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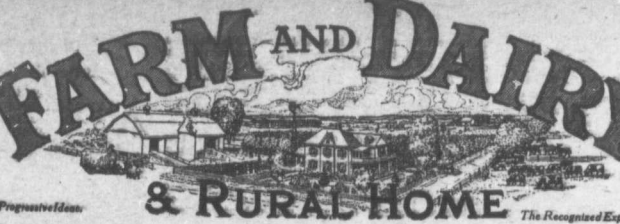
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Its Welcomes Practical Progressiveness

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

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My Ideal of a Farmers' Cooperative Association*

Membership, Finance, Accounting, Payment of Dividends and Other Points in Cooperative Management Discussed by Professor B. H. Hibbard

MANY so-called farmers' associations are made up largely of non-farmers. This may be due to a desire on the part of the farmers to enlist the aid of anyone and everyone in raising the capital. It may be due to the desire on the part of men not farmers, to have a hand in the management of the business. Or the mere matter of investment in some cooperative enterprises as now organized furnishes an attraction, and where no rules bar the non-farmer he comes in to get dividends. In all cases it is a matter of grave doubt whether such outsiders should be allowed to connect themselves with the association. Where difficulty is experienced in raising the capital among the farmers the temptation to take it from any available source is great, and where the farmers' rights are properly safeguarded, this might not prove dangerous. But safeguarded they must be or these investors will become a force in twisting the course of the association in the direction of stock dividends instead of toward favorable results to each member on the basis of business furnished. Where outsiders want to get control there is but one thing to be done; they must be kept out.

Where, for example, a farmer member retires and perhaps no one to train the tendency is often to let him still as a farmer and let him continue his membership. The danger in such a case may not be great, but the safest way is to keep the management, at least, and a great majority of the memberships within the active farmer class. If retired farmers can be of service to the association their assistance should be made available, but their authority should be restricted. Agricultural cooperation must be not only for farmers but by them.

Business-Like in Character.
Any organization must be business-like if it undertakes to do business with hope of success, but in this respect a cooperative company is in greater need of caution than is private concern. The reason is that responsibility is unified in a private concern and diffused in a cooperative concern. A hundred farmers who belong to a cooperative company are not likely to spend more than two or three days a year attending its meetings and transacting its business. The directors are not likely to take quite the vital interest in the affairs of the company that is taken by railroad or bank directors in the affairs of their respective companies. In the one case the investment is small, and in the other case larger, and again the cooperative company usually makes but a modest return over what could be obtained otherwise. All these facts point to the necessity of a thorough-going business plan for the guidance of a cooperative company so that the members may at any time know how matters stand, and in order that these in charge may be held to a strict accounting for all they do.

There should be an adequate, but simple system of accounting, such that expenses and investments may

be taken care of in a regular and equitable manner. For instance, in a cooperative creamery, it is unbusinesslike and unfair to deduct from the price of butter for a given month or two a sum sufficient to buy a new vat or separator. Suppose, for example, a given patron is furnishing almost no milk at that particular time, he escapes payment of his proportion of the charge. Or suppose a given patron is furnishing the very maximum amount for the year; he pays more than his just proportion of the charge. Again, in case the equipment purchased is to be used over a considerable period of years, the members of the company at the time the purchase is made stand the expense, while those who succeed them get much of the value. It is clear that the only fair way to adjust these matters is to provide funds out of which the various expenditures may be made. Preferably

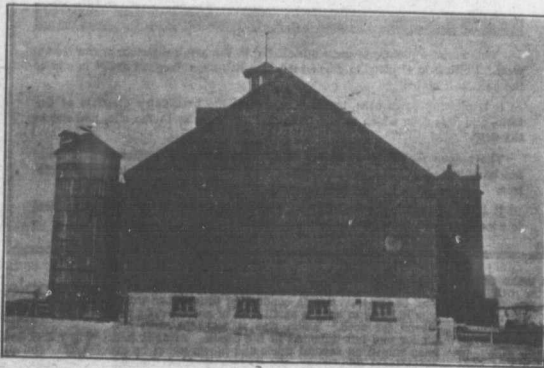
A truly cooperative company is essentially democratic. In this respect it is unlike the ordinary business organization in which one man, or a few men, have complete control. It is even unlike the most usual type of corporation where stockholders vote in proportion to the amount of stock held, and where, therefore, a few members may so out-vote the majority as to render the control which is not democratic. A cooperative company which is not democratic is not, in a real sense, cooperative, although it may be such in form. Cooperation means a working together of men for the accomplishment of some object to the advantage of all. Should the control fall into a few hands this mutual relationship is almost sure to suffer and the interest of those holding the power become the criterion by which all policies will be shaped.

This brings us to the "one-man-one-vote" principle, usually put forward as the one thing needful in cooperation. Under most circumstances the plan is to be commended. In this way it may be made difficult if not impossible for a clique to get control of a company. For example, it is quite usual to provide that not over one-tenth of all outstanding stock may be owned by one man, in which case no one man or small group of men is likely to get control of a majority of the stock. Of course, the limitation of the vote to one for each man is the greatest possible safeguard against concentration of power.

Where Large Farmers Object.

Under some circumstances "one-man-one-vote" may prove to be too rigid a safeguard. Where the interests of the members are nearly identical, or equal, there would seem to be no good reason why each man should not have an equal vote in the control of policies. But where the members have widely varying interests it is often hard to get those whose interests are greatest to agree to the "one-man-one-vote" plan. It may happen, for instance, one member has ten acres of straw berries and another has strawberry sales almost exclusively for his income. Another man may have a tenth of an acre and get a trifling part of his income from the sale of such fruit. It is not likely that the big grower will take kindly to the proposition giving the small grower the same voice as himself in the marketing policies. And it hardly seems reasonable that the two should be put on an equal basis with respect to authority in control. In fact, the wisdom of a union of large and small producers in the same company is often questioned by the interests of the big producers are not jeopardized by the responsibility, stubbornness, or jealousy of the small producers, there is nothing to be said against such an arrangement. It is a fair business for the small producer to profit by the better business methods of the large producer if only the two classes can get along smoothly together. In Europe, where the "one-man-one-vote" predominates in nearly all cases there is a tendency toward segregation of large and small producers.

One very satisfactory way of bringing the large and the small producer together on a basis fair to both is to permit voting in proportion to business (Continued on page 12.)



The modern dairy barn and also on the farm of Mr. T. J. Griffin, President of the Wentworth Milk Producers' Association.

—Photo by an editor of Farm and Dairy.

closely related cooperative associations such as a group of fruit exchangers, group of creameries, or a group of fruit exchangers should use the same system of accounting so that comparisons may easily be made, and that federations, if such be formed, may deal intelligently with individual associations with respect to audits or other authority which may be delegated to the central body.

Whether the audit should be by the board of directors, by a special committee, or by some outside authority may be an open question; but audit there should be so that the members of the company, and all doing business with them, may know the business standing of the association. The main thing for farmers to learn, is that a business will not run right simply because it is started right. Neither can all managers be trusted to keep records straight and intelligible without some occasional authoritative inspection from outside the office. Publicity of accounts will work as good results in farmers' cooperatives as it does in quasi-public corporations serving the community at a fixed charge.

*Prof. Hibbard has made an exhaustive study of co-operatives—principles both in America and Europe, and is rightly regarded as the best authorities on this subject in the United States. The principles that he here enunciates are in use in quasi-public cooperative work here as they are to the south of the border.