CO-OPERATIVE CREAMERIES: PLANS OF ORGANIZATION, BUSINESS PRACTICES.

David Imrie, Roberts, Wis.

Not much was done in Wisconsin with co-operative creameries until about the year 1895, when a few were operated quite successfully. About this time creamery supply houses started the organizing of co-operative creamery companies and building and equipping the plants. This did the business harm, as these companies often organized a creamery where there were not enough cows to operate one successfully and as a rule they charged too much for the plant. After trying to run the creamery a year or a part of a year, the farmers found they had made a mistake and a good many were abandoned or turned to other uses, but those that were organized in the right way and operated in a business-like manner, succeeded beyond the expectations of the organizers. Since that time the co-operative creamery business has grown by leaps and bounds. Out of the 860 creameries in Wisconsin, 320 or 340 are co-operative. In Minnesota, out of 800 creameries about 600 are co-operative.

Since the year 1900 creameries have increased in size. By the use of the farm separator and the gathering of cream, they have been able to handle the product from a great many more cows. By the kindness of the secretaries of some of our large co-operative creameries, I am able to give you some facts and figures showing their rapid increase in growth.

The Barron Co-operative Creamery Co., Barron, Wis., was organized in 1902. Their first week's shipment of butter was 11 tubs, the highest week's shipment the first year was 41 tubs. In 1905 they shipped 125 tubs in a week; 1907, 331 tubs; 1914, 528 tubs. They have over 700 patrons. In the year 1914, they received for butter and buttermilk, $319,500.05.

The Baldwin Co-operative Creamery Association, Baldwin, Wis., 1907, net receipts, $157,046.90; 1910, $206,481.52; 1913, $288,820.68; 1914, $278,073.90. In the year 1914 they made 25,000 pounds more butter than in 1913, but owing to the lower price did not receive as much money. This also applies to the other creameries.

The Farmers' Co-operative Butter Association, Tomah, Wis., was organized December, 1912, and the first year did about $50,000.00 of business; 1907, $133,516.62; 1910, $173,503.54; 1913, $232,676.04; 1914, $214,814.83.

The Clear Lake Co-operative Creamery Company was organized 1907, paying their patrons that year $61,177.85; 1910, $130,615.91; 1913, $188,460.04; 1914, $184,686.05.

The Burnside Co-operative Creamery Co., was organized in 1895. The first year they received $8,250.18 for butter; 1905, $20,135.72; 1910, $33,269.07; 1914, $42,624.41. This creamery was one of the first co-operative creameries organized in northwestern Wisconsin and in a territory where cream cannot be hauled far on account of the hills, being near the Chippewa and Mississippi rivers.

In all co-operative creameries there are two companies, one the stockholders, the other the patrons, which is
the real co-operative company. The amount of stock a person can hold should be limited. The shares of stock should be small, say $10.00 each, and sold to cream producers only. It is always best to sell the stock and start out of debt. In this way you can compete with neighboring creameries.

A certain amount should be set aside as a sinking fund from each pound of butter fat delivered. From this sinking fund is paid taxes, insurance, permanent improvements and repairs on plant, and a reasonable dividend to the stockholders, say seven or eight per cent.

Never pay the patrons for their butter fat until you have sold the butter and received the money for same. Deduct the sinking fund and running expenses for the month and divide the remainder among the patrons according to the number of pounds of fat each has delivered. In this way you will never have to make an assessment. Assessments always go against the grain of a farmer and are apt to hurt your creamery.

Make arrangements with your neighboring creameries as to territory, so that there will be no over-lapping of cream routes. (We have had no trouble in St. Croix and Pierce counties in arranging this if done in a fair and friendly way).

A Few "Dont's."

Don't start a creamery where there are not enough cows to support one. Remember it takes cows to run a creamery.

Don't take spoiled cream and mix it with good cream and expect to keep up the quality of your butter. It takes good cream to make good butter and receive higher prices.

Don't pay too big a dividend to the stockholders and be obliged to pay less a pound for butter fat. Remember that the man who furnishes the cream is of as much importance (if not more) to the success of the creamery as the stockholder.

Don't expect your manager to work for nothing, but pay him enough so that he can afford to attend to the business.

Don't hire the cheapest buttermaker you can find, but get a good one and pay him a fair wage.

Don't take stock in a creamery and when some one else offers you a cent a pound more for your butter fat let him have it, but stick to your creamery through thick and thin if you want it to succeed.

Don't patronize a centralizer if you have a co-operative creamery in your locality, even if they will pay you more than the market price. This is done only to break up the creamery, then they can pay as they please.

Don't find fault about your test, but go and see your cream tested and be fair with the creamery and they will be fair with you.

Don't be a kicker. If anything goes wrong, go to the management and talk the matter over in a friendly and fair way and in nine cases out of ten it can be righted in a satisfactory way to both parties.

By adhering to business principles in organizing and in operating co-operative creameries in the future, they will as in the past grow in numbers and in size in Wisconsin.

DISCUSSION

A Member—What success have you had in operating machinery with gasoline engines?

Mr. Imrie—In our creameries, we use an electric motor. We have a small heater, because we must have some
steam in a creamery, but it is cheaper where you have electric power to use an electric motor for power and have a small heater for your hot water and steam.

I could not tell you as to the cost of a gasoline engine; it would depend on how cheap you could get coal, how convenient you are to the railroad station to get this coal. I think it is practicable.

Mr. Jacobs—I have tried that. Of course, as Mr. Imrie says, we have to have steam and we find it more economical to use steam all through. Another thing we found, the gasoline engine was not so positive and sure. But you said, don't sell co-operative stock to people who do not produce. Now, isn't it a fact that a good many times in starting the co-operative creameries that it is difficult to get a sufficient amount of stock, and business men in the city often take stock in order to promote the sale, just simply to help the thing along? What are you going to do in that case?

Mr. Imrie—The first creamery company we organized we had trouble in getting stock subscribed. It was a new plan in that part of the State and people thought they would be assessed and it would be a failure. Some of the merchants in the village took stock with this condition, that if any of the farmers wanted the stock after the creamery was started they would sell, and they did sell their stock. That is all right, but it doesn't work well unless the sale of stock is limited so that one man cannot get too much. I know of a case where a business man actually owned the creamery. We had these provisions put into the by-laws: That no stock could be transferred without the consent of a majority of the board of directors. Perhaps that is not legal, but with us it has always stood that way, and we have always seen to it that if a farmer wanted to sell his stock some other farmer took it.

Mr. Gannon—We had a creamery started in our village; we had to sell some shares to business men in order to raise funds and it has been a great success. The business men helped us all they could, they have worked hand in hand with us, but no business man ever holds an office and there has never been a business man at one of our meetings. When they took the stock they said they wanted to take the stock or give us the money, as we wanted. It certainly helped to start us in good shape and I cannot see any reason why there should be any objection to letting them have it.

A Member—We are in a milk shipping community right here. We ship cream to Chicago, but we farmers have slipped our heads through a slip-noose and are getting it pretty tolerably tight around the neck. Chicago is using several hundred thousand more cans of milk now than formerly. We have been selling our milk this winter at an average price of $1.28 net for 68 pounds of milk, and a great deal of the milk is sold at $1.28 less 17 cents freight, making our summer average run $1.08 net. We furnish the cans, and it costs the man that ships from five to seven cans of milk about $50.00 a year for cans. He has to have all the way from five to six sets of cans in order to ship his milk. We furnish the money for the dealer in Chicago to do his business upon. He pays once a month, or every two months, when he gets ready, sometimes not at all.

Now, there is a surplus of milk in Chicago at the present time. We have had creameries and we have had them die for want of support from the farmers. Some of the organizers were the first men to pull out and go to shipping. Now, where we are getting $1.28 a can
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for our whole product, shipping the fertility off our farms in the form of skim milk, and our cows are selling for from eighty to one hundred and twenty-five dollars apiece, which is eight, ten and twelve cents a pound, where our pork is selling for six to eight cents a pound, and our local stock buyers don't find enough stock to do business with, the question is: Will it pay us here in this community to put up creameries, and can we find support for them?

In our own local town we had a meeting last week. One of the best of our local men said: "Gentlemen, if you will go to work and put up a creamery and will run it on business principles, I will take stock to the amount of $500.00 to help out the enterprise." In a few minutes we had $1,000.00 promised to organize a creamery, but one thing that was brought up was to make sure of the support of that creamery. If they had a chance to sell their milk at an advanced price, could we be sure our people would bring their cream to these central points when milk is scarce in Chicago and high in price? Will we be able to count on the product when there is so much temptation to ship when a better price is offered in Chicago?

Mr. Imrie—That is a pretty hard question to answer; too much for me. Local conditions have a great deal to do with that, also the character of the people. I know how it is. We are thirty miles from St. Paul. Just as soon as milk gets scarce in St. Paul, men are sent out through the country to hunt up milk and cream, and they will pay more than the creamery—for a little while. The creamery still keeps running, but we cannot compete with anything above the market price for milk. The creamery puts its butter on the market at the market price, and if these men, for their own purposes, will offer more than the market price, the farmers will sell, and that always hurts the creamery. It is certainly a problem. You will have to figure that out yourselves. I couldn't tell whether you could organize in a certain place and make any money by doing so.

Mr. Parrish—Up in Sheboygan county, when the pressure comes from the city some of our cheese factories cease making cheese and ship their milk direct to the city until the stress is over, then they return to cheese making, and it is quite satisfactory. They will frequently receive as high as $1.80 for their milk.

Mr. Aderhold—You understand it is all delivered to the cheese factory just the same and then shipped out.

Mr. Imrie—There's a little difference between a cheese factory and a butter factory. The man who is feeding his calves on skim milk doesn't like to have it cut off.

A Member—How about the over-run? Do you pay for that every six months?

Mr. Imrie—No, sir. It is operated in this way: From every pound of cream that is delivered a certain amount is set aside for a sinking fund, and out of that fund are paid the taxes, insurance and permanent improvements, then when the returns are all in, the expense is taken out, including this sinking fund, and the balance divided among the patrons, according to the amount of butter fat they have delivered. No account is made of the over-run, except as it is reported each time on your statement.

Dr. Porter—The great creamery I spoke of, which is just completed for $18,000 or $20,000, has been erected out of the over-run. They have heretofore paid the over-run or the dividend, which ever you call it, every six months. They have come down onto us for $290.00 income tax, and hereafter we have to have two and a half cents a
pound added to the price of the butter so we won’t have to pay that income tax.

Mr. Imrie—Oh, you are talking about dividends. I am talking about the over-run in the number of pounds of butter over the number of pounds of butter fat. You are talking about the sinking fund that they have taken out.

I think the reason they have had so much that they could build a creamery out of it is that they have had too large a sinking fund. It means that they must pay less per pound for butter fat.

Mr. Parrish—I think in many places the tax men have had a misconception of the facts in calling the over-run profit instead of a legitimate gain.

CO-OPERATIVE MANUFACTURE AND SALE OF CHEESE.

J. O. Parrish, Plymouth.

In the strife for better things, two elements, wrong conditions and the patriot, are always to be found, and naturally, always opposing each other. Wrong conditions invariably inspire or produce the patriot. When wrong conditions invade a State or its leading industry, the patriot is, in this day, soon in evidence. As our county of Sheboygan is known to be the banner dairy county of Wisconsin, you will easily understand that when wrong and unjust conditions invaded the cheese industry of our county that the patriot was soon in evidence in great numbers and the strife for better things soon began.

In the year 1911 the cheese of the county was sold, or supposed to be sold on a call Board, which is a very fair way to sell cheese if honest methods prevail, but we were aware that all was not right and the patriot began to develop. By evident agreement between the buyers, the price to be paid on the Board was agreed upon before the Board met, with the result that competition was shut out and a price below the actual market price was paid. In May of 1911 by this process buyers outside the county were kept off the Board and the price of cheese dropped from three to five cents per pound, which meant approximately twenty-five to forty-five cents per hundred of milk, which brought the price of milk to about eighty-five cents per hundred. This market condition prevailed until the storage houses in our town were full, when the price slowly, very slowly, came back to normal until January 1st, when by the same abuse of power the price was arbitrarily raised, when the farmers had practically no milk to sell, and this storage cheese, the choicest of the year’s make, was shipped out by the car and trainload at prices ranging from 16 to 22 cents per pound, the original cost, including storage, being about 11½ cents, a very pretty margin. The patriot began to think! The plan had worked so well in 1911 that it was again attempted in 1912, though less cautiously, the price was arbitrarily dropped about May 15th three cents per pound, at a time when the supply was far below the demand for our cheese.

The patriot arose!