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# NATURAL HOME

The Recognized Exponent of Dairying in Canada

Trade increases the wealth and glory of a country; but its real strength and stamina are to be looked for among the cultivators of the land.—Lord Chatham

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## Cooperative Trading Operations by Farmers

C. Rice-Jones, First Vice-President United Grain Growers Ltd.

THERE were many reasons why it became necessary for the farmers to develop their co-operative trading operations. Broadly speaking, the main reason was that the cost of their supplies, in comparison with what they received for their products, was so great that the business of farming was not profitable under normal conditions. Before the organization of the farmers' companies the farmer was in the unique and unenviable position of having to pay whatever price he was asked for what he purchased, and to sell his products at whatever price he was offered by the dealers.

Going more into detail, and speaking from the point of view of the farmer on the land, I would submit the following as some of the conditions which forced the farmers into cooperative trading:

- (1) The multiplicity of local stores in the small towns, the situation being that on the average there were two or three stores in many towns in the towns and villages as the tributary country was able to carry.
- (2) A large number of the country merchants were men who had gone into the business with no previous experience, and who had not the slightest conception of conducting their stores economically and efficiently, with the result that for the storekeepers in the country towns to make a profit on their comparatively small sales, they were forced to charge prices which were altogether out of line.
- (3) Even when the merchant would find himself without competition and a volume of business from the tributary country which was sufficiently large to enable the goods to be sold on a fair margin of profit, still in many instances he would not be satisfied with this, but would take advantage of the lack of competition to charge prices which were absolutely unreasonable and unjust.
- (4) The pernicious system, which in the past existed in practically every country town, whereby the man who was willing to pay cash was compelled to pay the same price for goods as the man who was buying on credit. In a large number of instances the customer buying on credit not even having to pay interest, the loss in bad debts owing to the foolish methods of giving credit resulting in still further increase in price to the cash purchaser. This method resulted in far more credit being asked for than would have been the case had the costliness of the credit system been made plain by a difference between cash and credit prices.
- (5) The credit system further necessitated the country merchant buying largely on credit, with the result that the wholesaler again had to increase his price to take care of bad debts and the extra risk incurred. This, in my opinion, resulted in some wholesalers again having to ask the manufacturer for credit. Again, in many instances, the manufacturer, owing to such unfavorable business conditions, was no doubt handicapped in purchasing his raw material to advantage, and as a result of the costliness of the goods do we find an increase in price as a result of unsatisfactory business methods, which finally increased upon the farmer.

Out of this system the argument has arisen that the country merchants are necessary in order to take the farmers through hard times. I do not agree with this; in my opinion, as a condition being largely the result of a faulty system of commercial trading. The country merchants are not in the banking business, and should not have to carry the farmers when crop failures occur. Credit is a national necessity in the development of a new country, but with a proper and efficient handling of local stores, and a reasonable inducement to pay cash for goods, a conceivable percentage of the credit would not have been necessary, and the necessary credits could then well be taken care of by the banks.

It has been a generally accepted maxim amongst a large number of business men that the farmer

should pay the price. No matter how expensive and wasteful the methods of handling were, their idea was that this expense could legitimately be added to the sale price to the farmer. As long as the farmer would pay, no organized attempt was made by the business interests to consider ways and means of improving the methods of merchandizing, and so decreasing the cost of handling.

Since the farmers' organizations have entered the field, we have numerous bodies of business men who are studying these economic questions. We are very pleased to note this, and feel satisfied that these investigations by the business organizations, provided they are conducted with a view to the benefit of the country at large and not an individual section, will result in great good.

The effect of the trading operations of the farmers' Companies has no doubt in some instances resulted in the forcing out of business of retail storekeepers. While this is regrettable from a personal standpoint, it is something which is the unavoidable result of correcting a false system. We have no wish to injure anyone, but as always national interest must be the first consideration. If we admit that agriculture is the basic industry of the country, we must admit that it is in the national interest that we have a method of trading that will result in making the agricultural profession more attractive in the interests of the country. The force all retail storekeepers out of business, and that there will be no retail stores in the country towns and villages, is not warranted. There will always be an absolute need for country storekeepers, provided they are prepared to do business on a legitimate basis, and that two or more do not try to make a living for themselves and their families where there is only room for one.

One of the main arguments used by the wholesalers and retailers against the small order business, that of keeping money at home, is an argument in support of our system. How better can this be followed out than by the farmer handling commodities required on his farm, and owning any profits that may accrue?

### The Why of this Article

ON Wednesday and Thursday of last week representatives of the organized farmers of Canada, including three from Ontario, members of the Canadian Council of Agriculture, met representatives of the business interests of Western Canada in joint conference. The rapid spread of trading operations by farmers is apparently leading some of the business interests to view the situation with apprehension. At their request this matter was brought up for special discussion.

The article on this page gives the opening statement of the case that was prepared in advance by Mr. Rice-Jones, of Calgary, for the farmers. A carefully worded and lengthy reply to it had been prepared and submitted before the conference by Mr. H. H. Pigott, of Winnipeg, on behalf of the business interests. Through lack of space this is omitted from the issue, but will appear in full next week. These two statements formed the basis of the discussion. A report of its outcome will be published next week. As this is becoming a live issue in parts of Ontario our Eastern farmers may well follow it with interest. The honors in the discussion in regard rested distinctly on the side of the farmers.

We might here mention that we do not consider the bitter opposition evinced by certain business interests to the trading operations of our farmers' organizations is in the interests of the country, neither does it result in any benefit to these interests. As a matter of fact, these efforts to freeze out the farmers' organizations are combats in restraint of trade. This and the boycotting, in some instances, of those dealing with us will not stand publicity. The boycotting of farmers' trading organizations by certain manufacturers and wholesalers or refusing to sell them goods, if continued, will only result in the farmers manufacturing these goods themselves. Rather let us examine various methods of trading, and find out which method or methods are in the best interests of the country as a whole. In the final analysis it will be a case of the survival of the system which proves the most efficient and economical.

Nothing has justified the farmers' methods of trading more than the lessons taught by the war. We see where in Great Britain the Government itself must find it necessary to purchase the raw materials for practically all factories in order to eliminate the excessive cost, waste and duplication of individual buying by manufacturers. We have the Government supervising the manufacture and checking the price, allowing a reasonable profit on the manufacture of the goods; in fact, co-ordinating the war started, and distribution of supplies of all kinds for the Allied armies right from the purchase of raw material to the delivery of the finished product to the armies in the field. Millions of dollars have been saved to the consumer and the nation in this way by eliminating the wastefulness of the competitive system. When the war started, it was believed that by appealing to the patriotism of the individual, unreasonable profits would be done away with. This did not prove to be the case, as illustrated in both Great Britain and Canada since the war started. If individuals cannot resist the temptation of making undue profits in war time, is it reasonable to expect that they will not make all the profits possible, regardless of whether they are fair or not, in times of peace? The reorganization of trade and commerce, which is taking place in the allied countries since the war started, is a triumph for the cooperative trading system. We must admit that the reorganization has taken place in order to secure greater efficiency and economy in the feeding, clothing and equipping of the Allied armies. If this economy is good in time of war, why not in time of peace?

As to the exact form which the future trading activities will take, this is something which no one can forecast, but we believe the wholesalers and retailers, and other business interests, will all agree with us that the farmers' trading organizations are here to stay. These developments will not injure any individual or firm whose business is conducted efficiently and goods sold on a legitimate trading basis, and we do not believe that any right-thinking man will object to the elimination of parties who have only been able to stay in business by reason of exorbitant profits, rather than by the efficiency with which they handle their business. Public ownership of public facilities is being looked upon more and more favorably by business men in the cities. Cooperative trading by the farmers' organizations is merely public ownership carried to the handling of their own requirements by the farmers themselves.

Corn growers in southwestern Ontario, who find themselves this year without a supply of seed corn, will now appreciate the merit of the advice to save enough seed corn every year for the next two years' planting. Had this been done in 1916 there would have been no seed corn problem in the spring of 1918. Even 1915 corn, when properly cared for, is germinating better than lots of 1917 seed.