MORNING SESSION, MARCH 12, 1915.

Mr. L. E. Scott in the chair. Prayer by Rev. I. W. Corey.

THE FUNDAMENTAL PRINCIPLES OF CO-OPERATION.

Prof. B. H. Hibbard, Madison.

Coming to my subject at once, I am asked to go over the fundamental principles of co-operation. I take it that that means the conditions under which co-operation is likely to succeed, or the conditions under which co-operation is perhaps likely to fail.

Some Causes of Failures

We have in this country an unknown number of co-operative farmers' companies. It has been estimated at 85,000—I do not know whether that number is forty per cent too high or too low. I do know this, that there are by no means 85,000 of any very great consequences from the standpoint of the finances of the farmer, because in that 85,000 are counted 15,000 or 20,000 telephone companies, good enough, it is true, but with, after all, a very small investment and with very little direct bearing on the income and outgo of the farmer.

Again, there are a few thousand insurance companies included in that list. They are splendid organizations, very much worth while, nevertheless it has to be admitted that as good as they are they are of very minor consequence in the management of the farm. So the number is very, very much reduced by taking off some of these big numbers. It is true that looking back over the last forty years or so, back to the days of the Grange, that a vast number of co-operative companies have been started and soon failed. A good prophet, and by that I mean one who understands the prospects of the future judging by the past, rather than by any occult vision, a good prophet would have predicted the failure of most of these companies. They were destined to fail because the conditions of success were not present and because the roots and the symptoms of failure were present. The Grangers started a large number of co-operative companies where there was inadequate business, and especially with poor and inadequate management. The reason for that was that the farmers, as a class, did not understand the value of business ability. They were jealous of the man who wore a white collar and what they considered good clothes—believed that he was getting his living easier than they were, and believed he was getting too good a living in proportion to his efforts. Consequently, when they started up co-operative companies of their own and put a man in charge they did not load him down very heavily with salary. They believed that if they paid him twice as much as farm help received they paid him well; they paid thirty-five, forty and sometimes fifty dollars a month for the manager of a co-operative business. They put him up against the managers
of private enterprises who were getting from one hundred to one hundred and fifty dollars a month. The result was inevitable failure, because they had incompetent men competing with competent men.

In southern Wisconsin such things as this happened: A man ran a store for a lot of farmers. At the end of the year, in the face of a pending audit, the manager left. He didn’t take anything as the first point—that if a co-operative company is to succeed it must have an amount of business which justified the creation of such an organization. In other words, if you are going to start in business, there ought to be a reasonable amount of business in sight. It isn’t very often you find a business man starting up a store or a bank, or anything else, unless there is some prospect of doing something after he starts

with him—he didn’t have much to take either in the way of money or reputation—and they did not send for him because there was nothing for him to return, but they looked over the books and found they were all muddled up and the sureties got very little out of it. Most of those stores ran from six months to a year. They failed because they did not understand the real cost of running a business.

Then they did not always have money enough, and we will take that, perhaps, which, in the ordinary run of events, is going to give him a moderate income at least.

But, you ask, does a farmers’ company go into business without the prospect of enough business to adequately run itself? They have done it a vast number of times. It is one of the weaknesses of co-operation, but it is one that can be easily eliminated. Farmers will start up when there is not business enough to warrant the investment and the effort, and the reason

The Horse-shed Club at Clover Leaf Hall.
for it is probably because there is no one man who gives it his devoted and careful attention to the extent of finding out what the real prospects are. If one of those men was asked to put his own money into the establishment—to spend all he had, let us say—and to depend on it for his income, he would look the ground over with great care before making the venture. But some one suggests the organization of a farmers' scattered all over this country, especially through the upper Mississippi Valley and again over the southern Mississippi Valley, where some shrewd men have been in the business of establishing co-operative creameries. This has been running now for the last thirty years. A man goes out from a company having its headquarters in some big city, he takes along some literature, "some undoubtedly facts," as he says, and he tells company, the word "co-operation" is supposed to have some magic in it—a good deal is told about farmers' companies that have succeeded, and you say: "Well, I will take a share." It doesn’t cost very much, it is not the major part of a man’s investment, he does not give it very great attention, and there is always some shrewd promoter in a community to induce men to enter projects that are doomed to failure. Examples of such organizations are them if they will go into this they are going to succeed, their business is the best in the world and the most successful of all creameries are the co-operative creameries and what they need to stimulate the dairy business is a co-operative creamery.

A large part of what he says is true, but he goes on and shows letters and testimonials and pictures and tells them that he will put up a building "exactly like this one," and he will
equip it all ready for them to take charge, and he will charge them only two hundred per cent of what it is worth, though he doesn’t put it in those terms.

Down in North Carolina a year or so ago, two of these co-operative creameries were started near a certain town and according to good authority there was not enough butter being made around that vicinity to supply the wants of two small hotels—they were shipping in butter from the outside—and yet an oily-tongued gentleman was able to show them what they needed was a

times it takes a good deal of business; in other cases it doesn’t take so much, but where there isn’t much to be done we don’t want to have great facilities for doing it. You don’t want to use a $125.00 self-binder in cutting a half an acre of oats—it hardly pays. Either you would cut them by hand or let them go.

A Co-Operative Company Should Cover Relatively Small Area

Another thing: A co-operative company should ordinarily be confined to a relatively small area of country. There are some exceptions, but we can take the main proposition—that it should be confined to a relatively small area—and for this reason: If men are going to co-operate, it is almost absolutely necessary that they get acquainted. That is why the creamery, the cheese factory, the potato warehouse—things of that sort—furnish our best instances of successful co-operation. They are or-

A Fine Community Center.
ordinarily confined to a small group of farmers. Over in Europe most of the co-operation is centered around a little village, a village of ten, twenty or sixty homes. Everybody is acquainted, and if they have difficulties they can get together at a moment’s notice and discuss any question that comes up.

In this country, where we have a co-operative company reaching over many miles of territory, with many getting their mail in different post-offices and with meetings poorly attended, we have had failures.

**There Should be a Definite Object to be Gained**

There should be, in the next place, something to be gained—there should be a prize at the end of the course. Perhaps a little illustration of that will do as well as an argument.

Out in the stock-feeding districts of the corn belt, to the south and west of here, co-operative live stock shipping companies have not succeeded well, as a rule. To the north and west of here the live stock shipping companies have succeeded admirably well. What is the difference? In sections where there is a vast amount of live stock feeding for market uniformity, grade, etc., they do not succeed very well, but here, where they have a lot of mixed live stock they do succeed very well. There is a prize to be gained in the one case and not in the other.

Out in Iowa there are so many live stock buyers that they will pay all that the stock is worth and enough more so that comparatively many fail. They are always bidding up and bidding up. They frequently pay within thirty-five or forty cents of the Chicago market in northwestern Iowa on hogs. You can hardly ship them from here on that margin. They are always hoping that there would be a raise in the market in Chicago, but they do not always find it so.

Thus when the Iowa farmers undertake to ship co-operatively, all they can hope to make is the margin going to the stock buyers.

That is hardly enough to cover the cost of the work, and they keep saying to one another: We would have made just as much if we had sold our stock in this country, and that is generally true. Around in this country they get more by shipping stock themselves. As a result we have thirty or forty live stock companies in this State doing a pretty good business. Minnesota has probably a hundred and thirty such companies, and with few exceptions they make flattering reports.

**Co-operative Companies Should Be Composed of Farmers.**

Now, another point which is an important one in co-operation: The company should be composed of farmers—producers, and it may be also as consumers. It should not be a motley company, made up of some who have a direct interest in the company and others who have an indirect interest in it. For instance, up in the northern part of the State there is a cheese factory doing a good business. About sixty per cent of the stock belongs to farmers and about forty per cent belongs to some other people who are not farmers.

The company is not organized under the co-operation law, but under the general corporation law. Forty per cent of the stock—that of the non-producers—is always fully represented at the meetings, and the owners insist on getting good dividends. They have been able to vote down the rest who are not always there and who are trying to get high prices. So you have this pulling
Champion Ayrshire Bull, Wisconsin State Fair, 1915, owned by Adam Seitz, Waukesha, Wis.

Champion Ayrshire Cow, Wisconsin State Fair, 1915, owned by Adam Seitz, Waukesha, Wis.
and hauling between two classes of people, one of whom wants to make ten or twelve per cent on their little investment, and the rest of them who want to get fourteen or fifteen cents for the cheese, instead of a cent less.

It is a bad situation and they are trying to reorganize. So, no matter under what law they are incorporated, no matter how you figure up your dividends, it ought to be done by a class of one character. Of course, it is true that under some circumstances you can let some others in, especially if you have the proper limitations, but, as a rule, it is best to have farmers run the farmers' business, if they are going to undertake it, and not have a considerable minority of the stock owned by somebody else.

The Company Should Have Authority Over Members.

The farmers' company should have some authority over its members. They should put into their constitution or by-laws a clause providing that business of a given character is to be done for a certain period of time through this company and not somewhere else. For instance, we have a store up here a hundred and fifty miles to the northwest, a farmers' store, with sixty members belonging to it. That is enough to make a pretty good little store business, but the manager of that store admitted a few days ago that thirty of these farmers have never traded with him at all. What are they in the company for? They don't know. They are not getting any dividends because they are not doing much business, and the reason they are not doing a good business is because their people do not trade with them. They did put some money into it on the start, but nevertheless they are a drag on the progress of the store. They might better get out. They are not loyal enough to be members of such a company, and if the store is not worth running, they would better wind up the business and quit, and if it is worth running, they ought to be patronizing it.

There has been trouble in the business of shipping grain with respect to the same point. One of the biggest enterprises of the farmers of the northwest is that of the grain elevator business. The farmer, for some reason, has hard work to refuse to sell to a competitor who offers him a half cent a bushel more than his own company feels the grain is worth. It does not amount to very much, perhaps twenty-five or fifty cents on a load, but he has hard work to refuse it, because he thinks it doesn't cost anything and he might as well have the added amount. By doing so he is discouraging his own company to such an extent that they have provided rules to the effect that a man selling to a competitor shall pay in half a cent or a cent to his own company, but it is a question whether the plan is legal or not. Decisions have been made against the practice, but nevertheless the fact remains that if the farmers are going to run a company they have got to patronize it. If the patronage is not assured, the chances of success are small. They should either be loyal to their own company or get out.

The Danish companies are the finest in the world. They say: If you don't bring your eggs—your products—to us, you can take them somewhere else and you can take your membership along. They put them out, in other words.

There Should Be Sufficient Funds Available.

Another thing: The farmers should have sufficient paid-in subscriptions. It is not always necessary that they should

Senior Champion Guernsey Cow, Wisconsin State Fair, 1915, owned by B. L. Wilson, Wausau.
subscribe every bit of the capital needed, but they should have the money available and have it when it is needed, otherwise they are going to be embarrassed and discouraged.

The farmers may be rich enough as a whole group to finance the company, but they are very unwise indeed if they attempt to start the manager off with only half the money he needs for paying the ordinary bills that arise.

**The Spirit of Loyalty Most Essential Requisite to Co-operation**

Another, and one of the most essential of all the requisites necessary to the success of a farmers’ company is the spirit of co-operation, the spirit of loyalty.

These other things we could measure pretty well. Whether you can find and identify this and measure it, or whether you cannot depends on whether or not you are keen and shrewd in the discernment of things of a spiritual nature.

Suppose we put it in this way: A man representing some church society goes into a neighborhood for the purpose of organizing a church of his denomination. He does not go there determined in advance to make the organization anyway, but to see “whether or not it ought to be done.” What will he look for? What will he inquire about if he should come into your community? Well, he will begin by asking whether there are any members of this particular denomination in the vicinity, won’t he? He will ask whether there is a church near enough so they can attend conveniently, and if they say no, he will ask them what they think about establishing a new church, and he will ask: How much will you contribute to a church building and to the support of it after it is done? And if they don’t show very much interest and they won’t give sums of any size, and if he can’t find anybody else who takes very much interest in the matter, he will, if he has any business ability along with his religion, decide that they are to be let alone, or to be dealt with by missionaries for some time to come. In other words, he will say: “I don’t find any spirit here which is likely to support this sort of a thing, and if we do start it, it will probably be a failure.” You have all seen that kind of a thing.

It is exactly the same with any co-operative business. If you find people who are vitally concerned and who are willing to give it some of their time and attention and energy, who are determined to see it grow, who are willing to put in some of their time for which they will receive no pay, who will go at it with some of the spirit of the crusader or the missionary, you are likely to have a success. If you don’t have somebody to take hold of it like that, success is, to say the least, very, very doubtful. So it requires a spirit of co-operation, a spirit of loyalty, a genuine wish on the part of the prospective members that the company succeed.

Now, that is not to be found altogether in the same way that these other things may be determined. It is not a question primarily of dollars and cents.

**A Competent Manager An Absolute Necessity**

And now we come to the last point, and possibly the most important of all. If you are going to succeed you will have to have a competent manager. It has very truly been said that the different members of a co-operative company co-operate a great deal more with the manager than they co-operate with themselves. Substantially every trans-
DISCUSSION

A Member—Can the by-laws that co-operative companies make themselves be enforced in this State?

Prof. Hibbard—Yes, if the members subscribe to them, and if the court in which the case is tried decide that they were reasonable in the first place, they can be enforced. There are those two questions: Did the man subscribe to them and are they reasonable? If he did subscribe to them, it is in the nature of a contract and he has to live up to it.

Mr. Mc Kerrow—Is that true in this matter of a cent a bushel?

Prof. Hibbard—The courts have decided that it is not lawful in the State of Iowa. The court will pass on the by-laws, as to its reasonableness. In that particular case they ruled it out.

A Member—you say not to be too ambitious. What do you call too ambitious?

Prof. Hibbard—What I meant was this: Ordinarily a farmers' company should undertake relatively simple things, I mean such things as marketing fruit, the marketing of butter or cheese, and so on. In various cases they have gone into the manufacturing business, where it was an intricate one. Of course, farmers can do these things, but the question is: Should they do those things that require so much detailed attention and a good deal of investment—as farmers. And the facts up to date would answer that question, No.

Dr. Porter—It is not always necessary for the farmer to put money into such a co-operative concern. In Viroqua in one company they simply signed a contract to stand good for shortage, if there was any. Of course that was a failure and it cost each of them a hundred dollars.

Prof. Hibbard—“Where your treasure is, there will your heart be also.”