We have with us Prof. Macklin of the Department of Agricultural Economics of the University of Wisconsin. We have been trying to get Prof. Macklin for the last three years. He is the outstanding leader of knowledge and information on cooperative movements in this state, and is well known all over the country. He is going to talk to us on cooperative marketing from various standpoints. We are going to hear from him this morning, and from Dr. Fracker after dinner, and we are ready to hear from Prof. Macklin at this time.

CO-OPERATIVE MARKETING

PROF. THEODORE MACKLIN.

I want to talk on the subject of co-operative marketing, because it is a very important topic to all of us. I am at a loss, because instead of talking to a new club I am trying to say a few words to one of the most experienced clubs. We have been studying this club diligently to see what co-operation can do. Nevertheless, I want to touch on that subject.

The cranberry organization is one of the most outstanding cases of cooperative systems in this country. Ten years ago they were talking and saying "Look at the cranberry monopoly." At the present time they say there is no such thing as an agricultural monopoly.

One year they can hardly meet the demand; and if the demand is not good, by advertising work the market can be improved; also by salesmanship. God gives us the crop, with our own endeavors. If it is large, we can improve the demand. If it is a poor crop, there is no use wasting effort on improving the demand; it is already adequate.

I want to try and prove to the negative and positive sides that a co-operative marketing organization has a real and vital place for marketing particularly an agricultural specialty. No one can get up and preach that you can do for wheat and live stock what you can do for cheese, walnuts, cranberries, or Eastern Shore potatoes, because of the unusual character of some of these specialties. We can't do for the common product what we can do for the special and high-class product. Let's break this subject into parts, and come logically at it. In Wisconsin, you people are the greatest single case of co-operative marketing. Wisconsin originated the cranberry exchange. You have been blessed with small numbers of intelligent people who have gotten together with real sportsmanship, and have picked brainpower in your officers and management, which has enabled you to put across one of the country's most noted examples of co-operative marketing.

I want to give you a glance at some other organizations to make national advertising, as well as co-operation famous. Here are a few of the companies that have built up this movement. The California Fruit Growers started in 1893. Your organization, in its present

form, started in 1907. If we jump back to 1893, only fourteen years in advance of this company, was the first large scale selling organization started anywhere in the world that is still on an important basis.

Two years later the Danes started what has become a world famous movement, and has changed Denmark on the productive and marketing side into a scientific country. Their agriculture is on a sound productive and marketing basis. You can't say this for many products of Wisconsin or United States. The Danes borrowed from the Californians. To follow the kind of companies the sales organization is running with, there are eleven butter sales organizations in Denmark. They do $20,000,000 worth of selling business in a year. There is a bacon sales, and an egg sales corporation. The bacon corporation started in 1906, and the creamery in 1895, and the egg business in 1895. These people are facsimiles in principle and policy with the functioning plan of the American Cranberry Exchange. There are variations, but the fundamentals are that if the people (I don't mean the few individuals, but the great mass of individuals) in the industries will use their heads and work together, they will get the best possible results.

Along with these running mates of the cranberry exchange, there is the California Fruit Growers Exchange. The Kilima Creamery Association in 1909. The Eastern Shore Company of Virginia. They sell $10,000,000 worth of potatoes in a year. There is no other potato organization that has the preference. If people want potatoes, they know that if those are in the market they don't want to look at anything else until that supply is run out.

I want to compliment your directors on the wonderful pamphlets, showing almost everything the growers can ask about, and forces bearing for favorable and unfavorable crops.

Mr. Chaney has helped to make for confidence in the movement. He has shown what you can do when you do a well nigh perfect job. Therefore, I always think of him in connection with this movement.

The most impressive example was shown me by Mr. Burton last winter. He is the general manager and sales manager of the Eastern Shore Virginia Products Exchange. "We had a break in the potato market, and prices fell from over $6.00 a barrel to where they don't buy," he said.

Mr. Burton said, "We stored up, on the side tracks in two counties, 1500 carloads of potatoes. If the farmers hadn't had confidence in us, they would have had to have been dumped on the market, and would have ruined it for two years to come."

Why is it that you have confidence in your family? Because you appreciate them and understand them. You have responsibilities to them. A co-operative organization is just like that. It establishes trade confidence so the public will have a preference for you. Suppose you would like to go fishing. If your partner knows where to find the trout streams, you like to go with him. He is good company.

The same thing holds good in the marketing business. If you have always gotten a square deal from people, you have confidence in them.

Of the raisin people, Mr. E. Y. Foley is the biggest private dealer. Ninety-five per cent of the raisins of the country are on the inside of an organization. A friend of mine is connected with them, and some time ago this man saw me and hunted me out at my hotel. He spent till midnight explaining to me why he was working for Foley, and laid all his cards on the table.

He has only five per cent of the business yet, but he is hanging on just like a bull dog. But the bull dog will get them sooner or later, because he is getting people to take other people's reserve. They don't put in anything that makes the trout pond cost something. Foley goes out and picks a very classy market in the trout country. A friend of mine comes from California, or Florida, or anywhere where they don't have trout. Now we want to do a very fine stunt. Foley finds a market for highest grade of raisins. He comes to certain growers and says "I don't have to develop the market for these 95% of the raisins. I can come in and take your crop, and you have to find those raisins and sell them. I have no advertising expense, and I can take those and land them in this particular market." I have a guest from California, and he wants the finest raisins. Now Foley will get you better prices than the Sun Maid people do. Now, having done a wonderful thing for you—and why shouldn't he?—he goes and brags about what a wonderful price he got. He just says that he got a bigger price than any of the neighbors. He doesn't say that it is for fancy raisins. The raisin people's prices don't look half as good, because they haven't quoted all their prices. The consequence is that Foley's propaganda keeps 7% of the raisin growers from joining the organization. Not one of the seven percent, if they had the facts, if he would be square with his neighbors and himself, but would join the organization, because they are joining every day. At first they had 60 or 70%. The walnut people started with 40%; now they have over 82%.

You can find the nook in everybody, if you will study not to offend; if you will find how to have the light strike them in the eye right. I have talked with cranberry people who have joined the organization, who were following the argument that they were enabling somebody to do a good job and not pay any expense.

In British Columbia there are 662 producers. Of these, 630 are in the organization. If only 630 pay instead of 662, each man must pay $22.00 more. It may be $38.00 more. But at most, that is only 5% more. They shouldn't be discouraged because they have to pay 5% more. The extra burden isn't so much. It isn't the money side, it's the spiritual side. Would you like to live in a community which is holding up the umbrella to keep the other people dry? I have yet to

see the man who, when he understood it right, won't pay his part of the cost.

I want to take an illustration from the orange people, to show what people who have the best kind of a market there do. Mr. Powell, of the California Fruit Growers Exchange sells the lemons. Mr. King sells the oranges. The same organization sells both, but have 95% of the lemons in the organization, and only 65% of the oranges. Here is the trouble. Suppose that you are making plans for all the business. Is there anybody else making plans if you make them all? Is there anybody else trying to apply those plans? You apply them all, then nobody can upset your plans; nor can there be anybody trying to upset them. Will they do it anyway? They won't. Simply this: that if one organization with a small industry like lemons, or oranges, or cranberries makes one set of plans, and makes those plans as perfect as possible, and one organization executes those plans, there is nobody to upset your organization.

Now let us jump to Kilima. They have 98.7% of the cheese of that country. Kilima cheese has been advertised, and there is a preference for it, and it runs from 1 to 4½c to Wisconsin cheese. This is about 20% more money for the same kind of cheese because you have an organization that the public has confidence in. When they say they will supply your market, the public has confidence, because you have 98.7% of the cheese. You don't turn around for the little you lose every day. They have no means for accidentally breaking down your program. These people who haven't caught the light want to catch that light.

Not long ago, I was studying an organization with a serious problem. There was one fellow working for that policy, and when he saw the crowd coming his way, his narrow personality got the better of him. He said, "Won't I have a chance to crow over my neighbors when this thing goes through?" The crowing hurts the fellow who joins with us. It is very often these little personalities that we don't rise above that keep these extra people from joining.

Another organization went out to say a certain way of doing a certain thing is all wrong. When this organization got to going strong on their study of the case, they found that the thing the private organization was doing was what they had ought to do. You can't do a wrong better until you change the idea that was wrong. They often get poorer results from the farmers because they followed the wrong policy. When a man says this organization is right, or makes any remark that puts him on record, it is hard to go back on it, because he has to have a disposition harder than the average disposition. If you commit yourself to somebody and feel that you are right, and "lose face" and go back on what you said, remember that "It is only a wise man who changes his mind." That has come down through the ages. It takes a bigger man who reserves the right to change his mind when he gets a new light.

Why many don't come across is because members make it hard for them to do that. We all have a responsibility both ways; the non-members to be as big men as they are; to see how long they want to push a situation that they don't make; to see how long they want to continue to reap results that come from the market because they do not pay any costs and help execute the plan in full instead of in part; not because the organization hasn't the right plan, but because unthinking people accidentally interfere with the execution of the program.

That is the big problem the country over. A new era is coming in many states. But in the older corporations like the cranberry and cheese federations, the thing to do is to get in and convince these people that they want to join the organization because they have say and conviction in the plans they can make when all of you are back of them, which will be a better plan than any individual purchaser can make.

I have demonstrated the great thing about the California Fruit Growers Exchange. They have two products and sell one so much more. That is an object lesson.

You ought to develop the power to convince the neighbor against his will. All of the easy things were done long ago. I have been impressed by reading La Follette's life. He says: "If I have had any success, it is because I have insisted on having more facts than the opposition." Have you more facts than the opposition? Have the non-members got more facts than the opposition? Generally, the man that has the most facts believes he has decided right. To help outsiders to come in make it easier to let him decide, and make him feel that he has decided right. Sometimes the people with the strongest personality stay out because they have so far to move. If you are way up in a tree and the branch breaks, you come down with a bump. These people feel this. That bump is partly because it is hard to change your mind physically. You hate to "lose face." It shouldn't be a process of going back. He has been right all the time, but he will be righter if he changes his mind.

You need facts, and the development of that co-operative spirit of loving people in if you can't pull them in; the wonder to me is that so much of the cranberry business is on the inside. It shows that this process has been working. That is the principle, and the intensive neighbor-to-neighbor studying of the philosophy back of the organization is bringing results. It isn't the fact that to-day or tomorrow the cranberry organization will get better prices. It is the fact that when hard times come it is the only organization that gets prices at all.

I have charts made up on forty-six noted co-operatives of the world. They do about one-half billion dollars worth of business in a year, which is more business than the whole state of Wisconsin does. When hard times come, and they have hard, efficient work, there is

nothing to derail their train off the track. You are going to propel it, and it is going to stop in those stations even though there is no one to step on. But some day there will be people who will want to get on. They will want service. Is the private man going to render it in times of hard luck? No. Is the freight charge in accordance with the price? High freight rates are paid by the farmers because these dealers have received stuff selected at low prices. The freight is often so high that they have to bill it back. These people go back on the farmer in hard times, and only co-operative organizations can function reasonably well in hard times. These facts make it worth all the time and trouble it takes to build it up.

I can give you illustrations in the Cranberry Exchange. The organization sometimes gets $16.00 a barrel when the outsider gets only $14.00 a barrel. The underlying reason is that it averages the best results over the long run.

Some people have been interpreting a business point of view in too short a time. As G. Harold Powell says, "There is no private concern whatsoever that can make a machine to adequately market California fruit." He knows. What these benefits of cooperative marketing are, I have tried to present very briefly.

I have here a brief statement made from studies that have been conducted over quite a period of time. You perhaps got some of these last year, but as a result of the study since that time, we have tried to study concisely and briefly the fundamental benefits of co-operative marketing. Three are tangible; the other five are spiritual. A man who makes up his mind that a certain line of conduct is the best when times look dull will reap his reward. Those are what I have called intangible benefits. One hundred thirty co-operative organizations all over the United States at first had seven benefits, and one organization said, "Why don't you add that co-operative organization will develop leadership for the farmers?" You can't have leadership without responsibility. We don't get Washingtons and Lincolns every day, because we have no need of them every day. It takes a need to bring out people who can fulfill and deliver the goods. If the farmer wants to better his lot, and the cranberry grower in particular, he should develop his leadership; and that is one of the things you have been doing, and you have now some of the finest leadership in the country.

This co-operative organization says that one of the greatest benefits is that it develops real leadership among people. I want to compliment this corporation that I have never met a group of people who have worked together and have such kindly relations, partly because you are a small group, and you are acquainted. The thing needed is that you get the other 20% to join with you, because you will have a larger and better machine if you do. Your plans are not going to be derailed, because there is no opposition to derail your

plans. I would be delighted if any of those who wish to would take these benefits down.

Many other co-operative managers went over this little manuscript of yours, who don't know the problems you have to deal with. Take this circular and see if you can't think out your own arguments as to how to convince 1% of those other 20% that they had ought to help develop the cranberry business and make it more successful in the future than it has been in the past. You may be able to convince some of this other 20% on the outside not only that they don't have to lose face when they join, but that it isn't a sign of a man going back on his purpose, but the sign of a big man because he can take advantage of criticism. This tries to show what a co-operative organization tries to do in order to give you the best results.

We need Wisconsin to have a better conception of what co-operative marketing is, and what it can do to help the farmers of this state.

ADDRESS

MR. R. A. PETERSON, *County Agent.*

I appreciate the applause given me, and think it a good thing to get it before you start to speak, since you may not get it afterwards.

I know a lot I would like to say, but I can't think of very much. Maybe I have a lot of ideas but I don't know if I will be so fortunate as to have them all with me. Like the little boy who had been fighting. When he came in, his mother said, "Johnny, you have been fighting and lost all your teeth!" "Oh no," he answered, "I've got them all in my pocket." Maybe I have a few ideas, but I don't know whether I will bring them all out or not.

One thing I want to mention which Mr. Macklin brought out this morning. He commended the cranberry growers for the organization they have developed. I think the Cranberry Sales Organization has been an inspiration to a lot of other co-operative organizations. It has been held up as a model for co-operative sales organizations all over the world.

I believe the time is coming when more of the agricultural products will be marketed through large co-operative organizations. It is important to have efficient management to head those organizations.

Another thing that I think the growers should be commended upon is for taking over this marshland and developing it. There is a lot of room for this work. The cranberry industry requires a great deal of capital, and there isn't everyone that can drop into the industry and make it a success. We cannot help but appreciate the importance of the cranberry industry, and feel that it should be still further developed in the state.