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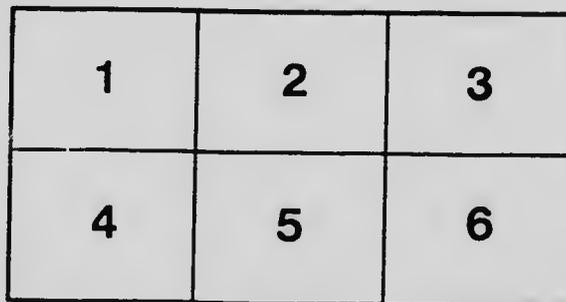
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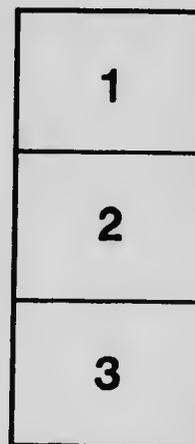
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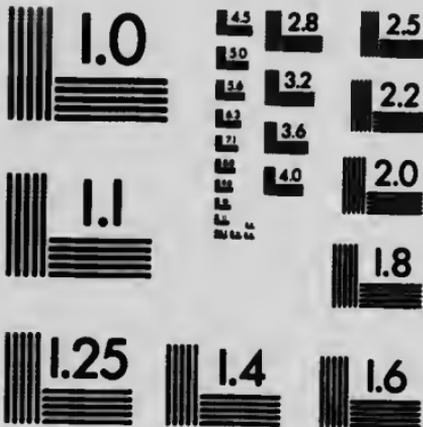
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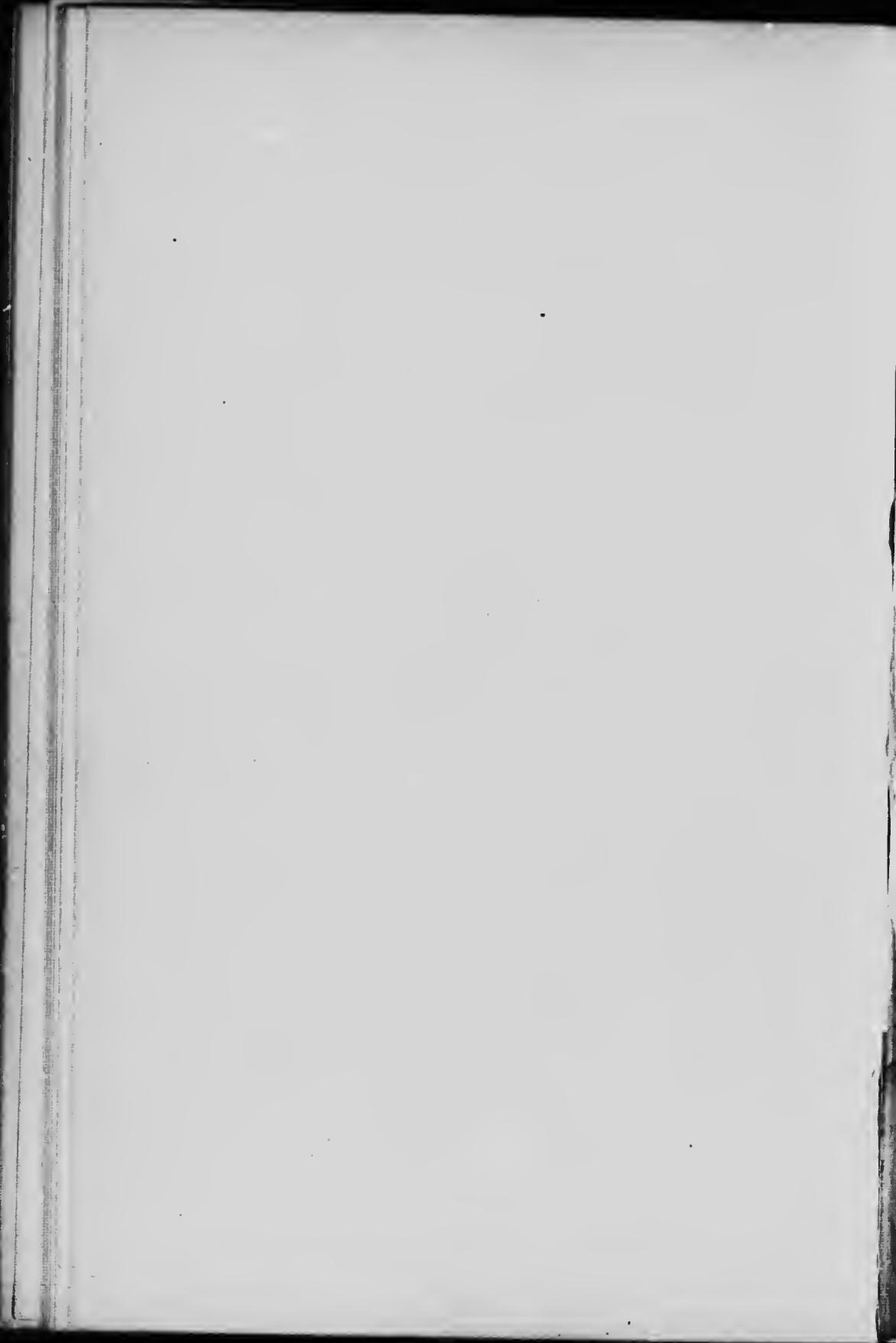
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Ontario Department of Agriculture

DISTRICT REPRESENTATIVES

Agricultural Co-Operation

BY S. E. TODD, B.S.A., DISTRICT REPRESENTATIVE FOR LAMBTON COUNTY.

INTRODUCTION.

Organization is the keynote of commercial success. Agriculture and its products is the most important division of Commerce. Therefore Agriculture must become one of the organized forces in the great whole. So rapid has been the advancement of organization in other branches that to-day there is scarcely an industry or trade that is not in a highly organized condition. But Agriculture has in all countries, till a comparatively recent date, remained unorganized.

The difficulty of organization increases as capital is divided amongst an increasing number of capitalists. The most highly organized industries are those in which a large aggregate of capital is controlled by a small number of capitalists. Agriculture is, perhaps, the most extreme case existing where a very large aggregate of capital is divided amongst and controlled by a very great number of capitalists. Therefore, Agriculture is difficult to organize. For the same reason the ordinary industrial methods of organization have not been found suited to Agriculture.

Again the homes and activities of agriculturists lie outside the great commercial world of cities. The necessary organization of the food supplies of the cities has resulted in the creation of a class who are enabled by means of organization to dictate prices, on the one hand to the urban consumer and on the other hand to the rural producer. These middlemen have thus been enabled to become the controlling feature—aside from the weather and other natural conditions—of the world's markets. The reasons why the middleman has become master in the manipulation of agricultural products are: 1st, the increasing complexity of city life resulting in the separation of producer from consumer; 2nd, the isolation of farmers both from urban inhabitants and from each other, which has made them easily controlled by the middleman; 3rd, the increasing complexity of trade brought about by the transportation of great quantities of food from one country to another.

Let us look closely at these three statements. First: Organization in other lines of production has gone on mainly in the cities. Many of the secondary acts in the production of goods are carried on by the urban population. As towns and cities increase in numbers and population, luxuries increase and life steadily grows more complex. The townsman growing up and living in the midst of this increasing complexity understands each step as it is taken and knows how to suit himself to the changing conditions. The countryman living on the farm does not understand the growing changes taking place in the towns. To him it is a Chinese puzzle. Secondly: As urban life became more complex and harder for the agriculturist to grasp, his position became more and more isolated. As the organization of the distribution of food amongst the urban population became more specialized and complex, the farmer found himself coming into contact less and less with his old time customer, the consumer. His customer now was a dealer trained in all the tricks of his trade and knowing minutely the requirements of the consumer. This gave him an immense advantage in dealing with the consumer on the one hand and the producer on the other. Another great difficulty is the wide range of country from which the food of a city is gathered. This has made it very difficult for farmers to get to know each other well enough to intelligently direct production. Too much or too little of certain articles are sure to be produced owing to the isolation of the producers. Thirdly: The transportation of products has made necessary the assembling of those products at some point in their production. As the producer was not organized, his product could not be organized by himself. This work was undertaken by the middleman. He gathered great quantities of produce from many points of production, classified and graded these products; these classes and grades he forwarded to the different markets studying closely the needs and demands of each market. In this way he rendered a great service to society but it was a *service* that presently gave him the *mastery*. Some have been bold enough to state that the middleman is unnecessary in our economy. This is a very debatable statement. Probably the truth is that the control of the food supply has so fallen into the hands of the middleman that it has induced an unnecessary number of people into the business to make possible profits that are out of proportion to the importance of the service to society. The indications are that the middleman will continue to fill a necessary place in the economy of commerce, and his place is that of agent of producer and consumer rather than that of dictator or master.

While the middleman has succeeded in organizing agricultural products to a considerable extent his position as a middleman utterly unfits him to cope with some of the greatest problems in the world's food supplies. For instance, Ontario has extensive tracts favorable to fruit culture. England has a large consuming public ready to buy Ontario fruit. But the point of production is eight to ten days distant from the point of consumption. The problem is one of transportation. Many

factors enter into successful transportation, among the hardest to control being questions of variety, quality, quantity, care in handling, packing, etc., all of which are outside the control of the middleman. These are essentially questions for the producer and must be answered by him. He must become familiar with questions of transportation and marketing. He must enter the field of the middleman and study market conditions. He must become his own marketman. Agriculture must be organized.

There are two means by which Agriculture may be organized.

1. By means of a force from without, such as a middleman, working to secure the results of organization for his own benefit and always endeavoring to secure the advantage. Such organization, to be complete, must presently control the most elementary acts of production. Thus little by little the independence of the farmer would be lost and he must soon be reduced to the position of the workmen of the towns and cities.
2. By means of a force within, the agriculturist himself. Such organization would have for its object the securing of the results and advantages of organization to the farmer. As the organization became complete it would restore the independence of the farmer and secure to him the just rewards of his toil.

All successful industrial organization has come from within the industry. So too agriculture must organize its own forces. Such an organization must solve three problems. First: It must break the isolation of farmers by drawing them together under a common bond and community of interest. Secondly: It must place the farmer as nearly as possible on the same financial basis as his prosperous city brother. It must secure to him a fair share of the fruit of his toil. It must restore agriculture to its proper position and dignity which have been lost through bad business methods. Thirdly: It must replace bad business methods with good business methods. Because the farmer, from the nature of his work, can never become familiar with the minutiae of buying and selling, organization must attach directly to farming interests, a class of men who shall assume this work and become the farmer's middleman. This class must be directly controlled by and responsible to the farmer.

CO-OPERATION. WHAT IS IT?

The foregoing is a short summary of the facts and conditions with which the agricultural population of every civilized country has been brought face to face. The solution of the problem has been earnestly sought by intelligent farmers in all countries. Many theories have been advanced, many experiments resorted to. Political organization has been attempted. Spasmodic attempts have been made to introduce that great machine of urban industry into the agricultural world, viz., the combine, but without success. Joint stock farming has been attempted; farmers stock companies to own and operate creameries and bacon factories; factories of many kinds have been organized; but none of these have answered the great question. Governments and scientists have attacked

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the problem from the standpoint of increased and scientific production, but they too have failed in materially affecting the situation. The problem of production seen from the farmer's viewpoint is one of marketing and the solution must be seen by the agriculturist from a market point of view before he will improve his ways. Scientific investigation has done great things for production, but science finds itself continually checkmated by the refusal of the agriculturists to adopt scientific methods. The fact is, farmers are seeking first to solve the great question of marketing before they take up the problem of scientific production. The scientist waits on the economist.

I have said that many experiments have been tried. Out of the many, one form is successful. In Germany, Denmark, France, Italy and many other European countries it has passed through the successive stages of experiment; has in each country proved its value and adaptability; has in every country proved to be the long sought answer to the problem of agricultural organization; has long since become so firmly established in the several countries as to have passed from the condition of being experimental to that of being the solution accepted by farmers, statesmen and economists. From these countries it is slowly disseminating and becoming established in agricultural economy all over the civilized world. The principle is that of Co-operation.

Co-operation is a term that in a broad way may be applied to many forms of organization, but in the strict sense this term is applied to a very special form of organization suited to certain conditions. It is my intention to place before you a short history of the movement and to study somewhat in detail its workings in various countries with especial reference to the Co-operative Fruit Associations of Ontario.

In order that we may have a definite knowledge of just what the Co-operative idea embodies I will quote from the work of C. R. Fay, "Co-operation at Home and Abroad," which is a first hand study of all forms of co-operation found in the different European countries. Mr. Fay defines a co-operative society as "An Association for the purpose of *joint trading*, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their association." Notice that it is an association for the purpose of trading. In the towns it is most successful as a means of supplying its members with food, clothing, etc. In the country its main field of activity is as a solution to the problem of marketing. It is the farmer's solution to the problem of how to overcome isolation in business, difficulties of transportation, and other conditions that so long have baffled him. In both town and country it has another field of great usefulness, *i.e.*, obtaining cheap credit as an aid to production. Let me insist, however, that aside from credit the chief field of agricultural co-operation is that of marketing. If, for instance, it undertakes the manufacture of butter it does so, or should do so, for the production of uniformity and excellence of quality merely as an

aid in marketing. Wherever the object of marketing is lost sight of failure results. Witness the failure of co-operative dairying in Ontario where production is made the chief aim and marketing is not attempted. It is true that in France agricultural co-operation has partly taken the form of production, but this is due to peculiar political conditions resultant from the Revolution and not found in other countries

"Since Co-operation is concerned with the conducting of business, that is to say with trade, the Co-operative Society differs from the Friendly Society and the Trades Union. The Friendly Society teaches thrift and foresight, makes provision against death, accident, etc. It is concerned not with business of members but with fruits of that business, namely, savings. The Trades Union is intimately connected with the operations of trade but cannot trade. Its single object is to bargain with and if necessary to fight the employer on behalf of the employee." The Co-operative Society differs from the Trust, Combine, etc., in that it is an association of the many whereas the Trust is a union of the few. Co-operation especially aids and builds up the small producer; the Combine crushes the small producer. Both no doubt seek first and foremost to benefit their own members. But while Combination is an association of the strong, bold, unyielding and exclusive, the Co-operative Society is an association of the weak who gather together and try to lift themselves out of weakness into strength." Agricultural co-operation cannot be said to be a monopoly. It does not tend to hinder anyone from entering the field of its activities, but only tries to organize its members as an aid to marketing. Wherever agricultural co-operation has become established the rural population has rapidly increased.

CO-OPERATION IN EUROPE.

"Like most great ideas Co-operation was born and fostered amid jeers and suspicion and when it justified itself in deed it was taken up by many who neither knew nor appreciated its early struggles." In Germany it began as a sort of philanthropic work by Schultze in the towns, and by Raffeisen in the country about 1849. These two men founded what are now known as the Schultze-Delitzsch and Raffeisen system of co-operative Credit Banks. The working classes of Germany at that time were under the heel of the Jewish money-lender. An experiment was made by these men consisting of loans to societies made up of small manufacturers, which later developed into the great Co-operative banking schemes that serve as models for the whole world. Under the wing of these credit societies there presently grew up Supply and Marketing Associations. The success of German agriculture to-day is largely due to the presence of co-operative organization in the country.

In Britain co-operation has mainly taken the form of shop-keeping. German co-operation grew up under the patronage of philanthropists, but British co-operation in the towns is the result of the long and painful efforts of the working classes. Britain was the first nation to evolve a

distinctive working class at the beginning of the "industrial revolution." The first society was a milling association (1795). Many similar societies followed and many failed. In 1833 there were 400 societies in England. At this time Robert Owen became active in the co-operative field and introduced socialistic schemes that temporarily ruined the movement. In 1844 the "Rochdale Pioneers" opened business as a Co-operative Store and from that time the movement in the towns has gone rapidly forward. The agricultural society was much later in the field in the British Isles. About 1888 the conditions of the farmers in Ireland drew the attention of Sir Horace Plunkett. He devised and put into action a co-operative scheme modelled on the societies of Germany and Denmark, which is rapidly revolutionizing Irish agriculture. In Great Britain the idea slowly began to make way among farmers but a definite organization campaign was not outlined till twelve years later. England in 1900 took definite action to push the Co-operative propaganda and Scotland followed the lead in 1905. The three distinct organizations known as the Irish, British and Scottish Agricultural Organization Societies are quasi-philanthropic societies, which aim to place the movement on its own feet as quickly as possible. This object seems to be in a fair way to be realized, as the British Government has now decided to do all in its power to encourage the movement. Their most profound students of agriculture are agreed that co-operation offers the best solution to the agricultural problem yet offered.

The Co-operative Movement in France dates from 1884. Previous to this time French law forbade associations of such a character, but in that year a law was passed favoring their formation. From that time the growth has been exceedingly rapid, as this form of organization seems to appeal to the mind of the Frenchman. While all forms of Co-operative activity flourish in France that country is the peculiar exponent of co-operative production. The movement in France has grown up under the protection of the Government and has from the first had its support and help. Perhaps this accounts for its rapid growth. Co-operation in Belgium began by act of Government in 1893. In Italy it began about twenty years ago. In both these countries the movement resembles that of France with special adaptations to the suffering problems of each country. In both the movement is receiving the hearty support of their respective Governments, as it is recognized to be the long wanted solution of the agricultural problem.

It is in Denmark, however, that agricultural co-operation has perhaps reached its highest degree of attainment. It is to this country that all men point as the pattern of ideal co-operation. The movement began in 1866 by the establishment of the first Co-operative Store; the first co-operative dairy was established in 1882 and the first bacon factory in 1887. In 1895 the first egg-export society was formed and in 1906 the first shipping association. To-day eighty per cent. of the dairy products of Denmark and sixty per cent. of the bacon are handled co-operatively. The egg-societies are distinctly successful and the movement

is recognized by all cognizant with the facts, as being the fundamental cause of the great prosperity of the country.

STATISTICS, 1906, AGRICULTURAL SOCIETIES.

Association.	Societies.	Members.	Business Done.
<i>Germany.</i>			
Credit	13,181	954,473
Separate Supply	1,072	141,804
Machinery	280	6,423
Production and Sale.....	3,264	230,729
Magazine	255	33,385
<i>Denmark.</i>			
Dairy	1,076	157,537	\$45,000,000
Bacon Curing	33	91,000	18,000,000
Egg	500	1,200,000
Supply	(See page 13.)		
<i>France.</i>			
All kinds	3,553	677,150
<i>Great Britain.</i>			
All kinds	134	7,437	1,100,000
<i>Ireland.</i>			
Dairies	283	45,201	5,000,000
Supply	159	13,663	360,000
Poultry	29	458	7,000

This short and somewhat crude historical sketch gives little idea of the growth of the movement in the various countries but it should prove this one fact, i.e., Co-operation is no new, untried experiment. In Europe it is accepted by all as an integral part of the economy of each nation.

URBAN CO-OPERATION.

The different forms that co-operative activity has assumed in the various countries of Europe is very interesting in that they illustrate the elasticity of the movement. It proves that the co-operative idea can be suited to the needs of very different conditions. It also proves that neither the old idea of *extreme individualism* on the one hand, nor the newer idea of a *close combine* on the other, is necessary to success in any line of commercial activity. Co-operation strikes the happy medium between the two extremes.

Three forms of activity are typical of urban co-operation in Europe. These are: In Supply, in Production, in Credit.

Supply.—Britain is the great home of Co-operative Supply. The system of stores which now covers Great Britain as a network is a living monument to the value of the idea. In Britain the industrial revolution brought about great changes. With the adoption of steam as motive power and machinery for hand labor, the work of production passed from the hands of the small manufacturer to that of the factory

or mill owner. The great working classes became employees. As the mill owners came to realize the power they had become possessed of, they sought to still further enlarge this power by getting control of the shops. The task of the workman of Great Britain was, then, to free himself from the yoke of the factory owner. And here the co-operative idea found happy expression. After many experiments and failures it took the form of Co-operative Supply. The Rochdale Society opened business in 1844. They set forth as their objects: 1st, to establish a store for the sale of provisions, clothing, etc.; 2nd, the building or purchasing of houses for members; 3rd, to commence the manufacture of such articles as the society may determine upon. The growth of the movement has been phenomenal. In 1906 they had 1,448 societies, 2,222,417 members and made sales to the extent of \$316,500,000. Each society owns and operates a store. The stores are nearly all affiliated with the British or Scottish wholesales which supply the retail stores with everything they need. As an example of the magnitude of their operations it is only necessary to mention the fact that the wholesales grow and blend their own teas, coffees, and cocoas. They manufacture nearly every article of common consumption.

In Germany a similar organization was attempted but has not been markedly successful. The condition of the working classes has been till very lately, so different in Germany that a similar need has not arisen. Co-operative Supply in Germany has taken another form. The money that Schultze secured by means of Credit Associations was generally invested by the tradesman member of the society in buying raw materials with which to manufacture his goods. The next most natural step was the formation of associations for buying raw materials in wholesale quantities. These associations have been wonderfully successful, and are now a very important feature of German Co-operation. The Germans express surprise that Britain has not adopted a like form of co-operation. But in Britain the small producer does not exist to any marked extent and so the need has not arisen.

Production.—France has excelled in co-operative urban production. This has been due principally to the attempts to realize the ideals of the revolutionary period, which aimed at the emancipation of the working classes. A peculiarity of French character has also greatly aided in the trend which co-operative activity has taken. The Frenchman is inclined to be communistic in production. He does not consider himself demeaned because he works under a superior officer. He still retains his social standing and meets his superior officer as an equal in every way, at the same time yielding willing obedience to that officer. This has made possible an extensive scheme of co-operative production. In spite of this pre-existing tendency of the French mind co-operation can scarcely be said to be the solution of the labor problem in France. Indeed some writers state that production pure and simple is not a legitimate form of co-operation. In Germany the industrial revolution came much more slowly than in England. When Schultze attacked the question of

co-operative credit there were many small producers in the towns and this form of manufacture is still common there. Since then co-operative factories have made considerable headway. Now, however, the industrial movement in Germany seems to be replacing the small producer with the great privately owned factories. In Britain, the home of the co-operative store, Production is becoming an important auxiliary of Supply. The British and Scottish Wholesales are steadily increasing the number and kind of their factories, workshops, etc. The great bulk of this production is not truly co-operative, however. The Society stands rather in the position of private employer. To be sure, they treat their workmen well, their factories are scrupulously managed and the employees well paid; they divide a share of the profits with the employees of certain factories; but they are not co-operative and seem to be steadily working away from the ideal of co-operative production. It may be that production, from the standpoint of production only, is not a natural field of co-operative activity.

Credit.—Peculiar conditions have made Germany truly the home of co-operative credit. At the time Schultze undertook his great life-work the condition of the small producer, who was indeed the great producer, was pitiable indeed. The usurer had long become the scourge of the small capitalist of Germany. Money was scarce and dear. The "Jew" had money to lend but at exorbitant interest. Each loan obtained from a usurer simply led deeper and deeper into the mire. Schultze recognized that the ordinary philanthropic schemes were useless to solve such a problem. He conceived and interested the people in forming loan societies. Each member subscribed to a certain small amount of stock which he paid in instalments. Then the members signed articles in which each assumed unlimited liability for all loans made. Thus with a small bulk of capital and an unlimited liability bond a means of securing large loans at moderate rates of interest was secured. These loans were dealt out to the various members of the society at rates of interest very moderate in comparison with usury. These societies were very successful. Schultze had shown them that by "self-help" or co-operation they could solve the whole problem and eliminate the "Jew" who had so long fed in their midst. The history of the movement reads like a romance. The autocratic German Government resented Schultze's interference; they dogged him for years by placing every possible obstacle in his way, but the movement could not be stopped. The various forms of societies which presently sprang up formed unions of societies which again formed Provincial Unions. These have again united under one great head known as The General Union of German Co-operative Associations.

France, Belgium, Switzerland, Italy and Austria have followed the German lead and now do an immense business in co-operative credit. Other countries are learning the lesson and co-operative credit is now considered to be one of the greatest institutions of the workmen of the towns.

What then can Canadian agriculturists learn from the experience of the towns and cities of Europe and the British Isles in regard to Co-operative activity? Certain facts seem to stand out plainly. First. The co-operative idea is very elastic and can suit itself to a great variety of circumstances. How different is the situation of the British workman seeking to escape the bondage of the employer who also controlled his food supply, to that of the German small producer bent on maintaining his patrimonial institutions, and yet on escaping the "Jew" money lender! Again how different from either of the others is the position of the French workman, seeking an answer to the problem of production on a large scale and yet maintaining his cherished ideals of equality and liberty. Secondly. Co-operation is not a panacea for all social ills. It attacks certain specific problems which vary with the differing conditions to be found in its various fields of activity. A form which is very active and suitable for one country or set of circumstances is not workable in another place and *vice versa*. The need is the thing that determines its form of development.

AGRICULTURAL CO-OPERATION.

A new form of activity enters the field here. I am not aware that urban co-operative producers market their goods co-operatively. If they do so it is on a small scale. The store is of course a sale society, but it is managed from the consumer's viewpoint only. But the agriculturist has long been looking for a solution to the great problem of how to market his produce in such a way as to secure a fair share of the returns himself. Co-operative sale has answered the question. Let us then examine co-operation in agriculture under the heads of Sale, Production, Supply, Credit.

Sale.—Denmark is the exponent of Co-operative sale. As circumstances have made certain forms of Co-operation peculiar to certain countries, so too have circumstances directed the course of co-operative activity in Denmark. Denmark is a country of farmers. In 1880 she had no great consuming market for her produce close at hand. The bitterness resulting from war and feud had cut her off from the great German markets. She was forced to seek a market overseas. The soil and climate was suited to only a limited variety of products. Grain had ceased to be profitable and the land was exhausted. The Danish farmer turned to co-operative production and sale as the way out of his difficulty. He recognized that in order to get reasonable returns for his product it was necessary to maintain control of the product until it reached the consuming market, which was Britain. Butter seemed to offer him a fair field for profitable activity. But he found that the heterogeneous product of the numerous farms would not market profitably in Britain so he turned to co-operative factories as an aid to marketing. Having learned the lesson of co-operative production as an aid to co-operative sale, he

recognized at once that improved and scientific methods of production could be carried back from the factory to the stable and from the stable to the field. Thus by a series of logical steps he learned the relation of high prices and big profits to co-operative and scientific production. This fact is of prime importance as explanatory of the wonderful coincident advance of co-operation and scientific methods of production in Denmark. Co-operation solved for the Danish farmer the problem of marketing and taught him the value of science in production. Since 1882 the butter trade of Denmark has increased from \$17,000,000 to \$55,000,000 in 1908. The hog industry has been organized by means of bacon factories which maintain control of the product in many cases until it reaches the retailer. Some of these bacon factories spent as much as \$15,000 in a successful co-operative campaign to break the "Pork Ring" in Britain. A number of these factories have stores in Britain. The poultry industry is being organized along similar lines.

In Germany co-operative sale has specialized in organizing the grain industry. The grain producers in Germany were forced "because of American competition" to adopt "superior methods of marketing." The Prussian government, partly because they did not want the new elevators, store-houses, etc., to become privately-owned concerns and partly that they wanted to help the co-operative movement, placed 5,000,000 marks as a loan at the disposal of farmers for the building of the necessary elevators, etc. This money became accessible to farmers only when associated in co-operative form. It would seem that the government aid was too lavish, as many elevators and store-rooms were built which did not pay their way. This gave the movement a severe check. Now, however, the co-operative marketing of grain in Germany is on a fairly firm basis and is recovering from the harm done by too lavish government expenditure. They are usually conducted in connection with a Credit Association which loan money on stored grain. There is at Pommern, Stetton, a kind of head society that dispenses the State loans, lets the "Corn Houses" and also conducts loaning operations on stored grain. In Germany also are found potato-distilling and wine societies which manufacture and market their crop. These are steadily, especially the potato distilleries, gaining in popularity with the people. There are two kinds of these: 1. Small farmers who bring their potatoes to a co-operatively owned distillery. These resemble the co-operative dairy. 2. A few big farmers own a distillery and store-house. They manufacture the spirit and raise loans on the stored spirit and also on the stored potatoes. These societies resemble the Corn Associations. In 1899 both forms of associations federated and formed a selling syndicate with a central office at Berlin. They have now five central sale depots.

France, which has essentially a home market, has five Provincial federations of societies for marketing purposes. The co-operative dairies of West France supply 24,250,600 pounds of butter annually to the Paris markets. They ship twice daily in refrigerator cars. Some federations supply co-operative stores. In Belgium some of the federations have

founded special *co-operative markets* where they sell directly to the consumer.

In Britain, farmers are just learning the lessons of co-operative sale. So intense has been the individualism of the British farmer that he has been very slow to learn from his more advanced brothers on the continent. There are now numerous co-operative societies in Great Britain and Ireland that are looking to the organization of the marketing end of their business as the key to successful co-operation.

What has Co-operative Sale done for the farmer of Europe that he was unable to do when working alone? 1. It has gathered together the scattered products of the numerous farms, classified and graded them. It has taken these products and placed them on the market as the produce of one association or federation of associations of which the farmer is a member. It has retained the interest and control of the farmer over his products until they reach a consuming market. It has thus created a community of interest. 2. It has attached directly to the interests of the farming community a class of men who act as the farmers' middlemen, *i.e.*, the managers and sales agents of the associations. These middlemen are responsible to the farmer and are hired and paid by him to work for the farmer's interests. 3. It has relieved him of the business of marketing, thus leaving him free to give more careful attention to those things for which, by nature and training, he is better fitted. It has also taught him the value of science and improvement in production. 4. By means of all the aforementioned benefits it has greatly increased his profits and restored a sense of dignity to the calling.

Production.—In nearly every European country co-operative production is a part of co-operative sale. In several countries, however, production itself is being attempted aside from its value as an aid to marketing. In France the idea has advanced more rapidly than elsewhere. Co-operatively owned and operated vineries are quite common and the same is true of dairying to a lesser extent. In France, Germany, Belgium, Denmark, and some other countries are found co-operatively owned farms for the production of breeding animals and seed grains. They breed and distribute to societies and members stallions and mares, cows and bulls, sheep, swine, etc., thus greatly aiding in raising the standard of domestic animals. At Svalof, Sweden, is a splendid co-operative farm for the production of seed grain. There are 800 farmers in this association. But these latter societies are rather auxiliaries to the co-operative movement than bona-fide co-operative trading associations. Dairying in Ireland has been organized chiefly from a productive standpoint. It, however, has been valuable chiefly as a means of educating the Irish farmer to the need and use of more up-to-date methods of farming. Irish Co-operative Dairies are now looking anxiously towards federation of societies for marketing purposes.

Supply.—This form of co-operative activity seems to be successful in all countries. In 1844 when artificial fertilizers began to be commonly

used in Germany, they were so adulterated by dealers that farmers were led to establish testing stations and afterwards buying associations. Little by little these societies enlarged their scope until now they handle nearly all of the great staples consumed on the farm. The Insterberg Society, one of the first in the field, was made up of big farmers. This was joined by *associated bodies of small farmers*. Thus has grown up all over Germany wholesale supply societies. Fay says the above instance has a treble significance: 1. It shows that the supply associations have an important place in large as well as in small scale agriculture. 2. Large and small farmers can successfully co-operate for supply, albeit similarity of status is essential to the rural bank. 3. One important society may shelter its weaker brethren until they are strong enough to stand in equal alliance.

In 1895 came the final stage of the development of the Supply Societies of Germany. They formed a "National Business Federation." The societies prepared in this way to combat the *great trusts* of the country. "Each wing of co-operative industry prepared for the change." All the agricultural co-operative societies joined the Central and made it their headquarters for supply. In 1898, 1,500,000 farmers were connected with it. The fight with the trusts was wholly successful. "Thus have German farmers been drawn together to form over and above their own supreme general unions this Supply Union which is a purely business machine, national in scope and registered at law as a "Joint Stock Company, Limited."

In France the Supply Society is almost equally successful. It is this form that Co-operation is largely taking in Britain. Manures, cattle foods, machinery and such staples are the goods mostly dealt in.

Denmark has carried the business of supply more nearly to perfection than has any other country. They have: (1) A United Supplies Association which consists of a federation of 800 societies. This society owns an immense wholesale house at Copenhagen and operates stores in nearly all the country villages of Denmark. They sell provisions and general household requirements, as well as raw materials. (2) A Farmers' Co-operative Purchase Association with 4,000 farmer members. This society buys feeding stuffs, seeds and manures; sells eggs, butter and garden produce through a single wholesale house at Copenhagen. (3) Feeding Stuffs Associations. There are six of these with a membership of 600 co-operative dairies. Besides these there are nine federations of seed purchase societies, one Creamery Requirement Association comprising 362 co-operative dairies. "With the exception of the United Supply Association these societies are rarely rivals in each other's districts for the same commodity."

Thus by means of organization the Danish farmer has freed himself from the dominance of the middleman, who on the one hand marketed his product and on the other hand sold him his supplies. He has not eliminated the middleman to any marked extent. The wholesale and retail

store still exists but the farmer now owns both the wholesale and retail machinery of supply, as well as the wholesale means of distribution.

Credit.—In 1849 Herr Raffeisen of Flamersfeld, Germany, secured a loan of about \$1,500, which he loaned to a few of the usury-ridden farmers of his native country. From this small beginning grew up the great system which has done so much for Germany. It has supplied the farmer with an abundance of credit with which to improve his farm. The young man without capital but with a good name has, by its aid, been enabled to secure sufficient means to start on his own farm. It has had a considerable influence in checking emigration from Germany. It has taught the German farmer self-confidence, good business methods and good morals. Each little village has its own association which is a member of a Provincial Union, which is again a member of the National Federation. From Germany the idea has slowly spread. In France some philanthropists, and afterwards the French Government, tried to launch great schemes supposed to resemble that of Germany. Both failed utterly. Wolff, in "People's Banks," makes the following comparison between the French and German schemes: "One can scarcely help remarking upon the striking contrast between that splendid enterprise, flush of funds, big with promise, hopefully watched by thousands of expectant Frenchmen—and yet doomed to end in nothing but smoke in less than two brief months; and, on the other hand, the modest little bank, scarcely daring to show its face, with barely a few hundred pounds of borrowed capital, unheard of outside its own small parish, and yet destined to grow up a flourishing institution, distributing millions through its thousands of channels and establishing plenty everywhere it set foot."

Since then the real credit society, self-owned, self-helped and self-sustaining, has become an essential feature of French co-operation. The co-operative leaders in Ireland have lately come to the conclusion that the movement would be much farther advanced had they made use of co-operative credit at the beginning as a means to supply the Irish farmer with much-needed capital. Co-operative credit is steadily gaining the confidence and favor of the British people, statesmen and government. It is now looked upon as being the most feasible scheme ever advanced for the supply of credit to British farmers. In Switzerland, Belgium, Austria, Sweden and Italy the Credit Association in some form has a prominent place in agricultural economy.

FORMS OF ORGANIZATION IN EUROPE.

In order to understand more clearly the workings of the societies I will describe characteristic forms as found in the various European countries. These descriptions will include only agricultural societies.

The Credit Association is a union of the members of single communities for the purpose of obtaining joint credit. The societies are confined to single communities because where the organization extends over a considerable area the members are not known to one another and the com-

munity of interest is destroyed. The essential feature to success is that each member shall be intimately acquainted with every other member so that confidence can be maintained. The members are associated under unlimited liability. The societies obtain money by borrowing in sums of such magnitude that they are able to secure a low rate of interest. Deposits by members also form an important source of revenue. Regular savings bank interest is allowed on these. No stock whatever is issued. They pay no dividends. They lend the funds thus obtained to members at as low a rate of interest as possible, usually about four per cent., for periods varying from one month to five years or longer. Each applicant for a loan must justify his claim before it will be granted. Where unlimited liability is employed, great care is taken to see that each loan is put to good use. The security is purely personal. Good character is made the basis of all loans. The management consists of a board of three directors and an advisory board, whose business is to assist the directors. The directors are not paid a salary but may be paid for time spent enacting business. A paid cashier is employed to keep the books and dispense the funds as directed. He has no control of the funds in any way. The books are audited twice a year. Travelling expert auditors go from society to society to do this work. By this simple means all the credit that can be desired is secured and the universal statement is, that never a dollar has been lost.

Over the individual societies are provincial federations consisting of unions of societies. These are associated under limited liability. Their business is to act as a safe deposit for the funds of the individual societies and to make funds mobile, *i.e.*, if one society has an excess of funds it is transported through the provincial federation to another society in need of funds. The provincial federations do not lend to individuals or have any dealings with the public, excepting through the associations.

There are also individual societies in several countries associated under limited liability, which are fairly successful. Their serious difficulty is that in order to raise sufficient capital they are forced to sell shares which naturally look for dividends. These societies tend always to settle down into pure business enterprises aiming to lend at as high rates as possible in order to swell the dividends.

The Dairy Societies of Denmark are associated entirely under unlimited liability. There is first the individual society consisting of a community. These are producing societies which manufacture the product of the members. These societies are associated under nine marketing associations, whose function it is to secure the highest possible price for the product of the producing associations. At the head of the nine federations is a Butter Quotation Committee who watch the markets and furnish quotations to the federations; they also make sales when desired. The price quoted to the federations do not fix the price of butter but rather act as a guide to the societies when making their sales. They, of course, secure higher prices than those quoted whenever

possible. The Bacon and similar societies are modelled as nearly as possible after the dairy associations. The management consists of a board of directors and a manager for each society with a corresponding government for each federation.

The Egg Export Societies are organized somewhat differently. After several experiments the form adopted is to have small societies which employ men to gather the eggs of the members and deliver them to a railway station, from which they are shipped to the store and packing houses of the federation of societies that now takes the responsibility of marketing. At the packing house the eggs are candled, graded, crated and made ready for shipment to the various markets. Before the eggs leave the individual member he marks them with a number given him by the federation. If the egg is found to be "bad" it can be traced right back to the member who sent it in, *i.e.*, the candler—official tester—at Copenhagen finds that egg number 41 is stale. The number reveals the member who sent it. The societies are associated entirely under unlimited liability. A flat rate is paid for the eggs to the members at the time they are gathered. Later, when the returns for the shipments come, the difference between the price paid and the price received by the federation is returned to the members less the expense of management. Thus the federation is the factory, sales agent and distributor of the returns to the individual producer, the small societies serving only as a means of gathering the product. This has the advantage of economy in management, which is necessary where the yearly returns to the producer are small, because only a small amount of capital is invested in the business.

The Grain and Spirit Societies of Germany own great storehouses. They are thus enabled to hold their produce until they find it advantageous to sell. They usually work in conjunction with a Credit Association from which they borrow money on the stored goods when desired. They are associated under both limited and unlimited liability. Their method of federation is rather loose but consists of a union for selling purposes, and in the corn societies for dispensing the State loans. They are governed by boards of directors who are not paid but employ a paid manager.

The producing societies of France are associated under unlimited liability. Their object is simply to secure, through association, the economies of management, etc., always found in large establishments. They are organized into departments with managers in charge and are governed by men elected by the association to do the work. They are federated with other societies of a like nature and also with purely marketing associations for marketing purposes.

The Supply Societies have very different forms in different countries. In nearly all cases, however, they have a federation which is a wholesale society. It is the business of the wholesales to buy supplies for the individual associations. The government of the wholesales usually consists of a board of directors appointed by the societies. They, of course, employ paid managers. The board of directors may also be paid. In

Denmark, France, Germany and several other countries limited liability is employed. The wholesales own depots at central points. The individual societies may operate retail stores or may only have sheds for storage. They employ paid managers and are controlled by boards of directors who are not paid.

Associations employ various methods of organization according to the kind of society and character of the people. I shall discuss these under several heads:—

To Secure Capital.—When a co-operative society undertakes to do business from year to year it becomes necessary to obtain capital for investing in a plant or to supply working capital or both. This capital is obtained in one of three ways. 1. The Society borrows the money either from a bank, a private person, or a loan company. 2. It issues share stock as an ordinary Joint Stock Company. 3. It combines the two methods outlined or issues stock for a part and gives a mortgage on the plant if it has one for the remainder.

In order to borrow directly, *i.e.*, straight loan, the large amount necessary to finance, say a bacon factory, considerable security is required. The greater the risk the higher the rate of interest and *vice versa*. Recognizing this fact, the farmers of several countries in Europe associate in the form of unlimited liability associations. This form makes the borrowing of capital very cheap because each farmer assumes the responsibility for the whole debt. This kind of security removes every shadow of risk from a loan. Not all European farmers, however, are prepared to associate themselves in this way. In Ireland and in some parts of Germany and Belgium the second means is employed, *i.e.*, share capital. In this, however, the system differs from Joint Stock in that shares are rigidly confined to members, only one vote per member and profits are divided according to business done with the society. Experiments have proven this to be the only successful method. The trouble with this system is that farmers are not a monied class and it is often very difficult to raise sufficient capital. This difficulty often blocks organization. Some societies have share capital and unlimited liability. This gives them ample capital but the difficulty encountered here, as also where joint stock only is used, is that stockholders look for large dividends on their investments.

Unlimited liability.—Each member of a society assumes full responsibility for all the liabilities of the association. The bond declares "all for each and each for all." This system is universal in Denmark. Even federations of societies employ unlimited liability. The same system is nearly uniform in France, but in Germany and several other countries unlimited liability is confined to individual societies. Unlimited liability is the cheapest of all credit instruments in that capital takes no risk. It is the mark of high business training on the part of the farmers in the countries where it is found. It is a proof of the great interest taken in all the doings of a society or federation by individual members.

Farmers safeguard themselves by signing a bond in which each assumes a certain definite proportion of the liability of the society based on the value of his farm and the business done with the association. This amount is fixed by a board appointed for the purpose. By this means, if suit were entered against a society, the whole debt could be collected from one individual if necessary, but he again could collect from each member a certain definite share of the liabilities. Thus, while to the business world each member is responsible for the whole of the liability of the society, he is really only responsible for a certain definite share. Again, in many cases expenditure is checked by limiting the amount of money that may be invested in any given enterprise, by the manager or board of directors. Any project involving more than the stated sum must be submitted to a general meeting.

Certain peculiar conditions which deserve notice are found in those societies that employ unlimited liability:

1. Only people with considerable public spirit enter these societies. A narrow or suspicious person will not enter.
2. There must be a strong community of interest to induce people to severally and collectively assume such responsibility. Once this community of interest is established it steadily increases with each new communal investment. This has been found in practice to be one of the most remarkable and beneficial results of such associations.
3. There must be a high sense of obligation and honor on the part of individuals in such a society. A dishonorable or careless member is a distinct menace to the society and finds himself socially ostracized in such a community.
4. It tends to restrict the size of the society. Only the highest type in a community will enter such a society. These persons must carefully weigh the character of each new candidate for membership.
5. Only persons of good business ability enter such a society. They must see the business advantages and be clear-headed enough to see ways to safeguard their personal interests, while at the same time advancing the interests of the community.

Limited liability resembles that of any joint stock company except that it is found advisable to restrict shares to members. There is this fundamental difference between a Joint Stock Company and a Co-operative Society. A Stock Company sets out to earn dividends as the prime object of its being. Its services are measured wholly or in part by the dividends declared. Its investors or promoters are not its customers. It is not interested in serving its stockholders except to earn dividends. A *Co-operative Society*, on the other hand, *does not set out to earn dividends* as the primary object of its being. Its profits are measured rather by the service it is to the members as a whole than on the basis of dividends. Its members and promoters are its customers and the society is interested in serving the investors in other ways besides the earning of dividends. Dividends are fixed by the constitution and do not vary.

Federations of societies find limited liability a convenient form of association. The society is no longer under the direct observation of the individual. For this reason the strong community of interest is more or less broken and the actions of the federation are not controlled by individuals but by societies as units.

The analysis of the two forms of association may be summed up thus: 1. Unlimited liability is the cheapest form and tends to the highest development of the co-operative idea, but can only be adopted where there is a marked community of interest and a high degree of intelligence. 2. Limited liability is suited to those conditions where there is only a loose community of interest and where people are not trained in business and citizenship. With limited liability considerable care needs to be exercised in order to maintain the co-operative idea.

Division of Shares.—Where shares are employed the problem of their distribution is a serious one. In Germany where share capital is common the desire of the large stockholders to earn dividends offers a serious menace to the development of the societies. They tend to become money-making machines for a few holders. Many societies are now allotting a fixed number of shares to each member while others are limiting it to one share of a fixed amount. Britain and Ireland have all share capital and some of these societies as well as many in other countries show signs of separating into societies of large farmers where the amount of money invested by each is nearly equal and into societies of small farmers where a similar condition prevails.

Distribution of votes.—Shares and voting power are closely connected. A farmer who owns many shares in a society naturally wants a corresponding control in the society. On the other hand, a poor farmer may have as good judgment as a rich farmer. He may also be more inclined to direct the policy of the society towards the general good. When a few men control a large bulk of the stock and votes, the whole society stands a good chance to suffer in consequence. This trouble is overcome by two methods: 1. In Denmark, France and in part of Germany one man has only one vote. This has been found to be perfectly satisfactory and in no case has hardship resulted in consequence. 2. Large producers associate in one society and each have nearly equal amounts of capital invested each man has practically only one vote. Small producers associate in a similar manner and similar results. The two societies may then federate for marketing purposes. This second way has its limitations. When large amounts of capital are invested, as in bacon curing, it often requires two sets of costly machinery to do the work that one would do. The first method has no disadvantage except the unwillingness of a large investor to agree to have only one vote.

Responsibility of Management and Members.—The board of directors are directly responsible to members for expenditures and prices received for produce. They must settle all difficulties between managers and

members. Managers are responsible to the board of directors. Their position does not differ materially from that of the manager of a joint stock company. Members are generally held strictly responsible to the society for their actions. If a member of a loan society in Germany misuses his loan the directors have the power to call the loan in at once. If a member of a Dairy Association in Denmark sends a poor quality of milk to the factory or if the quantity falls off abnormally, he must answer to the society for the defection. Very often a man employed by the society is sent to advise him regarding the matter. If deemed necessary, a fine is imposed, and this rule is strictly observed. Thus each society in each country has its special means of securing for the association the best efforts of its members towards making the societies a success. The perfection with which this can be carried out depends entirely on the strength of the movement in the particular section in question.

Division of Profits—The plan that has worked out to best advantage in all countries (excepting with loan societies) provides a fixed rate to capital, either in the form of interest or dividends. All of the loan associations set a certain percentage of profits aside for a reserve fund. This plan is also followed by many of the other societies where considerable quantities of working capital are required. In marketing associations prices for each shipment are pooled and any remaining profits are apportioned to members on the basis of business done with the association. In the loan societies there are no profits outside of the reserve fund. The Supply Associations usually sell at regular retail rates and then rebate the difference between the selling price and the cost price to the members. Societies handling wholesale quantities of manures, seeds, etc., often charge their members only the actual cost price plus expenses of management. With this system profits appear only as savings on purchases to the members.

Federations of Associations.—The duties of the federations of the different societies have been discussed as each society was described. There are, however, many things of great interest connected with them not yet mentioned. In France all agricultural organizations are hinged to what is known as the "Syndicat," which is described as "a union between persons exercising the same profession formed for the defence and advancement of their common interests." Its objects are: 1. To attach the rural population to their homes by increasing the dignity of agriculture and to make it more remunerative. 2. To act as intermediary for members, to improve tillage and cattle raising. 3. To proceed with collective purchase of all agricultural requirements such as seeds, manures, machinery, etc. 4. To fill the role of an aid society, mutual insurance and provident society, and to establish co-operative societies. A peculiarity of French law exhibits itself here. All other agricultural societies must secure their legal standing through the "syndicat." Thus a general federation of all forms of agricultural societies has been created by law.

At first there was only one great syndicat, but as the differing interests of the several activities of the society began to clash, the syndicat has split into several, which have again divided under Provincial syndicates. To these smaller syndicates are attached the co-operative societies proper. There is now a movement towards a closer federation of the co-operative societies independent of the syndicat. This would indicate that federation should take place by the volition of the people from the bottom upwards rather than be created by law.

In Germany each branch of co-operation has its own federation. Over all these there is, as already noticed, the National Business Federation which acts as a connecting link between all branches of the movement.

Great Britain and Ireland have their organization societies which act in a paternal relation to the individual societies. These organization societies cannot trade. They can scarcely be called federations but rather parents. They are supported in part by the government in part by philanthropists and in part by the individual societies.

"At the crown of the Danish co-operative union proper is the General Co-operative Union. It publishes a paper and holds a congress. It owns one small room and employs a lady secretary. This is perhaps the most striking comment possible on the development of Danish co-operation." It indicates the perfection of their system and also its simplicity of management.

Let us notice some of the particular activities of these federations under the following heads:

1. To further organization.—All of the great federations have special departments for pushing organization work. The British Societies employ paid organizers. The Germans have a similar but more elaborate scheme. In Denmark organization is taken so much as a matter of course that a similar driving force is not needed to the same extent, although much aid is given by the General Union. The Syndicat of France undertakes the organization of all societies and as before explained all societies must receive the support of the Syndicat.

2. For increasing quantity and quality of produce.—The Danish dairy federations co-operate with the government in their "surprise" butter contests. These are held every three weeks at Copenhagen. A manager of a factory may at any time receive a telegram requesting him to send a firkin of yesterday's make to Copenhagen at once. A certain number of factories contest each time. It is arranged so that each factory gets into the contest about three times annually. The short notice given and the entire ignorance of the manager of a factory as to when he will be called upon to enter the contest insures that he sends a sample of his commercial pack. The merit is apportioned according to the commercial value of each factory's make. When the butter reaches Copenhagen the firkins are locked into iron cases which show only the face of the butter. Thus, all possibility of collusion between the judges and the factory

managers is obviated. Judges are then chosen and merit awarded. The value of these contests can be readily seen, as the managers are continually expecting a call to the contest. Bacon federations arrange similar contests. In France the Syndicat furnishes ever-ready machinery for the organization of all kinds of improvement societies. The Organization Societies of Britain carry on a continual educational campaign in connection with their work. This work appeals to farmers because they see the close connection between improvement and profits.

3. Pertaining to markets.—Some years ago the Bacon Federations of Denmark undertook to break the "Pork Ring" of Britain. They established depots in all the important towns and cities of Britain and actually undersold the combine to such an extent that they broke the "Ring." In Germany the National Business Federation forced the prices of artificial manures down to such a degree as to break the great "Kartel" that had controlled these fertilizers for years. Thus the co-operative movement has aided consumers in maintaining an open market in which to buy.

Again, when Germany placed a prohibitory duty on the by-products of the Danish bacon factories, the federations at once started an educational campaign in their own country. They published recipes and gave demonstrations on new ways of preparing livers, kidneys, etc., for food. By this means they increased the consumption of these products at home to such an extent that they were no longer dependent on Germany for a market.

Danish experience points to federation of marketing facilities but at the same time to elasticity of functions. "For actual business the Danes have not one selling organization but nine, though they are obviously co-operative enough to work through one when they desire. For watching prices they have one organization of a national committee. In a word, the Danes are intensely practical in the division of their work. Butter making and butter packing is the work of the dairy; butter transport and butter selling, the work of its business delegates, who also readily effect bargains with private concerns when these latter render specialized services which they could not render more efficiently themselves."

The above instances show how that by federation the co-operative societies can act unitedly and with great effect when desired and still allow each society to maintain its own identity.

Government Interference.—A study of the attempts of governments to hinder or aid the co-operative movement reveals some interesting things. In Germany in the early days of the movement, Bismarck attempted to crush it by placing endless legal difficulties in its way. The German people, however, were used to being hampered by the Government and continued doggedly on their way. Eventually they won complete recognition by the law, but even to-day there is endless "red tape"

in connection with all their actions. Finding attempts to crush the movement futile, the government then set about to regulate and aid the movement. A law was passed requiring that all societies should employ "share capital" as a stock company does. The urban credit societies adopted this rule with the result that they seem to be losing their usefulness as co-operative societies. The agricultural credit societies issued nominal shares which they never paid. These societies have remained true to the co-operation ideal. Later on, as already noticed, the government attempted to aid the Grain Societies by making loans for building purposes. The money was to a great extent squandered. People began to think that a store-house for grain was all that was necessary to insure success, but they found that this provision was less than half the requirements of a good co-operative society. The loan is still provided by the government but is now placed directly in the hands of the federation of grain societies, which administers the fund much more wisely than the government did.

The French Government also attempted to launch a great credit scheme which failed utterly, because the people placed in charge of it belonged to a station in life so high that farmers were shy of coming to them with their financial difficulties. It has been found by long experience in all countries that the fundamental requirement of success in co-operative credit banking, is that the funds shall be controlled by persons of exactly the same station in life as those whom the scheme is intended to serve. Each director must be personally acquainted with every customer of the society and must be able to see the position of the applicant from a common viewpoint, which can only be acquired by living the life of the applicant.

Agricultural Co-operation, as it exists in France, is the result of a legal accident. In June, 1884, there was being read before the House of Deputies a bill providing for the incorporation of societies for the purpose of defending their profession. A member, coming in late, entered the room just as the professions included in this bill were being enumerated. "Et agricoles," he interrupted. His suggestion was adopted without comment, and so the great co-operative movement in France was made possible. By July 15th of the same year fifteen societies had been formed. The French farmers had just been waiting their opportunity.

In England the movement for many years was seriously handicapped by governmental restrictions. Even yet the associations must register under the Provident Societies Act. This, however, will shortly be changed.

The Danish Government seems to have left the movement to develop naturally, only passing such laws as were urged by the societies and giving such aid and regulation as the societies demanded. *A law has been passed requiring each association to adopt a registered trade-mark.* All goods are stamped with this trade-mark. Thus misbranding is made a very serious offence.

AGRICULTURAL CONDITIONS IN EUROPE.

We can discuss these conditions only very briefly as they are related to the movement. Farms in Denmark average in size from twenty to seventy acres. There are many very small and a comparatively few large farms. A number of years ago the large estates were broken up and divided among the people. The great bulk of the land is now owned by people living on the land. In France a somewhat similar condition prevails. The great number of very small farms seems to have had a tendency to turn the minds of the people towards co-operative production, in order to secure the economies of large scale production. In Germany land is held both by "occupying ownership" and by leasehold. The size of the farms varies a great deal, many being very small and devoted to dairying, gardening, vine-growing, etc. The large farms, which are very characteristic of certain sections, are usually devoted to grain and stock. In Ireland and Britain the co-operative society is being looked upon by many as a natural complement to the movement for dividing the land into small occupying ownerships. It is found to be the means of supplying unity and strength to the small farmers, so that they can buy supplies as economically as the large farmers and sell their produce with a like economy. The idea is finding favor more and more in the minds of large farmers for the very same reasons. The machinery-owning societies are mostly confined to associations of small farmers. The American should remember that the number of acres held by a farmer in Europe gives us little idea of the extent of his business or the capital invested. A farm of ten acres in Europe will often have as much capital invested and have as big an annual turnover as has the one hundred acre farm of America. There is not, therefore, the difference financially in the conditions of the farmer of Europe and the American farmer that would at first appear. The density of population, however, gives them a community of interest and the advantage of considerable numbers in each association not found in America, excepting in certain intensive lines of farming. While the size of farm has an effect on the forms the societies take, students do not think it has a serious effect on the movement generally. One thing that does seriously affect it, however, is the total amount of product of a certain kind, available for manufacture or sale. It is also easier to keep a society true to co-operative ideals where farms are small and members numerous, than where farms are large and members few. "Small farmers have achieved most success with co-operative vintries and dairies, while other products of the small farm are only occasionally and in a loose manner handled co-operatively. It was the big farmer who awakened to the fact that co-operation was a useful and suitable organization for all his purposes. Under his influence some parts of the co-operative movement are tending to settle down to self-contained business departments, more consciously interested in joint marketing

action with non co-operators, than in the pursuit of a common co-operative ideal."

The smallest co-operative dairy of Denmark has 655 cows. In Ireland they average 600 cows. The average of Belgium is somewhat smaller. The French dairies cover large areas. The average membership is 540 and they have about 1,100 cows to the society. The large quantity of produce available on a given area is perhaps the most remarkable fact in connection with European agriculture as affecting the co-operative movement.

CONCLUSIONS.

The Co-operative Movement in Europe is essentially an organization for conducting business. In no case, where successful, has it posed as a panacea for all social ills. It has in all cases, where successful, answered an urgent need, attacked specific problems, dealing with them by the most advanced methods and making use of the sound business principles of any private business venture. It has emphasized the need of cheap capital, large production, strict economy of management not niggardliness, sound methods of marketing, the reduction of the numbers and position of middlemen, the need of the producer to understand market conditions and the need and value of improved methods of production.

While in many respects the co-operative society employs the same methods as does any business organization, yet it differs from it in certain essentials. The business organization would look upon the union of all the co-operative dairies of Denmark as the very perfection of the idea. The co-operative society has not viewed it so. In order that control may be maintained by the members of the individual societies and the true "working together" idea be preserved, they have found many federations more useful; although "they are obviously co-operative enough to work through one if they so desired." Simplicity and elasticity are the watchwords of Danish co-operation. The Credit societies have not found property security to be a necessity in the loan business. They have proven personal security to be much better and have thus been enabled to reach the poorest of the poor, provided they had good character. Thus the business enterprise has become an uplifting moral force. The co-operative movement has proved unlimited liability to be perfectly reasonable and safe in business association. It has shown that commercial enterprise is not necessarily a close combine benefiting only the few, or on the other hand, disorderly competition between individuals. It has shown that all the worthy features of commercial enterprise can be preserved, and at the same time give equal benefits to all the co-workers and eliminate the disastrous losses occasioned by extreme competition.

CO-OPERATION IN NORTH AMERICA.

Anyone who is familiar with the co-operative movement in the Old World and wishes to get an accurate idea of it in America, must take into consideration the wide difference in general ideas and aspirations between the people of Europe and those of America. The movement here is stamped with all the characteristics of our civilization. In the first place it is "new" and only in rare cases has it been worked down to anything like a regular system. In nearly every case where it is systematized it shows evidence of being tainted with "trust" methods of working. So-called co-operative organizations spring from oblivion and in a year or two are doing a business of millions. Quasi-co-operative societies are continually being organized, which eventually degenerate to a trust or fall apart altogether. Pure joint stock companies masquerade as co-operative societies and no one knows the difference between the two ideas. Governments send commissions to Europe to study the movement there. The members of the commission are usually chosen from the ranks of scientific producers, who study the question from the standpoint of producers, never dreaming that the movement is interested first in trading and only in a secondary manner in production.

In a civilization such as ours that is in the transition stage from the autocratic to the democratic idea of government, every precaution is needed in order to keep the co-operative—the "working together"—idea separate and distinct in the minds of the people, from our commercial idea which is distinctly autocratic. The commercial idea places large power in the hands of a few and attempts to hold them responsible for the proper use of such power. Bitter experience has shown that the human mind is not developed to that degree of perfection, where the ordinary individual is strong enough to resist the temptations which the possession of large power brings. The co-operative idea divides the power among numerous co-workers; its government is essentially democratic. The ordinary commercial organization seldom tends to the betterment of its employees; the co-operative society exists only to benefit its co-workers. The commercial idea may be summed up in the word *mastery*; the co-operative idea in the word *service*.

So prevalent are commercial methods that it is difficult for people to see the difference between the two ideas. It is essential, however, that the co-operative movement be kept strictly a movement "of the people, by the people, for the people." The government of the individual societies, the government of federations, the direction and control of the whole movement must be the united expression of the *individuals* in the movement, or the whole structure must degenerate and eventually fail. This is, in fact, the great internal problem of the movement in America. In a country of so vast an area and with a people whose minds are so steeped in the commercial idea, the problem of uniting the forces of co-operation and yet maintaining the control of the individual is one of tremendous depth and gravity.

Turning to its business aspect we have the same problem in America that exists in Europe, *i.e.*, what are the natural and successful fields of co-operative activity? In Europe it only attacked problems where a distinct need existed for the substitution of a better system for the one already in use. A form successful in one country was totally unfitted for use in another country. Production was only conceded to be a part of the movement wherein production directly affected *trading*. In America the same is proving true, but while in Europe careful students have from time to time analyzed its workings and pointed out the lessons taught by experience, nothing of a like nature has been done in America. It is probable that a careful study of the movement in its present stage of development in the United States and Canada, by a person with a thorough knowledge of the co-operative idea, would yield lessons much more valuable to the future of the movement in America than would further study of European co-operation. The basis and idea is the same in all countries, the details vary with every country and problem. We must preserve the idea intact and in its simplicity; we may vary the details to suit every condition.

CO-OPERATION IN THE UNITED STATES.

Farmers' organizations in the United States date back for many years. These have had various aims and objects. In many cases they were connected with party politics but all aimed to place the farmer on a better financial and social footing. Much has been done by legislation to control carrying companies and other matters pertinent to agriculture, and also by helping the farmer to see that in union there is strength.

Of late years farmers have begun to realize that their great lack is the proper organization of the business end of farming. As a result increasing attention is being given to joint marketing, both in buying supplies and in selling produce. Farmers of the Southern States were the first to attempt joint marketing action. Among the cotton growers jointly-owned gins and selling companies have been a feature for some time. Truck and fruit growers have also organized in a similar manner. Vegetable and truck growers in the Eastern States are lately coming into line, while in the West many large and successful fruit companies are doing business. The grain and cattle growing states are now organizing for joint marketing purposes, while the dairy industry has long been a favorite field of co-operative experiment. In this industry, especially, many abortive co-operative attempts have been made, but there is evidence at hand that the true co-operative dairy society is becoming established. Co-operative stores have now a firm hold in Minnesota, and the future in this branch looks bright.

The whole movement, however, lacks unity and definiteness. Very few of the companies are truly co-operative. Organizers for the most part have little conception of the co-operative idea and have organized the societies as joint stock companies. Many have fallen away from their

original purpose. They started out with the intent to solve the question of marketing for American farmers, but only a few were constituted so as to be able to remain true to their ideal. The stock company is confounded with the co-operative society to such an extent that the majority of people think they are the same. In its present disjointed state it is impossible to range the movement under the different heads as was done with European co-operation.

Perhaps the most feasible method of examining the so-called co-operative societies of the United States is to outline the standards accepted by European co-operators, place alongside of it an outline of the essential features of a joint stock company and compare the American societies with these standards.

Joint Stock Co.	Co-operative Association.	
	*Form 1.	†Form 2.
Limited or unlimited liability.	Limited or unlimited liability.	Unlimited liability.
Capital secured by selling shares.	Capital secured by selling shares.	Capital secured by borrowing.
Shares held by general public.	Shares held by members only.	Loan secured from anyone.
Dividends on shares not fixed.	Dividends on shares fixed by Constitution.	Interest paid on loan.
Votes according to stock held.	One vote only per member.	
Proxies.	No proxies.	
Profits divided on basis of shares held.	Profits divided on basis of business done with Association.	
Profits divided only with shareholders.	Profits divided in part also with non-members dealing with Association.	
Object of company to earn dividends.	Object of Association to serve members.	
Two interested classes—dividend seekers and operators proper.	One interested class—operators, i.e., members only.	

It will be sufficient for our purpose if we examine a few typical societies and study their methods of organization and management:

Co-operative Stores.—This is the only branch that has a properly constituted propaganda. The Right Relationship League, with headquarters at Minneapolis, is a propagandist and educative society aiming to establish co-operative societies of various kinds. Its main activities have been

*Rochdale plan.

†Danish plan.

directed to the establishment of stores on the English Rochdale system. There are at present about 100 stores in the State of Minnesota organized on this plan. The shares are held indiscriminately by both town and country people. The greater number of the stores are in the small towns. The League recommends a constitution and by-laws to be adopted by each store organized under its auspices. It includes all the essentials of Form I, outlined in the comparison of joint stock and co-operation. These stores are very successful and this form of organization for stores is proving as useful in America as it is in Europe. It would seem that this branch of the movement in the State of Minnesota has been reduced to order and is assured of success.

Dairying.—In many of the States farmers' dairy companies have been anything but successful. The causes are practically the same as in Ontario, which will be discussed later. In the State of Louisiana dairies are now being organized on the Danish plan, which are said to be very successful. N. O. Nelson, who is pushing the propaganda there, gives as the form of societies: Unlimited joint liability, capital secured by borrowing; this is paid off by taking the returns from 5-7 per cent. of the milk furnished. Each member is bound to send a stipulated average amount of milk for two or three years. Societies are only organized in sections where sufficient milk is signed for to guarantee economy in management and success in business. Following the Danish plan the Directors are allowed to employ an Instructor to help and advise farmers in many ways and to push propaganda work. The Hammond Co-operative Creamery is empowered "to do business for other similarly organized Farmers' Associations, such as garden, truck, poultry and eggs, etc., on equal terms and pro-rated expenses." Where dairies are small it will often be found to be good business to organize other societies, as provided above, and in this way help out the expenses of management.

Truck and Fruit Growers' Societies.—The Long Island Potato Exchange in New York State is a pretty fair example of what is being attempted amongst farmers in the Eastern States. This is a company of about 600 farmer stockholders which has a capital stock of \$20,000 divided into shares of \$500 each. Its object primarily is to develop the potato industry in Long Island, but the company has branched into other lines, particularly in the supply of seed and fertilizer. There is nothing in the constitution stating who shall be members of the company. A person may not hold more than five per cent. of the stock; votes are according to shares held and may be by proxy. Shareholders are expected to sell through the Exchange.

The Exchange ships from eighteen stations. At each place there is a local board of directors and a manager. The central board and head office is at Riverhead. The general manager at Riverhead has charge of all the business of the Exchange under the control of the Board of Directors. There is nothing in the constitution or by-laws regulating the apportioning of profits or dividends.

This, then, is a joint-stock company, but certain limitations have been provided in the endeavor to keep the affairs of the Exchange from falling into a few hands. For the ten months ending November 1st, 1909, it handled 353,336 bushels of potatoes. The many apparent weaknesses in form, however, make it unsafe to take as a model for farmers' organizations.

Thirteen years ago the Grand Junction Fruit Growers Association of Colorado organized with a capital of \$25,000. The fruits handled are apples, peaches, pears, prunes, apricots, and a few other products. The capital stock is now (1910) \$200,000 and the membership about 800. This is one of the best of the Western societies. The statement of the manager for 1909 relating to fruit sold is interesting:

SUMMARY OF SEASON'S SHIPMENTS.

Varieties.	Carloads.
Apples	933
Peaches	388
Pears	182
Cantaloupes	112
Honey	3
Potatoes	39
Total	1,657

The total amount paid to the growers was \$1,070,486.18. The members are all actual fruit growers and the stock is held by them only. Shares are distributed by the Board of Directors in proportion to the acreage operated by each member: if a member wished to hold only one share for the sake of getting the benefits of the association, he would be asked to take a number commensurate with the size of his plantation. Profits are divided on the basis of stock held and each share of stock has one vote.

This again is a joint stock company, but the system of dividing the shares aids materially in insuring justice in the division of profits, while at the same time forcing each member to assume his proper share of the burden of providing capital. Five per cent. is charged for handling the fruit, which barely pays expenses. Each member packs his own fruit, but the society employs inspectors to mark the grade on each package. A big supply business to members is done on which a liberal commission is charged. A jobbing business in oranges, lemons, salt, etc., is carried on, the society acting simply in the capacity of an ordinary consignment merchant. The manager considers this to be a great aid, as it affords annual employment to a number of hands and adds materially to the profits. They depend for profits almost entirely on the jobbing and supply business. As the business grew they found it necessary to increase the stock in order to secure credit to run the business.

The Colton Fruit Exchange of California has a useful system for securing credit by means of uncalled shares. To each member is assigned shares according to the acreage of fruit operated. Each share

is valued at \$2.00 but only fifty cents is paid in. Thus the society has a credit nearly equal to the total value of the shares apportioned, as according to law each person holding shares is liable to creditors for unpaid shares. On the strength of this credit security, money is borrowed with which to erect buildings and do general business.

These examples give a very fair idea of the kind of organization being attempted by truck and fruit growers in the United States. The modified stock company is the only form thought of. These are working fairly satisfactorily, but all of them contain elements of weakness which may at any time prove fatal.

The constitution of the Long Island Potato Exchange does not limit the sale of shares to growers only. In the cases of the Grand Junction Fruit Growers' Association and the Colton Fruit Exchange there is nothing to hinder a group of large growers from securing control of the affairs of the Association; the large grower is forced to take a large block of stock and votes are according to shares held. The system of dividing profits on the basis of shares held, is also likely to produce dissatisfaction. So long as the acreage of fruit held by each member is fairly uniform the above plans will give satisfaction, but this is liable to change at any time. As an organization becomes older, selfish interests tend to find the weak places and take advantage of these to further selfish ends. Care should be taken to guard against such a contingency.

Federations.—The large size of many of the fruit and truck societies is remarkable. The Long Island Potato Exchange ships from eighteen stations and has a local board at each station. The Grand Junction Fruit Growers' Association ships from four stations and has a warehouse at each. But these societies have not divided into small units each sending delegates to the central body, as is the case with the California Fruit Exchange. The former societies still have their annual meetings, where the whole society may be present and at which each member can exert a direct influence on the policy of the society. The latter society is said to handle 60 per cent. of the citrus fruits of California through one central office. They have worked out a system of distribution for their product that is indeed admirable. The form of federation, however, is open to criticism. On the central board only the managers and directors of the county organizations are represented. These are salaried men who naturally are inclined to adopt a policy which shall make their Exchange master over competing handlers. The practice of slaughtering markets in order to kill competitors is apt to be adopted, which brings heavy loss to growers but does not affect the salaries of the managers. The fruit has got so far away from the grower, when it passes into the hands of the central Exchange, that it is impossible for the grower to say whether it is being handled to the best advantage or not. Thus it will be seen that the simpler form of the Grand Junction Fruit Growers' Association has some strong features to recommend it. Each member may, at the annual meeting, register his votes and approve or disapprove of the policy

of the management, thus exerting a direct influence on the future policy of the society.

It may be well at this point to compare the Danish method of federation with the Californian. Covering a somewhat similar area of country and value of product, the Danes have nine federations for marketing, whereas California co-operators have only one. "For actual business the Danes have not one selling organization but nine, though they are obviously 'co-operative' enough to work through one if they so desire." They have a "Butter Quotation Committee," whose business it is to supply each federation with a report of the latest prices and supplies on the world's markets at different points and thus avoid glutting by the federations. The California federation tends to separate the producer from his selling society; the Danish federations carefully preserve to the producer his power to directly influence the policy of the selling society.

CO-OPERATION IN CANADA.

The general experience of co-operators in Canada is similar to that of those of the United States. A lack of understanding on the part of those attempting organization has been prevalent, and only lately has the true co-operative idea begun to make way. Spasmodic attempts have been made by farmers to market jointly, but in the matter of Supply, failure came through lack of business organization and in Sale, through the prevalence of the joint stock idea. In Production failure has been chiefly caused by misconception on the part of organizers of the part that production should play in co-operative organization.

The experience of Ontario farmers is typical for the Dominion. We will, therefore, confine ourselves to a study of conditions in this Province. Wholesale and Retail Supplies, Dairying, Bacon-curing, and Fruit Marketing have been the chief fields of organization amongst farmers. We will examine the causes of success or failure under the several heads.

Supply.—This, as an independent branch of co-operation, has been little attempted in a properly organized manner. The Fruit Associations are making this a strong feature and are very successful. The Patrons of Industry and the Grange, both quasi-political societies, attempted to do wholesale and retail buying, but both failed, chiefly through lack of proper business organization. The secretary of the society was expected to be the business manager of the buying section and usually worked gratis. This was unreasonable and resulted in careless business methods. The secretary was often entirely unfitted to run such a business and could not keep a proper set of books. The failure to pay on the part of people ordering goods was also another cause. These combined causes have resulted in general failure.

Dairying.—This is by all odds the industry that has suffered most through well-intentioned but ill-informed men attempting co-operative organization. In this industry the joint stock company, in the guise of

a co-operative society, has done more to throw general discredit on the whole movement than has any other one factor. The main troubles have been: (1) An utter lack of knowledge of the distinguishing features between a joint stock company and a co-operative association. (2) A misconception of the place that production holds in the co-operative organization of an industry. (3) Factories doing only a small business.

The form of the society has in nearly all cases been joint stock. The prime movers in these societies have either been to Denmark or by reports have become much impressed by the Danish co-operative producing dairies. Very naturally, they considered what they saw and heard to be the whole of the co-operative system, whereas experience has proved that it was but a part of the whole. Production rather than marketing was emphasized. The underlying and fundamental idea of the Danish system—marketing—was, unfortunately, overlooked.

The smallest co-operative dairy factory in Denmark has 655 cows, and without this number or more the Danes do not consider it pays to organize; in this country one-quarter that number is thought to be sufficient. If the sections where dairying is the main industry will organize on the truly co-operative plan; if these associations will unite in a uniform system of marketing, form federations of societies, hold "surprise" butter contests, study markets and carry out the whole Danish programme, there is good reason to believe that abundant success will follow. In those sections where dairying is only a small part of the farming industry it is doubtful if success can ever be attained, unless the factory is worked along with some other lines of co-operation. This point will be discussed later.

Bacon Curing.—Several attempts have been made to organize farmers' bacon factories. All have been joint stock companies and nearly all have failed. There is one at St. Thomas that is a success, but it is noteworthy that this factory approximates to a co-operative society in its workings, although it has in it many of the weaknesses that may, in the hands of selfish men, ruin the company. There are over two hundred stockholders who market their hogs through this factory and who hold fairly equal shares of stock. Dividends are declared on the basis of shares held, but as long as the shares are fairly equally divided this will not be felt to be a serious disadvantage. Members are paid ten cents per hundred more than market price for their live hogs, which amounts in a partial way to applying the co-operative principle of dividing profits according to business done with the society. The proper way of course, would be to have one vote per member, allow the shares to be held by an individual up to a fairly large percentage of the total; pay a fixed dividend on the stock, buy hogs from members at market prices, and then divide all profits according to the number of dollars' worth of hogs brought to the factory by each member.

This is a business which should adapt itself to a fairly sparsely populated country, as Ontario is. Unlike the dairy industry it is not neces-

sary that a large number of patrons be within a short distance of the factory. The bacon factory has a large amount of capital invested, and gathers its material for manufacture from a considerable area. The hogs must be shipped by the car-load and a few miles more or less to travel does not make a serious difference. Properly organized, truly co-operative bacon societies should be successful in reaching a larger percentage of farmers in Ontario than is possible with the dairy industry under present conditions.

Fruit Marketing Societies.—The forward movement in farm business organization centres around the fruit industry. It offers peculiar conditions specially favorable to organization. Much of the product must be shipped to a considerable distance—either to Western Canada or Europe. The nature of the product is such that individual growers cannot hold it for an indefinite time. These conditions, previous to the organization of the societies, placed the marketing of fruit entirely in the hands of middlemen, with the natural result that great abuses crept into the marketing end of the industry.

Again, fruit farming calls for specialization in order to succeed. The ordinary mixed farmer is seldom a good fruit grower. The business also demands a high order of intelligence. Battling with insect and fungus pests has caused fruit growers to recognize the value of science in production, with the natural deduction that science in marketing must be of equal value. This point needs to be emphasized, because it has a great bearing on the success of the co-operative movement in fruit growing.

There are at the present time some thirty-six so-called Co-operative Fruit Associations in Ontario. These may be roughly divided into three classes: (1) Apple Associations, shipping mainly to distant markets. (2) General Fruit, *i.e.*, apples, pears, plums, peaches, cherries, berries, etc., shipping to home and distant markets. (3) Small Fruit, chiefly berries, shipping mainly to home markets.

These may be again divided into stock companies proper and co-operative societies, or stock companies operating after and seeking to realize the co-operative plan. Nearly all the Small Fruit and some of the General Fruit societies are rather loosely organized but truly co-operative. The others have all organized with co-operative intent, but, through lack of knowledge, have in several cases fallen short of what they sought. An examination of typical societies of each class will perhaps be the best way to study them.

Apple Shipping Societies.—The Forest Fruit Growers' Association offers one of the best examples of a simple form of organization. It is truly co-operative. There is no share capital and it depends on deposits of buyers for working capital. It rents a shed and packs most of the apples in this shed. Sales are made F.O.B.; each buyer is required to pay into the bank a certain percentage of the price before the fruit is shipped and the remainder within so many days. The society then pays to each member a certain price per barrel, reserving a little more than

sufficient to pay expenses. At the annual meeting all remaining moneys are paid back to the growers, according to the business done with the society. The only person who is paid—besides necessary employees—is the secretary-manager, who receives a commission of five cents per barrel on the total pack. The average annual pack is about 7,000 barrels. There are about 45 members and the society is steadily growing.

The Oshawa Fruit Growers' Association is described by the manager as being a "double-barrelled" affair. A joint stock company composed of the members of the society own a central packing house and charge so much per barrel for handling through the packing house. All fruit is packed at this house. Revenue from charges for the use of the packing house is used to provide a fund out of which expenses are paid and also a fixed dividend of 6 per cent. on the stock. The society proper is co-operative and does not differ essentially in its workings from the Forest Association, except that sales are made largely by consignment. The value of the plant is about \$5,000; the capacity of the frost-proof storage is about 8,000 barrels; the membership is 75, and the average pack about 8,000 barrels of apples.

The Norfolk Fruit Growers' Association, with the head office at Simcoe, Ont., resembles in form the Oshawa Society, but in this case the stock company owning the warehouse consists of only a few members of the association. How long this arrangement will remain satisfactory is a question. At present this is one of the most successful of the associations; it has a membership of 188 and an annual output of about 18,000 barrels of apples. X

There are a number of smaller societies, as well as large ones, organized either on the Forest Fruit Growers' Association plan or on stock companies, having an annual output of from 1,000 barrels upwards. These societies in many cases have been the victims of lack of knowledge on the part of men who did not understand the principles of co-operation and business.

General Fruit Associations.—The Burlington Fruit Growers' Association is the oldest society in Ontario. It is remarkable for its simplicity of form. It has neither constitution nor by-laws, no warehouse or capital in any form, but only a verbal agreement between the members. Each grower packs his own fruit and it is shipped under his own name and on its individual merits. There is a manager who orders cars for shipment, directs growers when to deliver fruit, pays over to each grower the price that each shipment of fruit has brought, and attends to other details. For this he is paid a small commission. The officers of the society are a President and Board of Directors. The continued activity of the society is good evidence of its usefulness.

The St. Catharines Cold Storage Company is a joint stock company working towards the co-operative ideal. It is a good example of a company which, though organized in a wrong form, yet by working steadily in the direction of true co-operation, has evolved towards the co-operative

form. This society was organized in 1896. It has a mechanical cold storage plant valued at \$13,000 and a working capital of \$2,000. A part of the capital was secured by selling shares which were held very unequally. The remaining capital was secured by mortgage on the property. The debt has been entirely paid off by the addition of new members, who took stock, and by applying the dividends on the stock to this purpose. Working capital has also been provided. The society is now endeavoring to effect an equal division of shares of the value of \$50 per member. To do this it is transferring stock of the old members holding more than this amount to new members and to old members not holding so much. Thus the society will get down to the one-man-one-vote basis.

The fruits are shipped to all parts of Ontario and Quebec and to many places in Western Canada. These fruits consist of apples, pears, peaches, plums, cherries and grapes, with an increasing quantity of other fruits and vegetables. The sales of fruit amount to about \$75,000 annually.

The society handles considerable quantities of supplies for its members and others. It handles fruit for, and sells supplies to, non-members and gives back to them one-half as much profits per dollar as it returns to members. The supply branch is a very important part of the business of the society. It handles all kinds of fruit packages, spray-pumps and other machinery, ladders, etc., seeds, fertilizers and spraying chemicals. It has now become the temporary wholesale for the federation of fruit associations. In 1908 the supplies amounted to about \$27,000 and in 1909 to \$40,000. The society charges a little less than regular market prices and then rebates to members and to non-members buying through the association and selling their fruit in the same way, a percentage based on business done with the society.

It will be seen from the above that this society, while being a stock company, is rapidly approaching form N.o 1 of the standard for co-operative associations.

The Grimsby Co-operative Association is a society of seven members, who own nearly 500 acres of land, largely planted with fruit. The stock is all held by the members and in equal portions. The management of such a society is very simple as compared with that of the St. Catharines Association.

The question of distribution is the great one in all these societies. Without any means of knowing where other societies and buyers are shipping on a certain day, glutting of markets is inevitable. Some kind of federation seems to be absolutely necessary.

Small Fruit Associations.—The Dunnville Fruit Growers' Association is perhaps one of the best examples of this class of association. There are about 35 members. Fruit is shipped to local markets. Each member grades his own and ships it under his own name. The society is incorporated without share capital. Its chief activity is in buying fruit packages, aiding in securing good markets for fruit and disseminating useful knowledge by arranging for meetings, etc. These societies

are nearly all local branches of the Ontario Fruit Growers' Association, whose object is the advancement of fruit growing interests generally, but which is not a trading society. A number of these local units are slowly growing into co-operative societies for buying and selling purposes.

Management and Expenses.—All the associations have practically the same arrangements for government of the societies. A President, Vice-President, Secretary who is usually manager, Treasurer and Board of Directors, varying in numbers according to the size of the society and territory covered. Expenses are met by a straight charge per package. Some of the apple associations, that pack in the orchard, charge the time spent at each place to the individual. Some charge an annual membership fee. Directors usually work gratis, but some societies allow \$1.00 to \$1.50 and mileage for each meeting held. The President usually works gratis, but is sometimes paid from \$20 to \$70 per year.

One association with an output of from 1,200 to 1,500 barrels per year pays its manager \$2.00 per day for superintending the packing and the loading of the cars. Four associations with packs running from 2,000 up to 8,000 barrels per year pay 10c. per barrel to the manager. In the case of the larger association this was not enough to hold a good man and the rate this year has been raised to 15c. per barrel with the manager paying the book-keeping expenses out of his own earnings. Two other associations with packs of 3,000 and 7,000 barrels respectively, pay at the rate of 5c. per barrel. In the case of the larger of these two, this is only for the shipping and selling and does not include looking after the packing. One of the largest associations with an output from 20,000 to 40,000 barrels per annum pays 20c. per barrel to its manager, but he is required to pay from that all of the expenses of inspection, book-keeping, etc., which would amount to at least \$2,500 or \$3,000 a year. Two associations with large outputs pay a straight salary of \$1,000 and \$1,500 per annum, allowing also a small percentage on all supplies sold to the members. Two of the smaller associations with outputs up to 2,000 barrels report that they have no paid manager, the work evidently being undertaken by the executive committee. Of the newer associations the majority are paying 20c. per barrel, the manager to defray out of this amount all bookkeeping and other office expenses. One association just starting has agreed to pay its manager \$1,500 without consideration as to the number of barrels packed.

FEDERATIONS OF FRUIT ASSOCIATIONS.

As the individual societies in Ontario began to get in touch with one another, the need of closer relations was felt by the co-operative leaders. The questions of forms of associations, methods of management, scale of fruit, means of improving quality of fruit and many other such problems offered common grounds wherein it was felt that united action would be in the best interests of all. The Fruit Branches of the Department of Agriculture at Toronto, and Ottawa, in their endeavors to en-

courage the fruit industry in the Province, soon found that these societies offered one of the best mediums through which they could reach the individual grower. One of their great difficulties in advocating better quality had always been, that improved quality in many cases did not bring commensurately improved returns to the grower, because most buyers paid only a flat price, regardless of quality. The co-operative societies, however, paid to each member the full number of dollars due to him, according to the quality of the fruit. For these reasons the Departments of Agriculture and the societies began to work together.

In 1906, active steps were taken to unite the scattered societies into a loose form of federation. This was accomplished, thirteen societies becoming affiliated under the name of the Co-operative Fruit Growers of Ontario, with head office at Toronto. An annual fee of \$5 for each association was fixed. The Secretary is P. W. Hodgetts, Chief of the Fruit Branch of the Department of Agriculture.

In the beginning the objects of the federation were: to discuss forms of organization and means of securing a higher grade of fruit, to keep the associations in touch with the prices being offered by buyers and prices received in the home and export markets, and to secure a more uniform distribution of the crops. The Secretary gathers from various inspectors and correspondents a report of conditions in the various fruit producing sections of the Province and Canada, and during the selling season the condition of the markets, the quality of the fruit being shipped, prices offered and received, and other items of interest are sent to each society in a weekly report. Before the apple associations make sales in the fall, a meeting of the federation is held, at which a range of prices is suggested as a basis of sales. This is adhered to as nearly as market conditions will permit.

As improved methods of production became general among the members of the associations, large quantities of spray materials, machinery, etc., began to be used. These were always high in price because they were sold in retail quantities by a few local dealers. The St. Catharines societies, as already noted, been making a strong point of buying supplies a number of years. In 1908 the federation determined to arrange for the purchase of supplies for all the societies. The saving in this way is immense, as carload lots of chemicals can be bought at a time of year when prices are at their lowest and held until wanted for use. Each society is asked to send to the head office an estimate of the amount of supplies required, which serves as a guide in buying. Other supplies as packages, spray machinery, etc., are bought in the same way and very great saving has been effected. Buying co-operatively has made it almost impossible for a combine of manufacturers to "corner" prices as was attempted in fruit packages a few years ago. The makers of baskets from whom the St. Catharines society has been buying, put the prices of baskets so high that the society determined to place their order in the United States. Their order was very large and the prices so favorable in the United States that they have ever since been able to make very favorable terms with Canadian concerns.

The chief difficulty the federation has to deal with in the supply business is lack of capital and of a central warehouse. To overcome this the St. Catharines society is acting as distributing agent for the federation. This association orders the supplies, holds them till wanted by the other societies, and then forwards to them, charging a small commission for the service. The federation is looking forward to becoming an incorporated body at an early date. A warehouse will be built and a regular manager employed when finances permit.

Thus it will be seen that the federation has two distinct lines of activity: 1. Advice and aid in production and marketing. 2. Buying supplies. Both of these are in perfect accord with the best European ideas of co-operation and both are capable of great development.

The further development of federation divides itself into three distinct problems according to the kind of society. Federation for marketing purposes, pure and simple is now the problem, and this problem differs with each kind of society.

The Apple Shipping Societies have their special problems. Proper storage and distribution are among the main questions for them to solve. The sections handling summer apples need cold storages and it is also likely that these would benefit those societies handling winter apples. A number of co-operative managers are advocating the sale of all fruit at the time of harvest. The reason generally given is that fruit growers want the money for their fruit at once. This appears to be a short-sighted policy. It places the best winter apples on the market at the season when inferior fruit is abundant and must be marketed.

It tends to lower the price of inferior fruit and weakens the market for the high-class product. Second grade apples will be an important factor in the fruit trade for years to come and it is important that fruit growers solve the problem of marketing these to the best advantage. If the better classes of apples were not placed on the market until the poorer stuff was largely consumed, weakening of the markets in the fall of the year would be largely avoided. Such varieties as Ben Davis and Stark if held in storage till spring would bring fair prices and would not tend to hurt the whole apple market as they do at present. Storage is plainly one of the great problems in co-operative marketing. These societies, however, are so scattered throughout the Province that at the present time a union of the whole is not possible or wise. Probably the better plan would be to unite the societies of a certain section, work out the questions occurring in those unions and from these form whatever larger federations may be advisable. By this means each step would be the natural sequence of a former one and thus a firm foundation could be laid.

The General Fruit Associations have a different problem to solve. The great bulk of their fruit must be marketed when it is ripe. Cold storage resolves itself mainly into a question of pre-cooling for shipping during the hot season; some work may also be done in holding grapes and some other fruits in storage. The great problem, however, lies in

getting the fruit to its destination in the very shortest possible time, and properly distributed in order to avoid gluts.

The majority of societies of this class are in the Niagara District, and the amount of fruit shipped from each station is so great, that the establishment of pre-cooling stations ought not to offer very great difficulties once the need is demonstrated. Federation practically resolves itself into a union to regulate distribution. A federation such as the California Fruit Exchange is not feasible at present and it is questionable if it ever would be advisable. The better plan would be to first form a loose union by means of which the societies will be enabled to get together, study their problems, and find those points on which their interests are sufficiently in common to allow of joint action. From this it may be possible to work out an elastic form of advisory board, which will leave the sale of the fruit in the hands of individual associations, and yet be able to regulate distribution so that gluts will not occur.

Small Fruit Associations are doing so little in the way of joint marketing that federation for selling purposes is still a long way off. Undoubtedly much could be done to regulate the supplies coming to our cities and to insure that all the small towns are properly supplied. Federations of these societies, as with the others, should begin by uniting a few local societies situated near together and supplying the same markets. These small unions may form the nuclei of large ones.

MARKETING.

Grading and Packing.—Three systems are followed: 1. Packing and grading by the grower; 2. Packing and grading by the grower with a system of inspection by the society; 3. Packing and grading by the society. The first system is very loose and the only satisfactory method of sale in this case is to sell each grower's fruit on its individual merits. This means a great deal of bookkeeping. The second method is the one adopted by many of the General and Small Fruit Associations. The Grand Junction Fruit Growers' Association and others that have tried it, claim that packing by the society is out of the question. Inspectors are employed, who examine each grower's fruit when it arrives, and mark the grades according to quality. The objection to this method is a lack of uniformity in the pack. The third system is the one usually followed by the apple and citrus fruits societies. Two methods are followed: 1. The fruit is brought to a packing house to be packed and graded by packers employed by the society. The Hood River Association of Oregon, packs in houses built in the orchards. The society employs experts to pack, and its rules are very strict. Hood River apples are famous for high quality in packing, and it is claimed that much of this is due to the system followed. The Oshawa Fruit Growers and several other societies in Ontario, pack at a central storage-house to which all the fruit is brought by the growers. This method allows of a very uniform pack, as the manager can keep a direct watch on the operations

throughout. It also allows of the fruit being kept under good conditions until time of shipment. The same method is followed by the California Fruit Exchange. Each section has its packing house at which all fruit is graded and packed. The quality of the fruit sold by this society speaks well for the system. 2. The fruit is packed and graded in the orchard by packers employed by the society. The Norfolk association and a number of others in Ontario pack in the orchard. In some instances the society picks, grades and packs, while in other cases only the two latter operations are performed by the society. This method has the advantage of having the fruit graded right under the eye of the grower, who sees that the fruit which he thought would pack, largely No. 1 is really nearly all No. 2. Thus the grower is taught to recognize good fruit and to grow only a high grade article. The Norfolk society employs a number of packing gangs, and has inspectors who travel from gang to gang keeping strict watch, in order to insure high quality and uniformity in the pack. This means considerable expense, but the high prices received for fruit by the society justify the expense. This system of packing relieves the grower of the work of handling the fruit at a season of the year when he is very busy. It is significant that some of the societies employing the packing house system are beginning to pack a part of the fruit in the orchard.

Division of Returns.—Three methods are followed in Ontario: 1. Pooling all returns. 2. Pooling returns for certain varieties and fruits. 3. Pro-rating prices for each variety and grade. The first method was in the past the common one employed by societies in Ontario. Certain grades are established and a flat price is paid for all the fruit of this kind and grade. This price will be the average received by the society during a certain set period. In the apple societies it is usually for the year. This method has the disadvantage of not discriminating between poor and good varieties and is thus inclined to encourage the production of poor varieties. It is not fair to the grower of good varieties, because a part of the value of his fruit is taken from him and given to the man with the poor variety. The second method is becoming popular. The varieties of fruit of certain kind are divided into classes, those varieties of nearly equal quality being placed in the same class. The price is then pooled on each grade of each class. This does not favor the production of poor varieties, but rather educates the grower of poor varieties to grow a more valuable article. The third method is the one that gives absolute justice to the grower, but it entails such an elaborate system of bookkeeping that it is inclined to be cumbersome. In this method each grade and each variety is kept separate account of and the price is pooled on each variety and grade. Pooling is necessary, as one shipment may not sell so well as another, the fault being neither that of the grower nor the society. By following this method, each member gets the exact returns that each variety has sold for on the markets, and thus learns the market value of each. Some of the General and Small Fruit Societies pool each day's shipments, while others pool weekly shipments.

Laws and Rules.—For laws regulating grading and marketing, and for directions for grading and packing refer to Bulletins No. 11, 18 and 19, Dairy and Cold Storage Department, Ottawa. For rules as fixed by the societies refer to their by-laws:

Prices.—The average price paid for apples on the tree by buyers is not more than one dollar. The following table shows the prices received by a number of associations for the past three years. These prices are f.o.b. per barrel at the shipping station.

Name of Society.	Sales in			Prices in		
	1907.	1908.	1909.	1907.	1908.	1909.
Georgian Bay.....	13,000	4,200	9,500	Average, \$2.30		
Simcoe	10,000	15,000	19,000	\$2.60	\$2.27	\$3.00
*Watford	1,000	700	2,930	2.00	1.85	1.80
Burgessville	3,800	2,837	2,696	Average, \$2.35		
Georgetown	2,500	1,050	2,050	\$2.60	\$2.00	\$2.75
Owen Sound.....	8,000	13,000	13,000	Average, \$2.25		
Forest	8,000	5,000	7,000	\$3.00	\$2.50	\$2.50

If about seventy cents per barrel is deducted from the above prices the value of the apples on the tree can be secured approximately.

FAILURES.

The writer has personally investigated the causes of failure in several of the fruit associations. Four causes seem to stand out: 1. Lack of knowledge of the co-operative idea. 2. The society was a joint stock company. 3. The acreage of fruit was so small that a successful business could not be built up. 4. Bad management.

The first is the fundamental cause. People generally do not realize the value of co-operation or know the principles involved. The general impression prevails that co-operation is intended to do away with the middleman. This is not at all the case. Co-operation aims to regulate the returns of the middleman and to *hire* him to do the farmers business. The middleman becomes the manager of the society. In order that a manager shall do his best he must be able to give a great deal of his time to the affairs of the society; this means that he must be paid a fair return, he must receive a fair share of the profits derived from co-operation. But many societies in carrying out the idea of the abolition of the middleman, have reduced the remuneration of the secretary-manager to a point where it is impossible to secure a good man. A good man will not work for less than a fair wage. Then again, the idea of working together is not understood, nor the moral qualities of unselfishness and mutual helpfulness appreciated in business. Private business is intensely selfish and has had its effect on human character. This is a common cause of the failure of societies. Some individuals want more than, and others are not prepared to assume, their full share of responsibility in the society.

*Prices are net to the grower.

The second cause has been discussed previously. It is sufficient to remark that the inequality of votes, due to the bulk of stock being owned by a few persons, was found to be a principal fault. When the control was in the hands of a few, interest soon flagged, the majority of the members feeling that they had little influence in the society.

The third cause is not operative in all cases of failure. In some cases the first two were the main contributors. But in other cases this has been a main cause. In one locality where a society had failed, the orchards would not average more than one acre to the one-hundred acre farm and there were practically no large orchards. In such a section it is impossible to work out a successful society dealing only in apples, for two reasons: 1. It is a poor business proposition. 2. It occupies so unimportant a part of the life of the member, the greater part of his time being taken up in other pursuits. As a business proposition it is poor because the total product is small, and in order to pay the manager a living wage, the charge per dollar's worth of business done is very heavy. This does not mean that a society may not be started in a small way, but rather that there must be the probability of establishing a good business eventually. The second reason is important. Unless the business the society is engaged in occupies a fair share of the thoughts of its members the society cannot prosper. Sustained enthusiasm must be maintained and this can only be kept up by making the business of such importance as to demand attention.

The fourth cause is the natural sequence of the first three. When the attitude of the members toward the manager is to pay him as little as possible, a good man cannot be secured. When the manager sees little chance of building up a good business his interest quickly flags, as his energies are turned in other directions in order to secure a living. Thus carelessness, inattention and in some cases fraud have resulted. In nearly every case the people simply get what they pay for; this fact cannot be too strongly emphasized.

MIXED SOCIETIES.

In some instances in the United States, in New Zealand and in Europe, societies or aggregates of societies doing business in several lines, are working successfully. In New Zealand an individual society may handle wool, mutton, beef, fruit, etc., even to doing a banking business for the farmer. A federation of six of these societies has established an agency in England. In the United States a few societies are doing a similar business. The best European practice is to duplicate the society for each branch handled. A separate society is created for each line, but all the societies may employ the same manager and occupy the same premises. Take for instance, a section producing beef, dairy products, fruit and eggs. A group of men may form a dairy society. They employ a sales manager, but as the business is small they can afford to pay only a small salary. This makes it difficult to secure a good man. The beef producers are buying large quantities of feeds. They form a

buying society and employ the same manager. This greatly reduces the difficulty for both societies and adds to the chance of securing a competent man. The fruit growers organize in a similar manner, and employ the same manager. The egg producers may do likewise. The manager who can now spend all his time at the work, studies co-operative methods and principles, and becomes a great educator of the people, as well as their business expert. A farmer may be a member of all the societies, or of only one, according to the variety of his interests. Each society usually elects a different set of officers and directors. It is a good plan not to allow members of one board to serve on another.

The duplication of societies has several advantages. A man interested in only one branch of farming is a member of only one society, and shares only in the liabilities and the profits of one society. The man interested in all, shares in all. A great number of people become interested in the movement and each society benefits by the enthusiasm aroused by the other. Joint meetings may be arranged at which general questions of interest are discussed. The leading men in each branch of farming are drawn out, because there are so many offices to fill. It is said that the number of societies working harmoniously together in one neighborhood in Denmark, France and Germany, is bewildering to the uninitiated visitor.

This plan should be perfectly feasible in Ontario and offers a reasonable answer to the question of what to do with the one acre apple orchards, the small dairy herds, the scattered egg production and the buying of supplies. This plan should be the solution as to how to organize co-operation in the purely mixed farming districts.

HOW TO ORGANIZE.

First of all study carefully the co-operative movement and get the idea. Learn the ethics and science of the movement. Having learned that co-operation calls for the highest moral qualities and best business acumen of its members, teach these principles in season. Get the advice of the best co-operative leaders. Remember, however, that conditions which make for success in one section may not exist in another. Do not blindly accept the advice of the manager or officers of any co-operative concern. Many of the societies are very faulty in construction, but this is not recognized by the manager or officers. In many cases the personality of some individual in the society is making it a success. When he drops out, trouble will come, because of faulty organization. Recognize, however, that the personality of certain men is a great aid to success; get the leaders in your section interested and half of the battle is won. Write to the Provincial Secretary for all information and directions relative to the formation of societies.

Study the business possibilities of your section and each branch of farming followed. Begin by organizing the branch that seems to offer the greatest likelihood of success. This may be a supply society for buying feeds, fencing material, drain tile, etc., or it may be an apple

society. If a single branch offers the probability of growing into a good business, go ahead and develop this branch to its utmost. Remember, however, that the more people you can interest in the movement, the greater are the chances of success in any one branch. If one branch does not offer as good possibilities as it should, try to organize two or three.

Begin by advocating the idea privately and publicly whenever opportunity offers. Do not fear to wait for results, people must learn slowly whether by education or experience. Try to take advantage of some condition of trade. A great reason why the apple societies are successful is the wretched condition to which buyers had reduced the industry.

When the opportune time has arrived arrange a meeting of interested men and talk the matter over with them. Having secured their support, begin a house-to-house canvass. This takes time, and is best done in winter. Then call a public meeting. Have a chairman arranged for and discuss the question thoroughly. If necessary, continue the canvass and the meetings. Always be prepared with a definite plan of action, so that people will have something tangible to think about. The start need not be large, a few good members are worth more than many poor ones. Count your chances of success by dollars' worth of business, as well as by number of members.

Organizing.—When the time arrives to organize call another meeting and lay clearly before prospective members the difference between a joint stock company and a co-operative society. Explain the two forms of societies as previously outlined. Show them that the form of the society is very important. Where capital is needed, outline the two means of securing it; explain the Danish system, including the agreement signed by members of the society, limiting the liability of the individual. Plan No. 2 is undoubtedly the cheaper method of securing capital, but it may not be acceptable to the people. Point out the plan used by the Colton Fruit Exchange, California. Discuss plan No. 1. Then let the people choose which form they want. Provided that votes are restricted to one per member, the only serious difference the various forms of securing capital makes, is that of economy. If share capital is decided upon, be sure to fix the dividend to be paid on the stock. Provided there is only one vote for each member and a fixed dividend, it does not matter how much stock a member may hold, as the capital invested is sure of a fair return and the number of shares can exert no undue influence.

When these questions are determined, have a constitution and by-laws drawn up by a competent person. Refer to the by-laws attached to this essay. Cover all the points carefully. Appoint provisional officers and directors.

Incorporation.—Co-operative law in Ontario and the Dominion generally is in its infancy. The Ontario Companies Act has made special provision for the incorporation of agricultural co-operative societies,

with and without share capital, but several important points have not been dealt with. There is a recognized legal difference between a co-operative society and a joint stock company; in the former no man can hold more than one thousand dollars' worth of stock. The question is in doubt whether or not a joint stock company's members may be restricted to only one vote, whereas, in a purely co-operative association it is one-man-one-vote. Seeing that the question is in doubt, it is probably best to limit the number of shares a member may hold, but by so doing the free sale of stock and provision of capital thereby is hampered.

Societies with share capital will find the same advantages accruing from incorporation as do joint stock companies. Even societies without share capital find it much to their advantage to become incorporated. It gives a legal standing and provides a trade name, which cannot be infringed upon by other business bodies. Under a special agreement with the Provincial Secretary, agricultural co-operative societies with a share capital up to \$10,000, may now be incorporated for a ten dollar fee. Societies without share capital pay a fee of five dollars. If it is intended to establish branches in other Provinces a Dominion charter will be required.

Officers and Directors.—The President should always be a man directly engaged in the business in which the society is interested. If he is an enthusiast in the business so much the better. It is absolutely necessary that he be a liberal-minded man, with sufficient unselfishness to work for the good of the society and his fellow members. The same may be said of all the other officers and directors. Executive ability should not be overlooked and as this is often a somewhat scarce quality, care should be exercised in making a choice of officers. The number of directors should vary with the number of members and the area embraced by the society. If the society is scattered, be careful to have the directors represent the different sections. Details of this kind are important.

The manager, who usually is also secretary-treasurer as well, need not be directly interested in the business, outside of his interest as manager. He should possess good business ability and have a wide knowledge of markets and marketing. In fact, he should have all the qualities that any commercial firm looks for in a manager.

The plan of paying the manager a fixed sum per package in such as Apple Shipping Societies or a commission on the business, as in others makes him dependent for his wage on the crop. This has the disadvantage in an off year of lessening the manager's interest, just when he should be bending every energy to make the best of the situation. The better way is to pay a salary and a small percentage on the business done by the society over a certain amount. Thus in prosperous years the manager shares in the prosperity of the society, while again in a lean year he shares in the general calamity. The fixed salary guarantees to the manager a living wage, so that he can at all times place all his energies at the service of the society. Unless the directors have a big business to handle and a considerable distance to travel, it

is best to have them work gratis. This tends to secure a change of directors every few years which is generally desirable.

Cost of Management.—In a society handling the produce of its members, expenses are best met by a direct charge per pound or package, regardless of grade or variety; it costs as much to handle one pound or package as another. In buying supplies a percentage charge on the dollar is usually satisfactory. A society doing both kinds of business may employ both methods.

THE MORAL ASPECT OF CO-OPERATION.

Little has been said of the effect of co-operation on the morals of a community. In Europe this aspect is considered to be of a very great importance. Agricultural co-operative societies in the Old World select their members on the basis, not of wealth, but of morality and citizenship. The effect of this system of selection is said to be very marked indeed, and does more to raise moral standards and teach citizenship, than any other force which has ever been introduced into rural society. Members are educated in democratic government and taught to accept their proper share of responsibility, by the exercise of the duties which each member owes to his society. No better tribute can be paid to the value of Co-operation in a community than the following quotation from Wolff's "People's Banks."

"The moral results,' writes M. Rostand, after his second visit, 'are to my mind superior still to the material.' To apply Signor Wollemborg's apt illustration, the golden sunshine of thrift and co-operation, wherever it has cast its rays, has 'unveiled,' and brought to view in plenty, unlooked-for virtues which had long lain hidden like flowers shrouded by the night. The idle man becomes industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober, the tavern-hunter forsakes the inn, the illiterate, though a grandfather, learns to read and write. It sounds like a tale from fairy land. Yet it is all sober fact. We find a Prussian judge officially reporting that litigation, especially in respect of claims for debts, has very sensibly diminished in his district—thanks to the establishment of a co-operative bank. We hear a German priest confessing that the new Loan Bank in his parish has done far more to raise the moral tone of his parishioners than all his ministrations. Learned Professors and Ministers of State, dry economists, parsons, men of business from all countries—all, in fact, who have had an opportunity of judging by the test of their own eyes, join in the chorus of laudation. One is not surprised to find foreign Governments steadily encouraging institutions, whose aim, in the words of one of their founders, Schulze-Delitzsch, is 'Peace'; in the words of another, M. d'Andrimont, 'Order and Economy'; while in practice they prove, according to the testimony of M. Léon Say, 'the most effective weapon against the development of Socialism.'"

APPENDIX

CONSTITUTION AND BY-LAWS.

The District Representatives of the Ontario Department of Agriculture with the consent of the Minister of Agriculture, have adopted the by-laws appended as the basis on which to form Co-operative Associations for the Province of Ontario.

The Provincial Secretary's Department advises that associations adopting these by-laws should be incorporated under the *general clause* of the Companies Act for Non-share Capital Associations. Thus, the by-laws would not be part of the letters patent and could be amended at any time to suit the needs of the Association, yet would be perfectly legal and binding to the members of the Association.

The by-laws are submitted in blank and are intended to be suited equally to a Co-operative egg circle, Fruit Marketing Society, a Society for buying purposes only, or in fact for nearly any form of Co-operative Association where capital is needed to carry on the business. They are not intended to be complete, and it is expected that additional by-laws to suit the individual case and circumstance will be added as necessary. The main bulk of the by-laws have been adopted from Mr. P. W. Hodgetts recommendations for Non-share Capital Associations.

The noticeable part of these by-laws lies in sections twenty to twenty-five inclusive. These sections provide for credit capital so that the Association shall at all times have funds available for any enterprise on which it wishes to enter. When an Association is formed, each member will give a note payable on demand to the Association, which becomes the property of the Association and is used by the Directors as collateral security. The Directors when they desire to buy supplies or to enter into any other business contract requiring cash, can deposit at a bank a sufficient number of notes to cover the necessary amount. Reliable bankers state that they are ready to advance from 85 to 95 per cent of the face value of the notes of the members at any time. When the supplies are paid for, or the debt discharged, the money will be paid to the bank. The notes will be released and will be again available for a future transaction. Thus the Society's capital will never be permanently impaired. If the Association desires to build a warehouse, a mortgage may be placed on the warehouse and the remainder of the capital can be secured through a Loan Company, by depositing the necessary collateral with the Loan Company. When the building is paid for, the collateral will, of course, be released and the credit capital of the Association is still the original amount.

The provision in section twenty-two for the renewal of the notes is intended to allow for changes in the value or amount of the property owned by individual members. It also assures that the credit capital of

the Association shall be unimpaired. If the notes were not collected or renewed they would be outlawed at the end of six years. Section twenty-four provides that whenever any of the notes of the members are deposited as security for a debt, all the members shall individually share the liability in proportion to the value of the notes given the Association by each member. Thus, the burden will be equally divided, whether the debt is for a sum of Ten Dollars or a Thousand.

Sections twenty to twenty-five afford a simple and easy method by which societies organized as Non-share Capital Companies, can provide capital for all purposes by simply adding these sections to their by-law. This should be the answer to the problem of providing capital for the small Associations, now without capital. Associations not needing capital at the beginning may adopt these by-laws omitting sections twenty to twenty-five. These may be added later to suit the needs of the Society.

Any one having experience in organizing Co-operative Associations will know that it is difficult to get farmers to subscribe Share Capital. There are many other disadvantages to Share Capital Associations, as before pointed out. This means of raising capital requires no actual cash, does not tie up any of the farmers money, and yet provides ample capital as the amount of the notes can be varied to suit conditions.

By-laws of the.....Marketing Association, incorporated under the Ontario Companies Act.

1. This association shall be known as the.....Marketing Association.

2. The objects of the association are for the production, grading and selling of.....products by its members, to purchase supplies, packages, machinery, etc., to buy and sell such other.....products during the season as opportunity presents itself, and to erect, buy, sell, own and control buildings and other materials as needed in its business.

3. The annual meeting of the association shall be held on..... in.....in each year.

4. Notice of the annual meeting shall be given each member in writing by the secretary not less than one week previous to the date of the meeting.

5. Special meetings may be held at any time upon call of the President by written notice mailed to each member five days before the meeting. Special meetings shall be called by the President whenever required to do so in writing by any ten members.

6. At any meeting of the association ten members shall constitute a quorum for the transaction of business.

7. At the annual meeting a Board of.....Directors shall be elected, of whom.....shall constitute a quorum at any Board meeting.

8. The officers shall consist of a President, Vice-President and a Secretary.

9. The officers shall be chosen by the Directors from among themselves at the first Board meeting after the annual meeting.

10. At the annual meeting two auditors shall be elected.

11. All the elections shall be by ballot, plurality electing, conducted by two scrutineers appointed by the chairman.

12. The Board of Directors shall employ a business Manager who shall also act as Treasurer of the Association. The business Manager shall not be a member of the Board of Directors.

13. The President shall preside at all meetings. He shall call meetings of the Board of Directors and members when necessary and shall advise with and render such assistance to the Manager as may be in his power. In his absence the Vice-President shall have and exercise all rights and powers of the President.
14. The Secretary shall keep a record of the proceedings of all meetings and of all receipts and disbursements, and report the condition of the finances annually, or as often as the Directors shall desire.
15. The Manager shall have charge of the business in detail under the direction of the Board of Directors.
16. The Manager and Treasurer and Secretary shall give bonds in such sums as may be acceptable to the association.
17. The Directors may select three of their number to act as an Executive Committee (the President to serve as chairman), to have general charge of the affairs of the association.
18. When a vacancy shall occur through any cause in any of the offices established by the by-laws of the association it shall be filled at the next regular or special meeting.
19. The annual dues of this association shall be....., payable on or before the date of the annual meeting.
20. Each member at the time of uniting with the association shall give a promissory note, payable on demand, to the association for the sum of..... Dollars and an additional.....for each and every..... owned by the member at the time of joining the association, but in no case shall the promissory note be for less a sum than.....Dollars.
21. At the time of uniting with the association and at the end of each three years after the incorporation of the association and not less than 10 days previous to the date of the next annual meeting each member shall file with the Secretary a true statement of the number of.....owned by the member at that time.
22. Within two weeks after the annual meeting at the end of each third year the Directors shall require each member to sign a promissory note payable on demand to the association, of the sum of.....Dollars and an additional.....for each and every.....owned by the member at that time, but in no case shall the promissory note be for a less sum thanDollars. In consideration for the same the Secretary shall deliver over to the member the note given previously by the member, duly cancelled and stamped with the seal of the association.
23. The notes of the members shall be the property of the association and shall be used by the Directors as collateral security with which to secure needed capital for the transaction of the business of the association.
24. Whenever the notes of any of the members are deposited as security for a debt, all the members shall individually share the liability in proportion to the value of the note given to the association by each member.
25. All the surplus moneys in the possession of the association to be divided amongst the members shall be proportioned to each member on the basis of the value of the business done by the member with the association.
26. Any.....producer in.....County shall be eligible to become a member by two-thirds vote of the members at the time the application is made.
27. All.....produced for sale by the members and acceptable to the Manager shall be delivered to the association as directed by the Directors and in prime condition for grading, packing and shipping. Other.....products may be delivered for sale as determined by the Directors.

28. The books of the association shall be audited before the date of the annual meeting each year. At this meeting a printed statement of the receipts and expenditures as audited shall be presented to each member.

29. These by-laws may be amended at any regular or special meeting by a two-thirds vote of the members present in the affirmative. Notice of such amendments must be given each member by letter at least five days previous to the meeting.

30. Any member having a grievance or cause of complaint as to treatment of his.....or.....by the association, may appeal to the Directors.

CO-OPERATIVE FRUIT GROWERS' ASSOCIATIONS, 1911.

Association.	Secretary.
Arkona F. G. A.	T. A. Lampman, Arkona.
Brant Packing Assn.	F. M. Lewis, Burford.
Chatham F. G. A.	W. D. A. Ross, Chatham.
Georgian Bay Fruit Growers, Ltd.	G. H. Mitchell, Thornbury.
Gore F. G. A.	B. J. Palmer, New Durham.
Newcastle F. G. & Forwarding Assn.	W. H. Gibson, Newcastle.
Norfolk F. G. A.	Jas. E. Johnson, Simcoe.
Oshawa F. G. A.	Elmer Lick, Oshawa.
Owen Sound Fruit Co., Ltd.	Adam Brown, Owen Sound.
Sparta F. G. A.	J. A. Webster, Sparta.
Watford F. G. A.	D. G. Parker, Watford.
Grafton F. G. A.	J. G. Wait, Wicklow.
Alvinston F. G. A.	E. F. Augustine, Aughrim.
Burgessville F. G. & Forwarding Co.	W. H. Kneal, Burgessville.
Burlington F. G. A.	W. F. W. Fisher, Burlington.
Canadian Apple Exporters, Ltd.	F. R. Mallory, Frankford.
Clarkson F. G. A.	W. G. Horne, Clarkson.
Cobourg F. G. A.	S. W. Staples, Baltimore.
Hatchley Station F. G. A.	W. F. Robinson, Hatchley Station.
Ilderton F. G. A.	E. T. Caverhill, Ivan.
Mount Nemo F. G. A.	R. N. Spence, Nelson.
Orono F. G. A.	E. J. Hamm, Orono.
Forest F. G. A. & Forwarding Co.	D. Johnson, Forest.
Jordan Co-operative Assn.	J. A. Wills, Jordan.
St. Catharines Cold Storage & Forwarding Co.	Robt. Thompson, St. Catharines.
Grimsby F. G. A.	H. L. Roberts, Grimsby.
Winona F. G. A.	J. E. Henry, Winona.
Ontario & Western Co-operative Fruit Growers' Co.	C. J. McCallum, Grimsby.
Wyoming F. G. A.	E. J. Borrowman, Wyoming.
Wentworth F. G. A.	Roy Carey, 205 Herkimer St., Hamilton.
Brant F. G. A.	Wm. Dickie, Burford.
Prince Edward F. G. A.	Phillip Greer, Wellington.
Oxford F. G. A.	J. F. Elliott, Oxford Centre.
Durham Co-operative Fruit Growers' Assn.	Wm. J. Oke, Port Hope.
Georgetown F. G. A.	
Simcoe Fruits, Ltd.	R. A. Thomas, Barrie.

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