now when prices are down so low.

e. Future outlook

Within the last year very definite means have been taken through the efforts of several of the larger farm organizations to solve this problem of wheat marketing by a national cooperative effort. A committee of seventeen was appointed under the auspices of the American Farm Bureau Federation. The membership

of the committee consisted of a representative of every important farm agency having anything to do with the marketing of grain. This committee made its report this spring and on April 6th a national plan was ratified by the various farm organizations. In brief the plan provides for the incorporation of a huge cooperative agency known as the United States Grain Growers Incorporated. Its headquarters will be at Chicago, Ill. It aims in general to stabilize market prices, to eliminate speculation and manipulation of markets and to furnish adequate financial credit to farmers. It provides for an export corporation, a terminal warehouse corporation, a financial corporation for service departments to look after the farmers' interest and other subsidiary departments. The membership is limited exclusively to bona fide growers of grain who have an agreement with the local cooperative to handle their grain for them. These local cooperatives in turn will have a contract with the grain growers corporation whereby all of the grain will be marketed through the latter. The contract provides that the grain will be sold either on a sales or pool basis. It is thought that when the corporation is thoroughly established that it will revolutionize the grain marketing system of this country.

A somewhat similar plan has been worked out by Canada and operates most successfully. Another very similar analogy is the California Fruit Exchange of California. The problem of wheat marketing, however, is not so simple as the commodity is grown throughout the entire area rather than over a restricted area and must be marketed in competition with wheat grown throughout the entire world. In passing, however, it may be safely said that the experience in grain marketing is the most momentous

thing ever attempted by the American farmer and if it proves a success will doubtless pave the way for a more successful marketing of all farm products.

5. Grain And Grass Seed Associations

a. Scope of the movement

So far the cooperative idea in raising and selling purebred grain and grass seeds has not become very well established. Only two groups of associations in the state have done very much along this line. The first is what is known as the South Dakota Experiment Association. This was started in 1914 as an adjunct to the Agronomy Department of our own State College, and its purpose was largely to disseminate new varieties of grains and grasses which were developed by this experiment station. Membership of this association was made up largely of ex-students of the institution. As the movement grew, however, it was only natural that these disseminators of pure seeds should have surpluses to sell and would wish to commercialize the work. Accordingly, within the last few years the commercial side of the work has rather outgrown the other end. It is now more of a purebred seed growers association banded together for the sale of their surplus seed. Arrangements have been made with the college whereby these growers' seed is tested and inspected by them. The findings of the college are then used as a basis for a system of seed certification made by the South Dakota Experiment association. In 1919 there were 262 members scattered throughout the state representing 55 different counties. No records have been kept of actual sales made through the association so it is difficult to estimate exactly how much seed has

been sold. The other cooperative agency for handling grain and grass seeds is the county farm bureau associations who have cooperated together by getting out a state-wide exchange list. From the standpoint of aggregate sales, the exchange list has probably been the most effective agency in the state. This exchange list is published monthly and any farm bureau member of the 20,000 now in the state may list init any seeds which they may either want or may have for sale.

In addition to this the Spink County Farm Bureau maintains a local seed house which buys, cleans, grades and sells seeds for its members. A regular warehouse is used for this purpose. The Jones County Farm Bureau last year organized a county alfalfa seed association. This is of too recent origin to enumerate any of the results accomplished. Stanley and Hughes County Farm Bureaus have a combined alfalfa seed growers association with a warehouse located at Pierre. Considerable seed has been sold through this association although at the present time it is not very active.

b. Plan of operation

In all of the grain and grass seed associations that we have described they have been rather loosely organized and more or less on a voluntary basis. All of the associations have charged an yearly membership fee for belonging to the association and the manager or farm bureau secretary simply acted as a clearing house or point of contact between buyer and seller. In both the State Experiment Association and the State Farm Bureau Exchange list, the secretary of the former, and the county agents of the later, have handled no cash whatsoever. Through the seed list or by answering inquiries, they have simply brought

buyer and seller together. This accounts for the fact that very few records are available as to actual sales made.

c. Advantages

The advantages of the system in effect so far are that they have succeeded in stimulating considerable interest in better and purer seeds, and functioned in a time when people have not been ready to organize seed association on the same basis that they have organized elevators, shipping associations, etc. In other words owing to the fact that nearly every farmer raises his own seed, it is doubtless if any other form of organization could have succeeded at all. These associations also have acted as a media for Extension workers to operate through and establish a point of contact with groups of any size. Through them considerable good has been done in the way of extending the idea of better seeds and the way has doubtless been paved for something better in the future.

d. Limitations

The limitations of associations organized in this way, are obvious. Its members have ^{not} accomplished ^{very} definite results as are usually effected through a regular incorporated association.

e. Future outlook

It is altogether probable that sometime during this year a state-wide alfalfa growers association will be organized on very much the same business-like basis as the grain and livestock associations. Last year the alfalfa seed growers of South Dakota marketed alfalfa seed which in the aggregate worth amounted to practically one-half million dollars. A market for this seed is already assured as several states such as

Michigan and Wisconsin through their cooperative associations have agreed to take South Dakota's entire output of alfalfa seed providing it can be certified as being up to standard. The Grimm and Cossack varieties are most sought after.

It is possible that sometime in the future the South Dakota Experiment Association will change its name and function to that of a business association for the sale of purebred seeds. If this is done and a plan of operation similar to what I have made for the alfalfa growers association, it will doubtless succeed. It should be remembered, however, that with purebred grain reproducing as fast as it is there will never be need for a large number of growers in any one community, county or even state.

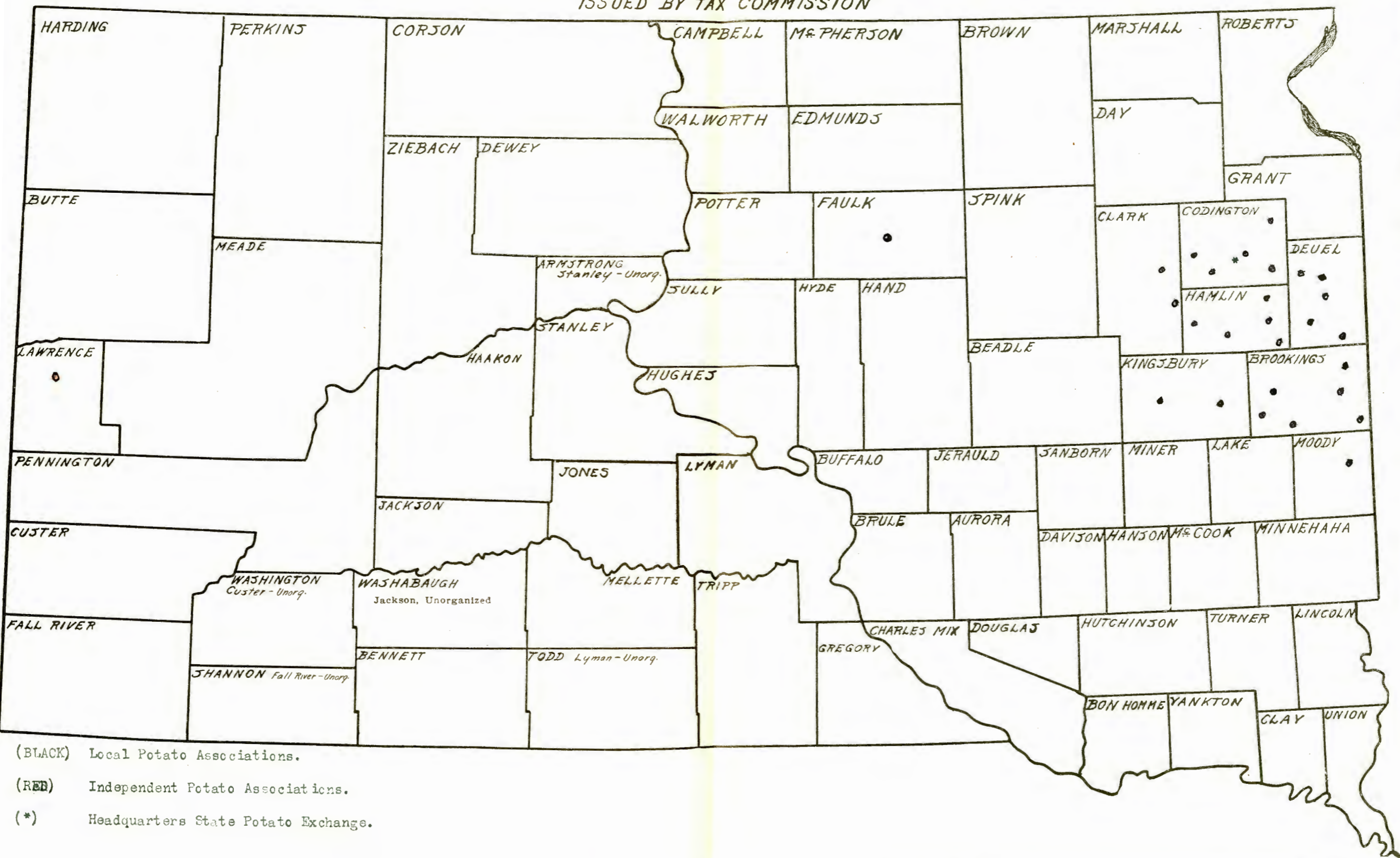
6. Cooperative Potato Associations

a. Scope of the movement

South Dakota produced last year approximately 3000 carloads of potatoes which were marketed commercially. The bulk of this crop was produced in five or six counties in the northeastern part of the state. The first local potato association which made any consistent attempt to market the crop of the community was organized at Dempster three years ago. About that same time a state-wide South Dakota Potato Growers Association was formed which functioned largely for the improvement of production but also looked after marketing in a general way for its members. The secretary of the association, Mr. F. E. McCall reports that during the past three years some 2000 cars were marketed through the association largely to local markets in the state. During the past year two or three other locals were formed in Brookings and Coddington counties which marketed part of their crop through

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



- (BLACK) Local Potato Associations.
 (RED) Independent Potato Associations.
 (*) Headquarters State Potato Exchange.

the State Potato Exchange of Minnesota. The first movement of any importance toward marketing the South Dakota Potato crop came this spring through the organization of a state potato exchange. Since the plan has been developed over 30 local potato associations have been formed with an average membership of 50. Already these local associations have joined the state potato exchange and contracted with the latter to sell 3000 cars of potatoes on a commission basis. The headquarters of the state potato exchange are at Watertown, South Dakota. There is one other local association located at Spearfish, which is at present independent of the state potato exchange. It is possible, however, that they will join the exchange sometime this year.

b. Plan of operation

The membership in the state potato exchange is made up of local associations and the membership of the local associations is made up of potato growers. The local associations have membership contracts with their members whereby each grower contracts to market all of his commercial crop through his local association. The membership fee in most cases is \$10.00. The manager of the local association simply acts as a clearing house to handle, grade and ship the growers potatoes but without buying the crop. The potatoes are consigned to the state potato exchange for sale on a commission basis. The net proceeds are then prorated back to the growers. One unique feature about the membership in the state potato exchange is that while the initial stock that each local association has amounts to four shares of \$25 each. Dividends will not be paid on this stock until 20 shares have been paid for. In other words the earnings of the capital stock accumulate in the state potato exchange

until each local association has 20 shares. This is rather a clever way of financing the state potato exchange and will probably save it from embarrassment through trying periods that practically all cooperative organizations have to go through.

c. Advantages

The advantages of this system are, of course, in the main financial. However, this system will go far toward limiting the number of commercial varieties ^{of potatoes} grown, improve the quality and standard of these varieties, will insure better grading and handling and will lead toward the establishment of a definite place on the market ~~ing~~ for a South Dakota brand of potatoes. South Dakota grows an excellent potato but at present the best part of our potatoes are sold under a Minnesota brand.

d. Limitations

The one big limiting factor in the present system will be that after the production of potatoes has increased in these central states, where there is a tendency to over-production, there will be rather severe competition between the different states to market their respective crops. This is owing to the fact that each state maintains a separate exchange at the present time. This does not effect South Dakota very much owing to the fact that a market can be found and most of the potatoes within the state or else in Sioux City or upper Iowa.

e. Future outlook

At the time of forming the state exchange, there was considerable agitation for trying to organize a northern middle west exchange at Minneapolis, Minnesota, to include Michigan, Wisconsin, Minnesota, North Dakota and South Dakota. This plan fell through but as soon as the pressure of competition between

states becomes more acute some such plan will have to be carried out. In this way each state will cater to a certain defined area for its market. Owing to the bulkness of potatoes and the fact that they are more or less perishable, there is not quite the same need for having one central national control as there is in such products as wheat, butter, etc., that can be transported long distances without a great deal of extra cost.

7. Wool Associations

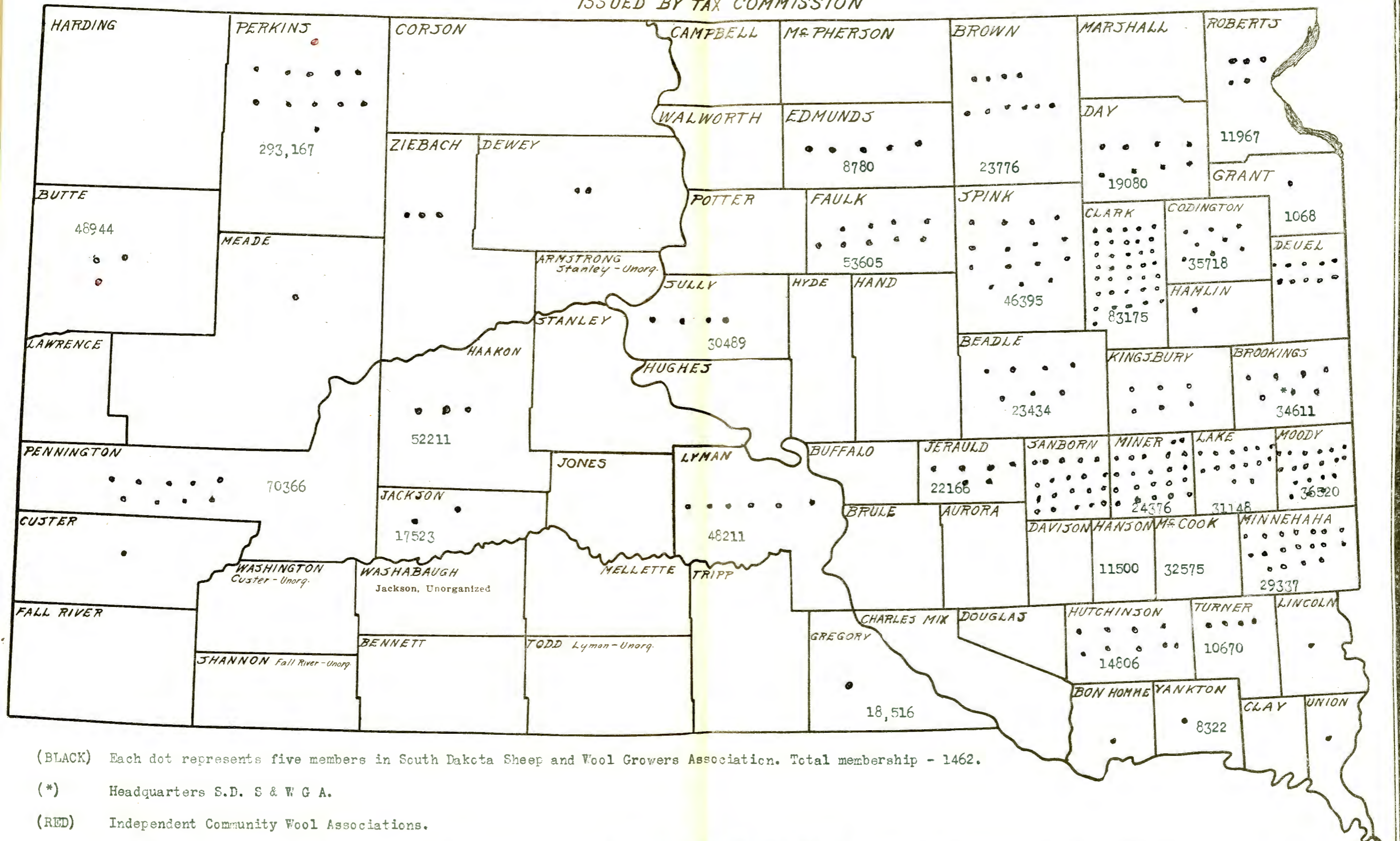
a. Scope of the movement

The first cooperative wool pool or association formed in South Dakota was in Spink County in 1917. The county agent there at that time attempted to assist his farmers in selling their wool by a county pooling system instead of the old method of each farmer selling individually to private wool buyer. The idea worked out quite well, the advantages being, that farmers could sell any grade, could combine their wool clips into carload lots, and could effect competition by bringing several buyers together at one place to bid on the entire pool. In fact the idea worked so well that in 1918 and 1919, the majority of wool producing counties of the state adopted the plan. One thing that helped the county wool pool system during those years was that prices were high owing to war conditions and the government assumed considerable responsibility for selling the wool at the central markets.

By the spring of 1920, however, the private buyers had apparently formed a combination, tacitly agreeing among themselves not to compete against each other in bidding on the county wool pools. Accordingly, the sheep men of the state, through the help

OUTLINE MAP OF SOUTH DAKOTA SHOWING COUNTY BOUNDARIES

ISSUED BY TAX COMMISSION



(BLACK) Each dot represents five members in South Dakota Sheep and Wool Growers Association. Total membership - 1462.

(*) Headquarters S.D. S & W G A.

(RED) Independent Community Wool Associations.

Figures represent number of pounds wool shipped from each county - total shipment - 1,267,185.

of the county farm bureaus and the Extension Service, formed a state-wide organization known as the South Dakota Sheep and Wool Producers' Association. There were 1435 wool growers which joined the association and agreed to form a state pool through the National Wool Warehouse at Chicago on a commission basis. There were 1,276,185 pounds of wool marketed through this state pool or approximately one-fourth of the total amount of wool produced in the state.

b. Plan of operation

The plan for handling the wool locally was effected largely through the county farm bureaus and the county agricultural agents who assisted their respective farmers in assembling wool at the various community shipping points within the county. It was then consigned direct to the National Wool Warehouse at Chicago in the name of the South Dakota Sheep and Wool Producers Association. The Chicago Warehouse paid the freight charges at the receiving point, and graded, cleaned, insured and stored the wool until buyers could be found for it. Owing to the glut on the market of having a surplus of wool for the past two years, the market this year has been very poor although at the present time approximately one-half of the South Dakota consignment has been sold. While it has cost each wool grower approximately 6 cents per pound for handling his product after it left the shipping point of origin, still it has netted him on an average from 2 to 5 cents per pound more than he would have received locally. It should also be added that the farmers who refused to consign through this state wool pool, have most of their wool on their hands at this time stored somewhere in their farm buildings

as there has been no home market at all for the wool.

c. Advantages

The great advantage of the pooling system over the old private buyers' system is that by selling the wool in bulk the cost of handling is greatly reduced. This is made possible through the fact that the wool is sold without solicitation the on our part of the buyer, and is shipped in quantities so the transportation charges are greatly reduced. It is estimated by the state association that the cost of handling under the old private buyer system was approximately 10 cents per pound, while under the cooperative system it has been handled for 6 cents. The greatest gain in the long run, however, will be that farmers will learn to improve the quality of wool produced and also how to better prepare their wool for the market. In the past South Dakota's wool has been penalized quite heavily on the market on account of being classified as an inferior grade of medium low quality. It will also be possible through the state pools to regulate the supply according to the demands of the market.

d..Limitations

Sooner or later the same difficulty will come to the state wool pools as was described in the state potato exchange, of states competing with each other on the market. An attempt is being made to solve this problem, however, by the appointment of a national wool marketing committee similar to that which has been appointed for grain, livestock and the dairy products. In addition to this the American Farm Bureau Federation has employed a full time secretary who is trying to coordinate the work of the various state associations.

e. Future outlook

While the national wool committee have not made their final recommendations as yet for a national plan of marketing wool it is expected that they will recommend the establishment of six or eight cooperative warehouses at different central markets in the United States, so that the state pools can consign to in the same way that South Dakota consigned this year to the National Wool Warehouse. Thus the wool market would be absolutely in control of the wool growers, up to the time that product is to be sold to the woolen mills. If held together by a national association, this ought to make possible the solution of many other secondary problems of transportation, standardization, grading and in better regulation of supplying demand. A proper means of financing the wool growers through a system of warehouse receipts, will also be worked out.

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