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## **CO-OPERATION FOR FARMERS**



# CO-OPERATION FOR FARMERS

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## INTRODUCTION

**I** HAVE found by experience that any book written on an economic subject at the present time is likely to be regarded by the critics, and perhaps by all readers, as an attempt to solve all the problems of reconstruction. Let me say at once that I feel no ambition and claim no competence for such a task. Judged by that standard this book has no value. Let me disarm the critic by saying with all the clearness I can command that I do not regard co-operation as a panacea for all ills; I am not disposed to fear the dissolution of the universe if the co-operative commonwealth delays its coming a few more years, nor to expect the millennium if the contrary take place. I seek merely to contribute one small stone to the building by setting before English readers what I have learned in practice of the benefits of co-operation in agriculture and the means of increasing those benefits. On no further point do I invite either blame or praise.

Even so, if this book is to have any practical value, the lessons I have tried to record must be accompanied by some definite information as to how to make use of them. The question will be put : If we are decided that we should start a co-operative



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society in a given district, how do we go about it? This Introduction is a brief attempt to answer that question. It is addressed only to those readers in England and Scotland (for in Ireland the ground is already well covered) whose knowledge of the co-operative movement is confined to the reading of books or the voice of rumour.

In the first place I would say that an abstract, if earnest, desire to found a co-operative society for the sake of being a co-operator is of little value. It is necessary to be satisfied that a number of neighbouring farmers are so situated that they would benefit by doing a certain part or parts of their business collectively. The existence of such a need should be established before the demand for a co-operative society is voiced. By this means it will be easy for the investigator to determine what kind of a society is required—whether for the purchase of agricultural requirements or domestic goods, or for the sale of milk, the manufacture of butter or cheese, or the provision of facilities for credit or insurance. This question will naturally be settled in the first place by the prevalent methods of farming and in the second by the existing facilities, and the comparative efficiency and honesty with which they are administered.

Once an object is decided upon the promoters must discover by a survey of their neighbourhood whether the number of farmers who would benefit by the operations of the society is sufficient to give that society a reasonable chance of success. For this purpose they must make up their minds as to what area will be covered by the society's opera-

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tions, how much capital will be needed to set it going and carry on business, and how much annual turnover will be necessary to allow a sufficient margin to meet the overhead expenses of the business.

If the question is favourably decided, the promoters must then set about to convince their neighbours of the advantages of joining the society. Before they can do this they must be clear in their own minds both as to the economic advantages which they expect to gain and as to the legal and structural form of a co-operative society and its points of difference from a joint-stock company.

They will find it well to emphasize the following points :—

1. In a co-operative society every member has one vote, and one only, irrespective of his share holdings ;

2. No member may hold more than £200 of shares ;

3. Interest on capital is limited to 5 per cent. per annum ;

4. The remainder of the surplus is placed in a collective reserve fund or divided among the members in proportion, not to their capital, but to the amount to which they have supported the society by their trade ;

5. The society belongs to the members and works for them. Thus it cannot make profit out of them and they get the full value of any so-called "profit" which results from their dealing with it ;

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6. The liability of the members is strictly limited to the amount of their share capital.

If the knowledge and enthusiasm of the promoters is sufficient and an adequate number of prospective members is forthcoming, eight persons (of whom one is to act as secretary) must constitute themselves "special members" of the society. These "special members" must provide a code of rules consistent with the Industrial and Provident Societies Acts and setting forth the objects at which the society aims. Two copies of these rules must be printed and signed by the eight persons. They must also obtain from the Registrar of Friendly Societies, Dean Street, Westminster (or in Scotland from the Assistant-Registrar, R. Addison Smith, 3A Howe Street, Edinburgh) a form of application which must be filled in from the rules and signed by the same persons in the same order. The two copies of the rules and the application form are then forwarded with a fee of £5 to the Registrar, who will scrutinize them. If there is nothing contrary to the Act he will issue a certificate of registration. The special members must then meet and admit to membership all properly qualified persons who make application for shares on the prescribed forms. The next step is for the acting secretary to summon all the persons so admitted to membership to the first general meeting of the society. The special members then cease to exist as such, and a committee and officers are appointed by the general body of the members. The committee so formed will have general control of the affairs of the society.

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We need not follow the development of these affairs further.

It will be apparent that not only a considerable amount of enthusiasm and local knowledge, but a great deal of detailed work and experience of business and legal practices are involved in the foundation of a society. No person, however, need be deterred from making the attempt by this consideration, for there exist, fortunately, in both England and Scotland, bodies of an efficient and well-established character, whose chief purpose is to give assistance in this work.

Some account has been given in the body of this book of the work and objects of the Irish Agricultural Organization Society. This society has been paid the great compliment of imitation on the other side of the Channel and the (English) Agricultural Organization Society (or A.O.S.) and the Scottish body of similar name (the S.A.O.S.) perform the same functions for agricultural co-operators in Great Britain.

The A.O.S. was founded in the year 1901, and the societies now affiliated with it, which include purchasing societies, creameries, egg and poultry societies, marketing agencies, small-holding and allotment societies and credit societies, number in all over 550, with a turnover of more than £3,000,000.

The headquarters of the society are situated at Queen Anne's Chambers, Tothill Street, Westminster, where correspondence should be addressed to the General Secretary. There are also branches with organizing secretaries at York, Preston, Derby, Tonbridge, Salisbury, and Plymouth in England, and Bangor and Brecon in Wales.

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To quote the words of the Annual Report :—

“ The Agricultural Co-operative Societies formed in different localities are entirely self-supporting and self-governed. . . . They become affiliated to the Agricultural Organization Society by applying for membership and by the payment of a small subscription, which entitles them to many benefits. In this way the societies all over the country are brought into contact with one another, and they have the whole of the knowledge and experience of the central society at their disposal ; they are advised in matters of policy, are helped with their books and assisted in negotiations with Government Departments, Railway Companies, etc. The A.O.S. has on its staff experts in various branches who are placed at the disposal of affiliated societies without charge, such as : dairying, eggs and poultry, wool, rules, accounts, small holdings and allotments.

“ It will be seen that the work of the society is of a twofold character :—

“ (1) As a propagandist body, the A.O.S. seeks to spread the co-operative principle and assists in the formation of fresh societies.

“ (2) As an organizing body, it is prepared to advise and assist the societies already established to develop their work and in any difficulties with which they may from time to time be faced.

“ Where it is desired to form new societies, the A.O.S. will furnish model rules, information, advice and expert assistance.

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"Arrangements can be made for a visit by an A.O.S. Organizer, either to meet those interested and talk things over or to speak at a meeting. No charge is made for any of these services, and applications should be addressed to the General Secretary, Agricultural Organization Society, Queen Anne's Chambers, Tothill Street, Westminster, London, S.W., or to any of the society's country branches."

The organizers here referred to can carry out for a new society practically all the details described above. They can advise as to the area and the scope of the proposed society, can supply model rules, share forms, etc., and see that registration is effected at a reduced fee and without delay or difficulty. All they require to assist them is the hearty co-operation of local persons with knowledge of local conditions, combined with enthusiasm and the power to inspire confidence.

The S.A.O.S., founded in 1905, works on the same lines, though on a smaller scale, and its Secretary and offices are at 5 St. Andrew Square, Edinburgh.

All persons who are interested in the promotion of agricultural co-operation should not fail to get into touch with one or other of these bodies and avail themselves of the help so freely offered. They should beware of attempts, sometimes well meant, sometimes treacherous, but almost always disastrous, to organize societies without consulting the experience of those whose business it is to do these things. No man thinks he can organize a factory without experience; he should be distrustful of those who

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suggest to him that a farmers' co-operative society does not equally need specialized knowledge. But once the society is established on the right lines, if "faith, foresight, and intelligence" are there, failure is all but unknown.

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## CHAPTER I

### *THE CO-OPERATIVE SYSTEM DEFINITION AND IDEALS*

**T**HOSE who love argument for its own sake have often been heard to say that no satisfactory argument is possible until those taking part in it have clearly defined the terms they propose to use. Indeed laxity in this respect has been responsible for many a misunderstanding, and perhaps for much of the bloodshed in the world's history. Now, since every apologist of the co-operative system is, whether he will it or no, plunged into argument with a majority of the orthodox, it behoves us to pay attention to this maxim. We are faced then from the outset with the necessity of defining the sense in which we propose to use the word co-operation. The task is by no means an easy one, by reason of the confusion which has long enshrouded the whole subject ; moreover, however closely we seek to define the term, the reader must let



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his imagination have some scope in the matter—for a proper appreciation of co-operation demands not only a certain amount of material common sense, but a reasonable sympathy with abstract ideals.

Co-operation is a word borrowed from a general vocabulary of the utmost vagueness and pressed into service by the exponents of a certain method of association, to be used by them as a technical term. This in itself is bound to lend confusion; for half the English-speaking world will always—naturally—continue to use the word in the broad sense in which they first learned it.

And as part of the general vocabulary this word co-operation may be made to mean a great number of things. Like most important-sounding words borrowed straight from the Latin, it is becoming increasingly popular in trade circulars and similar literature, for which we may largely thank American influences. Your co-operation is invited many times a day in such divers matters as helping to popularize a certain brand of tobacco or giving school-children a happy summer holiday. In fine, any two or more persons who share, however remotely, a common object may be said to be co-operating, and are so said by the increasing number of persons who find the old Saxon phrase "working together" too clumsy or too humble for their use.

From this large sphere we must separate that usage of the word which corresponds to our absolutely limited purpose. There is little difficulty in doing this so long as we have only to distinguish between a purely vague meaning of "working together" and a technical term. Unfortunately

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there are borderline uses of the word which not only make confusion but are actively injurious to true co-operation by causing it to be misrepresented. This is particularly the case in the American vocabulary, where Government Departments and Agricultural Colleges speak of co-operative work, when all they mean is that they have given selected seeds to a farmer who has promised to make experiments with them. The unfortunate cataloguer in a library or the unskilled inquirer who comes after him may here be sadly misled and come away with a very vague idea of what co-operation means. There is, however, an even worse, because more specious, danger. In English law, though there is a separate Act governing the registration and conduct of what are usually called co-operative societies, there is no prohibition against the use of the word "co-operative" by any body of persons who feel that they have any advantage to gain thereby. A good example is ready to hand in the case of the Army and Navy Co-operative Society in London. Founded in all good faith with co-operative intentions, this body has long since broken almost all the principles which we shall shortly lay down as fundamental to true co-operation. Yet it remains for many people a typical instance of a successful co-operative society, to the great detriment of the movement, the confusion of the novice, and the annoyance of the disciple.

No such ambiguity attaches to the meaning of the ponderous but accurate German term *Genossenschaftswesen*. In Germany co-operation is a science, and every German economist and most laymen understand exactly what a *Genossenschaft*—or

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co-operative society—is, just as most Englishmen know a joint-stock company when they see one. We have to produce the same appreciation of the movement in the English-speaking world, and for this purpose we must use the word co-operation as if it were an exact rendering of the word *Genossenschaftswesen*, and refuse to think of it in any other sense.

We have then to arrive at a definition of the word co-operation used in this technical manner.

Primarily we may assume that co-operation represents a method of doing business in common with other persons of similar interests. As such it can only be a permanent factor in the life of any country if it proves to be both a successful and a necessary method. Now the form of association offered by a joint-stock company with limited liability is already familiar and successfully established in all civilized countries. It represents apparently the form appropriate to modern conditions, and its success has been so rapid and universal that it can scarcely be challenged. The questions therefore arise—Why should a new form of association be introduced? What distinctive feature does the new form offer which was lacking in the old? An answer can be given in one sentence, which, though necessarily incomplete, provides perhaps the best and shortest definition that can be given of a co-operative society. Such a society, we may say, represents a union of persons, while a joint-stock company represents a union of capital.

The co-operative society differs from the joint-stock company in the fact that the management

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and the profits are in the hands of those who contribute the raw material, the labour, and incidentally the capital which go to make the society successful, whereas in a joint-stock company the control and profits remain in the hands of those who provide only the capital and perhaps the skilled intelligence necessary to the enterprise. These people will, as a rule, have interests diametrically opposed to the interests of the producers of the raw material, and the providers of the labour. But in a co-operative society—if we except the employees, whose position, it must be admitted, is somewhat incongruous to the theory—there is only one interest involved, namely, that of the members. It is worth while here to anticipate further description and quote the example of a creamery to show what this argument means in a concrete case. Where a creamery is organized as a joint-stock company the shareholders will be those persons, not necessarily or generally farmers, who see in the manufacture of butter a profitable investment for their money. Their number will be limited, their financial holdings considerable. Their only object will be to obtain a high rate of interest on the capital they have invested. In order to do this it is their business to see that the margin between the price at which they buy milk from the producer and that at which they sell butter to the consumer is as wide as possible, since this margin will constitute their reward. Consequently they have a direct incentive to keep the price paid to the farmer as low as possible, and in this process they will be checked only by competition or by fear of making the dairying industry

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so unprofitable that farmers will abandon it. In a co-operative creamery, on the other hand, the farmers themselves will be the owners, and so long as the working expenses are paid and a reasonable fixed return is granted to capital they have no interest in increasing the margin between milk and butter prices, for they are the owners of both milk and butter, and any surplus accumulated will go back into their pockets and constitute an additional reward for the raw materials.

This account of the difference between a joint-stock company and a co-operative society will at once suggest that each has its own peculiar sphere. In the case of large-scale manufacturing enterprises or industrial undertakings, it may be many years before the time comes when it will be practicable to remove the control from the capitalist or the skilled manager, for the reason that capitalism and management play an overwhelming part in such enterprises. But in the case of smaller undertakings, where large amounts of capital are not required, but the interests of small producers are vitally involved, the co-operative system has obvious advantages, of both a material and a social kind. As will be seen in the following chapter, this argument applies particularly to the case of the farmer who is himself a manufacturer on a small scale.

We may now go a step further in our definition of co-operation and lay down the general principles which should determine whether or no a society is technically entitled to call itself co-operative. These principles one and all formed a part of the constitution of the Equitable Pioneers of Rochdale, a

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society founded in the year 1844 by twenty-eight poor Lancashire cotton weavers with a capital of as many pounds collected laboriously at the rate of threepence a week, and a few groceries for their stock in trade. Their example has been followed both by agriculturists and by industrialists throughout the world, and it is now pretty generally admitted that their constitution, which remains practically unmodified although the turnover of the society runs at present to six figures a year, contains all the fundamental requisites of co-operation. The following are the six outstanding points :—

1. Every member in good standing shall have one vote and no more, irrespective of the number of shares he holds in the society, and there shall be no voting by proxy.

2. The amount of shares to be held by any one member shall be limited. (The limit fixed by the law of most European countries is about £200.)

3. Interest on share capital shall be limited to an amount not to exceed the reasonable rate of interest prevailing in the country. (In England and Ireland this has almost invariably been fixed at 5 per cent.)

4. The net profits, after allowing for depreciation and placing not less than a certain percentage to reserve fund, shall be distributed among the members (either in cash or in payment of unpaid shares) in direct proportion to the amount of trade which they have done with the Society. In some cases a bonus is

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also paid to the employees at a proportionate rate on their wages.

5. In the case of societies selling goods to their members such sale should take place at the current market rates, and savings should be effected not by attempting to undercut the trade, but by returning profits in the form of a bonus or dividend as described above.

6. Membership in the society should be unrestricted in the area chosen for its operations and no *bona-fide* applicant of good character resident within this district should be refused admission. (The capital of a co-operative society, unlike that of a joint-stock company, is not limited, so that shares are always purchasable at their nominal value, a fact which eliminates speculation in them on the market, with its attendant fluctuations and dangers.)

A brief consideration of these principles will show that the underlying effort has been twofold—to make domination of the association by an individual practically impossible—both by prohibition and by the removal of all inducements—and to ensure that those who by their support make the prosperity of the society possible shall share in an equitable manner the full reward. The fourth clause, which enunciates the principle of distributing the surplus in proportion to the members' trade, constitutes the great discovery of the Rochdale Pioneers. Prior to that time co-operators had followed their natural instinct to distribute goods at cost price plus the bare working expenses. As a result no

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reserves were possible and the least miscalculation in the estimate of the expenses brought the society to ruin. Moreover, such a method of selling inevitably brought about violent trade wars founded on a ruinous price-cutting in which the longer purse was bound to win. Hence the pre-Rochdale societies were mushroom growths which soon decayed, and the success of modern co-operation as a method of doing business on a large scale dates from the invention of the principle of bonus on trade.

It is safe to assume that any association which genuinely adheres to the principles laid down above is truly co-operative, for there is little inducement to adopt such a form for the purpose of money-making. The converse, however, is by no means necessarily true. An association may exist which does not conform to the letter of the principles, which yet works in an entirely co-operative spirit. Thus to judge by the test of the written rules may always be misleading when we are searching for co-operation, and this difficulty is greatly increased by the fact that co-operative law as it stands allows associations to claim all the benefits of co-operation when they depart in vital points from the essential principles. Many promoters of co-operative societies claim to find one or other of these principles unnecessary or undesirable; they organize their associations on different lines, but they say that they administer them in a true co-operative spirit, and they are aggrieved if they are not admitted to the fold. The writer or speaker who insists upon the letter of the law is dubbed a doctrinaire and expected to be ashamed of his narrow-mindedness when it



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causes him to hold the gate shut against these eccentrics.

Undoubtedly there is much in this plea—yet it is desirable that we should stand out against the natural temptation to yield to it. The letter of the law must be preserved and there is excellent reason for doing so. The reason is that there is in fact nothing oppressive or undesirable in the principles we have laid down. Any person who genuinely wishes to do so can organize a society conveniently and successfully on these lines. Any departure from them must be due either to ignorance or to a deliberate purpose to get round the intention of co-operation. If it is due to ignorance—whether that ignorance be mere lack of knowledge or a misplaced zeal for improving on the normal—the defective constitution opens the door to interested persons coming along after the original promoters have disappeared and turning the would-be co-operative society into a joint-stock concern. This was in effect what happened in the case of the Army and Navy Stores and in many similar cases. But where the letter of the law is preserved there can never be any inducement to the capitalist to attach himself to the society, for it would be impossible for him to obtain control or to reap any great reward for his pains. For these reasons it is greatly to be desired that the existing law in the United Kingdom should be recast in such a way as to contain implicitly the definition of a co-operative society and to prevent any association from using this name which does not accept the principles we have enumerated. Failing this co-operators must estab-

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lish their own law and refuse to accept as brothers those who will not recognize it to the full in letter and spirit—and this in fact has been done by the Co-operative Union in England and the Irish Agricultural Organization Society, as well as the sister A.O.S.'s in England and Scotland. These bodies, through their well-established copyright rules, have given to the principles enumerated practically all the force of law—they control at least 95 per cent. of the successful co-operative societies in the United Kingdom, and they allow little or no latitude.

So far so good. But we have said that the definition given of a co-operative society was necessarily incomplete. Hitherto we have been dealing almost entirely with technical forms, and if co-operation merely consisted in a new technical method of doing business there would be little need for this book to be written. The figures of turnover achieved and dividends paid would be sufficient to establish or discount its claims to success. The movement has, however, its spiritual, ethical, or idealistic side, and a thorough understanding of this is necessary to give full value to our definition.

Co-operation is the concrete expression of the associative spirit which is ever present in humanity. It represents the reaction of that spirit in ordinary men of humble position and small resources against the tyranny of a social order which has thrown all the advantages of combination into the hands of the rich and the powerful. It is, in fact, the weapon of those who strive towards a democratic control of industry. This statement will no doubt be challenged at once by the champions of various forms

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of socialism, guild-craft, or other forms of labour unionism, who will claim that they are equally covered by this definition. To some extent they are right, but co-operation has this advantage over them—that it implies no interference with individual freedom or effort, no attempt at conscious levelling of distinction, but merely an effort to ensure by practical economic steps that self-help shall be accompanied by mutual help. Co-operators have also this advantage over socialists, especially over those syndicalists who in many ways most resemble them, that they are able to put their ideals into practice immediately and locally without waiting for a complete revolution of society. Communities of which a greater or less part of the life is co-operatively organized are common enough nowadays and are practically successful ; communist and socialist communities are all but unknown, and where for a brief period they exist they cut off their members from taking their share in ordinary life.

But while co-operation is thus a thing of the present, a common-sense matter of practical use, co-operators as much as socialists have their aspiration towards a future reform of society. The Co-operative Commonwealth which is written of by such men as George Russell (A.E.) is no empty dream ; it represents the ultimate goal of those who profess this form of organization. In pursuit of this ideal we find that successful co-operators do not limit themselves to the buying and selling of goods. Success in these directions is an essential factor in the continued life of a society, but when it is achieved the members of that society do not

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count their work done. They turn their attention to the furtherance of the ideal side of co-operation—and this ideal side embraces everything which will help the small man by combination with his fellows to make the world a more contented place.

Combinations among capitalists intensifies competition and accentuates the tyranny of the powerful over the weak; combination among co-operators eliminates competition—that is to say, that co-operative societies federate with one another instead of competing—and binds the weak together to resist tyranny. The capitalist aspiration towards the control of industry means control by a few people in their own interests—the co-operative aspiration is towards a democratic control of industry—a control by the majority in the interests of the masses.

Obviously we have here something which cannot be dealt with within the limits of a legal or technical definition. There are flourishing co-operative societies with many thousand members, conforming in all technical and legal points to the requirements of any definition of a co-operative society which could be drafted, yet the spirit is so lacking in them that they play no part at all in the progress towards a co-operative commonwealth. One frequent sign of this is that the general meetings of members are attended only by a handful of the membership, with the result that control is left as entirely in the hands of the committee as it is in the hands of directors who own the majority of the stock in a joint-stock company. Only a process of education can

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overcome the apathy which leads to such results, and that education is being slowly but steadily carried on by the leaders of co-operative federations.

We come finally to the point that true co-operation requires more than forms ; it requires a certain type of human material both for leaders and for followers, and this type must be built up, usually out of adversity, by patient training. It is material most usually found in the humbler ranks of life, sometimes in the aristocracy who have been trained to service, but seldom at present among the higher *bourgeoisie*. Wherever it obtains co-operative societies must necessarily strive for certain methods of doing business. Paramount among these is the necessity of dealing only honestly. A co-operative society must deal only in pure goods at clean prices—there is no room for fraud, trickery, adulteration, or extortion. Ordinary “trade practices,” even where they are not usually considered dishonest, but merely convenient, must be eschewed, or there is no real gain. It is in observing these principles that the strength of co-operation lies—and the weakness of much modern co-operation is to be found in the fact that the glamour of material success has caused committees to forget this.

One of the great evils of present business methods is the all-pervading credit system, which leads to the habit of extravagance and the miseries of debt. It should be a fundamental principle of co-operation to do away with this evil, and to ensure that all dealings with the society should be for cash only. This is, in fact, the doctrine of the leaders of the

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movement, but in practice the pressure against it is naturally great, and under this pressure it has too often been abandoned. Similarly it is fundamental to co-operation that the dealings of a society should be with its members only, and those societies, unfortunately too numerous, which are led by the desire of swelling their turnover or increasing their profits into dealing with persons who are unwilling to assume the responsibilities of membership become in this respect merely profit-making bodies. The greatest of all underlying principles, however, is undoubtedly that when a man becomes a member of a co-operative society he binds himself to support it, not only by his trade, but by his lively interest in its affairs. The careful limitation of voting power to one vote for every member, be his interests large or small, does more than confer a privilege upon the member ; it lays upon him a responsibility and a duty of exercising his share of the control. He is pledged in the interests of the whole body to attend the meetings, to direct the policy, to determine the allocation of the surplus, to care for the interests of the employees, to exercise a careful supervision over the appointment of the committee and to see that the business is honestly and efficiently carried on. If through apathy he fails to do this he is an unworthy member of the co-operative community. It is in the training which thereby comes to every conscientious co-operator that we find one of the greatest educational and social benefits of the movement. This point becomes even more apparent when we find that the Committee of Management of a society—what in an ordinary company

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would be called the Board of Directors—is democratically elected and that any member who shows energy and common sense has a reasonable chance of being elected thereto. In the vast majority of cases these committeemen—though usually wage-earners—are not paid for the often arduous duties which they perform.

In this lies the greatest claim of co-operation to bring out the capacity for altruistic service latent in humanity. At the same time it offers scope for the development of business capacities and traits of leadership and trustworthiness which might otherwise remain hidden. A really good co-operative committee is at once a fine training-ground for the citizen and a great example to the rank and file.

We have spoken once or twice of the quality of leadership. There should be no misapprehension on this point. Some of those who honestly disbelieve in the value of co-operation argue that by its very insistence on equality and democratic control it tends to stamp out individualism and to create a dead level of achievement. But this is far from being the case. On the one hand, membership of a co-operative society imposes no restrictions on a man in his private life and removes none of his inducements to energy; it is true that within the society there must be no politics or religion and no striving for advantages by one member over another; but outside it a man is free to think and act as he likes and to do his farming as well as he possibly can—the democratic nature of the society will not decrease his rewards. On the other hand,

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every society must look to the more energetic, reliable, and experienced of its members to play a leading part in conducting its affairs. The provision of one man one vote, so far from hindering those of outstanding character from coming to the top, is likely to help them to do so, for it removes the likelihood of directors and officers being elected by a favoured few for interested motives. It is probable that in a good co-operative society the president and committee are almost always those who have commended themselves to their fellow-members by their outstanding character—and in such matters the judgment of the average man is, after all, a sound enough criterion. Leadership therefore has ample scope in the co-operative world, and when we come to study the working of societies in more detail we shall find that practically all conspicuous successes are to be associated with the work of one or two men. This should not be considered, as it sometimes is, to show a weakness in the movement; it is rather an added claim to merit, for the greater part of the structure of modern business provides too little scope for men to rise by character alone. If there is any defect it is that up to the present not sufficient leaders have been forthcoming, and the blame for this must surely be laid at the door of human nature or of our educational system, rather than of this particular movement.

One other point remains to be considered before we complete our abstract picture of the co-operative world. The increasing success of the societies has led to a development of business on a scale certainly never contemplated by the pioneers. Among the



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many complexities which have been introduced into the movement is one of great importance. By their success co-operators have themselves become employers of labour on a large scale. The question of the relationship between employer and the employee within this movement is naturally a vexed one. It is at first sight almost a contradiction in terms that those whose avowed object is to overturn the capitalistic control of industry should find themselves in turn involved in disputes and negotiations with their fellows who are employed by them. The besetting danger of co-operation is that if anything goes amiss in the guiding spirit we merely substitute small capitalists for large ones—and in no respect is this danger so great as in the relations with the employees. The fact that in the English industrial co-operative movement, where the majority probably of committeemen are Trade Unionists, the employees have found it necessary to organize a union of their own which has frequently brought about local strikes, shows how sore a point this is. The remedy is at present difficult to see, beyond the fact that it should be the first duty of co-operators to see that their employees receive the best possible treatment. With some few exceptions it may be confidently claimed that this is the case at present; in hours of labour, wages and conditions of employment, co-operative societies can compare triumphantly with any employers in the country. But this does not of course meet the theoretical difficulty. There is a large school of co-operators which claims that employees are entitled to share freely in the profits and the control of societies; others maintain that

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employees should have as much right as other wage-earners to become members of the society and reap the benefits consequent thereon, but no more. While the former school seems to have the advantage from an ethical and theoretical standpoint, the practical difficulties are very great, and the other party have, on the whole, carried the day, though it is a fairly usual practice for some portion of the annual surplus of a society to be distributed as a bonus to employees in proportion to their wages. The subject is one on which many chapters might be written, but as this book is concerned with the agricultural aspect of co-operation, in which the employees are comparatively few and the question less disputed, we will not here elaborate it. It will suffice to say that as a general rule the employees of co-operative societies are well satisfied with their position, and the extent to which they acquire the co-operative spirit is shown by the continued loyalty of many of them to a movement which is, as a rule, not able to pay salaries equivalent to those offered by big business competitors who desire to tempt the best of the employees away. Many a society owes its success to a manager who has worked unsparingly and enthusiastically for a small salary against every difficulty of abuse and every temptation of bribery.

We have endeavoured now to give a more or less complete sketch of the co-operative movement as it aims to be, both on its formal and its spiritual side. It will be seen, if we have made our description clear, to offer that compromise which is so often sought between a visionary idealism and a cold-

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blooded materialism. It is based upon sound business principles, the bond of association is primarily a material one, and the form of the constitution is built up exactly to correspond to practical needs and to safeguard concrete rights. On the other hand, it offers a method of bringing idealism into business and of training men to help one another and the state through rational citizenship.

The qualifications such a movement demands of its pioneers are just those which we most desire in those with whom we have to deal. They must have, on the one hand, business knowledge, clear judgment, foresight, intelligence—on the other honesty, faith, and above all things loyalty. In the weakening of the members' loyalty lies the secret of the collapse of many a society, and it is this virtue which must be fostered before all others. If, then, we have shown that co-operation not only demands but tends to produce among the masses of the people the qualities enumerated, we shall have given a fair answer to the questions propounded at the beginning of this chapter—viz. why should a new form of association be introduced? What distinctive feature does the new form offer which was lacking in the old?

We have now, having given an account of the general purpose of co-operation, to show in what respects it is peculiarly applicable to the business of agriculture, what advantage it has to offer to those who practise that business, and in what forms it has already shown those advantages most successfully. But as this will necessitate a little knowledge of the lines along which the movement developed

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to its present position, it will be well to make a temporary digression from our argument in order to trace briefly the general history of co-operation during the nineteenth century. To this purpose the next chapter will be devoted.

## CHAPTER II

### *HISTORICAL DEVELOPMENT*

THE history of the co-operative movement, in the sense in which we are considering it, is practically confined to the latter half of the nineteenth century. When we seek back beyond this date we shall find it almost impossible to distinguish any definite type of association, to which we can point as the forerunner of the modern co-operative society. Co-operative effort of one kind or another, no doubt, existed in abundance, for, as we have already shown, co-operation is merely the logical expression of the associative spirit in man, and that spirit is as old as mankind. For a study of its workings and developments we refer the reader to Kropotkin's *Mutual Aid*, where he will find an exhaustive account of a subject which is obviously too wide for our present purpose.

Even without going so far as this, there are those who wish us to trace the rise of modern co-operation to certain definite forms of association which have existed from very early days. Most of those, naturally enough, have been agricultural in their character. Thus the *monti frumentarii*, or grain banks of Italy and the corresponding *Positos* of

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Spain and Portugal, which are said to owe their establishment to the desire of the Emperor Justinian to create granaries in all parts of his empire, are occasionally held up as the first examples of co-operative credit in Europe, from which has sprung all the present network of agricultural credit societies. It is true that these *Positos* provided a means by which agriculturists could obtain advances against the security of their crops, and so, by a slight stretch, they may be called agricultural banks. But there the similarity ends, and as we have no evidence whatever that the pioneers of modern agricultural credit in Germany were aware of the existence of these institutions, it is far casier to believe that the idea occurred to them independently. In fact, so natural is the co-operative idea to men of the type who are suited for associative effort, that it has frequently sprung up spontaneously in places far from example.

A better case of early co-operation is that of the *Fruitières*, or associations of cheesemakers, which have existed for an unknown period in the more backward regions of France and in the Basque Hills. These may truly be called the forerunners of the co-operative creameries of to-day, for their spirit and purpose was the same. But the form of association was purely voluntary and fortuitous, and except as a proof of the advantages which small producers have always found in combination, their history—at best a very vague one—need not delay us.

Other historians have pointed to various forms of primitive village communities as prototypes of co-

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operation—chief among these communities being the well-known Mir of Russia, where land was owned and cultivated by the community. To cite these as instances of the associative spirit is perfectly legitimate, but to make them types of co-operation is quite contrary to the facts—for in a community of this kind the individual had no option as to whether or not he should become a member of the body corporate—and this is the first essential of a co-operative society. Moreover, these bodies have steadily decreased in number and importance with the development of modern conditions, whereas co-operation in the sense in which we understand it has steadily gained ground.

One or two interesting experiments have, however, been made in comparatively recent times towards creating a community of this kind on a purely voluntary and co-operative basis. The most successful of these, curiously enough, arose in Ireland in a purely agricultural neighbourhood long before the present Irish agricultural co-operative movement had been dreamed of. In the year 1829 at Ralahine in the Co. Clare, in the midst of agrarian disturbance and organized terrorism, a large landowner, John Scott Vandeleur, handed over the bulk of his estate to an English enthusiast, James Craig, for the purpose of creating a co-operative community. The success of this apparently mad experiment was almost miraculous. Going alone into the midst of a disturbed, suspicious and Gaelic-speaking population, Craig succeeded in forming an association which for two or three years cultivated the estate in common, performed the tasks allotted by an elective committee,

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shared the profits (after paying rent to the landlord), and eschewed alcohol, tobacco, and political controversy. The remarkable feature of this community was that it was not like so many others, created out of eccentric persons gathered together from the ends of the earth, but was a genuine association of the tenants and labourers of a poverty-stricken estate. How long its success would have continued will unfortunately never be known; at the end of three years it was still working with harmony and material prosperity when the landlord's unfortunate passion for gambling in Dublin led him into bankruptcy, and the result of the primitive laws then in force was that the community was broken up and its assets confiscated in order to pay the debts of the estate.

In any case this, although interesting, was an isolated experiment which had little in common with modern co-operation. It was, however, connected with the man who must be regarded as the pioneer of that movement.

Craig was inspired to his efforts in Co. Clare by the example of Robert Owen, who brought about, during the period from 1820 to 1835, the first determined efforts at co-operation of which we have any clear history.

As early as 1811 co-operative flour-mills were established in the North of England to counteract the extravagant price of bread, and in that year one of them was unsuccessfully indicted by the millers of York as a public nuisance! But the real development was produced by the same conditions of unrest and misery (the outcome of the Napoleonic



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Wars and the Industrial Revolution) which saw the rise of the Chartists, the Trade Unions, and the various forms of modern Socialism. Chief among the reformers whom the hardships of the time produced among prosperous but unselfish men was Robert Owen, who is thus described by Mrs. Sidney Webb in her short history of the co-operative movement in Great Britain<sup>1</sup>:—

Apprenticed early to a retail shop-keeper, at nineteen years of age he had saved sufficient to start as a small master in the Manchester machine-making and cotton-spinning trade. Quickly realizing that the new industry required large masses of capital, he abandoned the nominal independence of a small master to become the manager of a small factory. From the position of manager in one firm he became managing partner in another, until he succeeded to the absolute control of the large spinning mill at New Lanark. It was here he tried his first experiments in practical economics. He raised the wages of his workers, reduced the hours of labour from seventeen to ten a day, and prohibited the employment of children under ten years of age. He provided free education, free amusements, cheap provisions, good cottages for his work-people and their families. At first his fellow-manufacturers watched with contemptuous amazement the deeds of this Don Quixote of the cotton trade; his partners sought separation from this cracked-brained philanthropist intent on personal ruin. He answered the theoretical objections to the Socialist programme—good wages, short hours, free instruction and free amusement—by showing, in the course of four years, a profit of £160,000, besides paying 5 per cent. on capital employed, and raising the selling value of the factory fifty per cent.

Having thus proved the soundness of his principles,

<sup>1</sup> *The Co-operative Movement in Great Britain*, Beatrice Potter, 1904, p. 13.

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Owen laboured with less success to convert his fellow-manufacturers or influence the Government in the same direction. Though he achieved little in the way of direct results, it is a fair claim that his influence on modern relations between capital and labour was ultimately more far-reaching than that of any other single Englishman. What concerns us, however, is the part he played in the establishment of co-operation. The following brief description, taken from a paper read to the Statistical Society of Ireland, may perhaps be quoted *in extenso*<sup>1</sup> :—

The basis of all Owen's theories was that profit on cost was a morbid excrescence which had grown upon society as a result of failure to regulate supply exactly in proportion to demand. In other words, he looked forward to a community which should be self-supporting and produce exactly its own requirements, rewarding the labourer according to his labour without any profit in the handling of goods. He did not himself conceive the co-operative store as a step to this policy, for curiously enough he never realized the strength of democracy. Some of his disciples, however, saw the possibility of putting the ideas into practice in a practical way. So arose the movement for what at the time were called "Union Shops." The first of these was founded at Brighton in 1828. In their prospectus the founders announce their intention of collecting a small capital by weekly deposits and investing it in goods for resale. This process was intended to increase the capital with the following objects: "The Society will be able now to find work for some of its own members and then the advantages will be considerable indeed. When the capital has accumulated sufficiently the Society may purchase land, live upon it, cultivate it themselves, and produce any manufactures they please and so provide for all their wants

<sup>1</sup> *The Urban Co-operative Movement in the United Kingdom*, Lionel Smith-Gordon, Dublin. Statistical Society, 1916.

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of food, clothing, and houses. The Society will then be called a community."

This adventure constitutes the link between Owen's Communism and the more prosaic movement of to-day. The Brighton co-operators, though they started with a capital of £5, kept shop for a few years with remarkable success, but when they felt able to attempt the community a schism arose and one party went away and bought a fishing-boat with their share of the profits. Meanwhile their example had been widely imitated, and Owen himself, who at first showed little enthusiasm for these shops, finally entered keenly into the movement and supplemented it by the so-called Labour Exchanges where goods were bought and sold on the basis of the labour they had caused. By 1832 there were four or five hundred co-operative societies in existence, but in the following two years the whole movement collapsed.

The reasons for this collapse are variously given as the lack of legal protection, the disloyalty of the members, and the unbusinesslike methods pursued. But all these factors were present in the Rochdale Store. The difference lay in the invention of the method of selling at current prices and dividing the profits in relation to trade. This device swept away at once the conflict between shareholders and customers and also the perilous necessity of selling at cost price. Exactly who invented it we do not know, but it was put into operation by a group of twenty-eight weavers in Rochdale who, with a capital of £28, opened a shop in Toad Lane in December, 1844, under the official style of the Rochdale Equitable Pioneers—and the local nickname of the "Auld Weyvurs' Shop." These twenty-eight men, some of them Owenites, some Chartists, and some Social Reformers, incorporated in their original rules and practice all the essentials of the modern co-operative movement. Its history is one of practically continuous success illustrated by the growth year by year of membership and trade and the foundation of great federations.

So far we have traced no beginning of agricultural co-operation and the reader may wonder what this

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history of Robert Owen has to do with the subject of this book. There are two mistakes very commonly made in connection with agricultural co-operation—one to suppose that it sprang into being quite independently of urban co-operation (in fact, many of the writers on the subject appear to consider this other branch of the movement unworthy of notice), the other to claim that it took its origin from forms of association far earlier than the times we have been discussing.

But the fact is that, consciously or unconsciously, modern agricultural co-operation (with the possible exception of the Raiffeisen credit societies) has borrowed its forms and principles from the English urban movement which began with the Rochdale weavers, and a description of the origins of this movement is therefore by no means out of place. It must not be forgotten in this connection that the right of free association which we are apt to regard as the inalienable heritage of the citizen, was only granted comparatively recently in most civilized countries. That fact in itself retarded the possibilities of forming co-operative societies, and the link with the old-time *Fruitières* is far more difficult to establish than the stimulus derived from the example of the emancipated English working-man.

All the credit, however, must not go to England with Robert Owen and the Rochdale Pioneers. Some ten years after Owen's propaganda had begun to be effective a somewhat different form of association sprang up in France. The influence here at work was that of such men as Fourier and Buchez, who preached a socialism founded on the self-develop-

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ment of the individual in the service of the community not dissimilar from the modern Guild theory. Under this influence working-men formed *associations ouvrières*, or what are variously known in England as "self-governing workshops" or "co-operative productive societies." They were co-operative societies owned and controlled by skilled tradesmen for the purpose of carrying on production and sale in common—the work being done by the members. Very many of these societies sprang up within a few years, particularly in such trades as boot-making, which still lent themselves to small-scale manufacture. They attracted the attention of that small but enthusiastic group of English middle-class reformers known as the Christian Socialists—a group including such well-known names as Ludlow, Vansittart Neale and Tom Hughes, with Kingsley and Maurice—who in the lean years after the Irish famine met together to discuss Social Reform. By these men the principle of the self-governing workshop was introduced into the young but flourishing English co-operative movement, and thereby arose a conflict which has endured from that day to this between those who wish to organize man in his capacity as a consumer and those who wish to accentuate the claims of the producer. Both in France and in England time has demonstrated the weakness of the productive society, which has usually been doomed to failure by lack of capital, custom and discipline. Nevertheless the Christian Socialists and their followers have continued to claim that no system of co-operation which was not based on labour could be ethical.

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We are not concerned here to enter into this controversy further than to point out that agricultural co-operative societies, while not suffering from the same weakness, must belong to the same class as the productive societies, and from the unfortunate schism to which we have referred arises most of the separatism and mutual suspicion which unhappily still exists between agricultural and industrial co-operators.

For within a few years of the introduction into England of the idea of the self-governing workshop the first beginnings of the agricultural co-operative movement were making themselves felt in Europe. The first actual society which we can point to as fulfilling our requirements was the credit society established by Raiffeisen for the benefit of the agricultural population in the tiny village of Anhausen on the Rhine. This event took place in 1862. Raiffeisen was a simple-minded, altruistic and religious burgomaster, who saw the people to whom he was devoted suffering unendurable hardship during the period of distress which had overtaken agricultural Germany. Prior to 1862 he had made several rather ill-judged efforts at practical philanthropy, and finally hit upon the principles which have made Raiffeisen banks a well-known institution in almost every country of Europe. He had a rival in his pioneer work in the person of a certain Schulze of Delitzsch, a man also of altruistic intentions, but of very different character. Schulze was a strong liberal politician, and where Raiffeisen was largely guided by a simple code of ethical Christianity, Schulze put business success before everything else,

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and pushed his prejudice against Raiffeisen's theological leanings almost to the point of avowed agnosticism. He also experimented with credit societies as a means of relieving the prevailing distress, and in point of fact he seems to have achieved practical success a year or two before Raiffeisen. It is not surprising that a keen rivalry sprang up between these two men—unfortunately so keen that it prevented them from working together, and even caused Schulze, who was the more aggressive of the two, to attempt to injure the progress of the Raiffeisen societies. Luckily, however, the field was large enough for both men, and as their ideas naturally led them to develop two systems differing considerably from one another, their paths drifted apart. Societies of the Schulze-Delitzsch type gradually became established among the artisans of the towns—to which purpose they were more suited—although they still number among their members a considerable proportion of agriculturists, and can be adapted to the needs of a rural population. Raiffeisen banks, on the other hand, with their special suitability to rural needs, spread rapidly throughout the country districts, and there are nearly 17,000 of them in Germany at the present day.

These two systems will receive further attention in a later chapter. They are important to us historically because they represent the basis on which all the present network of German co-operation was created. Raiffeisen found a disciple in Italy in the person of Wollemborg, while the same system, with slight local adaptations, was introduced into France by Durand, and into Ireland by Sir Horace

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Plunkett. In many other countries the same system was found favourable, notably in India, where of recent years the Government has favoured the creation of a very large number of banks which approximate closely to the Raiffeisen type. The Schulze model has been followed, notably by Luzzatti in Italy and by Desjardins in Quebec, from which province it has spread to Massachusetts and other parts of the United States.

An important point to be noted is that both the Raiffeisen and the Schulze societies were originally established on the basis of unlimited liability—that is to say, that all the members of the society were jointly and severally liable to an unlimited extent for all the debts of the body corporate. The Raiffeisen societies, with unimportant exceptions, have preserved this feature to the present day, but the urban societies have adopted the more suitable form of limited liability. At the time when the pioneers began their work, however, they had no option in this matter, for the law did not allow co-operative associations to limit the liability of their members. As a natural consequence trading operations were not lightly to be undertaken, and it was not until in the year 1889 a law was passed allowing societies to be formed with limited liability that the present system of co-operative supply and dairy societies sprang into being in connection with the existing federations of banks. Once the co-operative principle was firmly established, however, as a method of helping the struggling agriculturist without charity, the advantages of applying it to the purchase of requirements and the handling and sale of produce



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became obvious, and from that time the co-operative movement became a definite and important feature of modern agricultural economy.

Subsequent developments are somewhat difficult to trace in their historical sequence, for no scientific historical account has as yet been given from an international point of view. The right of professional association was first recognized in France by a law passed in 1884. This law was designed to enable artisans to form professional unions for the protection and encouragement of their particular trades; a delegate entering the chamber late moved to add the words *et agricoles* after the words *associations industrielles*, and from this almost accidental amendment sprang the system of *syndicats agricoles*, which from 1885 onwards formed the basis of French co-operation. In Belgium it was not until 1898 that a law was passed definitely providing for the registration and control of co-operative societies and professional associations—a law which was no doubt influenced by French precedent. But the right of association had been conceded by the Belgian Constitution of 1881, and many *ligues agricoles*, part of whose function was the co-operative transaction of their members' business, were in existence before 1890.

In Italy a co-operative system seems to have grown up gradually on the foundations laid by the old-established *comizi agricoli*, or chambers of agriculture, which existed on semi-official lines in most Italian country towns. Luzzatti and Wollemborg, both of whom are still living and working, were the pioneers, under German influence, of the

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modern movement, particularly on the credit side. Austria and Hungary followed naturally, the latter at a long interval and with careful official supervision, in German footsteps. Holland and Switzerland were also building up their co-operative movements on more or less similar lines during the same period. The rapid development of credit societies in the former country is of very recent origin.

The history of co-operation in Denmark is of particular interest. Originally a country of wheat-growing and live-stock raising on extensive lines by large landowners, Denmark found herself by her two wars with Germany in 1848 and 1864 not only deprived of a large part of her most fertile territory, but suddenly shut off from her nearest and most profitable market. She could no longer maintain a prosperous national existence by the export of corn, pigs, and cattle to Germany. At the same time the pressure of competition caused by the appearance of vast consignments of cheap corn in Europe from the newly exploited territories of America, caused a widespread depression among European farmers. It was this more than any other single factor which gave so great an impetus to the growth of co-operation—for co-operation has almost invariably been a child of necessity. In no country was the need more urgently felt than in Denmark, and when to the other difficulties of the times a banking crisis was added in 1880, the thrifty Danes realized that their whole agricultural system must be changed if ruin were to be averted. Forthwith they set themselves to convert their corn-growing and stock-raising ranches into a system of small-

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holdings whose occupants would devote themselves to milk production, with its allies, pig-keeping and poultry. As soon as this was under way they became aware that the producers of milk would require, if they were to prosper, to own the means of making it into butter. In the same way, since pigs could not be exported alive they aimed at curing them in local factories, which would enable the farmers to get full advantage of their industry, including the valuable by-products. Finally, the collection of eggs must be undertaken scientifically and not left to chance.

As a result of these reflections Denmark soon became the most highly organized co-operative country in Europe. The first co-operative creamery was founded at Hjedding in the year 1882. By 1909 there were 1,157 such creameries (as against 238 joint-stock societies and 90 belonging to individuals) with 157,000 members. The creameries were followed by co-operative abattoirs, of which there are now forty in existence, and the collection of eggs and supply of requirements were also undertaken co-operatively. It is interesting to notice that although Denmark was undoubtedly largely influenced by the example of co-operation shown in Germany, the movement has progressed without any credit society of the type popularized by Raiffeisen and Schulze. Their place has been taken by a State system of land purchase, coupled with a few co-operative mortgaging associations and a number of well-established savings banks.

The co-operative movement in Ireland dates for all practical purposes from the year 1889, when

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Sir Horace Plunkett, returned from ranching in America, conceived the idea of trying to benefit his unhappy country by some economic method rather than by any of the popular political devices. He was at first inspired by the English Co-operative Union, and made tentative efforts towards the foundation of stores; but he soon realized that in order to suit a country so purely agricultural as Ireland co-operation must begin with the producer. As a result he turned his attention to the organization of creameries, and the revolution which was thereby brought about in the Irish butter trade will be described in a later chapter. It is a curious fact that while the first co-operative creameries in Ireland came into existence some eight years after those of Denmark Sir Horace was, at the time that he began his work, unaware of the example which had been set for him, and thought the matter out for himself. Thus, although within a year or two Mr. Anderson visited Denmark and brought back valuable lessons therefrom, the form of organization of the Irish creameries is, as will be seen, quite different from that of their Danish predecessors. The "agricultural societies" of Ireland, on the other hand, through which farmers are supplied with the requirements of their industry, owe their inspiration directly to the German *Bezugsvereine*, which had been studied at first-hand by Fr. Finlay before he met Sir Horace and became the first Vice-President of the I.A.O.S.

As is only natural, it was not until quite recently that the inhabitants of the Russian Empire were allowed by the authorities to establish co-operative societies. After the emancipation, however, the

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crisis of 1905 seems to have suggested to the Government the necessity of conforming to modern practice in the encouragement of agriculture. Official favour was extended to credit societies of the Raiffeisen type—somewhat modified—and from that time co-operative societies of all kinds, although still subject to some irksome restrictions, made rapid progress. The associative spirit has always been strong among Russians, and it was brought forward to comparatively recent times by the survival of the village community. It is not surprising therefore that, once started, the co-operative movement under the fostering care of the Zemstvos spread more rapidly than in any other country.

Sources of information are difficult of access, but a clear and interesting sketch of the whole movement has been given recently by Mr. Bubnoff—who records the formation of no less than 20,000 co-operative societies within the last ten years. It may be noted that these societies have attracted to their ranks the more liberal spirits, so that co-operators were identified largely with the recent revolution. The enterprise of Russian co-operation is seen by the fact that the Siberian creameries have a co-operative selling agency in London, which is causing some uneasiness to Danish and Irish producers. The Moscow Union of Consumers' Societies and the Moscow Narodny (Peoples') Bank also have offices in London, and the representatives of the latter have carried their internationalism so far as to publish in English a monthly paper, *The Russian Co-operator*, which has survived all disturbances at home.

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On a smaller scale, but not less remarkable, has been the development of the movement in Finland. With the exception of one or two isolated experiments the beginnings are as recent as 1900, when a society closely modelled on the Irish Agricultural Organization Society was founded at Helsingfors under the name of Pellervo, for the purpose of organizing and encouraging co-operative societies. Its success was instantaneous, and at the end of fifteen years it was able to claim a membership of 1,300 societies of which 500 were creameries. The outstanding feature of the Finnish movement has been its educational fervour. Under the guidance of Dr. Hannes Gebhard no opportunity has been lost of putting the successes and advantages of the movement before not only the Finnish people themselves but those of other countries—particularly Sweden and Russia. Thus we find a full description of Pellervo and its affiliated societies published in Finnish, Russian, Swedish, German, French and English,<sup>1</sup> and to this spirit in the leaders of Pellervo we are indebted for much valuable information. As a proof of the response which is obtained by these methods we may quote the fact that the leading co-operative paper in Finland is said to have a circulation of 55,000 copies per week—in a country of 2,000,000 inhabitants.

Of recent years co-operation, having practically completed the conquest of Europe—for besides the countries we have specially mentioned, the Balkan States (particularly Serbia and Roumania) had

<sup>1</sup> *Co-operation in Finland*, by Dr. H. Gebhard (edited by Lionel Smith-Gordon). Williams & Norgate, 1915.

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flourishing co-operative movements, Spain also follows the same example, and Greece and Portugal are awakening, while only Turkey stands untouched—has attacked other countries. We have already noted that in India a great development of credit societies on the Raiffeisen pattern has taken place under Government inspiration—and signs are not wanting that an independent movement parallel with those of Europe will soon spring up. Japan and China have also their co-operative movement, but so far scanty information is available in Europe as to their development, although we know that Japan is particularly rich in credit societies, and the movement was probably established there in imitation of the German example.

But it is in the English-speaking world across the sea that the most interesting progress is being made. For many years North America remained for all practical purposes deaf to the claims of co-operation, but within the last decade a tremendous advance has been made. As may be expected, the American farmer makes up in initiative and vigour for what he has lost in time, and one or two of the co-operative organizations of the New World might teach a lesson to anything in Europe. It is particularly interesting to notice that as a result of the different conditions and outlook of the American agriculturist his societies have developed in a very different manner. He has gone straight to the problem which concerns him most—that of co-operative marketing of his produce, and his striking successes have been achieved in this direction, which so far has proved too difficult or hazardous for the majority

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of European co-operators. Outstanding examples of success in this direction are the grain growers of Manitoba and Saskatchewan, and still more the citrus fruit-growers of California. Since this problem of marketing is now of paramount importance to European producers, it is probable that before long we shall be looking to North America—one of the youngest of co-operative countries—to show us the way. Something of the same kind has also been achieved in Australia, but only within the last five or six years.

To sum up, then, we find that the modern co-operative movement, starting with the urban followers of Robert Owen about 1830, and with the work of Raiffeisen among German agriculturists some thirty years later, has spread into every corner of the civilized world. As we shall see when we go further into detail, the volume of business done and the complexity of the organizations built up put co-operation far beyond the reach of those who wish to sneer at it as a fad of well-meaning amateurs.



## CHAPTER III

### *THE SYSTEM APPLIED TO AGRICULTURE*

**T**HE rapid spread of co-operation which we have outlined in the previous chapter shows that the system has a definite and practical value for modern needs. A more universal success has perhaps been achieved in relation to agriculture than in industrial directions, and we must now inquire into the causes which make agriculture a particularly suitable field for co-operative organization.

In our first chapter we pointed out that the co-operative system is particularly adapted to small-scale undertakings, affecting the interests of a number of small producers rather than the capital of a few. If we accept this statement it is clear that it applies particularly to the case of the farmer, who is himself a manufacturer and should not entrust the final stages of the manufacturing process on which he depends for his income to a union of capitalists whose interests are opposed to his own.

The statement that the farmer is a manufacturer, although not usually accepted because it is not familiar, needs in fact no argument. On reflection it will be seen that there is no other category under which he can be placed. He purchases the require-

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ments of his industry such as seeds, fertilizers, cake, etc., and with the aid of labour and capital (in which must be included the possession of land and live-stock) he converts them into finished articles—which is essentially the function of the manufacturer. Assuming that the position of the farmer as a manufacturer is admitted, we may, in view of the present tendencies of modern agriculture towards constant division of holdings, claim that he is a manufacturer on a very small scale. Our assumption throughout has been that combined or large-scale manufacturing is invariably more economical than small-scale enterprise. This is particularly true of the farmer. In his unorganized state he differs from all other manufacturers in that he buys the raw materials which he requires at retail prices, and sells his completed product at wholesale prices. We should consider any man or any body of men, in any other line of business, who proceeded in this way, to be more or less insane. The reason why the unorganized farmer is under the necessity of doing it is that he has not either the business experience or the facilities for getting into direct touch, on the one hand with the sources of supply, and on the other with his markets. Consequently he has to employ a series of middlemen to bring him the raw materials he requires and another series of middlemen to convey his produce to its ultimate destination. It must be evident that if he can undertake for himself the functions of any one or more of these middlemen, he is, to that extent, effecting an economy, always supposing that he undertakes them in a business-like manner.

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But it is apparent that the cases in which an individual farmer is able to perform the functions of some middleman, in addition to conducting the operations on his own farm, and to do this as effectively as it was done by the professional middleman, must be very rare. The remedy surely lies in the combination of a number of farmers, who will be able to provide themselves with the services of men whose business intelligence will equal that of the middlemen, while they will work in the interests of the farmers, and not against them. Such a combination may be formed on the basis of voluntary association, without any form of incorporation, and this is an expedient often adopted by farmers who proceed on their own initiative without expert guidance or knowledge of precedents. While, however, voluntary association may be adequate for transactions of a temporary or merely seasonal nature, and on a small scale—such as the purchase of a wagon-load of fertilizers or coal—it is obviously not adapted to continuous and complicated business transactions. There is no bond to hold the members together, no satisfactory relationship with employees, and no method of making any individual carry out his engagements. Above all, since the society has no legal existence, it will not be possible for it to obtain goods except by cash payments in advance, while, on the other hand, any individual may find himself liable to be sued for any or all of the delicts or debts of the whole of the members—over whose doings he has no control. Voluntary associations therefore cannot be put forward as a solution of the problem, and in fact, where they have been formed,

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owing to legal difficulties or ignorance they have almost invariably broken down in a comparatively short time—frequently involving their members in disaster.

There remain, then, the alternatives of the joint-stock company and the co-operative society. We have already pointed out the distinctions which exist between these two forms, and it will readily be seen that in the case of farmers who invest their capital in their farms and have no desire to speculate with it in business, but desire combination for the purpose of collective action, the latter is far more suitable. There is no theoretical reason why a joint-stock company of farmers should not transact the business of a creamery successfully and fairly, and in practice this has been done in many cases. It is, however, an inevitable development of such a form of organization that with the passage of time the shares, and therewith the control, tend to be concentrated in the hands of a few persons who are seeking a profitable investment for their money. As soon as this tendency begins to operate the divergence of interests which we discussed at length in our first chapter is bound to make itself felt; one part of the shareholders are interested in the making of profits, the others in the price of milk. The latter party are bound to be defeated—for they either come to realize that extra interest on their money will compensate them for poor prices on their milk, or if they are small shareholders they sell out or give up the struggle in disgust. Thus the final result will be that the company will fall into the hands of two or three persons, who are frequently more

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interested in plundering than in helping the farmers. There is an additional reason why a joint-stock company is less likely to fulfil the intentions of its promoters than a co-operative society. In practically every country there exist powerful federations of co-operative societies whose business it is to advise, help and support the affiliated societies and to keep them on the right lines of development. The joint-stock company, by its constitution, is shut out from participation in these benefits, and must work alone. It is mainly for this reason that we find that in Ireland, for example, the few creameries which have been successfully worked by farmers organized on the joint-stock principle are gradually converting themselves into co-operative societies, which enables them to affiliate with the Irish Agricultural Organization Society.

The co-operative society, which is specially designed to avoid the dangers and difficulties enumerated above, remains therefore the form of organization most suited to the needs of agriculture. Such societies are desirable in order to put the farmer manufacturer in a position where he can carry out in his own interest certain economies in the manufacturing process out of which he has to make his living. The next step is for us to determine what economies may most easily be effected in this way by the organized farmer.

Such economies fall into three classes, viz. (1) in the purchase of the raw materials; (2) in the actual process of manufacture; (3) in the ultimate distribution of the finished article.

The easiest form of co-operation, as is natural,

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has proved to be the collective purchase of raw material, usually in the form of fertilizers, seeds, feeding-stuffs, and agricultural machinery. In the past farmers, without organization, suffered in two ways when making purchases of this kind. In the first place they paid the tax demanded first by the wholesaler and afterwards by the retailer. Secondly, they received little or no guarantee as to the quality of the goods so purchased. The establishment of a system of collective purchase through a local co-operative society eliminates a large part of the retailer's charges, and in addition creates an agency which is in a stronger position than any individual farmer for demanding redress in case the quality of the goods is found to be defective. The federation of many local societies of this kind into one wholesale agency will obviously carry the matter very much further and will enable a direct guarantee to be given to the farmer.

In this connection, however, it must be noted that one great reason for the high prices which the farmer is called upon to pay for his purchases is that he expects and usually receives a considerable amount of credit. When dealing with a co-operative society it will be to his interest that this system should not continue, for if he takes credit from his own society he weakens its efficiency. But it may be that he is so situated that he is quite unable to pay for his fertilizer before he has got some results from its use. In such cases it may be found necessary and practicable to establish co-operative credit societies side by side with the purchasing societies. In some countries indeed, as we shall see later, the

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two functions will be undertaken by a single society. Whether or not this should be done will depend on the legal situation and on local expediency.

Societies which perform for farmers the function of effecting economies in the actual process of manufacture are more complicated than the class just described in so far as they require buildings and plant for their purpose. Nevertheless they have proved easy to establish and have been remarkably successful. Most prominent among them are co-operative creameries. In the case of such a creamery the farmer, instead of selling his milk for whatever price a manufacturer of butter or cheese likes to give him, and then washing his hands of the whole affair, becomes, through a manager, his own manufacturer of butter or cheese, thus not only assuring himself that he will receive the full value for manufacturing purposes of his produce, but also making it far more likely that the consumer will receive good value for his money in the long run. Other forms of manufacture, such as bacon-curing factories, packing-houses, canning plants, etc., may also be undertaken: these will be described later.

The third division of the movement may be said to have developed more strikingly in the United States than in most European countries. It consists in the effecting of economies in the actual process of distribution, or, in other words, in collective sale of farm produce. This, as we shall see, is the most difficult and hazardous enterprise on which organized farmers can embark, demanding as it does skilled business knowledge, a considerable investment of capital, and absolute loyalty on the part of the

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co-operators, as well as the establishment of a more or less uniform standard of production among those joining the society. This last reason, however, is a powerful argument in favour of attempting it, for it will bring the farmer to realize that he does not really reap any advantage by getting a little more for his produce than his neighbour, but that he has much more to gain by establishing a standard throughout the neighbourhood, which will enable him to sell under a brand commanding wide recognition. How successful such a proceeding may be will be seen when we come to describe the California Fruit Growers' Exchange, one of the most prosperous co-operative societies in existence.

We have now outlined very briefly the forms which co-operation in agriculture may take, and the advantage to be obtained from it. We shall discuss the different forms in more detail in separate chapters. Meanwhile it will be well to consider, for the benefit of those who wish to put theory into practice, what are the obstacles in the way of development of the co-operative movement, and what machinery is best calculated to overcome these obstacles.

No one who has had any experience of work among farmers and has tried to understand their outlook on life will be surprised to be told that the chief difficulty confronting those who wish to introduce the principles of co-operation into any rural neighbourhood lies usually in the attitude of the farmers themselves. It is well known that the average farmer, for reasons inherent in the history of his industry and the circumstances under which it is carried on, tends to exhibit three qualities which



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make it extremely difficult to organize his business. These are, first, independence, secondly suspicion, and thirdly, reluctance to risk money in any new enterprise. The farmer has been accustomed for many generations to get the worst of any undertaking in which he engaged in common with others ; he has until lately been the object of no care and no anxiety on the part of those in high places, while he has been made the universal scapegoat for high prices and shortages of food ; he has further presented an easy mark for every professor of sharp practices.

In addition he has found it inadvisable to let even his neighbours know of his doings, in case the knowledge of prosperity or adversity might bring disagreeable consequences ; to the secretiveness thus induced the natural loneliness of his life—which has only begun to be modified by train, telephone, and telegraph within the last few years—has added a natural reserve. Finally, he has inherited from generations of forefathers a traditional knowledge of his profession which takes the form of intense conservatism and hostility towards “ theories ” and “ new-fangled ideas.”

No doubt some of these conditions are rapidly changing ; nevertheless it must be observed that in America, one of the newest of farming countries, the remarkable spirit of independence exhibited by farmers has given rise to the opinion that co-operation can never succeed there. The same spirit, however, is to be found among the unorganized farmers of all countries. Combined with it is an attitude of suspicion—sometimes even of hostility—

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towards any outsider who presumes to offer advice or assistance. As we have said, the farmer does not like even his neighbour to know more about him and his affairs than is absolutely necessary, and when the person concerned is a stranger he finds it hard to believe that he is actuated by any other motive than that of personal profit. Unfortunately he can point to only too many incidents—nowadays as well as in the remote past—to justify this attitude. As a consequence, it is very seldom that a co-operative movement has taken successful root in any country except as a result of absolute necessity. It is only when he feels the pinch of actual hardships that the farmer will consent to try an experiment which means surrendering to some extent his personal independence, and submitting to the advice of outside individuals. Obviously, however, it is undesirable to postpone all efforts to organize the farmer's business until he is on the point of starvation, and it will usually be found that there is some point at which he realizes that he stands in need of help.

At least great care must be taken that no effort is made to force the pace in connection with the organization of co-operative societies. Attempts made by well-meaning philanthropists or by Government Departments to advocate and establish co-operation at large as a general remedy for all evils are usually fraught with disaster, and at best they will only result in a lifeless and dependent form of organization. Co-operation must be brought into any neighbourhood only where there is at least some demand for business reform and only for purposes

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which will meet a definite need that is felt by the farmers.

The unwillingness of farmers to invest money in such enterprises has often been a serious obstacle to the development of the movement. Yet while some societies have failed and many have been perpetually hampered by lack of capital, still more have come to disaster owing to the absolute refusal of their members to pay adequate wages for skilled management. The farmer who has been accustomed himself to make a meagre livelihood from his land cannot understand why he should be expected to spend what he considers a huge sum of money in a salary to a man whom he does not regard as his own superior. Yet obviously a society cannot expect to succeed unless its manager is at least as competent as the manager of any private corporation with which it is brought into competition. The lack of business experience on the part of farmers themselves, which naturally constitutes a serious difficulty when they enter into big business undertakings, can only be compensated by their consenting to hire at a proper price the ability and skill required.

The attitude of the members to the society during its early days is of necessity one of the deciding factors in its career. In order that success may be achieved it is essential that there should be a body of farmers sufficiently numerous for business purposes, and sufficiently strong to command the respect of their neighbours and those with whom they wish to deal, who possess an ample endowment of both faith and loyalty. Lack of faith—natural enough in view of the conditions described above—is a

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common obstacle to the establishment of a flourishing society. Those who exhibit it are wont to dignify it by the name of prudence, caution, or common sense. They show themselves possessed of these virtues by refraining from taking any part in the new venture until they see clearly that it is going to be a success. As a natural result it frequently is not a success—and it is the old members who have borne all the risks until all was comparatively safe. This feeling may result in a restriction of membership—a serious departure from co-operative principles.

The temptation to disloyalty arises, as a rule, at a later stage, although temporary failings or reverses due to inexperience in the initial stages may frighten some of the members away. The chief cause, however, arises out of the difficulties which are frequently thrown in the way of young co-operative societies by the violent opposition of private traders. In most countries traders have not yet realized that the increased efficiency of the farmer means increased business for themselves. Even those whose interests are not directly challenged are likely to join forces with their fellows in an attempt to drive the presumptuous farmer out of business. Where such attacks are openly conducted against farmers who are in earnest they only result, as a rule, in rousing the spirit of the co-operators and stimulating them to greater efforts. A far greater danger arises when the enemy conducts his campaign under the guise of friendliness to individual members of a society, and tries to tempt them from their allegiance by offering for the time being unusually favour-

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able terms. For this reason the loyalty of an individual member to a society is the most absolutely necessary requisite for its success. A common practice is to attach penalties in the bylaws to any breach of this loyalty. But unless the proper spirit prevails, no penalty will finally save the society from destruction.

An essential prerequisite to the success of co-operative enterprises is the existence of a stable and settled population, for a society can scarcely be kept alive in a district whose population is continually shifting. For this reason and others which are equally obvious, landowners are better subjects for organization than tenant farmers or labourers. Furthermore the small farmer offers better material than the large proprietor. He feels more keenly the advantage of small economies, and he is more sensible of the necessity of combination in dealing with the middleman than is one whose business transactions are already on a large enough scale to enable him to do his business advantageously for himself.

Thus a district of established small proprietors will be found to be the best field for organization, and the opportunity is even greater where these proprietors are engaged in more or less uniform farming operations. Districts where farms vary very much in size and prosperity, and where various widely differing methods of farming are in vogue, are not suitable to co-operative experiments. These facts explain the rapid growth of the movement in countries such as Denmark and Ireland, where the whole tendency of State policy has been towards the

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creation of independent small-holdings, while England with its large tenant farmers, engaged in stock-breeding and similar occupations, is naturally behind-hand.

Two particular technical difficulties beset the promoter of co-operative societies where expert advice is not forthcoming. The first of these concerns book-keeping. It is obvious that the stability of a society's business is largely affected by the manner in which its accounts are kept; but in a very large number of farmers' societies the keeping of the books is absolutely elementary and sometimes non-existent. This difficulty has been dealt with in all countries where the movement is far advanced by insistence upon frequent audits conducted either under Government supervision or by some properly authorized central body and in all cases by duly qualified persons. A contrast which illustrates the difficulty is provided by the case of America, where at present no such system exists. Such auditing as is done is usually carried out by some member of the society in his spare time, and very little attention is paid to it by the members in general. The result of such a system is seen in the frequent and unexpected failure of the societies. It is absolutely necessary that some central body should have power to supervise the auditing of farmers' co-operative societies.

The second difficulty is that of conforming to the requirements of the law, both at the time of organization and in the subsequent conduct of the society's business. As a rule those who are desirous of founding a society do not know exactly how to

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do it in such a way as to conform to the existing law and at the same time to carry out their co-operative intentions. If they have recourse to a country solicitor, the result frequently is that they find themselves registered as an ordinary joint-stock company, besides paying a considerable amount in legal fees. Even in places where a co-operative law exists it is often of a confused nature (this is particularly the case in the United Kingdom) and it is safe to predict that the average solicitor will know nothing about it.

But even when the co-operators achieve registration in the proper form, their legal difficulties are by no means at an end. The correct interpretation of the duties laid upon the committee and officers in their rules, the making of the statutory returns, and the carrying on of their business and management of their relations with other parties in conformity with law, are all matters requiring a degree of technical skill which cannot be expected of the average farmer and which is often outside the competence of a low-paid manager or an amateur secretary.

This discussion of the difficulties which confront co-operative societies both before and after they are actually organized and registered points the way very clearly to the absolute necessity of two things—first, efficient leadership, and secondly, adequate control. The vitally important question is how this leadership and control may be supplied in a way which will be acceptable to the farmers and productive of permanent results.

In view of what we have said as to the attitude

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of farmers towards outside interference, it would be natural to conclude that leadership must always come from within. It is a remarkable fact, however, that the kind of leadership which has produced the most successful co-operative movements has practically never sprung in the first instance from among the farmers themselves. The present leaders of agricultural co-operation in countries where it is most flourishing are for the most part men who could not be described as practical farmers. As instances we have only to cite such names as Raiffeisen, Schulze, Plunkett, Russell, Luzzatti and Wollemborg. It is nevertheless true that it is very difficult to persuade farmers to listen to the advice of any outside person.

Thus we have two apparently irreconcilable facts : farmers are not themselves, as a rule, successful as organizers, yet they will not allow other people to interfere with them. The only solution lies in the appearance of a man of exceptional character who will be able to persuade the farmer of his integrity and goodwill, and who is not engaged in any occupation which would lead the farmers to suppose that he was likely to profit by organizing them.

If such a man comes forward the question then arises, what steps he can best take to promote the movement. In every case it has been found that the creation of a voluntary body which will both organize and control co-operative societies has distinct advantages over any other method. Such bodies exist, either as purely propagandist organizations or as central associations for the local co-operative societies, in practically every country in



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Europe. They perform the necessary functions of issuing standard bylaws, giving business advice, publishing papers, organizing new societies, supervising existing ones, maintaining the co-operative spirit and principles, and, above all, auditing the books and watching over the legal interests of the local societies. It must depend largely on local conditions whether such a body arises as a result of a federation of local co-operative societies or whether it is created first and then creates other societies. There is a good deal to be said for both methods. As a type of the former we may cite the great German federations, while the latter is well illustrated by the Irish Agricultural Organization Society. Further details of the methods of working of these bodies will appear in the appropriate chapters.

The only alternative method of organization which suggests itself is through a Government Department. There are many who advocate that the work of the voluntary body should be done by Government, or at least by an official agency. This view is particularly popular in North America, and has resulted in the establishment of various State or Provincial Offices for the organizing and control of co-operative societies. The arguments for and against are many and forcible, and the matter is of so much importance that we propose to devote a separate chapter to the subject. We need here only summarize the main argument. The test of practical experience has shown that, as a rule, the co-operative movement is most satisfactory in those countries where the greater part of the work has been done by voluntary bodies. The first reason which may be suggested

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for this is that co-operation is essentially founded on self-help through mutual help, and the spirit of self-help must be considerably weakened by reliance on the Government. Furthermore, while the responsibility of committees may be sapped in this way the supervision on which they rely is apt to be more mechanical and half-hearted when carried on by Government officials rather than by those whose hearts are in the movement. Finally, the dangers of political interference are always great, and there is historical evidence to which we shall refer in our chapter on the subject, to show that the pressure of vested interests may drive the Government into seriously handicapping or even opposing the development of co-operation. There are, therefore, decided limitations to the extent to which the Government can hope to take part in the organization of a co-operative movement, and it will usually be found that the line is drawn at the point where education ends and actual business organization begins.

## CHAPTER IV

### *TYPES OF CONSUMERS' CO-OPERATION*

**W**E have already pointed out that the simplest form of organization by farmers lies in the formation of societies for the collective purchase of the raw materials and requirements of their profession. Such societies can be profitably set up in every rural district except perhaps those—now increasingly rare—in which operations are carried on on so large a scale that each farmer is in a position to do his business satisfactorily by direct bargaining with the wholesaler or manufacturer.

Every agriculturist, whatever his system of farming, from fruit-growing or intensive market gardening to the most primitive grazing ranch, necessarily requires to buy year by year a certain amount of fertilizers, spraying materials, feeding-stuffs, seeds, implements, machinery, or general equipment. The more diversified the operations undertaken the more varied the need—but in any case there is a bare minimum which must be obtained whatever the conditions.

All these articles pass through the ordinary trade channels—from the manufacturer to the wholesaler, and thence by way of the retailer to the con-

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sumer, and all of them pay the tax of the profits required by each person through whose hands they pass. Obviously the purchase can be cheapened if they can be bought without the intervention of one or other of these factors. Now the most obvious factor to eliminate is the retailer. His functions are to get the goods in large quantities from the wholesaler, to store them, to break bulk, have them in readiness for the purchaser when required, and deliver them in appropriate quantities. The procedure is simple, but it involves considerable trouble and risk, and high expenses for accommodation, capital and labour; consequently the tax paid to the retailer is one of the heaviest items in the total cost to the consumer. Every thinking farmer must eventually realize this, and seek to avoid this tax by doing business direct with the wholesaler. Here, however, he is met by the difficulty that the wholesaler will sell only in certain large quantities, and that his terms as to payment are far more exacting than those of the average retailer. Furthermore, the railway and shipping charges for small lots coming a long distance are disproportionately high. Finally, the farmer who wishes to buy wholesale must make up his mind exactly what he wants at the beginning of the season, since he cannot afterwards walk in and fill in the gaps by small supplementary orders.

The vast majority of farmers are deterred by these reasons, and frequently also by their ignorance of the sources of supply and the ways of the business world, from dealing direct as individuals. Collective action, however, will remove a great number of the

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difficulties while preserving the bulk of the advantages. The possibilities of such collective action are, as a rule, first seen in connection with some very simple transaction in a standard commodity. A number of farmers in a given area are all purchasing basic slag in moderate quantities at the same time of the year. They discover the great difference between the wholesale and retail price of this article, and they decide to bulk their purchases and so get the benefit of the cheaper terms. Provided they pay cash with their order and that their total requirements make up at least a wagon-load, they are able in this way to effect considerable economies while still getting a guarantee of quality. All that is needed in the way of machinery for such transactions is that one of their number should consent to act as secretary. He will collect the orders and the cash, transmit them to the wholesale house, conduct the correspondence and receive and distribute the manure at the railway siding. Even if he is paid a small commission by way of compensation for his services this will be far less than the charges exacted by the retailer.

Occasional transactions of this kind frequently constitute the first lesson in co-operation. No constitution is required—the farmers merely combine on a voluntary basis for the special purpose of buying one consignment of slag or similar commodity. If the experiment is a success, however, as, barring any unusual accident, it is bound to be, the more energetic spirits will wish to keep the association in existence for the purpose of dealing in the same way with other commodities. The extent to which

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this can be profitably done depends very largely on the uniformity of size and methods among those concerned. Where the farms of a considerable area are all of approximately the same size, and operated on similar lines to one another, their requirements will obviously be very much the same and consequently the opportunities for collective action will be very great.

Granted that such conditions exist, the necessity will soon be felt for expanding the voluntary purchasing association into something of a more permanent and flexible nature. The first development will probably be the provision of some storage accommodation. This will serve the purposes of enabling farmers to fetch their goods at a time convenient to themselves without running the risk of being charged demurrage by the railway company, and also of allowing goods to be purchased in appropriate lots which may not correspond exactly to the orders received. Once this step is taken, however, we pass at once into the realm of business. For as soon as rent has to be paid the association begins to have financial responsibilities apart from its individual members. And again, as soon as the secretary begins to buy goods on behalf of the association, as against merely transmitting the orders of the individuals, he will, if he has any business instinct, begin to seek for opportunities to buy these goods at the most favourable time of the market. Here at once some element, however legitimate and conservative, of speculation enters into the transaction. From that time the voluntary form of association ceases to be adequate, for under this form every

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individual is made liable to an unlimited extent for anything which may go wrong—and also the wholesaler is unlikely to deal with a mere combination of individuals except where he gets cash with the order. The next step, therefore, is for the farmers to get their association registered under the appropriate law as a co-operative society with limited liability—and in this they will be helped in most countries by one of the advisory federations to which we have already alluded.

Once a co-operative society of this kind has been formed it may develop its activities in many directions, but its form will remain approximately the same and its purpose will be constant—namely, to supply its members with all the requirements of their industry with the maximum of economy and of the best possible quality. The principles on which the business is done—based on those of the Rochdale Pioneers—have already been described. As regards the extent and nature of the business, the size of the membership and the area covered, these will vary widely according to local circumstances. It may be assumed that the basis of the business will always be the supply of fertilizers, seeds and feeding-stuffs. The addition of implements and machinery on the one hand, or domestic requirements on the other, are important developments which we shall discuss at greater length. There are also other functions beyond the purchasing of requirements—e.g. the sale of members' produce or such enterprises as milling, which demand attention.

We may first outline briefly the general course of development of such a society. We have seen how

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the simplest operations can be carried out by what may be called an instinctive combination. At the present time almost every country is so well provided with co-operative machinery that those who take part in such a combination are practically certain to come under the influence of an advisory federation which will show them the advantages of establishing a properly registered society. As a consequence it often happens that societies are set up which never develop beyond this preliminary stage owing to some lack either of initiative or of occasion. These societies do a useful work up to a certain point by enabling their members to obtain a supply of materials in an advantageous manner. But their operations are purely seasonal, and there is no centre, in the way either of buildings or of a permanent staff, to focus the activities of the society. In such circumstances it cannot be said that there is much opportunity for the display of co-operative spirit ; the members practically never come together as such, and the continuance even of the limited operations of the society depends upon the willingness of whoever is chosen as secretary to carry out the duties of book-keeping, collection of orders, and distribution of goods in return for a meagre commission.

In an energetic neighbourhood where a real need for collective action is felt the society will soon leave this stage behind. The first step will be the provision of a small capital either by shares, deposits, or bank overdraft, for the purpose of free working. One immediate use to which this capital will be put is the erection, purchase, or renting of a building



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for storage. As soon as the capital and building are provided the secretary will be in a position to go into the market and buy for resale to members. It will often happen that in this way he will be able, especially if he is quick to take advantage of discounts and has good business instincts, to offer more favourable terms than any trader with whom he is competing, as his expenses will be limited to a small rent and a  $2\frac{1}{2}$  per cent. commission for himself. This will at once attract a large amount of custom, and very probably at the end of the year the society may show a hundred pounds or so of surplus. The way is at once open to further developments, and the appetite of the members for co-operation being whetted they will desire to do as much of their business as possible in this way. They will argue that where they have economized in the purchase of manures and seeds there is no reason why they should not do the same with other articles, and they will probably add flour and coal and perhaps bacon, tea, and sugar to their list. Agricultural implements and machinery will also be a natural line for them to deal in.

The point will now have been reached at which it will become desirable that the secretary, who has hitherto been more or less an amateur part-time worker, should develop into or be replaced by a qualified whole-time manager, and if the turnover continues to increase this manager will need one or more assistants. It will probably be found, however, as the demands of the staff and the premises become heavier, that the margin of profit available on the sale of agricultural requirements, which is

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at best very narrow, will not be sufficient to meet them. Therefore if a society is to continue to develop it must add other activities. The question will then arise whether or not the co-operators shall take the step of supplying themselves through the society with all their requirements, domestic as well as agricultural—in other words, whether they shall open a retail shop. The answer to this question will depend, of course, in the first place on the spirit of the people concerned, but an important bearing on it will be the attitude of the local traders. It has frequently happened, particularly in the earlier stages of the co-operative movement, that these traders have shown a great and not unnatural hostility. This hostility has occasionally taken the form of boycotting the members of the local society—refusing to sell them tea, sugar, and groceries, if they did not also buy manures and seeds. The usual effect of such a boycott is to drive the society into providing everything that its members require. In this way many flourishing co-operative stores have sprung up in rural districts in Denmark and Ireland particularly. The same policy has also been adopted in Switzerland, Hungary, and other countries.

There are many arguments both for and against this development. Against it it has been argued that the undertaking is a risky one and outside the competence of the ordinary farmer, requiring as it does skilled management, knowledge of the markets, and a more or less speculative investment of a certain amount of capital. The advocates of what is called “legitimate trading” hold that the farmer should confine himself to business arising out of his own

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industry—following the old proverb that the cobbler should stick to his last they claim that the business of trading is the function of the trader and should be left to him. Against this view it is reasonable to argue that it is little use enabling the farmer to acquire the requirements of his industry at a reasonable rate if he has to pay an undue tax on everything which he and his family must consume to keep themselves alive. Furthermore, the general store provides almost the only available means of extending the benefits of the co-operative system to the landless labourer. This class depends on a weekly or daily wage and derives no benefit from the agricultural society or creamery, nor even, as a rule, from the credit society. But the possibility of buying the articles of everyday consumption at reasonable prices is of the greatest benefit to them.

It must also be remembered that where an agricultural society, confining itself to purely agricultural business, attempts to compete with a trader who does a general trade, the result is that the most profitable end of the business is left in the traders' hands, and with the margin so obtained he is able to undercut the society in the matter of manures and so on, and thus tempt the members away from their society.

The weight of the argument seems to most co-operators to be strongly in favour of general trading except where local conditions make it either unnecessary or undesirable. But we must bear in mind the fact that it will always make a greater appeal where farms are small and the district backward. The American rancher and the prosperous English

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tenant farmer are not so much interested in small economies. Thus we find that the rural store has developed most strikingly in Ireland, Denmark, and Hungary and Switzerland.

What such societies may develop into even in the poorest agricultural districts is well illustrated in the case of the Templecrone Co-operative Society at Dungloe, in Co. Donegal. So many visitors have been attracted to this out-of-the-way spot by the romantic tale of its success as told by A.E. and others that we need not go into details, but a brief statement may be of interest.

The Templecrone Society was started in 1903, as a result of the desire of small farmers in one of the most barren parts of a typical western district between the hills and the Atlantic to obtain guaranteed manures at a reasonable rate. The moving spirit was one "Paddy" Gallagher, lately returned from working in a coal-mine. The first transaction was a purchase of twenty tons of manures from a neighbouring society. When it was found that this deal had resulted in a saving of £40 in addition to a guarantee of quality, the demand for a local society became intense, and with the help of the I.A.O.S. a few farmers started business in a small cottage on a hill where seeds and manures were sold two nights a week. After a few months meal, flour, and bran were added to the list, and the society moved into a store of its own, which measured about twelve feet square. In the teeth of intense opposition from a combine of local traders, against whom they were supported by the Scottish Co-operative Wholesale Society, the pioneers kept on bravely. Mr. Gallagher

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became an expert in the packing and grading of eggs, which were purchased from the members. This enterprise is said to have increased the amount paid to the local farmers for eggs in 1906 by about £3,000, besides improving the strain of poultry and the standard of quality in the eggs—which were afterwards paid for on the basis of weight. A further step was the establishment under co-operative auspices of an experiment station for poultry-breeding. -

Spraying machines and materials, and a small threshing set were soon added to the society's stock-in-trade, and the members were saved from loss in a year of bad potato blight. The proportions of the shop were increased by a foot in each direction and a loft was added. Even so "the miscellaneous stock of boots, groceries and hams so completely filled the available space that the tall member found himself in a wilderness of hams, and for two of the more sturdily built members, passage in the aisle became a matter of nice adjustment!"

In 1909 a village hall was built by the aid of a grant from the Pembroke Irish Charities' Fund, and in 1913 this hall became the scene of the greatest of Mr. Gallagher's achievements. Dungloe is in the midst of a district where hand-knitting is a traditional industry, and in practically every cottage one or more girls are to be found engaged in the knitting of socks or gloves. Before the advent of the society these girls were able, by constant application in very unfavourable conditions, to earn six or seven shillings a week. More than one hundred of them are employed by the society in a clean, airy, and comfortable

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workshop—the village hall having been adapted for this purpose. Their average earnings for a day of eight hours with an hour for lunch are £1 a week, and many of them rise to £2 or even £3. The effect of this on the standard of prosperity of the neighbourhood can be gauged when it is realized that the average valuation of a holding in those parts is 15s. a year. The quality and price of the goods bear comparison with any competition, as is proved by the fact that large contracts have easily been secured and many orders have had to be declined. In addition to the workers in the factory a large number of home workers are employed.

The total turnover of this society in 1916 was £35,000, and its wages bill nearly £150 a week, which to any one who has seen an Irish Congested District savours of the miraculous.

We have described the progress of Templecrone in some detail in order to indicate the way in which an agricultural society, beginning merely as an agency for the purchase of manures, may develop through the general business of a country store into a universal provider and benefactor to the countryside. The example is by no means an isolated one. In a more flourishing part of Ireland where the farms are large and the land good we find the Enniscorthy (Co. Wexford) Society owning, in addition to a general agricultural and grocery business, a boot shop, a garage, a harness and saddlery factory, and a department for the sale and repair of expensive machinery, and a steam saw-mill. Its turnover is rapidly approaching six figures. Similar instances are to be found in several other countries.

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A second line of development, apart from the trade in general groceries, which commends itself to these societies particularly in small farming districts is the collective ownership of agricultural machinery. The modern discovery that mechanical methods on a large scale can be applied to farming as profitably as to other industries has put the smallholder who cannot possibly afford to buy such machinery at a disadvantage as compared with his larger neighbour. His difficulty can be got over only by hiring, and it is obviously better that he should hire from his own society than from an individual proprietor. In many cases special societies have been formed for this purpose; a machine such as a threshing set or disc harrow, cultivator, and so forth, is bought with money usually obtained on overdraft from a bank, and a fixed charge per acre is collected from the members. The order of using the machine is usually determined by the number of acres owned by the member, the smallest man getting first choice. If two persons with an equal claim choose the same day they draw lots for the privilege. In this way a society has often been able to pay for the machines within two years while giving its members all the advantages of large farmers at reasonable rates. The number and variety of machines can be increased year by year according to the demand and to the prosperity of the society. It has been found that in many districts where societies of this kind have existed the acreage under tillage has been very much increased as a result of their activities.

While the ownership of machinery may be undertaken by a separate society, and must be so under-

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taken in cases where the persons requiring the use of machinery are fewer in number than would make a successful trading society, it is also a function which may very suitably be added to the general business of an agricultural society. On the whole the combination is to be recommended as giving added stability and permanence to both branches, and providing the means of raising a sufficient surplus to ensure adequate remuneration for the management.

The general conduct of these societies is subject to three particular difficulties which have already been spoken of in connection with the principles of co-operation. These are the credit question, the attitude to non-members, and the relations with employees. It is highly desirable, both from the point of view of stability and of economy, that the societies should sell for cash only ; in this way they are able to capitalize their business properly, and being in a position to pay cash themselves to those from whom they obtain their supplies they can buy in the most favourable market and at the most suitable time. Furthermore, it must be remembered that a large part of the margin of profit on manures and other bulk goods is derived from discounts which can only be obtained by paying prompt cash ; if the members take long credit from the society these prompt payments are usually impossible, and a considerable advantage is thereby lost. On the other hand, the small farmer finds it very difficult to pay for manures and seeds until he has reaped the crop he has derived from them, or for his feeding-stuffs until he has disposed of his live-stock ; his capital is fully absorbed in his farm



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and he cannot afford, or thinks he cannot afford, to lay it out in advance and to wait for returns. He has been encouraged in his attitude by the methods of the local trader, who in too many cases has been content to allow six months' or a year's credit, and to get his customers deeply indebted in his books so that they are practically tied to him. The co-operative society therefore, if it is going to change this system, has to meet a very powerful competition in which custom and the inclination of the farmer are in favour of the trader. Too many societies have yielded to what seemed to be practically a necessity, and the movement has been greatly hampered in its development by an un-economic system of long credit. Strenuous efforts have always been made by co-operative leaders to insist upon prompt payment, and some of the more strong-minded societies have enforced this method with excellent results; in this, as in many other cases, once the ice has been broken the hardship which is anticipated is found to disappear. In some countries, of which Italy is a notable example, the difficulty has been got over by establishing a credit society in conjunction with the trading society, so that a farmer can become a member of both, and can meet his bills at the latter body with money borrowed from the farmer and repayable at harvest. This is an excellent system which might well be extended to all districts where the provision of ready money presents a genuine difficulty.

The founders of a co-operative society are naturally very anxious, as a rule, to ensure for it as much trade as possible in its early days in order that it

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may rapidly show successful results. But the natural caution of the farmer in face of a new experiment will usually cause many possible members to hang back at the outset until they see how it is going to turn out. These people will very likely present themselves as customers, saying that if they are satisfied they will in due course become members. The question then arises whether their trade shall be accepted or not. It is clear that one of the main principles of co-operation—that it is not trading for profit but distribution among the owners—is at once vitiated if non-members are admitted. On the other hand, the committee feel reluctance in rejecting what may prove to be valuable trade. English industrial societies deal with the problem largely by paying to non-members only half the dividends which are paid to members, and in some cases these dividends are not paid in cash but are allocated to the customer on account of share capital until he automatically becomes a member. In the smaller agricultural societies, however, the part played by the dividends is negligible, and this weapon is therefore not effective. The only true solution of the problem is to confine business strictly to members from the outset—no matter what the apparent sacrifice—and to concentrate upon making the service and advantages offered so attractive that every one wishes to join. In this connection it must be noted that membership must be made as easy as possible to those who wish to join; there is a certain temptation, when a society is prospering as the result of a few men's work, to exclude newcomers in order that they may have no share in

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the profits—but there can be no worse abuse than this of the co-operative principle. In most countries the law recognizes that exemption from taxation and similar privileges given on the ground that a co-operative society is a non-profit-making body can only be allowed in so far as no business is done with non-members and the share list is always open. Where such a law is strictly enforced it automatically solves this problem.

The question of position of employees is a troublesome one for the co-operative movement in general, but it affects small agricultural societies comparatively little, since their staff is usually confined to one or two persons who often begin as voluntary workers. The problem of whether these workers shall be given a share of control does not arise, but on the other hand the circumstances of such a society make it probable that the members of the committee will be very largely in the hands of the manager or secretary, and it is therefore essential that the greatest care should be taken in the selection of these officials and also to pay them and treat them in such a way that they are contented and able to do efficient work in a co-operative spirit. With the rapid development of the movement towards the doing of business on a comparatively large scale the difficulty of obtaining suitable trained managers has become a serious one, and the leading federations have been obliged to take up the matter and to provide courses of instruction and issue certificates.

One other problem common to many forms of business, but particularly affecting these societies, remains to be considered—namely, the provision of

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capital. The shares in agricultural societies are seldom, if ever, of a greater value than £1 each, and it is a common practice to have only 5s. or perhaps 2s. 6d. of this amount paid on application. In some districts the number of shares to be taken by a member is fixed according to the acreage he farms, his poor-law valuation or some similar standard, but in many cases it is left to his own discretion. In these circumstances it is easy to understand that the preliminary capital of a society is often exceedingly small. Examination of the paid-up share capital in the statistics of such societies in Germany, Ireland, or Italy shows that it is, as a rule, almost a negligible amount in comparison with their turnover. Taken in conjunction with the demand for credit already referred to, this fact has a retarding influence on development. Methods of increasing the working capital usually resorted to are loans from credit societies where such exist or overdrafts from joint-stock banks. It would be far more satisfactory if the capital required could be provided by the members themselves, and in fact this can usually be done if sufficient pressure is exerted. One is inclined to say that in the past the promoters of agricultural co-operation have tended to make things too easy for the intending member. The prospects point to an increasing enlargement of the scope of societies; they will cover a larger area and do a more varied business than has been the case hitherto. If this be so shares will have to be fully paid up at the outset and every member will have to hold at least four or five pounds' worth, except in the very poorest places, such as the Congested Districts of Ireland.

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The organization of a successful society of the type we have described is a great boon to the farmers in so far as it enables them to avoid many of the disadvantages of dealing with the retailer. But it is only the first step. An isolated society is as much at the mercy of the wholesaler and the manufacturer as an individual is in regard to the retailer. In fact the position is rather worse, for the wholesalers and manufacturers are generally closely associated in a "ring" which keeps prices at a uniform level. Needless to say, one of the functions of any such ring is to "protect" the retailers who act as agents for its members. Consequently the advent of co-operative societies which interfere with these retailers is very likely to be the signal for a boycott, and if the societies are not strong they may find the greatest possible difficulty in obtaining supplies. Even if their trade is sufficiently valuable to induce one or more of the wholesalers to deal with them, they may be quite sure that they will not obtain any concessions in the matter of price or guarantees. In fact, if for any reason there is a period of difficulty or stringency, they may be fairly sure that the recognized trade agents will get the most favoured terms with very disadvantageous results to the societies.

The obvious remedy for such a state of things is that the co-operators, having effected a combination of individuals to perform the functions of the retailer, should go a step further and form the local societies into federations for central trading purposes. This they have done in practically every country, and in some cases they have found it possible—as it certainly is desirable—to go even further than this

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and to establish their own manufacturing plant. This of course is a large and hazardous enterprise. Wholesale federations of co-operative societies do not require any detailed description here. Their constitution is similar in practically all respects to that of the individual societies of which they are composed—each society taking shares usually in proportion to membership, but sometimes in proportion to trade. Voting power cannot, as a rule, be on the same absolutely democratic basis as in the case of a local society, because it would not be reasonable for a large society to have the same voice as a very small one. But the spirit and method of administration must be equally democratic and co-operative if the enterprise is to succeed.

## CHAPTER V

### *PRODUCERS' SOCIETIES*

THE societies for collective purchase with which we have been dealing, while they admit of many stages of development, according to the range of business covered, are necessarily more or less uniform in type. They all exist for the same general purpose, and their form is not largely affected by the nature of the goods which are bought and sold. Associations of producers for the sale of their produce present a more varied picture ; their activities cover a wide range, and their form must be adapted to the commodity handled as well as to local conditions. More machinery is usually required, and thus the structure is more complex. Nevertheless, the co-operative principles of the Rochdale Pioneers apply in exactly the same way to these societies as to the simpler type. We have here to deal with a surplus which is acquired by collective sale instead of an economy effected by collective purchase, but the fact that the surplus is saved for the producers of the raw material instead of being handed over to a middleman shows that the underlying purpose is identical with that of the consumers' societies.

Collective action by producers for the sale of

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produce falls under two main heads—cases where the sale is preceded by manufacture or handling which requires buildings and machinery and those where the product is sold in its original form. The first class embraces such societies as creameries, bacon factories, abattoirs, distilleries and mills, and the second associations for the collective sale of eggs, fruit, vegetables, grain, and live-stock.

It would seem at first sight as though associations of the second kind would present a simpler problem than the others, since they do not require an outlay of capital in plant, and they apparently do not call for the same technical skill as is necessarily involved in a process such as the making of butter or the curing of bacon. But we have already hinted that in practice this enterprise of collective sale of farm produce has proved the most difficult for farmers to undertake successfully. The chief reason for this difficulty is to be found in the absolute necessity of grading and standardization if a good market is to be achieved. A high level of education and of technical efficiency must be reached before farmers will produce crops and stock which can be easily sold on grades—and it is still harder to persuade those whose produce obtains an unfavourable grade to accept the justice of the decision. This problem is largely solved where manufacture is required, for the final article is produced from a mixture of good and bad, and certain definite and generally accepted tests can be applied to the raw material and form the basis of payment. Thus in a creamery the suppliers of milk are paid on the butter-fat content, which cannot well be disputed, and the mixed milk of all the members



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enables a uniform butter to be produced. A very different picture would be presented if the milk had to be sold as fresh milk in a city, for then the quality of each producer's milk must be strictly investigated from every point of view, and many heartburnings would result. As a matter of fact even where there are many dairy farmers within easy reach of cities it has been found that the co-operative sale of milk has hardly ever had thoroughly satisfactory results, while creameries for the manufacture of butter have been universally successful.

The second great difficulty lies in securing the loyal support of the members. This problem of course is vital to both types of selling society, but it is more easily solved in the case of a society which owns a factory, for two reasons. In the first place the fact that the farmers have invested money in buildings and machinery naturally makes them feel the necessity of making this investment profitable, and the tangible proofs of their enterprise give them a certain pleasure. No farmer probably can resist a thrill of proprietorship when he brings his milk to the creamery which belongs in part to himself—still less can he fail to shrink from the ridicule which will be visited on him by his sceptical neighbours if he allows that creamery to fail for lack of supplies. Secondly, the very fact that this investment is required limits the field of competition. In the case of collective sale of oats or cattle, hundreds of buyers may appear in the market and may tempt members from their allegiance by offering record prices which they will be under no obligation to repeat. But creameries or bacon factories cannot

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be built overnight, and there is obviously not room for more than a certain number of them in one district. Furthermore, where a competing firm is led into offering fancy prices it will have to keep on outbidding its rivals for a considerable period, and the knowledge of this fact is likely to deter all but the most heavily capitalized companies from lightly engaging in a conflict of this kind. In spite of striking examples to the contrary in Ireland, where bitter warfare has been and is being carried on between a few large and wealthy proprietors and a great number of co-operative creameries, the general rule in these cases is to live and let live, and once a factory is well established in a district it may hope to enjoy a virtual monopoly. That there are cases where an equally favourable position has been reached by selling associations we shall see, but the case is rare and usually due to special circumstances.

Again, we may say that the idea which naturally occurs to the mind that more technical skill is required in the manager of a creamery or a bacon factory than in the director of an association selling grain or cattle is not necessarily well founded. A course of training and an apprenticeship to practical work which may easily be achieved in the course of a few years will turn out a creditable holder of one of the former positions ; once this much knowledge has been attained the matter becomes more or less one of routine, and a very small amount of aptitude for the work will enable the manager to carry on without discredit to himself or disaster to his society. But the quality of picking the right markets, of

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knowing when and what to buy and sell, and of judging grades and values without incurring loss or offending suppliers, which is demanded of the man in the other position, is something which cannot be produced by any course of training. It is an innate instinct, developed by many years of first-hand experience, and as such is difficult indeed to find, and highly prized and rewarded when found. So well is this fact appreciated that we find that among Irish creameries salesmanship, not technical skill, is the quality which enables a man to get the most highly paid positions.

Add to these arguments the fact that most manufactured articles of farm produce are comparatively constant both in the supply and demand, whereas crops and stock are subject to great fluctuation—and the consequent fact that in order to conduct a successful selling society a large amount of liquid capital is desirable in order to take advantage of the fluctuations of the market and to avoid loss in a time of glut—and it is not surprising to find that the number and success of manufacturing societies is considerably greater than that of the others. We shall therefore discuss them first.

The creamery may be taken as the type of a society for the purpose of effecting economies in the process of manufacture by collective action. It is an accepted axiom among business men and economists that the profits of the man who handles any article increase in proportion to the number of stages in its transit from the raw material to the consumer which he is able to control. The dairy farmer has successfully applied this maxim to his

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milk, and by his co-operative creameries and their federations he maintains the control of it from the cow to the retailer or sometimes direct to the consumer. No argument is needed to prove that in this way he obtains a better price for it (provided his creamery is reasonably well managed) than by selling it immediately it leaves the cow to a trader who has to make his profits on it and pass it on to the retailer or consumer at the standard price. For it must be remembered that in a normal season the price the consumer pays for first-grade butter varies very little between one shop and another ; the advantage is gained at an earlier stage in the marketing process.

The methods by which the business of a co-operative creamery is carried on are simple. The preliminary steps of obtaining the necessary capital and ensuring an adequate milk supply are the most difficult. It is usually found necessary to success that the milk of from 800 to 1,000 cows should be available within a radius of five or six miles. To erect a creamery to deal with this supply and turn out good butter cost, before the war made all such calculations fruitless, about £2,000, although no doubt it was often done for less. Different methods of financing this initial outlay have been adopted in different countries, but generally speaking the only methods possible are either the raising of share capital or the obtaining of a loan from a bank on the collective security of the members or the committeemen. As a rule a combination of the two methods is adopted, but in Denmark there is no share capital and all the members of the society

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become liable for the overdraft. Where share capital is desired it is usual to fix the number of shares to be taken in proportion to the number of cows owned by the member, but, as in the case of the agricultural societies, the full amount of these shares is often not called up on allotment.

Once the money for the provision of buildings and machinery is secured, the question of the milk supply becomes of paramount importance. Since the whole success of the society depends upon the supply remaining sufficient to maintain the necessary plant and staff, it has been found advisable in many cases to include in the rules a form of contract by which the member who consents to the rules binds himself to supply to the society all the milk from his cows which is not used by his own household. Thus the society is protected against possible disloyalty caused by the bribes of competitors, and substantial damages can be claimed for breach of this rule.

Once the capital and the milk supply are assured the appointment of a manager and staff are the next concern of the committee, and as dairying is a well-established and standardized industry in most countries this should not present great difficulties. We cannot, however, too often emphasize the absolute necessity of finding the right manager, for a large part of the conduct of the society's affairs must necessarily remain in his hands, no matter how conscientious the committee may be. In some cases a secretary is appointed in addition to the manager to represent the interests of the committee and to do the necessary clerical work; there are obvious advantages in this, but they must be set against the

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disadvantages of added expense and of friction caused by dual control.

The method of receiving and paying for milk is largely standardized. Each supplier's milk is sampled on arrival at the creamery, and the sample is tested to establish its butter-fat content. Payment, which is usually made once a month, is based on the pounds of butter-fat received and not on the gross quantity of milk—thus ensuring that quality is properly rewarded. The rate of payment is determined by the price received for butter sold to customers, less a margin to cover working expenses, overhead charges and so forth, and to provide a reserve against contingencies. It is in making this calculation that the skill of the manager and committee are largely shown; if it is too large the price paid for milk will compare unfavourably with that ruling in neighbouring creameries, and thus cause dissatisfaction, while if, on the other hand, it is too small, it may lead to disaster in a time of unforeseen stringency. If at the end of the year any considerable surplus is accumulated, the same rules are observed in the disposal of it as in the case of agricultural societies—the dividend or bonus in this case being paid in proportion to the milk supply instead of the goods purchased. The rest of the rules governing the conduct of the business of a creamery are similar in all respects to those obtaining in other co-operative societies.

It will be apparent that a creamery with an energetic manager and committee has opportunities for undertaking various other forms of business besides

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that of actually making butter. The most obvious developments are cheesemaking, which can be carried on side by side with buttermaking and the collection and sale of eggs for members. It is also natural for the creamery to perform for its members many of the functions of the agricultural society of the type described in the previous chapter, by purchasing the necessary manures, feeding-stuffs and seeds in bulk. It may even go so far as to carry on a general store business as a separate department. For these reasons it is usually convenient in a dairying district to have only one society, which does both the creamery work and the collective purchasing—though difficulties may arise in this connection from the fact that local traders may be among the most vigorous promoters of a creamery while they have a strong objection to the co-operatizing of the other business. Further developments, which depend on the utilization of the surplus power of the creamery engine, are the crushing of grain, milling, saw-mills, and even laundry work.

Pig breeding and feeding on a large scale can also be carried on economically with the help of by-products, though the risk of epidemic is considerable, and cow testing and other methods for the improvement of the yield and quality of milk are of course a normal part of the functions of a really well-managed society.

In his Report on Agricultural Co-operation in Germany Mr. J. R. Cahill gives the following account of the subsidiary activities of creameries affiliated to the Imperial Federation in 1910. "There were 179 with grist and crushing mills, 36 with bath estab-

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lishments, 20 with flour-milling machinery, 11 with bakeries, 3 with combined mills and bakeries, 25 with potato steamers, 14 with wood-chopping plants, 28 with egg-selling stations, 5 with corn-threshing machines, 6 with electric power stations, 32 producing fattening for pigs, 5 with public weighing machines, and a few others which had distilling plant, ice machinery, etc." He goes on to say—and the comment is of general usefulness for the promoters of creameries—"Some dairy experts engaged in German co-operative work strongly recommend that at the time of establishment provision should be made for the carrying on of by-industries either by the dairies or by independent societies. The same mechanical power and the same skilled staff required for its operation can be more fully utilized at little, if any, extra cost, especially as in most dairies proper dairy work is finished early in the afternoon, and the dairy wagons and carriers may also be brought into requisition for subsidiary services. Thus, carriers might collect eggs simultaneously with milk, or deliver cattle cake, seeds, etc., at the same time as the milk-cans are returned. The additional space or building necessary can be also provided on comparatively more advantageous conditions when the main establishment is being built. It seems without doubt that dairies might be utilized very frequently as the headquarters of egg and poultry societies, of societies for the sale of farming requirements and of cattle-selling societies, if the dairy society itself is unwilling to add any of their responsibilities to its own business; while many other activities of a more restricted kind and in-



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volving little departure from the scope of their operations . . . may become a source of profit."

In the matter of federation creameries have considerable possibilities. In so far as they purchase goods for their members they will probably find it advantageous to belong to a general trade federation such as is described in the previous chapter. The special requirements of their own trade—dairy machinery, boxes, parchment and other equipment—may also be supplied by such a federation through a special department, as is the case in Ireland, or they may elect to form a federation of creamery societies only, for this particular purpose. Still more important is the problem of the collective sale of their butter. In countries such as Ireland, where an easy and profitable market is available for every creamery which produces good butter, the spirit of individualism lingers and is undoubtedly fostered by creamery managers who pride themselves on their salesmanship and are sought after for this quality. As a consequence the federations which exist for the purpose of selling the produce of the creameries do not receive undivided support, and even those societies which do business with them are apt to send them butter only of a quality or at a time which makes it hard to find ready sale elsewhere. To guard against this danger federations in many countries enforce a "binding rule" of exclusive dealing, and do their selling on a commission basis.

The advantages of such a federation when well supported or properly conducted may be very great, and they are fully appreciated in such countries as

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Denmark, Finland and Siberia, which, being somewhat remote from their principal market, depend on the constant delivery of a standard article and the establishment of friendly and lasting relations with the buyers. The Union of Siberian Creameries has established an agency in London, and the same is done by the Finnish butter-exporting federation "Valio." The elimination of unnecessary competition, the maintenance of the standard and thereby of the price, the ensuring of an even distribution throughout the year, the cheap advertising of the produce, and the lifting of a considerable burden of work and anxiety from the shoulders of the individual creamery manager, are the chief advantages which may be expected to result from such societies.

Apart from purely trading federations, creameries may either affiliate with a general supervisory and propagandist central body or may create such a body to deal with their own problems alone. In addition to auditing and legal assistance they will require a large amount of technical advice, particularly at the outset in the erection and equipment of buildings. A scheme of "control" also exists in Denmark, Holland, and Ireland, under which butter which passes a certain test receives a particular distinguishing mark. Such schemes are often assisted by the State, working in conjunction with a co-operative federation.

The principle of federation has been carried to the highest possible efficiency by the Danish creameries, and as we shall describe them in detail in a later chapter we need not dwell further on the matter here.

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Other types of society which manufacture and sell the produce of their members are in general carried on on the same lines as creameries. Chief among them are bacon factories and abattoirs; these are costly undertakings which require a large and loyal membership for success, but may be very profitable if well managed and supported. While in the case of creameries nine out of every ten districts have little alternative except to make butter, in the case of pigs and cattle the question must be decided whether it is better to sell them as live-stock through an association or to erect a factory to deal with them. Live-stock shipping associations are numerous in America and also in Germany and Austria, but in the former country at least they are gradually being replaced by co-operative abattoirs. Here again we may take as our guiding principle the maxim that it is to the farmer's interest to keep his produce in his own hands through as many stages as possible. The success of the local shipping association can be only a very partial one, for in the long run the bulk of the profits must go to the commission agent who buys on the market.

No detailed description need be given of the working of a bacon factory or abattoir nor of mills, distilleries, and many other branches of industry to which co-operation has been successfully applied. The reader who has followed the general argument so far and is interested in a particular industry can easily work out the necessary modifications for himself.

A brief consideration must be given to the collective sale of unmanufactured produce. The chief articles

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dealt with in this way are eggs, live-stock, grain, vegetables, and fruit. As we have seen, the sale of live-stock tends to be replaced in progressive districts by the erection of factories. The marketing of eggs is largely carried on through creameries and supply societies and their federations, and wherever these exist this seems to be the most convenient method. In Denmark, however, as will be seen, the egg business is carried on through a great number of separate societies or "egg circles," with a large and powerful exporting federation. There is no doubt that in this matter lies one of the great opportunities for agricultural co-operators; earnest attention to the standard and output of eggs will reveal a hidden mine of wealth, which is too frequently overlooked. How much may be lost or saved, according to whether the egg trade is done well or badly may be judged from the fact that in 1914 the value of the eggs exported from Ireland amounted to £3,383,870 as against £2,188,104 in 1904. It is safe to say that with the same number of hens in the country, and better methods of grading, packing, and marketing, combined with more scientific poultry-keeping—all of which might be brought about by co-operative organization—the figure might easily be raised to £5,000,000.

The sale of grain is a problem which does not at present much concern English or Irish readers, but is of vital importance to the large grain-growers of North America and also of Central Europe. The normal method of selling grain on sample through exchanges has resulted in giving a virtual monopoly of the profits to the brokers, jobbers, and distributors

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who control the machinery. The farmer is the chief sufferer by this state of affairs, and he naturally looks to collective action for relief. But while no process of manufacturing is required, the sale of grain involves very large storage facilities and a certain amount of machinery for lifting, turning, drying, and other operations incidental to storage. A skilled grader must also be employed, and a very considerable amount of available capital is needed to tide over the unremunerative period of storage. The experience of Germany and Austria has shown that collective sale of grain through large "*Lagerhaus-genossenschaften*" is a hazardous undertaking, and somewhat beyond the reach of the farmers who make up the average society. Several large societies of this type met with disaster in Germany, and those in Austria which were originally established with the aid of the surplus funds of a large central credit society were only prevented from dissipating their capital by the intervention of the State. Both in Germany and in Austria these societies are now carried on under official patronage, with the understanding that their facilities for the collection, storage and distribution of large quantities of grain are at the disposal of the military authorities in time of war.

Greater success, as was to be expected, has attended the efforts in this direction of Canadian and American farmers, and the co-operative elevator is as common a phenomenon in the grain-growing provinces and States as the co-operative creamery in Denmark and Ireland. In parts of the State of Minnesota one of these structures is to be seen at practically

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every country railway station, and in addition to the sale of grain they usually purchase coal and various forms of agricultural requirements. Centralization has enabled them to purchase seats on the big grain exchanges, and the position of the grain-growing farmer has been enormously improved thereby. We shall have more to say of the details of this business in the appropriate chapter dealing with the developments of co-operation in the New World.

Closely allied in method with the co-operative marketing of grain is that of fruit, potatoes, and vegetables, and here again we find that the greatest success has been achieved on the other side of the Atlantic. An indispensable condition of successful organization in this direction is that there shall be a reasonable number of farmers who are growing the same crop in the same way. Without this a sufficient continuity of supply will not be assured. The prosperity of the association must depend on making itself known as a source from which produce of stable quality can always be obtained. For this purpose the members must give all possible assistance towards standardization in order to allow of the establishment of a brand which will command respect. The most obvious difficulty to be got over is the tendency of the farmer to regard his neighbour as a competitor, and to rejoice in his success if he gets a little more for his produce than that competitor. He has to be taught that every advance on the part of his neighbour helps him also ; where a hundred farmers in a district are producing fruit of the first grade the district commands a

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reputation, and all the fruit shipped from it will obtain top price on the market. But where ninety of them are inefficient, the ten who are good, though they will no doubt get more than their neighbours, will certainly suffer for the general inadequacy of the district.

The second necessity is absolute loyalty on the part of the members. There is no form of society in which it is so easy for competitors to cause trouble by putting temptations in the way of the members. A buyer can be sent down to visit each member individually and give him every facility for selling his crop straight off the farm at a higher price than the society can afford to pay. It will easily be worth while for a large firm to pursue these tactics for the whole of a season—they can recoup themselves by offering lower prices in another district where no organization exists, and if they succeed in detaching any considerable number of co-operators by their inducements they will strike a death-blow to the society which will enable them to return at once to low prices.

For these reasons an association of this kind cannot afford to leave the matter of its members' support to chance or even to the workings of the co-operative spirit, and we find that in successful societies the usual thing is for each member to sign on admission a form of contract binding himself to sell his entire crop through the Society for a period of one, two, or five years, after which the contract may be either renewed or cancelled.

The most striking instances of success in this form of organization are to be found in California, where

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the growers of oranges and lemons, nuts, raisins, peaches, and other fruits, have created huge societies to do their marketing for them. We shall describe one of these associations later. It will suffice to point out in concluding this chapter that in these as in other forms of co-operation the most powerful stimulus has always been the pressure of actual hardship or necessity. The closing of the German market for grain saw the rise of creameries in Denmark, the flooding of Europe with cheap produce from the New World marked the beginnings of modern agricultural co-operation, and the fall of the price of oranges below the cost of production brought about the birth of the California Citrus Fruit Growers' Exchange.



## CHAPTER VI

### *CREDIT SOCIETIES*

THE structure and methods of co-operative credit societies present more variety and complexity than those of either of the other types, for the handling of the people's money on however small a scale needs careful adaptation to local circumstances.

From the earliest day of agricultural organization the need of fluid capital for the farmer has been strongly felt. Many a sacrifice of crops or stock might have been averted if a little ready money had been forthcoming to tide over the hard times ; many a farm might have been bought, stocked, improved and made profitable, if the initial outlay had been rendered possible. So we find that credit societies have made their appearance in most countries very early in the history of the movement. We must also take into consideration the fact that such a society provides the easiest transition from purely philanthropic assistance to a system of organized self-help, so that the original impulse often came, as in the case of Raiffeisen and Schulze, from men whose first interest in the plight of their poorer neighbours was brought about by an instinctive leaning towards charity, which their own modest

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means made it almost impossible for them to gratify.

Agricultural credit falls naturally into two divisions corresponding to the distinct purposes which we have hinted at above. On the one hand, there is the demand for a fairly large sum repayable over a considerable period, for the purpose of buying, stocking, and equipping land—what may be called initial capital; on the other hand, farmers require comparatively small loans extending over not more than a year to enable them to carry on economically their seasonal operations in the raising of stock and crops—in other words, working capital. The former need is met by “real,” “mortgage,” or “long-term” credit, the latter by “personal” or “short-term” credit. While in some rare cases the two operations are combined in the functions of one society, experience has shown that they require different forms of organization, different spheres of operation, and different capacities of management.

Mortgage credit is obviously the harder undertaking, and consequently we find it less widespread. It is intimately bound up with the problem of State purchase and the creation of small-holdings; thus in Ireland where the transfer of land from tenancy to small ownership has been carried out entirely by the Government we find neither the possibility nor the need of mortgage credit societies. In Scandinavia such societies have been created on a national scale under Government patronage for the purpose of giving direct assistance to the land policy of the State. The model, however, for this as for other forms of credit is derived from Germany, where a

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Prussian merchant named Büring first laid the idea before Frederick the Great during a period of depression in 1767. Out of the suggestion came the establishment of what are generally known as *Landschaften*, or land-mortgage banks. Five of them were founded before the end of the eighteenth century, and these were compulsory associations embracing the estates of all large landowners in the province covered. The later societies, however, were voluntary bodies in which only the property of those landowners who required loans was pledged.

Mr. Cahill thus describes the *Landschaften* : " These institutions . . . are not co-operative credit associations in the ordinary sense ; apart from being non-profit-seeking, they have no share capital (except in two cases) and the assets which they accumulate in course of time are destined not for lending, but to cover possible deficits. All these associations may be regarded as highly organized associations of borrowers, with collective guarantee, for obtaining capital from third persons : by issuing bonds secured by mortgages on the properties of all the members they create a security realizable at any time, and far superior therefore to a mere individual mortgage security."

There are at the present time over twenty of these *Landschaften* in the German Empire, and with unimportant exceptions they work on the same plan. A landowner wishing to obtain a loan becomes a member on application, with the payment of a small fee. His property is then valued by experts appointed by the association and he is accorded a loan to the amount of not more than two-thirds of the value

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so ascertained. In return for this he gives the association a first mortgage on the whole of his property. These mortgages constitute the assets of the *Landschaft*, and on the basis of this security, which may be rediscounted through a central association formed for the purpose, bonds (*Pfandbriefe*) are issued at a rate of interest varying from three and a half to five per cent. according to the state of the money market. The loan to the borrower is paid in these bonds and not in cash, and as the bonds are negotiable and find ready currency on the market they vary in value in the same way as the stocks and bonds of an ordinary company. The borrower may convert his bonds into cash by selling them on the open market, or he may avail himself of the assistance of the banking department which has been created in connection with most of the *Landschaften* for the purpose of buying and selling bonds. It should be noted that the *Landschaft* itself is not a banking but merely a bond-issuing institution, and never pays out a loan in cash. The bonds have attached to them the usual interest-bearing coupons, payable at due dates. They are issued in series, and each series is secured by the collective pledge of all the properties to which advances have been made within that series; this method, which has obvious advantages of safety and simplicity, has replaced the earlier system by which bonds were secured only by the mortgage of the individual estate against which they were issued. Each series is confined to a certain amount and is dated, and the series are redeemable at a given time. The period of redemption varies slightly, according

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to the circumstances of issue—the average duration being about forty-five years. The redemption is effected by annual payments from the borrower, based on the amortization principle; the payments are equal each year, and cover repayment of principle, interest, administration expenses and contribution to sinking fund—the whole working out on an average at about  $4\frac{1}{2}$ –5 per cent. per annum. Each repayment is credited to the borrower on the books of the society, and the liability of the estate is correspondingly reduced. At the end of the period the bonds are withdrawn and paid for in cash, and the borrowing estates are discharged from their liability. A new series is then issued. The charges of the Landschaft—salaries of officials and valuers, office expenses, rent, etc., are met out of the annual payments, and any surplus which may accrue is added to the reserve fund which is held to meet any possible deficiency or losses which may arise through mistaken valuations or other causes. The value of the bonds on the market is kept up and an additional inducement offered to investors by an annual drawing or lottery when a certain number of bonds are paid off in cash at face value by the Landschaft. Finally, it should be noted that in making loans the Landschaft always issues its bonds at par, so that the borrower gains if they are at a premium on the market and loses if they are at a discount. As there is frequently more than one series available with different rates of interest corresponding to different market values there is an opportunity for a borrower to exercise considerable discretion as to the most profitable form in which to

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take his loan. There is also an arrangement by which the whole amount of a loan may be paid off at certain periods before it falls due, but this must be done in bonds of the proper series and not in cash.

It will be seen from this brief description that the *Landschaften* undertake complicated financial functions which resemble more the operations of a commercial firm than those of the ordinary rural co-operative society. It would obviously be beyond the competence of the average farmer to create or conduct such an organization or even to understand the details of its workings—about which indeed many erudite and lengthy treatises have been and still may be written. Thus we find that wherever land-mortgage business is carried on on a large scale, while its purpose may be co-operative in the large sense that it is not profit-making and designed only to benefit the members by making use of their collective strength, it is organized from the top and conducted more or less bureaucratically and without that intimate and conscious spirit of co-operative action among all the members which is so much to be desired in the other societies we have described.

In Germany security and good management are assured by the fact that the higher officials of the *Landschaften* are appointed and carefully supervised by the State, while in Denmark, Holland, and Russia, where similar associations have been formed on the German model, the connection with the Government is very close. Thus while this type of organization performs undoubtedly a most valuable function for landowners, it is of rather secondary importance to those who desire to act as pioneers

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of co-operation on an intimate and local basis. Up till quite recently, in fact, the *Landschaften* and their imitators were useful only to comparatively large landowners, since it was originally thought that, owing to the difficulty of carrying out valuations and obtaining security which would command confidence from a large number of small farms, the minimum loan to be granted should be fixed at a substantial figure. Within the last twenty years, however, considerable modification has taken place in this respect, and there are several societies in Germany which grant loans as low as £15, while both Denmark and Russia have special Smallholders' Land Banks which are specially designed to work in conjunction with the official policy of land transference. In France the functions of land mortgage credit are chiefly carried out by a huge joint-stock company, the *Crédit Foncier*, which, though it has no claims to be considered co-operative, is strictly limited in its profits and enjoys a large measure of support from the Government acting through the Bank of France. In fact, so long as extortion and careless or speculative management are restrained by supervision and statute and every landowner is assured an equal opportunity of borrowing according to his capacity, it would seem to make little difference whether the technical form of organization adopted may be called co-operative or not.

Before leaving the subject of mortgage credit it may be well to point out that while the operations of such a society are complicated and technical, the risks attaching to it are very small, provided of course that honesty and complete absence of specu-

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lative methods are ensured in the management and that the valuers employed are efficient and trustworthy. The security of landed property taken at a conservative valuation is not subject to sudden fluctuation nor can it be dissipated or removed, and if it changes hands the mortgage remains with the land. In fact, losses and forced sales are almost unknown, and the stability of the *Landschaften*, which has never wavered, is amply proved by the fact that their bonds find ready sale on the markets of Europe, even outside Germany, and that in times of serious depression they have fluctuated in value less even than Government stocks. These considerations have led to a movement to establish similar institutions, with Government assistance and control, in the United States, where large mortgage loans are greatly in demand.

The British Isles have so far made no experiments in this direction. In Ireland the State system of land purchase leaves little room for such associations, while in England the prevalence of tenancy and the comparative ease of obtaining loans through other channels have acted as deterrents. Furthermore, mortgage associations are obviously impossible except in countries where the title to land is governed by clear and definite rules. In Central Europe official registration of land titles is universal and compulsory, but every one familiar with the difficulties involved in the transfer of land in England will realize the obstacle presented thereby to a system of collective mortgaging.

Turning to the less pretentious system of personal credit, we find once more that we must look to



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Germany for our model. We have already described in general terms the pioneer work of Raiffeisen and Schulze in the middle of the last century, and to these humble beginnings we must refer the whole of the present system in agricultural countries. Of the two men Raiffeisen has had by far the greater influence on purely rural districts; the more business-like Schulze created a type of society which, while it has done much, and will probably do more in the future, for agriculturists, has on the whole tended to benefit particularly the artisans of the towns and villages.

The outstanding features of a society of the pure Raiffeisen type are that the liability of its members is unlimited except by the extent of its obligations, its share capital is practically negligible where it exists at all, and its expenses are a bare minimum—the management being almost always unpaid or paid a merely nominal sum to cover out-of-pocket expenses. Such a society presents a very pure type of co-operation, and can obviously only exist among small farmers in a district where every man is known to, and trusted by, his neighbour, and where all are on a more or less equal scale. Accordingly we find that such societies are always limited in their operations to a parish or other small area and that they have been most successful in the poorest and most backward farming districts.

The purpose of these societies, or agricultural banks, as they are often called, is twofold—the granting of loans to deserving farmers for reproductive purposes and the promotion of thrift. It is worth noting, in view of modern developments which have

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tended to lose sight of the fact, that the latter purpose took probably the foremost place in the prudent mind of the promoter. Raiffeisen called his societies "*Spar und Darlehenskassen*" — Savings and Loan Banks—and the emphasis was undoubtedly on the savings. The method of collecting these savings is by inviting deposits from members—and in many cases from non-members also—on which, as a rule, about 4 per cent. interest is paid. The capital of the society outside these deposits will be insignificant, being derived from small entrance fees and nominal shares, together with such small profits as may be made by the society from year to year. The deposits, therefore, form the funds out of which loans are made to members. It will be seen at once that great care must be exercised to ensure that these loans are made circumspectly, as a comparatively small loss, resulting in diminished confidence among the depositors, may bring the society's career to an end. It is for this reason that the principle we have already mentioned of limiting the area of operations to a district in which all the people are more or less known to one another, must be strictly observed. As the character of individuals is the security on which the business of the society is built up, its success depends more than that of any other form of association on personal knowledge and on the capacity of its committeemen to form accurate and unprejudiced judgments of their fellow-members. Each applicant for a loan must first become a member by paying the prescribed entrance fee and accepting the rules (by which he makes himself liable to an unlimited extent for the obligations of the society)

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and also by taking a share, where shares are issued. His name must also be submitted to the committee for approval. If he is admitted he then may make his application for a loan and he may be called in person before the committee. He must state, besides the amount of the loan and the time for which it is required, the purpose for which it is intended. It is then for the committee to decide whether the loan is to be granted in whole or in part, or refused. This is the point at which the skilled judgment plays an essential part ; the committee should be so constituted that there is at least one responsible representative from each district of the area covered, who will have a satisfactory knowledge of the character and circumstances of his neighbours. He must decide whether the applicant is a man of good character and industrious habits, sufficiently well situated to have a reasonable prospect of repaying the loan in due season, and likely to turn it to profitable use—and in this connection he may be expected to know whether the purpose for which the loan is asked is a proper one in view of the circumstances of the applicant. The question of the security offered is also of the first importance. In most societies of this type the security required is the personal bail of two solvent persons of good character—and these persons must also be tested by the standard of first-hand knowledge as to whether they are able to make good the sum involved in case of the borrower defaulting. In some cases “chattle-mortgages”—or liens on crops, stock, farm implements, and so forth—or more rarely small mortgages on land, are accepted in lieu of personal security ;

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loans may also be granted on current account on the Scottish overdraft system, and in Italy small loans are occasionally made on the word of the borrower only (*prestiti sull' honore*). But these form a small fraction of the total amounts loaned by Raiffeisen societies, and must be regarded as departures from the normal.

If the security of the borrower passes the scrutiny of the committee, the next point of importance is the purpose to which the loan is to be applied. It is a fundamental principle that these loans shall be made only for reproductive purposes—that is, the money must be used in such a way as to produce more money within a given period so that the loan and interest can be repaid. Thus a loan for the purpose of buying seeds, manures, or live-stock, or of holding over calves or other stock until they can be sold to advantage, is evidently legitimate, while a loan for the purpose of buying clothing or undertaking a journey will, as a rule, be rejected unless it can clearly be shown that it will bring a direct profit. The definition of a reproductive loan must, however, be varied considerably in accordance with local circumstances; thus in India the granting of loans for the purpose of giving a dowry to a daughter about to be married, or even of defraying the expenses of the wedding, is considered a legitimate and normal function of a credit society. In any case once a loan has been granted for a given purpose it is the business of the committee to see that it is in fact used for this purpose, and to call it in as quickly as possible if they have reason to believe that it is not so used. Neglect of this rule will

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almost inevitably result in creating a class of chronic borrowers, with disastrous results to the society.

Closely allied with this point is the necessity of insisting upon punctual repayment. While in proven cases of genuine hardship due to no fault of the borrower, an extension may be granted at the discretion of the committee, care must be taken to avoid the habit of allowing "renewals." It will be found that a certain number of borrowers will nominally repay their loan when it falls due, and will immediately ask to have it renewed for a further period on the same terms. In such a case the committee should insist upon a fresh application being made to them in exactly the same way as if a new loan were sought. Where this is not done, a few members will perpetually enjoy the use of the society's funds, without the necessity of putting them to reproductive use. The practice of renewals is one of the most insidious evils which may be brought about by the complaisance or carelessness of the committee and denotes the beginning of decay.

The amount of the loans to be granted must depend on local circumstances, but should be limited to a sum which will enable all members to have an opportunity of borrowing if they wish. The usual average of loans in Raiffeisen societies is about £5 to £10; the low limit may be as small as £2 10s., while the high limit in most cases is fixed at about £50—anything above this being left to ordinary banking institutions to deal with. The rate of interest must also vary; it must be fixed with regard to the current rates of the district and also to the rate paid on

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deposits. A margin of about 2 per cent. between the rate paid on deposits and that charged on loans is usually adequate; many societies attempt to work on as low as 1 per cent., but this generally results in an annual loss and is not justifiable. Irish experience has shown that 4 per cent. on deposits and  $6\frac{1}{2}$  per cent. (or  $1\frac{1}{4}$ d. per £ per month) on loans, is a reasonable rate, and German rates are somewhat similar, while in India and Russia small farmers consider themselves lucky to get loans at from 12 per cent. to 14 per cent.

The period of the loan is determined by the season and nature of the operations concerned. As the majority of loans are for a purpose which will only bear profit when crops are harvested or young stock comes to maturity, they will seldom be required for less than eight or nine months. On the other hand, no loan should be allowed to remain due for more than a year unless there is some exceptional reason. It will be seen that even on this basis loans will run for a considerably longer period than in the case of ordinary commercial accommodation in towns, and as the demand will come at approximately the same time of the year care must be taken to arrange that the capital of the society is available at the proper time and for the necessary period.

From this summary description the reader will observe that the operations of such a society, though usually small and simple in themselves, require considerable delicacy of handling. In particular, a society cannot flourish except on the basis of complete mutual respect and confidence, and for this reason it promotes to the highest degree the spirit of mutual

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help which is the true ethical basis of co-operation. It was this fact which bulked most largely in the mind of Raiffeisen himself during his pioneer work ; he laid stress above all things on the spiritual, almost religious, value of co-operation, and he shrank from share capital, large entrance fees and paid management as savouring unduly of commercialism. Similarly, while it is true that the law at that time allowed no choice in the matter, there is no doubt that he would have chosen the principle of unlimited joint and several liability even if he had been a free agent in the matter. The advantages claimed for this method are that it gives every member so vital an interest in the affairs of the society that he becomes a sort of benignant spy upon his fellows, and thus ensures that the aims of the bank are properly carried out and, further, that it creates a security even in the poorest districts which would otherwise never exist. Against this it is argued that these advantages are merely theoretical ; the majority of members are not really aware of what they are risking, and as to the security it would be found, in case of liquidation, to be illusory, since the trouble of proceeding against each member would not be repaid by the small amount realized from their scanty assets. It must be observed that the purpose of the security supposed to arise from unlimited liability is to enable a society whose deposits are not sufficient for its needs to borrow money from a bank or other outside source ; but as a matter of fact the lender will in all cases take as security the joint and several guarantee of the members of the committee and will not trouble at

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all about the form of liability of the remainder of the members. On the other hand, a powerful argument against unlimited liability is that it is bound to frighten away any well-to-do persons in the neighbourhood who might otherwise become useful members of the society—and finally it makes the possibility of the bank engaging in trade very hazardous.

Without going deeply into these arguments, we may safely say that unlimited liability is contrary to the inclination of the times, and we find that it is, in fact, gradually being replaced by the more modern system of limitation by shares. A question which with Raiffeisen was undoubtedly one of principle has come, now that co-operative organization is widespread and well understood, to be regarded as one of expediency, and from this point of view the victory rests, except perhaps in some exceptionally backward districts, with limited liability. Thus we find that even in Germany, where tradition is still powerful in this matter, a number of societies, while performing the functions of Raiffeisen banks, have so far departed from his principles as to issue shares to a considerable amount, in proportion, as a rule, to the acreage of poor-law valuation of the application, and to limit a member's liability either to the value of his shares or to some multiple of that amount.

This leads us back to the Schulze type of society. As we have seen, Schulze began his work at the same time and on much the same lines as Raiffeisen, but with a decided bias towards business methods. This bias led him to develop a form of society in which



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shares and entrance fees were large, management skilled and well paid, and the disposal of the funds similar to that of a commercial bank. One result of this development was that loans for a short period, enabling a quick turnover and increased profits, were preferred, and as a natural consequence the Schulze societies attracted a membership rather of artisans than of farmers. Needless to say, the vast majority of these societies adopted the principle of limited liability as soon as it was legally possible for them to do so. Their success has been quite as striking in its way as that of Raiffeisen societies, and of recent years they have, especially in Italy, begun to attract a large business from among the better-educated and more prosperous farmers to whom their methods now make a strong appeal. Their general purpose and method is largely similar to that of the societies described, but owing to the usual character of their membership and the wider area of operation the personal feature is by no means so pronounced. Loans are of a far more varied character, and inquiry into their purpose is waived in favour of a strict examination of the security offered. Security in these cases is by no means always personal, and a considerable number of loans are made against collateral security in a tangible form ; these loans may be large in amount and varying in duration. Shares are in some cases as high as £50 apiece.

To trace the developments and describe the variation of these credit systems is beyond our scope ; not only would the task require a volume in itself, but it has already been adequately performed. We

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may merely indicate a few of the more important developments of the movement.

The work of Raiffeisen has found imitators, with or without modification, in very many countries. Austria and Hungary have adopted the system along with the rest of German co-operative methods so whole-heartedly that they need no separate attention. In Ireland, as we shall see, agricultural banks on this model have played an important part in the development of backward districts; that they are gradually dwindling in number and importance is due mainly to the fact that with increasing prosperity the immediate need for them has diminished. Yet it may be said that they were handicapped by their departure from the German example in laying stress on the importance of deposits and by their failure to establish a central bank. It is arguable also that the work of their committees, which were less highly organized than in the case of German societies, left something to be desired. In Italy Raiffeisen has found a most vigorous disciple in Wollemborg, while in France his work has been carried on by Durand; but in the latter country the greater part of the agricultural credit is provided by societies affiliated to a national system of *Crédit Agricole*, which, though they preserve the outward forms of Raiffeisenism, are so much subsidized and supervised by the Government as to have become practically official agencies.

Holland, Belgium, Russia, Switzerland all exhibit numbers of societies based on the same pattern; Denmark, curiously enough, has found no need for them. The most striking development of recent years, however, has been that which has taken place

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in India, where since the year 1904 there have been established, under Government patronage and with the assistance of Mr. Henry Wolff—whose fame in these matters is international—no less than 15,861 of these societies, which are, with slight technical differences, to be classed as Raiffeisen banks.

While the methods of Schulze have found fewer disciples they are perhaps more significant for English readers. The "*Banche Popolari*," introduced into Italy by Luzzatti, are a close copy of the original, although differing in certain details. They have been of the greatest benefit to the rural population, and in many country towns they work in close touch with the agricultural supply societies, or "*consorzi agrari*"—often being housed in the same building. Their success has been constant and remarkable. In Quebec also, as a result of the energetic efforts of M. Alphonse Desjardins, "People's Banks" of a similar type have made great headway both among rural and urban populations. From this centre they have spread to the United States—particularly to Massachusetts—where they seem likely to take root.

If co-operative credit is to find a place in English rural economy—and its advocates, especially in connection with land-settlement after the war, appear to be increasing in number and vigour—it will probably be after this pattern. At present it is undeniably a slender growth. The largeness of operation of the better class of English farmer, his sturdy and almost misanthropic resistance of any "interference," the prevalence of tenancy and the excellence of the commercial banking facilities, have combined

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to thwart it. It is impossible to imagine Raiffeisen societies making much headway under such conditions, and while they might perhaps be of assistance to newly settled colonies, the principle of unlimited liability would probably be a bugbear, and in any case the formation of a small number of such societies in isolation from one another would offer little prospect of permanence. Banks on the Schulze model, however, are more stable and self-contained, and might in the event of schemes of settlement being carried out on a large scale play an important part in the general economy.

Before closing this rather unwieldy chapter a word or two must be said on the subject of centralization. In Germany and Austria the centralization of credit societies has been carried out with great thoroughness, and central credit banks also exist in Holland, Belgium, and France—other countries being somewhat backward in this respect.

The chief purpose of a central bank or federation of credit societies—over and above those functions of supervision and auditing which are of the utmost importance—is to act as a clearing-house for the local societies. It will have occurred to the reader that to be really efficient a credit society must so arrange its affairs that its deposits and its loans practically balance one another ; a surplus of deposits may lead to a loss on the year's work, while a deficiency will curtail the usefulness of the bank as a lending agency. The maintenance of this balance will, however, obviously prove a matter of extreme difficulty. It is therefore desirable, as the next best thing to a counsel of perfection, that the surplus,

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where it exists, should be invested safely as well as remuneratively and that the deficiency should be made up by a loan obtained at a reasonable rate with some prospect of continuity. These needs can best be met by a central bank. It is found in practice that in certain districts the deposits invariably exceed the loans by a considerable amount, whereas in other districts exactly the contrary is the case. A central society, therefore, covering a wide area may reasonably count on being able to equalize supply and demand. It will act towards its affiliated societies in exactly the same way as they act towards their individual members. This system has the great advantage that all the money of the organized farmers is preserved to their own movement, instead of being transferred to other forms of industry. Where, as is frequently the case, the assets of the central bank are in excess of the demands on it, they can be effectively used in capitalizing the trading societies attached to the movement.

Attractive and logical as this system undoubtedly is, it requires to be approached with caution. There is always a temptation for the directors of a powerful and rich central bank to seek investments for their money in enterprises of a hazardous character. Two principles must always be borne in mind : first, investments must be of a nature which permit of a rapid realization to meet any sudden demand (thus long-term mortgages should be religiously avoided) ; and secondly, their stability must be scrutinized as minutely as possible. The directors must, in fact, realize that they are not commercial magnates but trustees on a large scale, and must acknowledge the

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same obligations as are imposed upon trustees. Recent ominous disasters in Germany have pointed this moral very clearly and shown how swiftly reckless financing at the centre can overthrow the whole of a seemingly wealthy structure with disastrous consequences to a confiding public.

For these reasons the combination of trading and banking functions on a large scale which is found in some instances must be regarded with considerable distrust as affording an over-easy opportunity for dishonest officials to conceal their misdeeds by juggling with figures or for incompetent ones to find themselves overtaken by unexpected catastrophe.

But in these matters, as in everything connected with the administration of co-operative credit, arbitrary rules must give way to the practical test and to the influence of personality. Where a people is so deeply imbued with the co-operative spirit as to make certain of the availability of keen, competent, and disinterested leaders and officials, and of loyal and determined followers, almost any system which they can devise is likely to prove successful ; where, on the contrary, these conditions are wanting, all the genius of Raiffeisen, Schulze, and the rest could not prevail against the perversity of human nature. In no branch of the movement is this so true as in the case of personal credit. A bank may exist—many do exist both in Germany and in Ireland, and no-doubt elsewhere also—for years without departing from the letter of its rules, and fulfil no other purpose than that of providing a few undeserving people with a perpetual addition to the debts on which they live, or an exciting method of speculating

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with other people's money. On the other hand, there are obscure and unorthodox associations of men, observing no particular rules but using a small sum of money to the best possible advantage for the development of their industry and the assistance of their neighbours.

The latter are, happily, so much in the majority that Raiffeisen's name lives and will live to be honoured among the pioneers of modern agriculture. He found the farmer believing only too implicitly in the general wisdom of Polonius' maxim, "Neither a borrower nor a lender be," and he showed him, to his great benefit, how to reconcile with ethics and prudence the necessary and desirable departures from this golden rule.

## CHAPTER VII

### *DENMARK*

**P**ROBABLY the two countries in Europe which have attracted most attention from the co-operative point of view are Denmark and Ireland. But the nature of the movement in the two countries, although in both cases it is largely devoted to the improvement of breakfast-table produce, is very different.

The Irish movement has largely gained its reputation owing to the great contribution to co-operative theory which has been made by Sir Horace Plunkett ; and it has been largely commended for its social successes. The Danish movement, on the other hand, is purely a business one, and extremely little propagandist work has been done by its leaders. So much is this the case, that it is quite difficult to get up-to-date statistics or detailed information as to the co-operative societies in Denmark.

We may begin by stating briefly the causes which led to the introduction of agricultural co-operation into Denmark.

Up till the year 1864 Denmark was a country of large-scale cultivation, depending mainly on the export of grain for its foreign trade. In this year,



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however, as the result of an unsuccessful war with Prussia, the Danes lost the large mainland province of Schleswig-Holstein, and found themselves confronted by a tariff barrier which effectually cut them off from the German markets in which they had been accustomed to sell the greater part of their produce.

These facts led to a considerable change in the methods of agriculture prevailing in the country, and farmers began to turn their attention to the production of poultry, eggs, bacon, and butter as the chief source of revenue. This process was finally completed by the agricultural depression of the "eighties," during which period the competition of the New World began to be seriously felt in Europe. Farmers everywhere were in distress, and the position in Denmark was rendered worse by a banking crisis.

In these circumstances it became absolutely necessary for Denmark, if it was to remain an agricultural country and to attain any prosperity, to introduce a business-like system into the production of the commodities mentioned above. The Danes, being an intelligent and business-like people, were not slow to realize this fact; and the history of the country since 1880 is the history of a determined and successful effort to supply the English market with standardized breakfast-table produce, up to the limit of its requirements.

This result has been achieved almost entirely by means of the co-operative system. The Danes early grasped the fact (which is still not appreciated in Ireland, Denmark's chief competitor) that the chief

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factor in establishing produce on the market is uniformity, both of quality and, as far as possible, of quantity. They realized, also, that such uniformity could not be brought about by individual farmers working without any organization. They therefore sought, not only to organize individual farmers into local co-operative societies, but to federate these societies both for the purposes of purchasing supplies and of marketing their produce. In addition to this, they set up numerous committees, whose business it is to keep every society in the movement fully informed of the prices and opportunities offered by foreign markets, and also to give any other advice considered necessary for the most efficient carrying-on of their business.

It cannot be too strongly emphasized that the co-operative movement in Denmark is, above all things, a business movement. Speeches and writings pointing out the advantages of brotherly love and other social and moral aspirations are almost entirely absent from the literature of Denmark. At the same time, it must be realized that such exhortations are rendered very much less necessary by the excellent system of advanced rural education which is given to the Danish people in the schools, and particularly in the people's high schools. A discussion of Danish education is outside the scope of this work, but it is a matter which should be thoroughly studied by all who are trying to improve the rural conditions in other countries.

The first modern co-operative creamery in Denmark was established in the year 1882. In 1914 (which is the last year for which we have official

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statistics) there were 1,168 of these creameries, with 157,000 members.<sup>1</sup> It is interesting to note that there were at this date only 196 joint-stock creameries, and 16 belonging to individuals, in the whole of Denmark. The increase which this co-operative movement has brought about in the output of butter is illustrated by the fact that Denmark's export was valued in 1896 at £4,500,000, in 1901 at more than £8,000,000, and in 1914 considerably more than £10,000,000, of which it is safe to say that about 80 per cent. is produced by co-operative creameries.<sup>2</sup>

These creameries differ from those in operation in most other countries in that they have no share capital. At the foundation of a society, the money required for the erection and equipment of buildings is raised by means of an overdraft from a bank. This overdraft is secured by a joint and several guarantee on the part of the members, and is gradually paid off out of the annual profits within a certain number of years, at the end of which time a new overdraft is raised on the strength of a new guarantee. Working capital is provided by means of entrance fees, fines, etc., and also by the small charge which is made to members for the skim-milk and butter-milk which is returned to them by the society. The details of the financial arrangements of such a society are necessarily somewhat complicated, but they can be understood by

<sup>1</sup> The number of cows supplying these dairies exceeds a million.

<sup>2</sup> For detailed statistics the reader should consult Faber's *Co-operation in Danish Agriculture*.

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reference to the Model Rules of a creamery which are given in the report published by the Irish Department of Agriculture.

The local creameries are aided in their operations by various central societies and committees, of which we shall now give a brief description :—

1. *The Danish Creamery Managers' Association*, which covers the whole of the country, with twenty-two branches and a Central Committee, has been formed in Copenhagen for the instruction of employees in creameries, and also for the purpose of keeping the managers of the different societies in constant touch with one another. The local committees draft their own bylaws, but these must be approved by the Central Committee, to which each district sends ten delegates. The subscription to the central association is 5s. a year, and that to the country branch rather less. In addition to its other work the association holds three large butter exhibitions each year, and a number of small ones in different localities.

2. *The District Creamery Associations* cover fifteen districts. Their objects are as follows :—

1. Improvements of the quality of butter by scientific research ;

2. Butter competitions, and circulation of information ;

3. Lectures and discussions, personal visits to creameries, and advice to farmers as to treatment of cows ;

4. Preparation of comparative returns dealing with cost of production, price realized, etc., in various creameries ;

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5. Work in connection with cow-testing associations ;

6. Carrying out the recommendations of the various central associations.

These associations have a *Central Committee* in Copenhagen, which issues bulletins and circulars and gives advice to affiliated creameries.

3. This *Central Committee* also has two members on the Co-operative Union Committee, which connects the creameries with the other branches of the movement.

4. In 1901 a society for the encouragement of cheese production was established, which had, in 1902, 123 creameries as members. The Danish Government voted a small subsidy to this society.

5. The employees of the creameries have a *Friendly Society* which is practically managed by the committees of the Creamery Managers' Association and whose object is to provide funds for cases of illness, and for the maintenance of widows and orphans.

6. There is also an *Accident Insurance Association*, managed in the same way.

7. An association was founded in 1898 to analyse, compare, and publish the statements of accounts of the different creameries, in order to throw light on such questions as cost of production and working expenses. The creameries send returns to this committee, but their names are not given in the tables issued by it. A subsidy of £330 a year is given to this committee by the State.

8. A committee of three members from different sections of the country is maintained by the local creameries for the purpose of effecting improvements

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in the book-keeping of the societies, and also in the methods of carrying out butter and cheese exhibitions. This committee meets once a month in Odense, and considers reports and suggestions made to it, both by local societies and by the central associations.

9. There is at Copenhagen a committee known as the *Wholesale Butter Quotation Committee*, consisting of twelve members, ten of whom are elected for one year, and are mainly engaged in the butter trade, while the other two are elected by the Co-operative Union every two years. This committee meets once a week, and fixes the butter quotation for the current week; and the marketing of butter by the creameries is largely based on this quotation.

10. There is also a society subsidized by the Government for the collection of statistics in connection with butter prices; and, finally,

11. *The Danish Creameries' Fire and Accident Insurance Association*, whose name is self-explanatory.

These organizations may be said to make up the advisory and social side of the creamery movement. In addition to them there are eight Federations, which exist for the purpose of marketing butter manufactured in the creameries. The societies affiliated to these federations give a joint guarantee for all capital which may be required, and also bind themselves to supply to their federation the whole of their butter for a fixed period of years. They work in conjunction, and not in competition, with one another, and base their prices on the Copenhagen

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quotation, after carefully classifying the butter in a grading station. The creameries are paid by the federation on the basis of their classification at Copenhagen rates, and surplus profits are distributed in proportion to trade, at the end of the year.

Another important federation is that which has been established in Copenhagen for the purpose of purchasing creamery requirements. Every affiliated creamery undertakes a liability of a little more than £5 and binds itself not to purchase elsewhere. It is possible for the work to be carried on with a very limited capital, as all business is done on a strictly cash basis.

Finally, we have the *Danish Creameries' Trade-mark Association*, which maintains and protects a national brand for Danish butter. This brand, which is now compulsory, may be said to have established a commanding position on the English market. For the purposes of this association, Denmark is divided into twenty districts, each with its own Committee, and these twenty branches elect the Central Committee. Each creamery contributes in proportion to its trade, with a minimum of 5s. per year. The association employs a staff of inspectors all the year round, both in England and in Denmark.<sup>1</sup>

This brief description will suffice to show how thoroughly every branch of the dairying business has been dealt with by Danish co-operators; and it will be easily understood that their energy in this respect has resulted in a very high standard of

<sup>1</sup> This association was dissolved in 1915, as the taking over by the State of the national trademark made its continued existence unnecessary. See Faber, *op. cit.* pp. 51-54.

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butter production and a first-class reputation on the English market.

The prosperity of the dairying industry has naturally brought in its train an increase in pig-breeding, for which the by-products are of the greatest importance. Thus, the number of pigs kept has increased from about 300,000 in 1861 to nearly 2,500,000 in 1914. The greater part of these pigs are designed for the export trade in bacon, for, just as the Danes content themselves with margarine while they ship their butter to England, so they are satisfied with cheaper foods than bacon for home consumption. Before the war of 1865 such pigs as were available were exported alive, mainly to Germany. But in the face of restrictive regulations this trade had to be abandoned, and the farmers turned to the English market for bacon instead. The type of pig kept had to be altered, and this work was energetically undertaken by the official and semi-official agencies involved. There remained the problem of so organizing the trade that the quality would be kept high and constant, while the farmer obtained the full value for his produce as well as for the by-products. To the solution of this problem the way was pointed by the success of the co-operative creameries; it seemed clear that the same methods which had been so fruitful in the dairying industry might be equally useful in dealing with bacon. The fact that there already existed a small number of private factories, whose owners were making extortionate use of their heaven-sent monopoly, gave a further stimulus. The following extract from an article contributed to *The Grain Growers' Guide* by the present writer will



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give a sufficient description of the development of the movement :—

### CO-OPERATIVE PACKING-HOUSES ESTABLISHED .

The pioneers of this new movement were at first somewhat anxious as to its success. The example of the creameries was undoubtedly most encouraging, but the difficulties confronting the bacon factories were considerably greater. The opposition was more strongly organized, more concentrated and more tenacious of its ground ; the amount of capital required was large and, in the existing state of the money market, hard to come by, and there was a considerable scarcity of highly trained technical assistance such as was necessary for the proper conduct of these factories. The co-operators, however, undertook the work with so much energy and enthusiasm that instead of moving too slowly their progress was for a time over-rapid. The number of societies increased out of proportion to the needs, and some losses occurred which were made more dangerous by the bitter opposition of the private traders. The latter attempted to kill co-operation at its infancy by using all their available resources to pay an increased price and so destroy the loyalty of the suppliers. Danish agriculturists, however, possess a large fund of foresight, common sense, and loyalty. In the fight which ensued the co-operative factories found great advantage in their ability to pay for the pigs delivered on the basis of live weight and quality. By this means the price was brought into intimate relation with the deserts of the producer, with a minimum of risk to the factory. The private traders, whose relations with their suppliers were not based on the same amount of mutual knowledge and confidence, could not adopt this system. The natural result was that the co-operative societies brought about a great and rapid improvement in quality and uniformity and thus obtained the confidence of the public and a commanding position on the market. At the same time the problem of obtaining sufficient credits and of getting trained employees for the management of their factories solved itself automatically. At present, although the struggle still continues, the

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co-operative societies have thoroughly established their position and do far the greater part of the trade.

### FINANCING BACON FACTORIES

The method of organization of a co-operative bacon factory requires little detailed description, as it is in the main similar to that of the creameries already discussed, while the technical methods are of course similar to those commonly prevailing in the industry and interesting only to students of the matter. The same method of obtaining capital by means of a guarantee over a period of years is practised, as in the creameries. The amount of capital involved being large, the area covered is very much greater than in creameries, and in some cases the persons resident in a given parish make themselves collectively liable for a certain part of the debt. The money is usually obtained from the local savings bank, though in one case it was raised by the members themselves. Another rule which is strictly enforced is that by which members bind themselves to supply all their pigs between certain weights to the factory. In order to make it possible to cover a large area without inflicting any hardship on the outlying suppliers, it is the practice that freight charges should be borne by the society and not by the individuals, so that the distance is no handicap. A fine of ten shillings per pig is imposed on any member breaking his obligation to supply pigs to the society, but in practice loyalty is practically universal, and this power has almost never to be used.

The question of admission of new members during the period covered by the original guarantees is even more difficult in this case than with the creameries. Each of the societies has its own method of dealing with this problem, but all of them have solved it on more or less satisfactory and equitable lines. The method differs according to the plan by which the factory has been financed. In some cases the members guarantee a sum proportioned to the number of pigs owned or land farmed by them, or perhaps to the number of pigs delivered each year; in other cases there is the feature of collective liability. The ownership of the factory is vested

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in the members, either proportionately to the number of pigs delivered during the period, or in proportion to the amount guaranteed. The position of new members has to be determined in accordance with these considerations.

### BY-PRODUCTS COMPLETELY UTILIZED

The most striking results of the co-operative activity have been the increase of the number and importance of pigs in Danish agriculture, the improvement in breed, and the complete utilization of all products. Lard-refining and sausage-making are universally practised, and some of the factories also carry on the manufacture of blood and bone manure, which is sold at a very small profit to the suppliers. In addition to the export of bacon to England, which is far the most important part of their trade, some factories undertake all kinds of tinned meats and so on, and a certain number of cattle are handled in addition to pigs. After the passing in 1903 of a law prohibiting the import of livers into Germany the societies set themselves with some success to create a local demand by sending out attractive recipes and instructions for the use of liver in cooking.

The material progress of the co-operative bacon factories is illustrated by the following figures, taken from the report of the Danish department of agriculture and from Brinkmann's book already quoted :—

Year.	Number of Factories.	Number of Pigs Killed.	Value in £.	Average Price per Pig.
1888	1	23,407	£ 57,000	£ s. d. 2 9 0
1889	8	131,548	327,000	2 18 0
1894	15	385,731	1,114,000	2 18 0
1899	25	729,171	1,733,000	2 5 0
1902	27	777,232	2,500,000	3 4 6

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In 1905 the number of factories working was 30, besides one founded during the year. They disposed of 1,134,390 pigs, or an average of 37,813 per factory, the estimated value being £2,000,000. The number of members was roughly 70,000. In 1909 there were 34 factories with 86,000 members, and the number of pigs slaughtered was 1,362,500.<sup>1</sup>

The local societies have, as might be expected, banded themselves together in a federation known as the "Co-operative Bacon-curers' Association," of which the delegates of the Department of Agriculture reported in 1908: "For its own purposes (it) is perhaps one of the most efficient commercial intelligence bureaux in the world." A representative committee is formed by the election of three delegates from every society. This body elects from its own number five persons to form a standing committee together with two factory managers. The committee in its turn elects two of its own number as an executive committee to deal with routine matters. The expenses involved are borne by the federated societies in proportion to the number of pigs killed in the year at the rate of about  $\frac{1}{2}$ d. for every three or four pigs. The total expenditure does not exceed £500 a year. The objects of the federation are thus summarized:—

1. Protection of the societies' interests in all legal matters.
2. Keeping up by all possible means the standard of production.
3. Improvement in freight and transport facilities and rates.
4. A system of market reports.
5. Questions affecting labour.
6. Improvement in pig-breeding.
7. Comparative statistics.
8. Education of the more important employees, etc., both in co-operative principles and in technical detail.

<sup>1</sup> In 1914 there were 45 factories killing nearly two and a half million pigs, against 409,000 killed in private slaughter-houses.

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## PROTECTING THE FACTORIES' INTERESTS

Important results have been secured by the decision of the federation to cause all the societies to bear a share of the loss caused to any one of them by a strike and also by their undertaking to provide strike-breakers in such cases. The following passage from the departmental report is significant : " They (i.e. the federation) had already, some time ago, passed a resolution to prevent a recurrence of the strike of dock labourers at Esbjerg. On the last occasion on which a strike threatened at this port the co-operative bacon factories at once decided to draft men from each factory to take the place of the strikers at the dock and load the vessels with the bacon for shipment to England. These arrangements were all made by telegraph, and when it became known to the dock labourers that 103 men had arrived to take their places they decided that ' the time was inopportune to strike.' "

A complete system of workmen's insurance has also been carried out, annual bacon shows are held, and in general the work under all the headings given is done efficiently, thoroughly, and cheaply.

The third important branch of the Danish co-operative movement is that of collective purchase. Almost every parish in Denmark is provided with facilities for placing the best possible quality of agricultural requirements within the reach of farmers, at the lowest possible price. A large number of small societies were originally established in different districts, which began by doing business for themselves. Before long, however, they began to form federations ; and of these there are now twenty-one. As is usual with all Danish societies, the members bind themselves to be jointly and severally responsible for the financial obligations of the society ; and also to do all their business with it for a period of years. A brief description of these federations is given on pages 52 to 56 of the Report already referred

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to. The reason for the large number of central societies appears to lie in the geographical conditions of Denmark, which has a tremendous coast-line and is spread over several islands. There is not, however, any overlapping or competition between them, as the managers keep in constant touch with one another, through the central committees in Copenhagen.

One of these federations, however, namely, the Co-operative Wholesale Society of Denmark, requires some further description.

This society acts as a wholesaler for the distributive stores, which are widely spread in Denmark. It deals largely in household necessities, and is therefore similar to the Co-operative Wholesale in Manchester, rather than to the central federations of agricultural societies. There is this difference, however—that owing to the agricultural nature of Denmark, 86 per cent. of the members of these distributive societies are, in fact, farmers. For this reason, the societies require to be supplied with agricultural goods as well as with ordinary household matters. There is, therefore, a possibility of some overlapping between the Wholesale Society and the various agricultural federations. It appears, in fact, that a few years ago some friction arose as to the question of the supply of seeds. Some of the federations grow seeds in order to supply their members, and they protested against the Wholesale Society going into the same business. The matter, however, was amicably adjusted by an agreement between seed-growers and the Wholesale, the text of which will be found in the Report of the American Commission,

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1913. The trade of the Wholesale amounted in 1913 to about £2,800,000, and it had a share capital of about £40,000, with a large reserve fund. The membership consists of 1,300 distributive societies, which take one £5 share for every twenty members. The societies buy practically everything they require from the Wholesale, although they are not under any compulsion to do so. The Wholesale owns several manufacturing establishments, including sugar and chocolate works, a tobacco factory, soap works and rope factory. It also manufactures bicycles and other forms of hardware and turns out yearly about 70,000,000 lb. of margarine, which is largely eaten in Denmark, owing to the great export of butter. A more detailed description of this federation will be found in the Report of the American Commission, on page 545.

Another important branch of the co-operative movement in Denmark is the collective sale, first, of live-stock, and secondly, of eggs. In 1909 there were 84,000 members of the Cattle Exporting Societies, and these societies sold between them cattle to the value of £200,000, or one-sixth of the total export of the country.

The egg business is of considerably greater importance in the co-operative movement. In 1914 the value of eggs exported from Denmark reached about £1,750,000; and of this about one-third was sold by co-operative societies. The most important of these is the Danish Co-operative Egg Export Society, which in 1914 had a membership of 550 egg circles, with 45,000 individual members, and was doing a turnover of about £400,000.

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The following description of this society is given by the manager :—

“ The eggs are sent in here from our different stations, and upon arrival are sorted, after which they are taken into a chamber and candled. The bad eggs are rejected, and the good ones are stamped with the trade stamp of the Export Society, which is registered in Germany, Norway, Denmark and Sweden. The eggs are stamped with two small numbers—the first indicating the station from which the egg came, and the second the farmer who produced it. By reference to the books, it is easy to ascertain from whence all eggs come. Defective eggs are charged up to the account of the farmer who sends them in. If it occurs that bad eggs come from the same person several times, he is first warned and then fined ; and, if the offence continues, he may be expelled from the society. We accept eggs only from our members.”

Most of these eggs are shipped to the English market,—and sold fresh ; but a large number are also kept in pickle. In addition to the Egg Export Society, a large trade is done in eggs by the Butter Packing Company of Esbjerg, and also by seven of the co-operative abattoirs.

In addition to the co-operative trading societies with which we have dealt, there are in Denmark numerous associations for the improvement of the breed of various kinds of live-stock and poultry. These associations are more or less co-operative in character, but receive subsidies from the Government, and do not indulge in trade. There are also many cow-testing associations worked by experts



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in conjunction with the creamery committees, which have been very useful in improving the yield of dairy cows. Finally, there are a large number of agricultural associations and labourers' associations, which watch over the interests of their members, and seek to improve the general standard of agricultural life.

It is a peculiar feature of the Danish co-operative movement that co-operative credit of the Raiffeisen type was until recently entirely non-existent, its place being taken by a system of non-profit-making savings banks which appear to meet the needs of the farmers.<sup>1</sup> Mortgage credit, on the other hand, has been well organized through eleven or twelve large associations, whose work is closely co-ordinated with the Governmental policy of land settlement. All but two of these are more or less accurate copies of the German *Landschaften*. The two exceptions have been described as follows in the series of articles already quoted :—

Of the eleven associations two are differently constituted from the others. They are the "Smallholders' Credit Associations," which were established by a special Act in 1880 for the purpose of making smaller loans than were available in the case of the other nine. The lowest loans which were previously granted were £30, and great dissatisfaction prevailed among smallholders, especially in Jutland. The following account of the machinery of the bill is given in the proceedings of the American Commission :—

1. Loans can be issued from £5 to £180 subject to the usual rate of interest and repayment.

<sup>1</sup> Co-operative credit societies of the standard type were introduced in 1915. See Faber, *op. cit.* pp. 143-5.

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2. The association does not issue loans on property lying outside the district or on property rated at a higher value than £300.

3. The Government guarantees the quarterly payments (interest and amortization). It refunds the expenses incurred in valuing a property, not exceeding 16s. 8d. for every transaction.

4. All certificates showing that a property has been encumbered shall be drawn up for a sum of 1s. (This is otherwise charged at 5s.)

5. The Government names and pays one of the two auditors belonging to every association.

The purpose of the Government guarantee was to ensure that the price of the bonds should not fall in the market, and as a result they have usually been one or two points above the quotations for the bonds of other credit societies. Loans are allowed up to 60 per cent. of the valuation on houses with farm land and 50 per cent. without land. The losses incurred have been negligible, amounting to only a small fraction of the accumulated reserves. The amount of maximum loan permissible has been twice raised by Parliament, once to £400 and later to £500—although the amount is not sufficient to attract large proprietors, not only smallholders, but shopkeepers and other townspeople in a small way of business have been largely benefited. The expenses incurred by the State (mainly in the revision of valuations) have amounted on an average to about £4,000 per year, and the outlay has been fully justified.

It will be seen that the Danish agriculturist is thoroughly organized for the most efficient carrying-on of his business ; and the results of the organization have been to make a thoroughly prosperous and contented country out of a few islands in the North Sea, which have very little natural advantages, either in respect of soil or climate. Certain factors

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may be set down as having aided this favourable development. They are, first, the fact that the Government has been largely administered by persons familiar with agriculture and sympathetic to the interests of the farmer ; second, the successful division of the country through Government aid into economic small-holdings—(the average Danish farmer has from two to five cows) ; third, the high standard of education among the people ; fourth, the unremitting energy and good business intelligence of the farmers themselves.

## CHAPTER VIII

### *GERMANY*

**I**N 1913 the population of Germany was over 66,000,000, while her area is very considerably less than that of the State of Texas. Nevertheless, Germany in that year raised within her own borders 95 per cent. of the food-stuffs required for the maintenance of her population, and her experts confidently expected that in a few years more the country would be entirely self-supporting. The experience gained during the present war shows to how large an extent the experts were justified in taking this view. It must not be supposed, however, that Germany has arrived at this position because of any great natural advantages with which she is endowed. The greater part of the soil of the country is notoriously poor, and more than 5,000,000 acres are covered by swamps and bogs. The great food production is due, therefore, to other causes.

We may say at once that these results have been brought about by the exercise of the outstanding characteristics of the German people, namely, the thorough and painstaking practical application of scientific methods to every detail of the industry. German authorities themselves claim that the rapid

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development of agriculture in their country has been due to the scientific use of up-to-date methods of cultivation, including the application of great quantities of chemical fertilizers and to a thorough organization of the agricultural population for business purposes. We need not discuss the scientific side of the question here, but we will confine ourselves to the organization of agriculture, which is admittedly so great a factor in the national progress.

It may be well to note that although grain, potatoes, and sugar beets are the most important crops grown in Germany, it is predominantly a country of small-holdings. In 1913 there were more than 5,000,000 holdings varying in size from one to forty-five acres, while those which exceeded forty-five acres in area only totalled about 286,000. In the whole of Germany there were only 369 estates which contained more than 2,500 acres. Moreover, of these holdings 85 per cent. are cultivated by their owners.

These circumstances render the organization of co-operative societies very suitable, and we find that in 1913 there were in Germany no less than 25,000 of such associations (without counting the industrial societies) of which 16,000 were credit associations, 2,500 purchase and sale societies, 3,500 creameries, and 3,000 for miscellaneous purposes.

We shall not go into details in this chapter with regard to the credit societies, which play so important a part in German agricultural co-operation, for two reasons. In the first place, it is unlikely that a similar system will be made the basis of organization in England, and secondly, we have already, in the chapter devoted to types of credit societies, given

a more or less detailed account of the methods adopted in Germany.

Nevertheless, in reading what follows it must always be borne in mind that the whole structure of the German movement has been influenced and guided by the work of Raiffeisen and Schulze; the constitution of committees, the survival of unlimited liability even among trading societies, and the plan of federation are all examples of this. A further point of importance is that the credit societies—particularly those based on the Raiffeisen model—have, unlike those of Ireland, the power of trading, and a very large amount of collective purchase, as well as a considerable quantity of collective sale, is done through their agency, so that the members and trade of agricultural societies must be considered in relation to this fact. In 1910 there were 7,611 of the banks affiliated to the Imperial Federation of Agricultural Co-operative Societies, doing a trade of this kind, amounting in value to £4,272,573.

The question of the expediency of this combination of functions was one of the chief causes of disputes between Raiffeisen and his opponents in the movement. Raiffeisen desired to see all forms of trading—including the work of creameries—made adjuncts to the credit society. His opponents claimed that this was unbusinesslike and hazardous, and so far as creameries and the like were concerned, they easily carried their point; but the further separation of trading in agricultural requirements from credit business has proved impracticable.

The organization of German co-operative societies is naturally extremely complex, owing to the great

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number of such societies and also to the fact that Germany, like the United States, is a federation of various self-governing units which have different local conditions. The task of describing the movement in a short space would be quite impossible if it were not for the excellent work which has already been done by Mr. Cahill in the Report prepared by him for the English Board of Agriculture, in the year 1913.<sup>1</sup> A full description of the various forms of local co-operative societies and their federations in Germany is given in this Report, and there is also an admirable summary which will be found useful by those who have not the time to study the whole document. The few remarks which follow are largely taken from this Report, and also from that of the American Commission referred to in the previous chapter.

After the credit societies, the most important groups in the German movement are the *Purchase and Sale Societies* and the *Creameries*.

### PURCHASE AND SALE SOCIETIES.

Most of these societies (of which in 1912 there were nearly 2,500) deal only in agricultural requirements and coal, although in exceptional cases they may sell groceries, provisions, etc. They do on the whole very little sale of produce on behalf of their members.

Two thousand one hundred and twenty of these societies furnished returns in 1910, from which it appears that they had a turnover of nearly £6,000,000. Mr. Cahill estimates that the total collective pur-

<sup>1</sup> *Agricultural Credit and Co-operation in Germany*, J. R. Cahill [Cd. 6626], 1913.

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chase of the farmers in this year amounted to more than £13,000,000—the remainder being done through credit societies and other agencies.

Most of the "supply societies," as we call them, do not maintain stores, ordering goods only in accordance with the needs of their members. Thus, the overhead expenses of maintaining buildings and carrying stock are eliminated from the price of the goods. Furthermore, the societies do not aim at making a large profit, but merely allow sufficient to cover expenses of management, to form a reserve fund, and to pay a small dividend on their share capital. For these reasons goods can be supplied through the agency of these societies at a much lower price than through the private trader.

The German law makes it obligatory on all co-operative societies to have share capital. In the case of many of the societies, however, the amount of the shares is extremely small. Thus, in 36 per cent. of the supply societies shares are of the value of 5s. each, and 66 per cent. have shares of less than £1. The Model Rules issued by the federation, however, recommend that shares should be as high as possible, and in no case less than £5, full payment being made in the course of ten years. In many cases members are obliged to take a number of shares in proportion either to the amount of their cultivated land, or to their trade with the society. The average share capital paid up per member in these societies in the year 1910 was slightly less than £1.

Out of a total of 1,841 societies in 1908, 816 had limited liability, and 1,023 unlimited. The tendency



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to limited liability is increasing in recent years. The federation recommends grading the liability of members in accordance with the extent of their holdings.

In limited liability societies the amount of liability attached to each share varies considerably, as will be seen from the following table, which deals with 816 limited liability societies existing in 1908 :—

Number of Societies.	Liability.	Average Liability.	Average Value of Shares.		
366 (44·8 per cent.)	1-10 fold	4·78 fold	£	s.	d.
180 (22·1 „ )	10-50 „	20·83 „	3	5	0
270 (33·1 „ )	over 50 „	123 „	15	0	
			2	6	

The membership of the societies averages about 100, and the amount of business done by them averages about £2,400 per year, of which 80 per cent. is represented by manure, feeding-stuffs, and seeds.

Many of the societies have a rule compelling their members to purchase all their requirements in certain lines from the society, but this is by no means universal. The practice of selling to non-members is not encouraged, although it is quite legal. The committee of management fix the prices they charge, which are usually based on cost plus a small percentage for management expenses and reserve fund. Many societies, however, follow the safer plan of charging the current prices, and paying a dividend on custom at the end of the business year.

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Many of the societies stipulate for payment within thirty days from delivery ; others allow a credit of three months, after which 5 per cent. is charged. Most of them insist on full payment within nine months. The federation strongly urges dealing on a cash basis, but this has not been found practicable in most cases. In cases where a person is a member both of a supply and of a credit society, the credit society pays his bills and debits his account with the amount, thus ensuring cash payment to the supply society, and reasonable terms for the borrowing member.

Most of the societies are affiliated both to the Central Supply Associations, and to a Central Bank, and usually settle their accounts with their wholesale agency by means of an order on the bank, which allows them an overdraft on favourable terms. Full statistics as to the development of these societies will be found in Mr. Cahill's Report, together with a description of individual societies which he personally visited.<sup>1</sup>

### WHOLESALE SOCIETIES.

Federation has been thoroughly worked out in Germany. Every Province of the State has one or more Central Organizations, and these in their turn are affiliated to bodies extending over the whole of Germany. For example, in one year the "Supply Association of German Farmers" purchased 620,000 tons of basic slag, and in 1914 the "Potash Supply Company" made a five years' contract with the "Producing Syndicate" and

<sup>1</sup> *Op. cit.* pp. 161-79.

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purchased 120,000 tons of purified potash salts on most advantageous terms. In some parts of Prussia and Bavaria there is a good deal of overlapping ; in the Rhine Province there are no less than four Central Organizations.

Up till 1909 the Central Bank of the Raiffeisen Federation did a large wholesale business all over Germany ; but in that year the Congress of the Federation voted to establish wholesale societies in each Union area, and in 1911 seven bodies were in existence. There were also various other provincial wholesale societies affiliated to one or other of the National Federations.

The societies dealing with the whole Empire are the Imperial Co-operative Bank (Haas Federation), the Agrarian League (which is not strictly co-operative), the Supply Association, Potash Supply Company, and Central Machinery Purchase Office. The last three societies include the Imperial, or Haas, Federation among their shareholders, and are largely controlled by it.

The tables in Mr. Cahill's Report<sup>1</sup> give in convenient form practically all the details required to show the usual methods by which the various wholesale societies work.

It may be noted that most of these societies have not any rules in force compelling the affiliated local societies to deal with them, except occasionally in certain classes of goods, such as basic slag and potash. It seems that they suffer, to a large extent, from lack of loyalty on the part of their members, which considerably weakens their position. It may be

<sup>1</sup> *Op. cit.* pp. 174-8.

## G E R M A N Y

noted from the tables referred to that the central institutions require prompt settlement from their customers ; and, furthermore, that most of them oblige their members to pay up in full all the shares which they take. In spite of this, however, although they have built up considerable reserve funds, their borrowed capital still amounts to nearly two and a half times their owned capital. This money is usually borrowed from the Central Co-operative Banks, which allow them a fixed credit, based, as a rule, upon the amount of collective liability of their members. Some central societies also accept deposits from members. Both the periods of credit and the rates charged on overdue accounts correspond closely with those of ordinary business firms.

### DAIRYING.

Although co-operative creameries do not play as prominent a part in the German co-operative movement as they do in Denmark, they have, nevertheless, developed very rapidly. In 1912 there were about 3,500 of these societies, with a membership of over 300,000 persons, in addition to a considerable number of unregistered societies. The value of the produce sold by 1,525 societies reporting in 1910 amounted to over £11,000,000.

These dairies are of three kinds, the most numerous being the usual type, which make butter and return the separated milk to suppliers ; in the second type the separated milk is made into cheese, and also used for pig-fattening, while in some districts the dairies only separate the cream and forward it either to a central dairy or to a town.

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These societies differ from the Danish ones, in that the capital required is partly raised by means of shares, the usual provision being that members should take a number of shares in proportion to the number of cows owned by them. The initial capital required for a large creamery is estimated at from £1,500 to £2,400. This money is frequently borrowed from the Central Bank of the Provincial Union, on the basis of the liability undertaken by members. There has been a tendency of recent years to adopt limited, rather than unlimited liability; but, notwithstanding this, in June 1912 66 per cent. of the existing creameries still had unlimited liability.

It should be noted that the Imperial Federation recommends in its Model Articles that shares should be fixed at no less than £50, and that the full amount should be paid up within ten years. In actual practice, however, this principle is hardly ever carried out, and in 1909 there were very few societies whose shares exceeded £5 in nominal value. Most societies make their members give from eighteen months' to two years' notice of withdrawal of share capital, particularly in the period before there has been time to accumulate large reserves. Reserve funds are of the greatest importance to a creamery, which may easily be crippled by the withdrawal of a number of its suppliers, and most of these have both special and working reserves, the former being built up from entrance fees, which are frequently as high as from £5 to £25 after the first few years. The Imperial Federation recommends the placing to reserve of at least 10 per cent. of the net profits

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until the total amounts to 20 per cent. of the total working capital.

Many Unions refuse to take part in organizing a society while less than 300 cows are available. In all cases members are bound, under penalty of fine, to deliver to the dairy all their milk except that required for domestic use. Collection of milk is undertaken in some cases by the society; in others, it is delivered by the members themselves at stated times. The milk is paid for in proportion to the fat-content, and is regularly tested. Most dairies pay their members once a month, but in many cases payment takes place once a fortnight.

These societies often add many other forms of business to their original functions. In districts where there is no Supply Society they usually sell farm requisites, and in 1911 there were 393 dairies affiliated with Central Supply Associations. In addition to this, in 1910 179 dairies had grist mills attached to them, and others had bakeries and similar establishments. A considerable exemption from taxation is allowed to those dairies which deal only with their members, and details as to this will be found in Mr. Cahill's Report, which should also be consulted for statistics of share capital, liability, etc.

Centralization of dairy societies has not developed as rapidly as might be expected in Germany. There are a few Unions—notably one in Pomerania—which carry on auditing and advisory business and also organize the purchase of dairy requisites and dairy produce. Very little, however, has been done on the whole in the direction of centralized selling

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of butter. Far the largest agency doing this business is the North German Butter Selling Union, with headquarters in Berlin. In 1910 the sales of the Union totalled more than £8,000 and the average price paid for butter was 13'8d. per pound, as against the average Berlin quotation for No. 1 butter of 13'5d. per pound.<sup>1</sup> The official figures for 1910, however, show that less than 5 per cent. of all registered dairy societies were affiliated to central organizations of this kind.

### OTHER FORMS OF CO-OPERATIVE SOCIETIES.

#### 1. *Corn-selling and Granary Societies.*

These societies have been largely promoted by the State in various parts of Germany with the obvious intention of creating depots from which the Government might draw supplies in case of emergency. £150,000 was voted for this purpose in 1896 by the Prussian Parliament, and a further £100,000 in 1897. With this money granaries were built and leased to co-operative societies, but the results were very unsatisfactory, and of recent years these granaries have not, as a whole, been in a flourishing condition. Mr. Cahill summarizes the defects as follows: Technical defects in the machinery equipment; unnecessarily large sites; bad choice of sites; too large areas for societies; failure to insist upon compulsory delivery; and failure to combine the grain business with other branches, such as the sale of agricultural requirements.<sup>2</sup>

The Bavarian Government has also given great

<sup>1</sup> Cahill, *op. cit.* p. 193.

<sup>2</sup> *Ib.* pp. 193-204.

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assistance to these societies, especially by giving them preferential terms in doing business with State Departments. One hundred and sixty-six granaries have been built in Bavaria at an average cost of £1,000. They have several points of superiority to the Prussian ones. In the first place, they serve much smaller areas ; and in the second place, they are managed by co-operative societies which have other functions.

Steps have been taken also to centralize the sale of grain as far as possible. In Bavaria there is a Union of thirty-five granaries, and in other Provinces the Provincial Central Trading Organizations are usually willing to undertake the sale of grain in bulk. The three outstanding examples of this are the societies at Stettin, Dantzig and Posen in Eastern Prussia, whose turnover in grain exceeds that of practically all private firms in Germany. On the whole, however, it may be said that the organization of co-operative granaries has not proved a conspicuous success from the State point of view, and still less is it to be recommended from the co-operative standpoint.

### 2. *Cattle-selling Societies.*

It is claimed by German farmers that the organization of the cattle markets in Germany does not allow them to obtain the proper price for their animals, and attempts have been made to establish co-operative slaughter-houses on the Danish model ; but these have not met with success, owing, probably, to the amount of capital and business liability required to conduct this business. At present efforts



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are confined to despatch of cattle direct to the markets by organizations. Central depots have been established by various Chambers of Agriculture and co-operative organizations at large markets, particularly at Berlin, where the Central Co-operative Cattle-selling Society has a large market of its own. In 1910 there were 145 local shipping societies with a membership of more than 33,000. The principle on which they work is similar to that of the livestock shipping associations in America, and is sufficiently obvious not to require detailed explanation. The success of the movement can be estimated by the value of cattle sold through co-operative agencies in Prussia, which increased from £1,200,000 in 1906 to over £3,000,000 in 1911.

### 3. *Egg-selling Societies.*

These societies are not as numerous in Germany as might be expected; but it is probable that a large number of eggs are sold through the agency of co-operative societies, which do not exist specially for this purpose. The registered egg societies, in addition to selling their members' eggs, also give considerable attention to the improvement of the breeds and the care of poultry.

### 4. *Electricity Societies.*

These are a very remarkable recent development in the German co-operative movement. In 1907 there were only sixteen of them, and at the beginning of the war there were probably more than 700. Most of these societies represent combinations of persons to obtain electrical supplies by guaranteeing

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a minimum purchase of current. Some, however, erect their own conductors; and a few even go so far as to produce and distribute their own current. They seem to have been extremely successful in reducing the cost of power in rural districts; and Mr. Cahill states that electric light and power for the driving of various forms of machinery are common even in the small villages in some parts of Prussia, where this development has acted as a useful corrective to the shortage of farm labour. He cites an instance of one farmer, whose electric installation saved him the labour of one man and one horse, while costing him only 12s. 6d. a month.<sup>1</sup> In some parts of the country the public authorities have joined forces with co-operative societies in order to make the use of electricity both possible and popular.

### 5. *Co-operative Machinery Societies.*

Of these there were 571 in 1910, most of which were formed for the purpose of purchasing threshing machines and steam ploughs for use in common. In addition to these special societies, a large business in agricultural machinery is done by the supply and dairy societies.

There are also in Germany a certain number of vine-growers' societies, distilleries manufacturing spirit from potatoes, breeding societies, and land purchase societies.

In spite of considerable differences in their objects and in the details of their organization, all German co-operative societies have some common features,

<sup>1</sup> Cahill, *op. cit.* pp. 218-22.

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which are imposed upon them either by law or by tradition. In the first place, the law lays down as essential that every co-operative society should have share capital, but no minimum amount is specified for the shares. For this reason the societies which follow the original tradition of Raiffeisen (who believed in no share capital, but unlimited liability) have still very small shares, in some cases not more than one shilling each. The influence of the Haas Federation has been directed to trying to increase the size of the shares very largely, and to have them fully paid up, but at present it does not seem that this advice has met with much success, and even in cases where the shares are of a large nominal value, only a small part of them is usually paid up, the remaining portion constituting the reserved liability.

Something of the same kind has taken place with regard to the form of liability adopted by the co-operative societies. Since 1889 it has been legal for them to have either limited or unlimited liability, or a third form called "unlimited contributory liability," which is not sufficiently common to need discussion. The early tradition was entirely in favour of unlimited liability, but recently the weight of opinion is favourable to limited liability, particularly in the case of dairying and trading societies. In spite of this, however, the earlier form of society still predominates.

With regard to auditing and supervision, the law lays down that societies must submit to a complete audit at least once every two years. This audit is usually conducted by one of the Unions of the co-operative societies, which have full legal powers for

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the purpose, and is, as a matter of fact, carried out at least once a year. If it is not undertaken by such a Union, application may be made to the local courts to appoint an official auditor ; but it is found that the service of these officials is not nearly so satisfactory or so sympathetic as that of the trained co-operative auditors.

The Unions referred to are federations of co-operative societies which exist in every province purely for the purpose of auditing, supervising, advising, and organizing co-operative societies. They are forbidden to combine these functions with any trade, and should not be confused with the trading federations, although both classes are combined in the national federations previously referred to. The audit given by the Unions is much more than a mere technical accounting, and includes a thorough examination of the position of the society, together with the giving of all necessary advice.

The attitude of the State in Germany has been favourable to the movement for the last twenty-five years. There is no doubt that the Government—particularly in Prussia—has wished to use the societies as a means of organization which will provide them with machinery in times of crisis like the present. Particular attention has been paid to the provision of capital for the credit societies by means of state-controlled central banks ; and in general it may be said that the Government has tried, partly by direct, but still more by indirect means, to gain a good deal of control over the whole movement. The attitude of the central co-operative federations towards this development has

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varied considerably ; and of recent years the leaders of co-operative thought have shown signs of wishing to free themselves as far as possible from Government interference, which has undoubtedly fettered the liberty of the movement. It should be noted, however, that the Government has never directly taken part in the organizing or management of local societies. It is also interesting to observe that there has always been an attitude of hostility on the part of the Government to industrial societies, particularly to the consumers' stores, which are thought to have a socialistic tendency. In spite of this, the German industrial movement has grown so rapidly that it bids fair to rival the much earlier movement in England.

In general it may be said that the modern German movement could not be imitated, as a whole, in England, partly because it is based on a system of credit societies which would probably not find favour among English farmers, and partly because the attitude of the Government is very different to any which would be likely to be adopted in Great Britain.

The beginnings of the German movement were largely based upon social and ethical motives which seem to have died out, to a considerable extent, and there is some reason to think that the future will not show as healthy a development as has taken place in the past.

Finally, it should be noted that the temperament of the German agriculturist responds to organization under discipline, in a way which could certainly not be expected in England.

## CHAPTER IX

### *IRELAND*

**A** PART from a few isolated experiments, the co-operative movement in Ireland made its first appearance in the year 1889, when Sir Horace Plunkett returned from ten years' ranching in America, and made up his mind to do something to improve the conditions in his own country.

These conditions were particularly bad. Throughout the greater part of the country districts in Ireland the population were almost entirely in the hands of a bad type of combined tradesman, publican, and money-lender known locally as the "gombeen" man. It was his practice to supply the peasants with their requirements on a credit basis, and also to take their produce from them by way of exchange. As many of the persons concerned could not read or write properly, and were absolutely unacquainted with book-keeping, it can readily be seen that they were entirely in the hands of the middleman. There is no doubt that some of these gombeen men were the only thing that kept the peasantry alive in times of stress; but, on the other hand, a large number of them grew rich on extortion. In any case, whether the gombeen man in a particular district was good

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or bad, it is obvious that no sound economic conditions can exist under such a system.

Nor was this the only hardship which the Irish farmer suffered. The land reform of the British Government was at that time only in its infancy, and a great part of the land of Ireland was used for grazing ranches in the hands of absentee landlords.

Furthermore, there was no separate Department of Agriculture for Ireland, and the technical instruction provided for the people was of the scantiest possible nature.

Sir Horace Plunkett set himself to fight against these conditions by means of a considered policy. He foresaw that the time was not far off when the land of Ireland would pass into the hands of small farmers—as indeed has happened as a result of the famous Wyndham Act of 1903, which has already brought about a transfer of nearly 80 per cent. of Irish farm land to small owners.

He also realized that when this transfer took place, it would not be satisfactory in its effect if it was not backed by some system which would enable the newly created smallholders to obtain advice and assistance, not only in the cultivation of their land but also in the actual conduct of their business.

To meet this need he formulated a policy which has been persisted in ever since and has had, as will be seen, most beneficial results.

Briefly stated, this policy consisted in the creation of two bodies—a State Department of Agriculture for the giving of technical instruction in the production of crops, and a voluntary organization

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whose business it would be, working hand in hand with the State Department, to instruct the farmers in the principles of combination for business purposes. Sir Horace Plunkett was the first man to state clearly the limitations of Government action in the organizing of farmers, and to formulate a policy for co-ordination between a State Department and a voluntary agency. For this reason the Irish movement, which has always maintained its original theory, although the practice has been subjected to many difficulties, has been the subject of much study on the part of inquirers from other countries.

There is a certain element of tragedy in the actual working-out of the situation. After five years of effort, a voluntary body was founded in 1894 under the name of the Irish Agricultural Organization Society. Two more years culminated in the calling together of the "Recess Committee," so called because it sat during the Parliamentary Recess. This was a non-official body under the chairmanship of Sir Horace Plunkett, which included well-known Irishmen of all political parties and which met for the purpose of formulating an agricultural policy for Ireland.

Inquirers were sent to many foreign countries, and a Report was produced which still ranks as a classic among those interested in such questions.

As a result of this committee's work, a separate Department of Agriculture and Technical Instruction was given to Ireland in the year 1900, and Sir Horace Plunkett was appointed its first executive head.

For some years after this the original policy of



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co-ordination between the Department and the Organization Society was successfully carried out ; and the work received a new impetus and a new justification on the passing of the Wyndham Act in 1903, which presented the leaders of this movement with the most favourable possible field for their work. These excellent prospects, however, were marred by the appearance of political dissensions. The class of small traders, whose power throughout Ireland has been and still is enormous, were able to exert sufficient pressure upon their political representatives to cause them to adopt a hostile attitude towards the Irish Agricultural Organization Society, and, indeed, to Sir Horace Plunkett's general work. In consequence, we find that since 1907 the State Department, under a new head, has so far departed from the original policy laid down as to be openly and notoriously hostile in its attitude towards the co-operative movement. This situation is rendered the more striking by the fact that the Irish Agricultural Organization Society has been receiving during the last two years a small grant in aid of its educational work from the Development Commissioners appointed by the British Government to promote the development and improvement of agriculture in the United Kingdom. Thus the curious spectacle is seen of two bodies—one wholly, and the other partly endowed by the State—each claiming to work in the interests of Irish agriculturists, and yet constantly at variance with each other.

No one familiar with the conditions of Ireland twenty-five years ago as compared with those of the present day could honestly deny the great im-

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provement which has been brought about by the land reform on the one hand, and the co-operative movement on the other. Excellent work has also been done in such matters as the improvement of live-stock, poultry, etc., by the Department of Agriculture. Yet the fact remains that at the present time of crisis, when we should naturally look to Ireland to produce a large part of the necessary food supplies of the British Isles, we find that there is still less than 15 per cent. of the available land under the plough, and that Ireland is still a long way from being able to compete with Denmark as an agricultural country. Co-operators claim that these facts would have been substantially different if it had been possible for the original policy to be carried out during the last twenty-five years.

From the above statements it will be seen that the chief interest of the Irish movement for foreign inquirers lies in the fact that it was the result of a definitely thought-out intention on the part of Sir Horace Plunkett and the small band of men whom he attracted to his work in the early years of the movement. In the beginning co-operative societies in Ireland were undoubtedly organized from the top downwards, and the Organization Society preceded the local societies which are now affiliated with it. But it must be clearly understood that the constitution of this parent body is thoroughly democratic. At the present moment, when over 1,000 societies, with more than 100,000 members, have been organized, the members of the committee, and even the President and Vice-President of the I.A.O.S., are elected annually by the direct vote of the delegates

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of all the affiliated societies. This is a fact worth emphasizing, as there are many people still, even in Ireland, who believe that the Organization Society is a sort of self-elected body which goes about teaching the farmers without consulting them as to their wishes. This view is absolutely unfounded, as every member of every affiliated society has a direct voice in the control of the central body.

The practical achievement of the I.A.O.S. is more remarkable in quality than in quantity. There were in 1916 350 co-operative creameries, with a turnover of £4,500,000 ; 234 agricultural societies, with a turnover of £481,000 ; and 224 credit societies, whose loan capital amounts to £50,000. In addition to these, there are 12 poultry-keepers' societies, 10 flax societies, 27 miscellaneous, including bacon-curing and bee-keepers ; 50 pig and cattle supply societies, which act as feeders for a co-operative packing house in Wexford, and two federations.

The total turnover of the movement is estimated at about £8,000,000, of which, as will be seen, the greater part is accounted for by the creameries. A brief description follows of the method of working and organizing of the chief types of society found in Ireland.

### I. *Creameries.*

The creameries were the first and most successful of Irish co-operative societies. They are organized on a plan similar rather to the German than to the Danish method, having share capital which is allotted to members in proportion to the number of cows kept by them. They do not, however, obtain anything

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like the amount of capital they require from these shares, as the usual practice is to demand only one £1 share for each cow, and to have only 2s. 6d. paid up. The remainder of the capital is raised by means of an overdraft from a bank on the joint and several guarantee of the members of the committee, who have as their protection in case of failure the uncalled balance of the members' shares. By an arrangement with the I.A.O.S. the joint-stock banks in Ireland have agreed to make loans on overdraft to co-operative societies at a uniform rate of 4 per cent. Whether this arrangement will stand the strain of war conditions remains to be seen. It is often claimed that this method of capitalizing societies is unsatisfactory, and it is certainly to some extent unco-operative, as the members of the committee must remain in office so long as they are responsible for the financial obligations of the society. At present, however, appeals to farmers to increase the amount of their share holdings have, as a rule, fallen on deaf ears. There seems to be no real reason why members should not be required to pay up their share capital in full within three or four years. At any rate, it would put these societies on a much sounder basis.

Most of the creameries enforce a binding rule, by which the members contract to bring to the society all the ~~milk~~ which is not required for their own domestic consumption. The validity of this rule has been tested several times in the Law Courts, and at first with varying success; but it seems to be now thoroughly established. Some such rule is, of course, of the greatest importance in ensuring

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continued prosperity for the creamery. It is to be regretted, however, that many creameries in Ireland have a large number of suppliers who are not shareholders in the society. This practice arises occasionally from the action of the original members who wished to limit the benefits of the society to themselves; but more often from the fact that farmers are anxious to get the good prices offered by the creamery, but do not care to bind themselves permanently to it. It is, of course, discouraged by the I.A.O.S., and there is a great deal to be said for prohibiting it by rule.

Although no hard-and-fast rule can be laid down, the usual advice of the organizers of the I.A.O.S. is that a creamery should not be started unless the supply of from 800 to 1,200 cows can be guaranteed within the radius of not more than five or six miles. In places, however, where dairying is carried on by a scattered population over a large area, the difficulty has been got over by the establishing of auxiliary creameries, which merely separate the members' milk, and forward the cream to a central society within easy hauling distance of each of them. These auxiliaries are of two classes. In some cases they are separately managed and registered societies, working in conjunction with the central; and in others they are merely branch establishments, entirely owned by the members of the central society. The latter class are known as "part and parcel" creameries and are, of course, not separately registered on the registrar's list. The auxiliary may be successfully established, provided that it can count on the supply of from 500 to 600 cows.

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The cost of erection of a creamery naturally varies considerably. An up-to-date central creamery building may be roughly estimated to cost about £2,000 to £2,500, fully equipped, and an auxiliary about £1,000.<sup>1</sup>

The method of obtaining this initial capital has been explained above, and the balance sheets year by year provide for writing off the cost of buildings and equipment in the usual way.

The creameries make their payments for the members' milk as a rule once a month, the rate of payment being fixed by the managing committee in accordance with the price of butter during the month, and with the general requirements of the society. Each member is paid in proportion to the amount of butter-fat delivered by him during the month, samples being taken of the milk at the time of delivery, and subjected to a proper analysis. The skim milk is returned to the members, and is highly valued by them for use in the feeding of pigs and calves. This is one of the great advantages which farmers find in a co-operative creamery, as opposed to a proprietary concern. At the end of the year any surplus profits after interest on shares (limited to 5 per cent.), depreciation, and reserves are met, are distributed to the members on a *pro rata* scale.

Many of the creameries carry out other functions as well as that of making butter. The most common of these is the purchasing of agricultural requirements for the members, and in some cases the hiring out of agricultural machinery. Other cream-

<sup>1</sup> Pre-war prices.

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eries have general stores attached to them, and recently there has been a great increase in the number of societies which use the power of their engines to work various forms of crushing and grinding mills for their members. This development should be of great importance to Irish farmers, who at present are frequently deterred from growing wheat and other grain crops owing to the great difficulty of milling them on reasonable terms. Some creameries also make a practice of lending money to their members on the security of their supplies; but this procedure, although in many cases extremely valuable to the members, is liable to lead to abuses, and is not officially encouraged.

The marketing of butter by the creameries has not yet been brought to a satisfactory point, either from a co-operative or a strictly commercial point of view. A body known as the Irish Co-operative Agency Society Limited, with headquarters in Limerick, has been in existence since the beginning of the movement, having been formed for the purpose of marketing the supplies of the co-operative creameries. Although it still does enough business to justify its continued existence, it cannot be said to have taken that place in the movement which was originally hoped for, and it markets at present only a small percentage of the creamery butter. The reason for this is that the society in question, although in itself it is co-operative, is not controlled in any way by the creameries that deal with it, and therefore represents to them merely an outside trading concern. As it is only able to sell on commission, and has to meet considerable working

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expenses, it frequently does not obtain as good terms for its clients as they expect. The consequence is that there is a tendency among creamery managers to make their own bargains, as long as the market is good, and only to resort to the agency when there is considerable difficulty in selling. This naturally makes it much harder for the agency to carry on its business on profitable lines.

The Irish Agricultural Wholesale Society, which will be described later, has recently developed a considerable trade in the marketing of butter and other agricultural produce on a commission basis, and this may have a great effect in improving the position of Irish creameries, when the initial difficulties of this kind of business have been overcome. At present, however, the great majority of creamery managers do their own marketing in Glasgow, London, and other large centres in England and Scotland. As a consequence of this system their produce is frequently in competition, and also there is no regularly established Irish brand. Owing to the further fact that dairying ceases in Ireland almost entirely during the winter as a result of the small amount of tillage farming, Irish butter is unable to command a strong position of its own on the British market, by comparison with the Danish product, which is produced in uniform quality throughout the year, and is marketed through strong central agencies.

To meet these difficulties, great efforts are being made by the I.A.O.S. to popularize what is known as the "butter control scheme," on the lines of what is done so successfully both in Denmark and Holland.



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The essence of this scheme is that all the creameries affiliated to the control should be enabled to produce butter up to a certain guaranteed standard, and to sell it under a brand, which will be well known on the British market. The rules of this scheme (which are self-explanatory) are to be had at the offices of the I.A.O.S., and we need not consider it here in detail. With regard to its practical working, it may be said that great difficulty is found in persuading the creameries that it is worth while to take so much trouble; but there are signs that within the next two or three years it will become more popular, and if so, it cannot fail to bring about a marked improvement in the conditions of the Irish butter trade.

The work of the creameries, however, can never be thoroughly satisfactory, until a system of farming is adopted throughout the country which will ensure an even production of butter during the winter as well as the summer months. For this purpose the I.A.O.S. has been urging the adoption of a system of continuous cropping suggested by an agricultural expert. The technical details of this need not concern us, but it affords a good example of the necessity for closer harmony between the State Department and the voluntary body, as it shows the difficulty of drawing the line between technical agricultural advice and co-operative organization.

### *2. Agricultural Societies.*

The most important trading societies after the creameries in Ireland are those which go by the name of Agricultural Societies. The primary object

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of these societies, of which there are at present 225, is to purchase in bulk the seeds, fertilizers, food-stuffs and other agricultural requirements of their members, thus affecting a considerable saving, not only by buying at wholesale rates on favourable terms, but also by assuring themselves of a good quality of materials.

Considerable economy in distribution, freights, etc., is also effected by these societies. An objection to many of this type is that they meet only once or twice in the year, and practically go out of existence in the interval, when their members are not in need of such purchases. It is consequently difficult to get the members to take an interest in the affairs of the society beyond the actual purchasing operations, and occasionally societies decay for this reason. They also find it difficult to get payment from their members until the article which has been purchased has given some use. Thus, a man who buys fertilizer expects not to have to pay until the crop comes up. Consequently, it is hard for the societies to pay promptly their debts to the wholesale agency with which they deal.

For these reasons it would be desirable to combine some other occupation with this original function of the agricultural societies. There has been considerable discussion as to whether they should be encouraged to take up the functions of a credit society; but in the present state of the law there are difficulties in the way of carrying out this plan. Authorities are not agreed as to whether it would be desirable to try and combine credit and trading operations.

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Another opportunity of development for these societies is to combine with their agricultural business the ordinary business of a country store, providing their members with tea, sugar, and all other ordinary household requirements. In the struggle for deliverance from the gombeen man, the smaller farmers felt the need of such stores very keenly, and in places where they have been established in conjunction with an agricultural society considerable success has usually attended the experiment. At the present moment, however, owing to the influence of the small traders on the policy of the Government, to which we referred previously, it has been made a condition of the grant given by the Development Commissioners to the I.A.O.S. that the latter body should not take part in promoting or advising societies for other than purely agricultural business. This unfortunate restriction has undoubtedly curtailed the usefulness of the agricultural societies in many districts; but many of them, after having been organized for agricultural purposes, have added stores to their business, without calling upon the I.A.O.S. for assistance. They are able in these cases to get advice and guidance from the Irish Section of the Co-operative Union, which is the body which performs for the industrial societies something of the same services as does the I.O.A.S. for the agricultural ones. The agricultural societies are similar in the details of their working to the creameries. They have, as a rule, even less capital of their own, but, of course, they do not require expensive buildings.

With the recent movement for increased tillage

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which the I.A.O.S. has promoted, has come the demand for up-to-date machinery, and a new form of agricultural society has been introduced in some districts, under the name of Co-operative Implement Societies. The societies obtain an overdraft from the bank, and purchase expensive machinery which is beyond the reach of the members as individuals. The society then hires out the machines to the members at a fixed rate, which suffices, in the course of two or three years at the most, to pay off the original cost of the machinery. The member who has the most tilled land has the first claim on the machines he requires, and must pass them on to the next man at the end of a certain period. In some of the poorer districts of Ireland, the introduction of these societies has already resulted in a very marked increase in the area under tillage. In many places the functions of an implement society have been taken up by an existing agricultural society, thus getting over the difficulty mentioned before. In other cases the work is being done by a creamery.

### 3. *Poultry-keepers' Societies.*

There are now in Ireland eighteen poultry-keepers' societies, which exist solely for the purpose of marketing eggs and poultry for their members. Their turnover in 1916 reached £118,000, and their trade has increased considerably in the last few years. There has, however, been a larger percentage of failure among these co-operative societies than in any other branch of the movement. This is due partly to the fact that it has been very difficult to persuade the farmers to introduce any form of standard-

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ization into their poultry and egg trade, and partly to the fact that the women of the household regard the eggs as their natural perquisite, and prefer to barter them for various articles offered by travelling pedlars, rather than to hand them over to a co-operative society managed by a man. Efforts are being made to organize the women by means of the United Irishwomen's Society, which acts as a feminine adjunct to the I.A.O.S.; but it is probable that the solution will rather be found in the increasing of the scope of agricultural societies and stores, to include this business. Meanwhile, many creameries undertake the sale of their members' eggs.

### *4. Bacon-curing Societies and Packing-houses.*

Of these societies there is one extremely successful example at Wexford, which had a turnover of £110,000 in the year 1916. This society handles cattle and hogs of the members of fifty small societies in the surrounding country, and has placed the members of this district in an absolutely independent position in regard to the sale of their fat stock. The bulk of the business so far has been with cattle, owing to the bad conditions of the bacon trade; but preparations are being made for opening a large business in bacon-curing.

In the by-products department the society is producing fertilizers, beef-suet, oleo oil, stearine, soap, etc. It also puts on the market pork-pies, sausages, tongues, etc.

A bacon factory in Co. Tipperary is also conducting a successful business after several years of very severe struggles, and is now in a position where it

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is able, in addition to its regular business, to supply the whole of the neighbouring town with electric light.

There are four or five other societies doing the same business on a much smaller scale, but successfully supplying their members with bacon for home consumption, and thereby counteracting the uneconomic habit which has prevailed in the country of exporting Irish bacon and substituting for it a cheaper article from Chicago.

### 5. *Flax Societies.*

A certain number of these societies have been established in Ireland for many years, but difficulties in regard to labour and the provision of seed, as well as the extremely uncertain profits of the crop in Ireland, have made it inadvisable to attempt any expansion in this direction.

### *Irish Agricultural Wholesale Society.*

In the year 1898 the Irish Agricultural Wholesale Society was established in Dublin, and began business for the benefit of the local societies, on a very small scale. Its object was similar to that of practically all co-operative trading federations, namely, to supply affiliated societies with the goods which they retailed to their members at rates as low as possible, and of guaranteed quality. Its business has expanded rapidly, with the addition of a grocery department, a banking department, and various new trade departments, so that it is now in a position to supply its members with practically everything that they can require, and also to market on a commission basis such agricultural produce as butter,

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eggs, honey, etc. The Wholesale has been successful, among other things, in ensuring to the farmers a reduction of 50 per cent. in the price of guaranteed manures, which at the time of its foundation were handled by a ring. It was the first body in Ireland to give a guarantee of purity and germination of its seed, and by this means it brought about something like a revolution in the seed trade of this country. It gives the lowest rates for reliable feeding-stuffs and also for up-to-date machinery, and carries a full stock of hardware, both agricultural and domestic. Its advent in the trade of dairy machinery was accompanied by a reduction in prices of nearly 10 per cent., which proved of the greatest possible value to the co-operative creameries. By its grocery department it broke through a boycott which threatened to extinguish the poorer societies doing this trade.

Finally, it performs the very useful function of marketing produce for the societies on a very low commission, with a guarantee against bad debts; and for this purpose it has representatives in the chief distributive centres of Great Britain.

Through its banking department it offers facilities for depositing money, either on deposit or current account, at reasonable rates, and also advances a certain amount of money on overdraft and on good security to its members.

These activities suggest that the Wholesale deserves the support of the movement, and that it should fill a very important place in Irish agricultural economy.

We find, in fact, that it has developed from a turnover of £50,000 in 1905 to one of more than

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£500,000 in 1914, which must be considered a very satisfactory accomplishment. During the whole of this time it has been making a reasonable profit each year, and paying a dividend of 5 per cent. on all its share capital; it has built up a reserve fund of £5,000, while depreciating its buildings and plant on a conservative basis.

The members of the Wholesale are of two kinds—registered societies which are eligible for ordinary membership and must take one £1 share for each member on their books, and preference shareholders who have to subscribe for ten fully paid-up £5 shares in order to obtain membership. In the case of the shares held by the societies, 1s. only is paid on admission, and the balance cannot be called up except in the case of the Wholesale going into liquidation. Preference shares are fully paid up, and both kinds receive 5 per cent. dividend. The society is managed by ten directors, of whom six are elected by the ordinary members, and four by the preference shareholders. The Wholesale does business only with societies and not with individuals, although the preference shareholders may deal with it if they are able to buy sufficient quantities to justify the transaction. The membership of the Wholesale in 1916 consisted of about 300 societies and 120 preference shareholders; its paid-up capital was £16,000, of which £9,000 was subscribed by the societies. The turnover during the year was £480,000.<sup>1</sup>

The greatest difficulty with which this society has been faced is that of obtaining a capital commensurate with its operations. At present it is compelled

<sup>1</sup> Now (1918) increased to over £800,000.



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to obtain a considerable sum of money on the guarantee of some of its more wealthy directors. Various schemes are now being thought out with the intention of remedying this defect. One of the chief reasons for the necessity of more capital lies in the fact that the affiliated societies are slow, as a rule, in making their payments to the Wholesale, and the amount appearing on successive balance sheets under the heading of "outstanding accounts" is out of proportion to the turnover of the society. This must be considered to show a low standard of co-operative loyalty on the part of local societies, which can only be got over by a strenuous educational campaign ; and considerable work is now being done in this direction.

Further details may be obtained from the rules and balance sheet of the Wholesale, or from the I.A.W.S. Offices, Dublin.

### *The Irish Agricultural Organization Society.*

As has been stated, the Irish Agricultural Organization Society is practically a central committee for the local co-operative societies, providing them with advice, inspection, and auditing, as well as organizing new societies wherever there is a demand for them. The committee and officers are subject to annual election by delegates of affiliated societies, and by those individuals who subscribe to the I.A.O.S.

The funds of the society are derived from the following sources :—

1. The affiliation fees of local societies, which are calculated roughly on the basis of 10s. for every £1,000 of turnover ;

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2. Special subscriptions from said societies which are of a voluntary nature, and are frequently raised by withholding a very small sum from the amount paid to members of creameries for their milk during certain months of the year ;

3. The subscriptions of individuals interested in the movement, who become nominal shareholders in the I.A.O.S. ;

4. A Government grant from the Development Commission, which is based on the amount voluntarily subscribed ;

5. The fees paid to the auditing department for services rendered in auditing the books of local societies. This department, which employs six or seven chartered accountants, and does its work at reasonable rates and very thoroughly, is practically self-supporting.

The funds derived from all these sources do not, as a rule, amount to more than £12,000 in a year ; and this amount is at present scarcely adequate to keep pace with the demands for service from affiliated societies, and from new districts where societies are badly needed. It is regrettable to find that the tremendous services which the I.A.O.S. has rendered to the co-operative movement in Ireland do not meet with more reward at the hands of the farmers who have profited by them. It has been calculated that the average contribution made by co-operative farmers to the I.A.O.S. does not exceed 2d. per head. This is a very small return when we consider that

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probably £125,000 have been voluntarily expended in the education and organization work done during the last twenty-five years.

The history of the many struggles through which the I.A.O.S. has passed, and of its controversies both with trading interests and with political parties, as well as its recent battles with the State Department of Agriculture, must form a fascinating study for any one interested in such questions. We cannot here enter into these matters; but the history can be traced in the reports of the society and the pages of *The Irish Homestead*.

It will be noted that in the above account of the Irish movement no mention has been made of the co-operative credit societies. There are some 190 of these in existence, but these societies are so much similar to the Raiffeisen credit societies of Germany and other countries, that they do not require special study. It may also be mentioned that the present condition of the credit movement in Ireland does not give complete satisfaction to the friends of co-operation, and still less to its critics, and it is probable that a new type of society better suited to present-day requirements may be evolved in the near future.

It should also be noted that the collective marketing of produce, except in respect to the creameries and a certain number of packing-houses, plays a small part in the Irish movement. The chief reason for this is, of course, that there are very few crops to be marketed in Ireland, as most of the farming produces either milk or cattle. It is also felt, however, that collective marketing cannot be undertaken with success until all the other branches of the

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movement are thoroughly well established in the country.

The chief interest of the Irish movement for foreign inquirers must be the underlying theory and the methods by which the principle of association has succeeded, and has brought with it comparative prosperity under extremely difficult conditions, and in spite of continued hostility of Government agencies.

## CHAPTER X

### *THE UNITED STATES*

THREE things are apparent to those who have followed the development of co-operative organization among farmers in European countries. In the first place, the elementary form of organization in most countries has been the credit society, and everywhere, except in Denmark and perhaps Ireland, this form of society has played a very important part in the farmer's life. Secondly, all these movements have been, to a greater or less extent, guided and controlled by strong central associations, either in the form of trade federations or of advisory unions, or of a combination of the two. Thirdly, comparatively little has been done in the way of direct marketing of crops. The only line in which the handling of produce has developed has been co-operative dairying, although a certain amount of success has attended the operations of co-operative packing-houses in some countries. Grain-selling by farmers' organizations has not, as a whole, been found to be particularly successful—at any rate, without a considerable amount of State aid.

When we come to consider the movement in the United States, however, we find quite a different

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state of things. Personal credit of the Raiffeisen or Schulze type is practically unknown. There are no powerful federations of the type familiar in Europe, and finally, the most striking results in co-operation have been achieved in the direction of collective marketing of grain, fruit, truck, and live-stock by farmers' associations. The reason for this last difference lies, of course, in the fact that the system of farming prevailing in the United States results in the necessity of marketing actual crops on a large scale, which is comparatively rare in Europe. The same largeness of farms makes personal credit in most parts of the States less necessary than it is to the smallholders of Europe ; and finally, the great extent of the country, and the wide differences of conditions in various parts have made it difficult to create any centralized control.

We may deal first with those forms of co-operation existing in the United States, which are more or less similar to those in European countries. A large number of co-operative creameries have been organized during the last twenty years, whose main plan is very similar to that adopted in Denmark, Germany, and Ireland. The greater number of these creameries are to be found in the State of Minnesota, particularly in the counties within more or less easy reach of Minneapolis. Practically every small town on the line from Minneapolis westward towards the Dakotas can boast of its co-operative creamery, and also of an elevator owned by farmers.

The great majority of these creameries have no share capital, having been built and equipped by the collective guarantees of the members, as is done

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in Denmark. Some of the more recently organized, however, have adopted the Irish method of issuing shares to their members, in proportion to the number of cows held by them, and raising the remainder of the capital on loan. In all cases, the same rules with regard to voting and distribution of profits are carried out as prevail in Europe. Opinions differ as to the legality of binding members to bring all their milk to the creameries, but this is usually accomplished by means of an ordinary form of contract which the member signs for a period of years. The majority of the creameries appear to work smoothly, and to be extremely profitable to their members, and they seem to have no difficulty in holding their own against the competition of the centralizers. There are estimated to be more than 1,500 of them in the State of Minnesota alone, and there are also a considerable number of similar societies in Wisconsin. The weak point of these creameries appears to lie in their failure to federate for the purpose of marketing their produce. — Attempts have been made in this direction, but so far no strong federation has appeared. On the other hand, owing to the excellent system of inspection by the State which prevails in Minnesota, and the issuing of a special State brand guaranteeing the quality of the butter, there is little difficulty in obtaining a good price on the market. A creamery which the writer visited in Litchfield, Minnesota, sold practically all its large output of butter privately, many of its customers being many hundred miles distant from it. The success of these creameries must be largely attributed in the first place to the efforts of Professor

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Haecker of the Dairy Division of the State College of Agriculture, who organized several hundred of them nearly twenty years ago ; and in the second place to the large number of Scandinavian immigrants who have settled in the State, and who thoroughly understand both the principles of association and also the most scientific and economic methods of butter production.

Another successful group of creameries is to be found in Tillamuck County, Oregon. These creameries have a federation which markets their butter, and have been extremely beneficial to the dairy farmers of the neighbourhood ; but they are largely organized on a joint-stock basis, although more or less co-operative in their intention.

Isolated creameries of this kind exist in practically all the dairying districts of the United States. They present many differences of organization, but it may safely be said that had those who organized them understood the methods practised in Denmark and Germany, they would undoubtedly have adopted one or other of these principles, and would probably have been more successful than many of them are at present. If they are to compete successfully in the future with the large centralizing companies, it will be necessary for them to standardize their methods and to overcome local jealousies, in order that they may federate both for trading and advisory purposes, at any rate within the limits of the State in which they are situated. The necessity of federation for the purposes of advice and supervision is even greater than for trade. At present the auditing of these societies is usually carried out by members



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of their own committees, and is frequently extremely unsatisfactory. As a result of this, a tendency is growing up to rely for business advice upon the agents of the newly-formed Office of Markets and Rural Organization in Washington. We shall later give reasons for believing that it is impossible for a Government Department satisfactorily to undertake this work, and in spite of great zeal which is being shown by this Office at the present time, it seems unlikely that a proper solution of the difficulty will be found in this way.

Sheboygan County, Wisconsin, has recently carried out a revolution in its cheese industry which has attracted considerable attention. Up to a few years ago the cheese producers of this district were in the hands of the Plymouth Cheese Board, which fixed the price of Sheboygan cheese practically entirely. In 1911 the producers got from 5d. to 6d. a pound, which meant that their milk brought them less than 1d. a quart. The same cheese cost the consumer 1s. to 1s. 2½d. a pound; and it was calculated that during this year farmers lost over £80,000, owing to the suppression of all competition. In the beginning of 1912 Henry Krumrey, a former State Senator and a large producer of cheese, called a meeting to consider this state of things. As a result of this meeting and his subsequent efforts, there are now forty-five co-operative cheese factories in the County, with a federation which rents from another farmers' company a large warehouse in Plymouth, and sells all its members' cheese in this way. The net weight of cheese disposed of by the federation in 1914 between April 1st and December 31st was over

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6,000,000 pounds, and the sales realized £177,500. It has been a remarkable triumph for the co-operative principle ; but it should be noted that very few of these cheese factories belong to the farmers. The factories are owned by private cheesemakers, who are paid per pound for making the cheese, and it is only the selling which is done co-operatively. It would seem that this system should be changed, but at present there are only six real co-operative factories, and there does not appear to be much prospect of a change in the near future. The general comment suggested by this experiment is that the spirit of the leaders is excellent, but that co-operation is not fully understood or practised by the majority of the farmers.

The middle west contains also a large number of live-stock shipping associations, which are more or less loosely organized by members of the American Society of Equity and other similar bodies. Thus, at Ellsworth, Wisconsin, 318 carloads of live-stock were shipped in 1915 to St. Paul to one commission man, with a tremendous saving of expense to the farmers and with considerably increased prices. It has been found, however, that this does not by any means solve the difficulty of disposal of live-stock, as the problem really is to avoid the Beef Trust on the central markets. For this reason great efforts are being made to establish co-operative packing-houses. Several of these have already been organized in Wisconsin, but they cannot be said to have been a success ; and the reason for this may be directly ascribed to the fact that the leaders of the American Society of Equity have employed ordinary company

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promoters to sell shares in them at a considerable premium. In one case such a promoter was getting 25 per cent. for himself on every share of stock sold. The result of this kind of thing need not be dwelt upon. Other mistakes have also been made in the taking over of old buildings and plant at an exorbitant price, and; in general, the attempts made so far have done a considerable amount to discredit co-operative activity. However, the writer visited a new packing plant at Wausau, which was organized largely on the lines described in Wexford, and seems likely to succeed where others have failed. It will be fed by a large number of shipping associations organized in affiliation with it.

In addition to these forms of co-operative activities there are a large number of warehouses and elevators which usually spring up at the same centres as the creameries and live-stock shipping associations, so that many of the small towns are complete co-operative organizations. One of the best examples of this is to be found at River Falls, Wisconsin, where, under the leadership of a successful Norwegian farmer, Mr. Hansen, farmers have organized a creamery, a laundry, an elevator, a warehouse and a live-stock shipping association, in addition to co-operative purchase of food-stuffs, binder twine, etc. The warehouse exists mainly for the purpose of selling potatoes for the farmers. All these concerns are purely co-operative in accordance with European ideas, and all of them seem to be thoroughly prosperous. The laundry is the only one in the town, and does a good business; the creamery is also without competition, and the elevator has already destroyed one out of

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its three competitors. It may be noted, however, that even in this progressive community, cabbages might be seen rotting on the ground, as the market price for them was  $\frac{1}{8}$  of 1d. a pound.

We may now pass on to consider two systems of co-operative marketing which are more highly developed in the United States than in any other country, namely, grain on the one hand, and fruit and truck on the other. The marketing of grain has for many years been a subject of great interest to the farmers of the middle western States in particular, and has given rise to much heated controversy. Constant charges have been made, both against the companies which control the line elevators and against the Chambers of Commerce or Boards of Trade which have practically a monopoly of the central grain markets in such cities as Minneapolis, Chicago and Duluth. The attention of the Federal Government has been frequently directed to these matters, and many inquiries have been held into the whole system; at the present moment experts in the employment of the Office of Markets are investigating conditions in the various grain-selling centres. Meanwhile, the farmers throughout the grain region have largely decided to take the matter into their own hands, and there are at present in existence several thousand elevators controlled by farmers and working in opposition to the old line companies.

Of these farmers' elevators, many are really joint-stock companies, some of which are only nominally worked in the interests of farmers, while others are co-operative in intention but not in form. There are also a very large number which have

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some co-operative features, such as the limitation of voting to one vote per head, while in other respects, such as distribution of profits or the restriction of membership they follow ordinary joint-stock principles. There are, however, a very large number of truly co-operative elevators, and this number is increasing under the influence of propagandist work.

A serious difference of principle has arisen on the question of federating these local elevators for joint sale on the central markets. One party holds that it is unwise for farmers to undertake ownership of a central office with a terminal elevator of its own, owing to the great difficulties of such a business in unskilled hands. The other party claims that the erection of local elevators does very little to solve the farmers' problem, and that the grain from these elevators, so long as it has to pass through the hands of commission men, is subject to almost as much extortion as was the case formerly.

There is, undoubtedly, a good deal to be said for both points of view; but it is unfortunate that controversy between the two parties has been terribly embittered by the introduction of political and personal questions, so that the various papers representing the different points of view spend more time in abuse of their opponents than is consistent with the principles of constructive co-operation.

Upholders of the policy of non-centralization are represented by the "National Co-operative Association," with headquarters in Chicago. This organization claims to represent 3,000 local co-operative elevators, distributed mainly through the States

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of North and South Dakota, Minnesota, Iowa, Illinois, Nebraska, and Kansas. Each of these local societies pays £4 in dues per annum to a State association, to which it is entitled to send five delegates. The organized States possessing such associations send, in their turn, two delegates each to the National Council, to which the local societies pay from 8s. 4d. to £1 per year in dues, according to the needs of the Council. Side by side with the Council is the *American Co-operative Journal*, the shares in which are owned by individual co-operators. This journal is at present earning profits, and represents the views of the affiliated societies.

The criticisms made against this organization are that not by any means all of the 3,000 elevators are co-operative in form, while some of them are not even co-operative in intention. For instance, at Litchfield, Minnesota, the farmers' co-operative elevator, which is affiliated to the National Council, is said to be really owned by a few business men and large farmers, and to be working in collusion with the line elevators in the same place. So much is this the case that an independent co-operative elevator has been started in competition with it, and appears to be flourishing. Secondly, it is stated that the farmers do not get relief from these elevators, owing to the fact that the grain is sold through the usual commission men on the Chicago market, without any co-operative competition. Opponents of the organization point to the fact that the *American Co-operative Journal* is made prosperous by the number of advertisements of commission men it carries, and claim that this is evidence that its editor

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is in alliance with the "interests" of Chicago. It is further urged that this system results in unwillingness to encourage the farmers' societies to go in for co-operative purchase of their requirements. •

The opposing party is represented largely by the members of the American Society of Equity, who have adopted with great enthusiasm the principle of a farmer-owned terminal elevator. These farmers first attempted to gain representation on the Minneapolis Chamber of Commerce; but after considerable quarrels they removed their headquarters to St. Paul, which had not hitherto possessed a grain market. They were welcomed by the business men of St. Paul, who hoped to divert some portion of the grain trade from Minneapolis. The remarkable result has been that the Grain Exchange of St. Paul now consists entirely of the Equity Co-operative Exchange, which is run by and for farmers, and is about to enter into possession of a large terminal elevator specially built for it. A full report of the methods pursued by this exchange is to be found in the publication called *The Grain Growers' Text-book*, published by the Equity Co-operative Exchange, St. Paul. The plan of organization is largely modelled after that of the Grain Growers' Grain Company, Winnipeg, whose business the exchange hopes to emulate. The exchange has not yet been long enough in existence to make it clear whether it will be successful or not. The chief criticism to be made against its system of organization is that it is an association of individual shareholders, rather than a federation of co-operative elevators, which would seem to be a sounder principle. The violence of

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many of its principal supporters has led to a belief that its financial management would be of the "wild-cat" order, and in the course of its preliminary struggles it has passed through many serious controversies, both of a legal and political character.

It is impossible, in these circumstances, for an outside observer to determine which of these rival organizations is really proceeding on the sounder basis. There can be little doubt that the theory of the Equity Co-operative Exchange is the right one ; but, on the other hand, there may be considerable force in the criticism that the time is not yet ripe for such an extremely difficult experiment.

The recent proceedings of the Farmers' Equity Union, an offshoot from the American Society of Equity, whose chief strength is to be found in the more southern States of the middle west, from Kansas to Colorado, are an interesting illustration of a half-way position. This Union has organized many local co-operative societies both for the purchase of requirements and for the marketing of grain, and its members appear to be inspired by sound co-operative spirit. Recently the elevators have begun to feel the need of federation ; and at a meeting held in the beginning of February 1916 it was decided to create a federation which would purchase a seat upon the Kansas Grain Market. The members of the Board of Trade professed the greatest willingness to welcome the new society to their ranks ; but, in view of what has happened elsewhere in similar circumstances, many of the members are doubtful whether this harmony will last long enough to make the experiment a success.



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In addition to these elevators, which are more or less controlled by one or another central organization, there are a large number of independent co-operative societies, such as the one at Litchfield, which market their grain independently, and apparently attain considerable success. Many of them act as purchasing agencies for the requirements of their members in the way of binder twine, coal, and similar articles. The whole subject of the marketing of grain, however, can be studied best in Saskatchewan and Alberta.

The marketing of fruit in the United States affords the most successful example of direct co-operative marketing known at present, namely, the California Fruit Growers' Exchange. This organization is so well known, both from its practical success and from the writings of its manager, Mr. Powell, that it is scarcely necessary to enter into detailed description of it. The following facts, however, are summarized from a pamphlet issued by the United States Department of Agriculture in July 1913, being a report of a conference on the organization and conduct of a market service, before which Mr. Powell gave evidence.

The need for organization arose out of the fact that while the California citrus fruit industry was rapidly expanding, the growers remained entirely in the hands of the buyers, who constantly defrauded them, both in the matter of weight, prices, and information. When the production amounted to only 5,000 carloads, as against the present 45,000, it was believed that over-production was imminent; but gradually the growers realized that by organization

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they could create a market at good prices for an almost unlimited supply of fruit. They, therefore, began to form local associations with packing-houses and managers of their own for the purpose of collecting and standardizing the produce of their members. It very quickly became necessary to federate these local organizations, in order to ensure quick and uniform distribution of the whole crop on the markets. The federation thus formed was finally established in 1905 under the name of the California Fruit Growers' Exchange. It has 17 district exchanges, with about 120 local associations of from 40 to 200 members each, and acts as a clearing-house for 7,000 growers, distributing nearly 65 per cent. of the total crop on a cash basis.

The local associations are usually organized as non-profit corporations without capital, a Board of Directors who serve gratis, and a paid manager. If formed as a stock corporation the association usually accumulates no surplus and pays no dividends except the usual rate of interest. It owns a packing-house where the fruit is collected, graded, packed, pooled, and prepared for market. Most of the associations have assumed control of the picking as well as the packing, thereby enormously reducing the annual decay of the fruit in transit. It is estimated that the cost of packing has been reduced through co-operative buying of materials and co-operative handling to 1s. 4d. a box for oranges and 2s. 4d. for lemons, as against 2s. 4d. to 2s. 9d. for oranges and 4s. 2d. or more for lemons, which was the cost under the old system. Each local association has its own brand, which appears on the package and the wrapper, along with

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the name of the central exchange. The fruit of similar grades from the various members is pooled each month, and when a carload is ready for shipment it is marketed by the district exchange with the advice of the association through the agents and facilities provided by the exchange. The proceeds are divided among the members in proportion to the number of pounds of each grade shipped in the pool.

The district exchanges are composed of the local associations, and organized in the same way, acting as an intermediary between them and the exchange. They look after the ordering and shipping of cars, and distribute to the locals the information given by the exchange. They also receive the money from the agents, and turn it over to the associations, after deducting the actual cost of handling, which usually amounts to from  $\frac{3}{4}$ d. to 1d. per box.

The central exchange is formed by the district exchanges, having a directorate consisting of one representative from each of these, who serves without pay, and a general manager who has a salary. It is a non-profit corporation, declaring no dividends, and having a paid-up capital of only £340, although it handles nearly £4,000,000 of fruit annually. It is able to obtain large amounts of credit from the Californian banks on the security of the crops over which it has control. The exchange has a legal, an advertising, a traffic, a marketing, and an insurance department. There is also a supply company with a capital of £200,000 held by the local associations, which owns timber lands and manufactures the boxes required.

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Salaried agents are kept in all the principal markets of the United States and Canada, who are in constant communication both with the local buyers and with the exchange. When they receive an offer for fruit they wire the exchange, which in turn communicates with the local association and then replies to the agent, who negotiates with the buyer. At the time of sale the cheque is deposited with the local bank payable to the exchange, and the money, with the necessary deductions for handling, finally reaches the grower through the district exchange and the local association. The whole cost of marketing in 1915 amounted to 3 $\frac{3}{4}$ d. per box, including 1d. a box for the advertising service which has made the "Sunkist" orange famous throughout the world.

It will be seen that the exchange allows full liberty to the local association to fix their prices, and is in itself purely an advisory body, and not a trading agency. In 1915 30,000 cars of oranges and lemons were shipped with an approximate delivered value of £6,000,000, representing 62 $\frac{1}{2}$  per cent. of the total citrus crop of California. The services of the exchange, not only to the growers but to the general public, through popularizing the fruit, improving its standard and steadying the prices, have been inestimable; and it remains a model for similar organizations throughout the world.

There are, however, certain factors which make the marketing of citrus fruit comparatively easy. In the first place, it does not vary tremendously in quality according to the locality in which it is produced; secondly, the whole area of production is comparatively small; thirdly, the growers are mostly

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men of a fairly high standard of business knowledge and responsibility ; finally, it may be noted that the organization was originally brought about by the pressure of absolute necessity, which is always a powerful factor in ensuring success for a co-operative undertaking. The example of this body has been widely imitated throughout the fruit-growing sections of the United States. Thus, Florida has a citrus fruit exchange which at present suffers from lack of enthusiasm on the part of the growers, and can only obtain about 30 per cent. of the crop, but it will, no doubt, grow more powerful every year. The almond growers of San Francisco and the walnut growers of Los Angeles, who have practically a complete monopoly, are doing the same thing on a small scale with tremendous success, and efforts are now being made to organize the sale of peaches, raisins, and prunes in the same way in California. It may, therefore, be said that there is more co-operative marketing to be found in California than anywhere else in the world.

When we come to the apple crop of Oregon and Washington, we find that efforts have been made to accomplish the same thing. Various local associations have been organized on a co-operative basis with tremendous success. The Hood River Apple Growers' Association in particular has made its produce known all over the world with great benefit to the members. But efforts to federate these apple-growers' societies by means of an association called the North Pacific Fruit Distributors, with headquarters in Spokane, have not been by any means successful, and the experiment will probably be discontinued this year.

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The chief reason for this has undoubtedly been the jealousy of the local associations which grow entirely different kinds of fruit, and are more interested in popularizing their own brands than in working in conjunction with other societies. It is also probable that considerably too much money was spent by the central associations in salaries, travelling expenses, office equipment, etc. ; and finally, there has been a great deal of what is known as "fruit politics," leading to bitter personal quarrels. The whole question is now receiving the serious attention of the Office of Markets, and probably a new scheme will shortly be put on foot.

Another system of dealing with fruit which has been adopted is the establishment of co-operative canning factories. Of these far the most successful is situated at Puyallup, between Seattle and Tacoma, and handles practically the whole raspberry and loganberry output of this very flourishing valley. It owes its great success largely to the genius and enthusiasm of one man, Mr. Paulhamus, who has been its manager practically since its foundation. The method of organization is practically that of a co-operative creamery, and the cannery has extended its operations to include collective purchase and a large general store.

Other instances of co-operative marketing are to be found in the Georgia Fruit Growers, the Idaho Potato Growers, and the Eastern Shore of Virginia Produce Exchange. This last association has been highly successful in marketing the produce of the truck farms which cover the small peninsula where it has its headquarters. It is purely co-operative in its methods, but has the form of a limited liability

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company with voting by shares. The following extract from its rules is of interest :—

All members shall be required to market their farm produce exclusively through the exchange—provided, however, that in case any member is offered a price plainly in excess of the market value of goods for the obvious purpose of inducing him to break off his relationship with the exchange, then the general manager shall have authority to direct him to accept such offer without loss of membership rights.

All members violating this bylaw cease to enjoy the privileges of membership, although they may be reinstated by the directors if they declare their desire to become loyal members again.

This question of loyalty is, of course, the most important one for selling organizations, and difficulty always arises as to the legality of binding members in any way. Such a rule as the one quoted, however, exists unchallenged in many societies, while most of the fruit-selling societies simply make their members sign a form of contract each year disposing of their whole crop to the association. In some cases it is understood that a member may sell outside, provided that he hands over all extra profit to the association, or bears his share of the cost of maintaining it. This has been found a powerful weapon against speculators who tried to ruin the society by offering high prices, for in this way they found their offers were accepted and the society suffered no harm.

Another difficulty of co-operative sales lies in the necessity of paying the suppliers promptly, which requires considerable capital. The fruit-selling organizations of the Pacific coast have been very successful

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in overcoming this difficulty by obtaining loans from the banks on the security of their contracts, and this principle seems to go a long way towards solving the question of rural credit.

The majority of collective purchase in the States and a great deal of collective sale is carried out by means of the branches and local associations organized by the large farmers' societies, such as the Grange, the American Society of Equity, and the Farmers' Union. It is extremely difficult to give a clear account of the activities of these organizations, and to some extent there is no doubt that they have hindered more than helped the progress of genuine co-operative societies. They have, however, undoubtedly done a great deal to enable their members to obtain certain commodities.

-In conclusion, it may be said that efforts are now being made to create a National Organization Society, which will perform the same services for the United States as the I.A.O.S. does for Ireland. In view of the great size of the country and the violence of sectional differences, this will be an extremely difficult undertaking, but a good start has been made under the leadership of Dr. Charles McCarthy, of Madison, Wisconsin, and it is interesting to note that the promoters have been largely advised by Sir Horace Plunkett, while the two first organizers each had several months' training in Ireland.



## CHAPTER XI

### *THE STATE AND AGRICULTURAL CO-OPERATION*

**A**S will have been realized from previous chapters, the Government of practically every country with which we have dealt has played a part of more or less importance in connection with the development of agricultural co-operation. It is very necessary to have a clear understanding of the advantages and disadvantages of Governmental intervention and the limits within which such intervention is admissible.

At the outset it is well to point out that the origin of Government aid where such has been given has not been the desire to assist co-operators as such, but rather the desire to develop agriculture as a basic industry. Proof of this is to be found in the fact that there is practically no instance of such aid having been given to distributive or industrial societies. On the contrary, these societies have frequently, as for instance in Germany, had to contend against marked hostility, sometimes amounting almost to persecution, on the part of the authorities. The motives for such hostility will be examined in detail, and we shall find that in some cases they have

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influenced the official attitude towards agricultural societies also. In general, however, the present attitude of the State towards agricultural co-operation is favourable, and the growth of this attitude out of an original and almost instinctive distrust and aversion must be ascribed to the desire to promote increased agricultural production and the realization of the fact that this can best be promoted by means of co-operative societies. The first question which arises is why the attitude of Governments should be different in the case of agriculture from that taken up in regard to other manufacturing industries. A detailed discussion of this matter would lead us beyond the scope of this book into a general consideration of economic policy. But it may be said that after many years of neglect agriculture has become a matter of vital concern to the Governments of most progressive countries, as forming the basis of national prosperity. The reaction in many cases has been considerable, and we find that practically every country now has a separate Department of Agriculture, whereas comparatively few have Departments dealing with Industry and Commerce.

The functions of such a Department must be primarily advisory and educational, and its chief work will be along technical lines. The agricultural policy laid down by Sir Horace Plunkett for Ireland rests upon the well-known formula, "Better Farming, Better Business, Better Living," and it was held that in the carrying out of this formula the business of promoting "Better Farming" was the proper function of the Government Department. This function can obviously only be carried out—unless

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one section of farmers is to be favoured by special treatment—by a general system of instruction, spread throughout the rural districts by means of literature, lectures, and the work of itinerant instructors. Such methods have, in fact, been adopted by the Governments of all progressive countries. It is at once found that a suitable medium is required through which such instruction can be disseminated, and in looking for such a medium we are bound to conclude that it is most satisfactorily provided by organization of the farmers into associations of one kind or another—the best form being that of the co-operative society as described in this book.

We have at hand an exhaustive and authoritative discussion of such a policy in the Report of the Recess Committee. This body, as many readers will be aware, was called into existence in 1905 by Sir Horace Plunkett for the purpose of discussing the desirability of establishing a separate Department of Agriculture and Technical Instruction for Ireland. Composed (unlike any other body of the time) of Irishmen of all sections of opinion, it derived its name from the fact that its sittings were held during the recesses between Parliamentary sessions, in order that those members who had seats in Parliament might be able to attend. It carried on a detailed research into the methods adopted in other countries, and the reports submitted by its investigators revealed the tremendous part played by organization in making effective the teachings of agricultural experts in various countries. It was therefore the unanimous opinion of the committee that if and when a Department was created (and this was considered urgently

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desirable), this Department ought, in order to be fully effective, to work in close touch with a voluntary body which would organize the farmers both for business purposes and for the reception of instruction. In the words of the Chairman State action was desired to "evoke and supplement, but not to provide a substitute for, organized Self-help."

The fundamental considerations which brought about this attitude in all the countries inquired into by the Recess Committee were without doubt twofold : in the first place, that it is plainly easier from a practical point of view and more satisfactory from a spiritual point of view, to deal with a group of farmers than with individuals, and in the second place, that such a group can be best kept together where its members are bound by the ties of a common material purpose. The co-operative society fulfils these conditions, and therefore where it exists it should be used as a vehicle, and where it does not exist steps should be taken to establish it.

Up to this point every one is in general agreement. A serious difference of policy has, however, arisen on the question of the best method of establishing co-operative societies to play their part in the general scheme. The view of the Recess Committee, as shown by the extract quoted, was quite clearly to the effect that the creation of such societies should be left to a voluntary body working in close harmony with the State Department, and they had before their eyes the possibility of handing over this work in Ireland to the Irish Agricultural Organization Society. This attitude, however, has not contented a certain school of reformers who have sought, either from a

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genuine zeal for speedy results or from a love of bureaucratic control, to have the actual work of organization carried out by the same governmental body as is responsible for technical instruction. Those who have not been willing to go as far as this, or have been prevented by the existence of an established voluntary body from so doing, have tried to effect a compromise by a system of subsidies either to the central or local bodies, with a compensating amount of control.

A clear understanding of the advantages and disadvantages of these various policies is of the first importance to students of agricultural co-operation, and in order to arrive at such an understanding it will be well to give a brief description of what has actually been done in one country where efficiency has been brought to bear upon the smallest details of life.

While Germany is by no means the most thorough-going example of a State-aided movement in Europe, organization with Governmental assistance, initiative, and control has there been carried to a high pitch of efficiency. In the very early days of the movement the attitude of the State was hostile (the first general meeting of Schulze's societies in 1859 being proclaimed), but by 1865 this had changed, and before 1870 we find the King of Prussia making a grant from his Privy Purse to the Raiffeisen Union. It was not, however, till after the passing of the Act of 1889 that State-aid assumed large proportions. From this time Government officials throughout the country were instructed to use all possible efforts to promote agricultural co-operation. Preliminary grants, subventions for auditing work, loans and other forms of

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assistance were freely given, and thereafter the influence of the State played a great part in the building up of the movement. In this help credit societies received a larger share than those which engaged in trade—a fact which we may ascribe to the influence of vested interests—but certain forms of purely agricultural trading societies, notably granaries (which had a definite military value) also benefited. A detailed summary of the amount of direct aid given by the Government to co-operative societies in the various parts of the German Empire will be found in Mr. Cahill's report, and we cannot do better than to quote one or two striking instances.<sup>1</sup> Thus, in the Prussian Province of Posen,

One of the two German Unions—there is also a Polish Union—receives from the Provincial Government an annual grant of £225 for audit and propaganda, a bounty of about £3 for each new bank founded by it, and a sum not exceeding £75 towards the cost of its yearly training courses for officials of local societies. The second German Union obtains from the same authority £150 for general purposes and bounties of from £2 10s. to £50 in respect of new credit societies. The Posen Chamber of Agriculture gives no direct monetary aid. The Settlement Commission, founded in 1886 and furnished with £30,000,000 to create small-holdings in Posen and West Prussia for German "colonists," is most zealous in the promotion of all forms of rural co-operation. In all new settlements a credit society is founded, and free sites are very frequently placed at the disposal of co-operative dairy societies. The Government officials, public school teachers, etc., throughout the Province are also active in their support of co-operation.

In Bavaria particularly generous assistance has

<sup>1</sup> See pp. 266–91 of the Report previously quoted.

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been given to the movement. The National Union, in addition to various preliminary grants, receives an annual sum of £1,700 towards auditing expenses, while the Central Loan Bank received a grant of £200,000 for working capital in 1911, as well as enjoying specially favoured terms from the Royal Bank of Bavaria. The mortgage credit bank has received £3,000 for establishment expenses, a loan without interest of £50,000, and an open credit up to £200,000 at 3 per cent. In addition to these grants trading societies have also been benefited to the extent of some £600 a year, while co-operative granaries have been able to borrow more than £50,000 at a rate averaging 2 per cent.

Moreover, the State Railway Department provides free sites, and links the granaries with the railway lines practically at cost. In the matter of railway rates the granary societies are accorded favourable treatment, and three Bavarian Public Departments, of which one is the War Office, give substantial assistance by purchasing all their supplies of grain from them, thus assuring them of large, steady, and highly solvent customers.

In summarizing Mr. Cahill states that—

Herr von Brettreich, late Minister of the Interior, wrote in 1905 that in the years 1897-1904 close upon £25,000 had been given by the Bavarian State in furtherance of rural co-operation; and during the years that have elapsed since that time the liberality of the State has not diminished.

Similar assistance has been given, more particularly to the central propagandist bodies and to the credit societies, in Würtemberg and in Saxony.

Apart from these direct aids, the Prussian Govern-

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ment has created a special machinery for the purpose of carrying out a policy in which Governmental and local agencies shall work harmoniously together—namely, the system of chambers of agriculture (*Landschaftskammern*). The functions of these highly important bodies are, as defined by the Act of 1894,

The care of all matters pertaining to agriculture and forestry within their districts, and, to this end, the furtherance of all measures calculated to better the position of landowners, with especial regard to the more complete co-operative organization of farmers.

Their constitution is semi-official, and their income is derived from a tax which is levied on every agriculturist whose land is valued at a certain figure ; grants are also made to them for special purposes by the State. The part played by these agencies is, in theory at least, a perfect example of the working out of the dual policy of State and voluntary action ; the Chambers of Agriculture, being constituted on a semi-official basis, are able most advantageously to act as a connecting link between the official and the unofficial. The local chamber is in a position to ascertain the views of co-operators and small farmers with accuracy, while their central body, collecting the sum of their opinions, can exert a very considerable influence on the policy of the officials in charge of agricultural legislation, by whom it is always consulted. Thus, during the course of the present war the *Landwirtschaftsrat*, or semi-official central organ of the farmers, has been taken into the closest consultation in the framing of emergency measures regarding agriculture and food control.



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The apex of the Prussian system of State aid to co-operation must, however, be sought in the domain of credit. In 1895 the Government, finding the depression among agriculturists to be a serious menace to agricultural prosperity, decided to take energetic steps to provide a palliative by creating facilities for the extension of cheap and easy credit to small farmers, and incidentally to the smaller craftsmen and traders who constitute the "middle class" in the German sense of the term. As a result the Prussian Central Co-operative Bank was called into being by an Act passed in July 1895, and began its operations in October of the same year. The existing central credit societies at that time were limited in their sphere and weak in resources, and they suffered in the same way as the local societies, though in a less degree, from the difficulty of equalizing the seasonal supply and demand for money among the agricultural population. The *Preussenkasse*, as it is called for short, was designed to remedy this defect by acting as a clearing-house for central institutions, earning only 3 per cent. on capital, and taking business from both town and country. Having ample capital, and being in touch with the general money market, it would be in a specially favourable position for the performance of these functions.

The statistical records of the State Bank seem to show that it has been very successful in accomplishing its purpose. Its turnover increased from £55,866,750 in 1896 to the colossal figure of £819,905,528 in 1911, and the membership of the societies doing business with it was 303,000 in the former year, and over a million in the latter. The initial capital, provided

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by 3 per cent. State bonds, was £250,000, which had been increased by 1911 to £3,820,000.

It would seem from this account that the policy of State aid to co-operation in Germany had proved an unqualified blessing. But there is another side to the picture, and during the few years previous to the outbreak of war this other side was becoming more and more noticeable. It may be illustrated most forcibly by further reference to the affairs of the *Preussenkasse*. When this bank first came into existence, the position of the central co-operative credit societies was not a strong one. In addition to the Agricultural Central Loan Bank, founded in 1876 by Raiffeisen, and Schulze's General Co-operative Bank (which never entered into relations with the State), there were in existence only a number of weak institutions confined to one Province or State. In 1894, however, the Imperial Federation had already begun to take steps towards the creation of a central bank. On the creation of the *Preussenkasse* these efforts were abandoned in favour of relations with the new body. Within three years grievances developed owing to the State Bank raising its rate of interest and adopting more stringent regulations without consulting the co-operative leaders. This discontent, first voiced at the Congress of Karlsruhe in 1898, grew to such an extent that in 1902 a new body was set up under the name of the Imperial Co-operative Bank. Immediately the iron hand was exhibited :

The Prussian Bank gave the Prussian central societies the option of doing all or none of their business with it. Owing to the comparative weakness of capital of the new Bank,

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the societies could not hesitate in their decision, and the Imperial Co-operative Bank agreed to renounce all banking and credit business with Prussian societies.

It now only does business outside the Kingdom of Prussia.

The Raiffeisen Federation from the first regarded the new development with suspicion, but on receiving in 1895 a guarantee that its independence and its control of domestic affairs would be in no way interfered with, it agreed to enter into relations with the State Bank. In 1907 a pledge was exacted from it to have no dealings of any kind with the Imperial Co-operative Bank. In 1910 a number of differences arose, the chief of which concerned the low rate of interest paid by the *Preussenkasse* on credit balances, and the position of the Central Loan Bank in its dealings with other co-operative bodies. In 1911 the State Bank proposed an agreement which appeared to infringe the internal independence of the Raiffeisen Federation and also attempted to impose unfavourable financial conditions. As a result the Central Loan Bank broke off the relationship altogether, thereby removing from the State body about one-third of the agricultural societies among its customers. Of the other three important federations, two, that of the Schulze societies and the General Union of Distributive Societies, stand aloof altogether, while the Federation of Co-operative Industrial Societies, which is composed of middle-class professional associations and is of minor importance, is practically dominated by the *Preussenkasse*.

It will thus be seen that the policy of the State

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has not proceeded as smoothly as might be supposed. In summing up the attitude of the State Bank, Mr. Cahill writes as follows :—

The general attitude of the State Bank appears to be that the central banks should be organized on the basis of provincial independence, and that they should be in direct relations with itself. The existence of any such central bank as the Raiffeisen Central Loan Bank is looked upon as involving a duplication of functions, and the interposition of a superfluous body between the Prussian Bank and the provincial central bank. Such a central institution it regards as a sort of competitor which, if allowed to gather sufficient strength, would eventually render the State Bank superfluous. That such a consummation was not in harmony with its views came to the surface in 1911, when the Central Loan Bank—the strongest of all the central banks—made a provisional arrangement with the Imperial Co-operative Bank. The State Bank at once declared that it would cease business with the Central Loan Bank if any such arrangement were made. The relations contemplated between the two banks even for minor purposes appeared to contain the germs of a large central co-operative bank extending over the Empire, and perhaps finally leading to the supersession of the Prussian Bank, in so far as co-operative business was concerned.

The guarantee of exclusive dealings demanded by the *Preussenkasse* was a part of this policy, and enabled that body to keep its rate of interest below a competitive level to the detriment of strong central banks. Further complaints are summed up as follows :—

*It is also felt that, as a result of the foundation of the State Bank, the sovereignty over Prussian co-operative credit has been taken out of the hands of co-operators : that office has been*

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*assumed by the State.* It is sometimes urged that the State Bank is too bureaucratic in its methods; that it is not sufficiently elastic in its administration; and that it requires extremely minute and detailed information as a basis for its granting of credits. Finally, there is the fact that the banking profits of a successful great central co-operative bank would return to co-operation, whereas under present conditions any resultant profits accrue to the State.

Though Mr. Cahill disclaims the power to pronounce judgment, the first of these three sentences, which we have italicized, contains the whole gist of the argument. State aid, carried to the point of direct financial intervention, necessarily brings with it State control, and what is controlled by the State cannot be controlled by its own members and therefore cannot be co-operative. It was in order to provide a practical illustration of this principle that we have gone in so much detail into the history of the *Preussenkasse*.

It is not alone in the domain of credit that results of this kind have made themselves felt. The whole organization of German agricultural co-operation has been brought under the influence of the State as far as it was found possible. The connecting link has been the Imperial Federation, whose founder and President, the late Herr Haas, stood high in the favour of the most exalted persons. The Federation was undoubtedly designed to absorb or destroy the older and more independent Unions and to substitute for them a nation-wide State-controlled system. How far this policy would have succeeded the outbreak of war has prevented us from knowing, for all the signs pointed to the probability of a crisis

arising within the last two or three years. But the collapse of the central bank at Darmstadt and the revelations of incompetence, dishonesty, and bad auditing which accompanied it, opened the eyes of all interested persons to the dangers of a large co-operative movement unaccompanied by the true co-operative spirit.

We may now return to the development of the relations between the State and the co-operative movement in Ireland. We have already sketched the policy laid down by the Recess Committee, and in a previous chapter we have indicated the practical breakdown of that policy in recent years. The motives which brought about that breakdown afford a complete illustration of the dangers and limitations of Governmental assistance. In the year 1907 Sir Horace Plunkett, who as the founder of both bodies had been in an ideal position to control their joint working, was displaced from his position as Vice-President of the Department of Agriculture for political reasons. His successor, Mr. (now Sir Thomas) Russell was a nominee of the Nationalist Party and felt himself bound to carry out their policy. The chief supporters of this party, however, when the solution of the land question had pacified the farmers, were the country shopkeepers, and these gentlemen had a strong objection to co-operative societies engaging in trade which might be harmful to their own vested interests. Thus we find that within a very short time the harmonious relations which existed and were necessary between the State Department and the voluntary body were broken down. Not only was all financial assistance

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abruptly removed, but all manner of obstacles were placed in the way of the work of the I.A.O.S., and immeasurable harm has thereby been caused to the Irish agricultural policy so carefully outlined by the Recess Committee. When in 1911 the Development Commissioners were entrusted with funds for the development and encouragement of agriculture by means, among other things, of grants to organized farmers in aid of co-operative education, a determined effort was made in Ireland to prevent the I.A.O.S. from participating in the benefits of this fund. After a delay of two years the co-operators were partially successful and the I.A.O.S. has since been in the receipt of an annual grant for educational purposes.

The restrictions which accompany this grant, however, are far more irksome than those which apply to the similar grants made to the sister organization societies in England and Scotland, and their effect in hampering free development has been sufficient to justify the contention of those who hold that the co-operative movement ought at all times to be untrammelled by any dependence on Governmental authority.

It may be urged that in pointing out the disadvantages of State control we have only shown that it is not compatible with a certain academic definition of co-operation. This may not be a fatal objection if it can be shown that the organization of agriculture as a practical matter of business can be handled by the State on certain lines with efficiency—even if what co-operators understand as the ideal spirit is not present. Such an argument can be met only

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by pointing to practical results. We must compare the results which have been arrived at in countries where the State has taken the lead with those achieved in countries where it has stood aloof.

Now if we consider the present condition of agricultural organization in various progressive countries there can be no doubt that it has reached its highest efficiency in Denmark, Holland, Belgium and perhaps Germany—while it is comparatively backward in France, Russia, England, and Hungary. And it is just in those countries that the State has taken what seems to us to be the proper attitude—namely, that of “evoking and supplementing, but not providing a substitute for, organized self-help.” In proportion as this attitude has been gradually departed from in Germany, efficiency has declined.

That co-operative organization, unassisted by any paternalism, does provide a practical way towards at least a partial control of industry in the interests of the people may be most clearly seen if we look for a moment outside the agricultural sphere to which this book has been limited.

The industrial co-operative movement, which has developed in the United Kingdom practically within the last sixty years, has reached a point of success unparalleled by any other movement. It caters at the present time for some fifteen million people by means of about fifteen hundred retail shops, and the English Wholesale Society has a turnover in excess of a million pounds a week, and owns factories of many descriptions and depots in all parts of the world. From the purely material point of view the achievement is a remarkable one, and it has been



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accomplished solely by the efforts of artisans relying on their combined strength and not on the assistance of the State. If it be compared with the spoon-fed co-operation of France, for instance, there can be no doubt of the verdict, alike on material and ethical grounds. No doubt the difficulties of such an achievement are greater in the case of an agricultural population, but the example of Denmark proves that they can be overcome.

It may perhaps be felt that too much time has been devoted to the discussion of the attitude of the State to the co-operative movement. It is possible that if affairs had pursued their normal course during the last few years this criticism would have been justified. But conditions caused by the war have brought the claims of agriculture into a new prominence; and now we find that even in England—which had been content for a century with a *laissez-faire* attitude towards the farmer—steps are being taken to create an agricultural policy which will be based to a very large extent on control by the State. This being the case, it is urgently necessary that those who believe in the superiority of the voluntary method should state their case now, and that steps should be taken by organization and education to make that case a strong one.

## CHAPTER XII

### *THE FUTURE OF THE MOVEMENT*

THE evidence of the preceding chapters may be held to establish the fact that agricultural co-operation as a method of doing business has been a thorough success and has come to stay. If, however, we can say no more than this the subject loses a great part of its interest. As much may be conceded of the position of the joint-stock company: it is a comparatively recent innovation, and as a method of business its success is undeniable. But no one feels any particular enthusiasm for the joint-stock company as part of a movement, or as pointing the way towards a reconstruction of society. Co-operators, on the other hand, regard their form of association as more than a method for better trading or even a method of increasing agricultural production. It is, as we have seen, easy for the agricultural movement to become merely an instrument for the carrying out of the desires of the Government in relation to improved production; such an attitude has its practical uses but it does not fulfil the requirements of the co-operative spirit. On the other hand, societies which stand aloof from Government aid may tend to become merely combinations of producers

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seeking their individual advancement and differing little from trusts or rings. Co-operators will desire their movement to avoid both these difficulties.

If this object is to be attained we must try to get away from the hard-and-fast line which has too often been drawn between co-operators in the towns and those in the country. The phrases "agricultural co-operation" and "industrial co-operation" have been used too much in the past with an exaggerated emphasis on the professional occupation of the co-operators. As a consequence the two sections of the movement tend to develop along lines of their own, and to hold aloof from and even distrust one another. No reorganization of society or industry can be effected on such a foundation, and those who aspire to the creation of a co-operative commonwealth must come back to the realization that co-operation is one and the same thing, whether it be applied to the business of the farmer or the artisan. Illustrations of the truth of this principle may be found in societies, now fairly numerous in some countries, which cater for the needs of both classes among their membership. A far more sound division of the subject may be made if we abandon the phrases quoted above and accustom ourselves instead to thinking of co-operation for production and co-operation for distribution, whether of agricultural or non-agricultural articles.

Once this point of view is accepted it becomes clear that those who co-operate for production require for their complete efficiency to be in close touch with those who co-operate for distribution. Otherwise their co-operation applies only to preliminary pro-

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cesses in the history of the article, and does not at all point the way to the co-operative control of industry which is desired. The defect in the policy of the Guild Socialists, as it is outlined for us at present, is that they have never formulated any theory of distribution. There is too much tendency on the part of those who co-operate for production to fall into the same error ; in general they find it easy to dispose of their produce (particularly where it is of an agricultural character) and they are indifferent as to the nature of the channels through which it passes. As a consequence we find that those who co-operate for distribution—of whom the retail stores of Great Britain and their federations may be taken as an example—are dissatisfied with their fellow-co-operators. They find that in buying the articles they need they cannot get better treatment from co-operators than from private sellers, and they do not consider the treatment they get from either source to be adequate to the needs of the movement. They feel that to bring their movement to full efficiency they must control the sources of supply, and the logical way of doing this is to enter the field of production themselves and manufacture the articles they wish to distribute.

Thus we find large distributive societies and their federations gradually becoming producers on a very important scale. The Co-operative Wholesale Society at Manchester and its sister society in Scotland own factories whose total output amounts to over £25,000,000, and are rapidly becoming farmers of many thousand acres. The same tendency in a lesser degree (particularly with regard to farming)

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is to be observed in the larger individual societies. In 1917 the total amount of land farmed in the British Isles by the distributive societies and their federations amounted to 25,000 acres, and there is every reason to suppose that a steady and rapid increase will take place.

Naturally these developments arouse a feeling of resentment in those who already occupy the field and believe that they should not be subject to the competition of fellow-co-operators. Friction has arisen on this point both in the industrial and the agricultural world. The co-operative societies formed for the purpose of manufacturing boots or shirts have a strong objection to surrendering this sphere to the competition of the manufacturing departments of distributive societies, and between the Co-operative Productive Federation and the Co-operative Wholesale Society in England feelings the reverse of co-operative have been aroused. But the danger is even more acute in the domain of agriculture. One of the serious problems which lies before the world is to find a means of bridging the chasm which has gradually been created between the townsman and the farmer and has undoubtedly been widened by the conditions brought about by war. The townsman has been taught for generations to regard the avarice of the farmer as the principal cause for the increase in the cost of living, while on the other hand the farmer believes the townsman to be lazy, drunken, and dishonest, and to be unwilling to pay for agricultural produce even the minimum required to give the producer a reasonable living. While this mutual recrimination has been going on the middleman,

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whose business it has been to provide the link between the parties to the quarrel, has enriched himself impartially at the expense of both.

It would seem, then, that here is a Heaven-sent opportunity to put the principles of co-operation to a practical test. Unfortunately we find that a co-operative society of farmers and a similar association of artisans appear to regard one another with at least as much distrust, if not more, than do the individual members in their unorganized condition. It is to the solution of this problem that the best brains of the co-operative movement must devote themselves in future if their co-operative commonwealth is ever to become a reality. The distributive co-operators are providing themselves with a remedy to what they consider an unsatisfactory state of affairs. It is a remedy which from a practical point of view seems to be effective, but it leaves out of account the position of the producing co-operators. The latter, if they ask them to hold their hand, must be able to convince them that they in their turn will take steps to see that efficiency is not impaired.

We come eventually to this position : co-operators should trade with other co-operators as nations trade with one another on a most-favoured-nation clause—and should treat the outside world as being beyond their tariff union. The co-operative creamery should be co-operative in its choice of a market as well as in its collection of milk and production of butter, and conversely the distributive society should seek out the co-operative source for its supplies.

Two obstacles stand in the way of carrying out this policy—a lack of sufficient information and of

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connecting links, and a difficulty in adjusting prices and qualities. To some extent the rapid material growth of the co-operative movement in both its aspects has accentuated these difficulties. It has become necessary to employ managers and agents of high technical qualifications, but often without any particular training in or aptitude for co-operative ideals. These employees are only concerned in serving the best interests of their own society, whether it is engaged in production or distribution, and they cannot be blamed if they do not go out of their way to seek relationships with other co-operators merely for the sake of the movement. Unfortunately their committees too often fail to give them any guidance in this matter, and even the leaders of the movement are not always as well informed or as zealous as they might be in seeking to keep its two branches in touch with one another.

The immediate practical remedy seems to lie in the direction of combination of the two interests in joint trading federations. We have already seen that both in Denmark and in Ireland the co-operative wholesale societies include in their membership both townsmen and farmers, societies for production and societies for distribution. They are in a position to buy from one side and to sell to the other, and thus to bring about an exchange of goods within the sphere of the co-operative movement. A federation which works in this way can get over both the obstacles we have mentioned. It can keep fully in touch both with the sources of supply and the channels of distribution and make them known to one another, and at the same time it can hold the scales equitably

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between the two in the matter of prices. An extension of this method is badly needed. If we take the United Kingdom as an example we find that in spite of the success of agricultural co-operation in Ireland vast quantities of agricultural produce are exported from that country (even where their producers are co-operative) without passing through co-operative channels. Furthermore, even the co-operative creameries and other agencies of collective sale in Ireland consign at least 90 per cent. of their produce to non-co-operative purchasers in England. When we turn to England and Scotland and review the even more successful movement among the consumers there, we find that their federations are very little concerned with producers' co-operative societies when seeking sources of supply. Obviously there is something wrong here. We have co-operators on the one hand needing an outlet for agricultural produce and seeking to obtain domestic requirements—on the other hand we have other co-operators requiring agricultural produce and having domestic requirements to dispose of. At present all the machinery of the private trade intervenes between the co-operative demand and the co-operative supply. Yet in the three wholesale societies the co-operative machinery is available which if properly used can bring about the exchange without relying upon any help from outside the movement.

What seems to be badly wanted is a joint council, representative of the best brains of all the interests concerned which will promote both a better knowledge and harmony between all branches, and also a definite policy of intertrading on a large scale (which must



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include the use of co-operative capital for co-operative development). And as soon as this principle has been established in the case of the movement in the United Kingdom, there is no reason why it should not be extended to the creation of an international co-operative trade. Already the Russian co-operators have established themselves firmly in London, and they are formulating proposals, in concert with their English and Irish colleagues, for the collective purchase of agricultural requirements (such as basic slag, binder twine, etc.), on a hitherto unheard-of scale. This opens the door to intertrading between Russian co-operators who have flax-seed to offer and British co-operators who can supply machinery in exchange. Such developments are, of course, nothing unusual in the general field of commerce—they are, in fact, the commonplaces of the merchant—but if they can be carried on entirely through co-operative channels, co-operators will be able to claim at last that they have advanced some way along the road which leads to the control of industry. In addition to the economic advantages which may be gained we shall be justified in expecting that just as co-operative reconciliation of interests such as we have outlined will help to give townsman and countryman a better knowledge of one another and promote national harmony, so the extension of the system to other countries will go far to break down the barriers between them, and through the introduction of a co-operative spirit to lessen friction and perhaps even war.

It may be that these ambitions will seem fantastic to readers who compare them with the existing

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position of the movement. But the signs are not wanting that co-operation may be called upon to play an important part in the reconstruction not only of industry but of society after the war. One of the leaders of the English movement, Professor Hall, of the Co-operative Union, has laid down that those who seek the welfare of the group must be richly endowed with "faith, foresight, and intelligence." If these qualities are vigorously exercised, nothing which is here suggested is beyond the reach of co-operators. They must be exercised within the next few years or not at all, for this is a movement which, if it does not progress rapidly and constantly will inevitably stagnate and decay in unattractive commercialism.

Meanwhile there are lesser aspirations which agricultural co-operators may keep immediately before their eyes. The co-operative society has to be made a social centre for the district in which it is situated ; its members have to be brought to feel that they have a part to play as associates in a movement with an ethical code of its own. As a first step in this direction a community consciousness must be evoked among the farmers who make up the membership of the societies. We cannot expect such a development where the work of the society is confined to the purchase of a certain amount of requirements, or even the sale of a certain amount of butter in the year. As a preliminary to the awakening of a social spirit of comradeship we must have perpetual economic development which will give the members a continuous interest and pride in their society. We have already sketched in another

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chapter the normal development of a society of the "manure agency" type into a general store with buildings of its own, supplying its members with all their domestic requirements, and we have given an outline of what has been achieved in this direction at Templecrone. The Enniscorthy Co-operative Society in Co. Wexford, started for the collective purchase of agricultural requirements, has achieved in fifteen years a position which makes its members practically independent of other sources of supply. It has a general grocery store, a hardware department, a drapery, a boot and shoe shop, an agricultural machinery store and repair shop, a garage, a saddlery (manufacturing) department, a restaurant, a cinema, a life insurance scheme, and a saw-mill. It is selling agricultural produce for its members and is contemplating the manufacture of boots and shoes and the establishment of granaries. Where such a society has been built up by farmers we may justifiably claim that a new control of industry has come into operation; the people of the district have realized the desirability of making the district self-supporting by their own co-operative efforts. It is towards this economic ideal that we want all agricultural co-operators to work. In its simplest form it is well exhibited by the co-operative societies of Italian agricultural labourers, which were formed, not primarily for the purpose of farming collectively in order to do it better than other people, but in order to provide work for those of their members who happened to be unemployed. This was the purpose of the pioneers of all co-operation—to provide a means of doing away with local distress by the

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collective application of local effort—and such a society as Templecrone or Enniscorthy is realizing that purpose while holding its own in the world of modern business.

For the achievement of any large success a plentiful supply of capital is required, and herein lies one of the great difficulties of the agricultural movement. Farmers are notoriously hard to persuade in the matter of investment in business enterprises—and the fact that these particular enterprises are owned and controlled by themselves does not seem to convince them. Hence the fact that in most countries agricultural societies suffer from being restricted by lack of capital, or from having to pay interest on borrowed capital, which is secured by the unlimited guarantee of a few individual members. If the movement is to develop the farmers must have sufficient confidence in it to supply it with funds—either, as in Austria and Germany, through credit societies, or by direct shareholdings. Only when they reach this point can they be said to understand the co-operative use of money for the purpose of helping the district in which it is earned.

Other problems suggest themselves—an improvement of marketing methods, a greater attention to standardization and uniform production, the abolition of drudgery by the introduction of power and labour-saving machinery, the building-up of rural industries such as tanneries and sugar-beet factories, and a hundred other developments of the kind.

Into these matters we have no intention of entering in detail. But they all hinge ultimately upon the possibility of awakening in the farmer the same

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enlightened professional consciousness and feeling of solidarity as already exists to so great an extent in other branches of industry. The power of organization has made an irresistible appeal to all classes of the community in recent years, and the lesson has been driven home by our experience of war conditions. The part which any section may be allowed to play in the coming reconstruction will directly depend on the strength of its organization. Farmers have to be brought to realize this fact in its full value. They certainly will not take a foremost place in the struggle unless they put more work and more faith into the business of organization than they have done up to the present. The existence even of a number of successful co-operative societies is not sufficient for the purpose, unless these societies and their members are part of a movement conscious of its objects and of its power to attain them, and independent of all outside assistance and paternalism. That farmers should do a little of their business collectively with the sanction of a careful Government Department or a number of well-intentioned philanthropists, is a very small step. Indeed, it may prove to be a retrograde step, for it may persuade them into voluntarily putting upon themselves shackles which they will afterwards try in vain to loosen.

What must rather be aimed at is the establishment, through the co-operative movement, of a farmers' Trade Union, or, as some will prefer to say, a farmers' National Guild, which will make itself responsible for the welfare of the farmer under all its aspects. If such a guild comes into existence, it will find that under all the three heads of our

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formula, "Better Farming, Better Business, Better Living," there is still much to be done—but under none more so than the last. Better living has as yet hardly begun to develop in the case of small farmers of most countries. In America, where organizing work has been energetically carried out among the women, we find a standard of comfort on the farm which leaves Europe half a century behind. Such a standard must be the aim of co-operators in every country, and it is only through the women following in the paths of Better Farming and Better Business that it can be achieved.

The solution of all these problems which have been so briefly indicated can be arrived at only by means of an educational campaign more far-reaching and more intensive than anything that has so far been attempted among agriculturists. It must be remembered that only in comparatively recent times has the farmer been regarded with any interest by the Government or by the remainder of the population. His position has been an isolated one, without means of self-education or even of recreation, and often without neighbours within easy reach. His life, moreover, has been one of the most exacting; the management of a farm is not like the business of an office where exact hours can be set and the remainder of the day devoted to rest and recreation. The farmer must be constantly at hand to give attention to details which arise without any regard to fixed hours. He must devote personal attention—one might almost say affection—to everything on his farm if it is to succeed; the ignoring of this fact has led to many a disaster in the case of attempts to introduce

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large-scale "scientific management" into farming. Finally, we must remember that the farmer is taking all the risks and responsibilities of his farm on his own shoulders, and using therein his own capital and frequently his own labour and that of members of his family. For this risk and labour his remuneration is not greater than that of many a clerk in an office who takes no risks and has no responsibilities beyond that of doing correctly the work allotted to him for a certain number of hours each day.

It is surely not surprising that when, in addition to these disadvantages, the farmer finds himself neglected in normal times and abused in times of high prices as the originator of all profiteering, he grows resentful and suspicious towards the outer world and is unwilling to respond to any advances which may be made to him. It is no exaggeration to claim for the co-operative movement that it has provided the only good method of breaking down these barriers and bringing the farmer more closely in touch with his neighbours, to their mutual advantage. Our task now is to see that the machinery so set up is made the vehicle for a great educational campaign which will help the farmer to help himself to a position where he can be as efficient and happy in his own industry as he is entitled to be.

The details of such a campaign lie far beyond the scope of this book. To those who wish to study them we recommend a careful consideration of the agricultural economy of Denmark, and particularly of those celebrated folk-schools where girls of sixteen and men of sixty, labourers and ex-Cabinet Ministers

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can and do study side by side the elements of a true practical patriotism.

All that remains to be said here is that in the United Kingdom we have vast arrears to make up before we attain to such a position as that of Denmark. It is generally believed that the war has brought about a great awakening in this respect and that a true and lasting agricultural policy is being formulated. Let us hope that it is so, but let us not be too ready to assume it. Even in the midst of the greatest crises of the war it has been only too apparent that England continues to be governed, as since the dawn of "democracy" she has been governed, by the thinly disguised power of the vested interests. Unfortunately—or perhaps it would be wiser to say fortunately—there are no vested interests concerned with the welfare of the farmer; there are certainly none which wish well to their sworn enemy—the co-operative movement. Hence, while we have seen vigorous efforts made to persuade the farmer to produce more food than ever before, and while a certain encouragement has been extended in official quarters to co-operative societies in so far as they might help to achieve this end—there is no particular evidence of a constructive policy. So long as the farmer produces food no one seems to mind whether his standard of life or his standard of education improve; and if he will produce up to the maximum without being a member of a co-operative society—why, so much the better!

If this is to be the attitude of the future, the people of the United Kingdom may rest assured that when the next war comes it will find them no more self-



## CO-OPERATION FOR FARMERS

supporting than did the present one. In the period of reconstruction they will have to make their choice between relying upon perilous seas for their food, while they keep at home a dwindling and dissatisfied agricultural population, or setting up once more on a sounder basis than of old a contented and industrious yeomanry to form the backbone of the nation. If there are here and there in this book some hints which may assist in the choice, that is all that is intended.

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