

A SOCIO-ECONOMIC STUDY OF SEVERAL
VEGETABLE MARKETING COOPERATIVES

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ABSTRACT

A SOCIO-ECONOMIC STUDY OF SEVERAL VEGETABLE MARKETING COOPERATIVES

by John T. Porter

The general objective of this study was to analyze and evaluate the operation of grower-owned and controlled fresh vegetable marketing cooperatives in order to provide helpful guides for improving existing cooperatives and to aid groups who may wish to establish similar types of organizations. The specific objectives of the study were the following: (a) to analyze and evaluate the operations of several vegetable marketing cooperatives in order to determine some areas of strength and weakness; (b) to examine the organizational structures, personnel, services and sales outlets of several vegetable marketing cooperatives and (c) to discern weaknesses in the operation of vegetable marketing cooperatives from the grower's viewpoint.

The analytical framework developed to detect some areas of strength and weakness in the operation of five vegetable marketing cooperatives in Michigan and Ohio was centered around the following seven essentials assumed necessary for the successful operation of a marketing cooperative: (1) economic need for an organization; (2) a capable sales-manager; (3) an adequate volume of business; (4) use of sound financial practices; (5) fulfillment of

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responsibilities by the directors; (6) utilization of effective channels of communication and (7) member loyalty.

The following individuals were interviewed personally in studying five active marketing cooperatives in 1960: 5 presidents, 46 other members, 30 former members, 19 non-member growers and 5 sales-managers. Twelve former members of two vegetable marketing organizations which have failed were also interviewed.

It was determined that two of the five active cooperatives which were located the greatest average distance from markets had a greater retention of active membership and the only upward trends in volume of business. Two other variables which seemed to have a significant effect on the success of these cooperatives were: (1) the number of members involved in the decision-making process at meetings of the board of directors and (2) the number of personal contacts among individuals within a cooperative. Therefore, the following was concluded with the inclusion of all three variables: (1) the greater the economic need in terms of distance from markets; (2) the greater the number of members involved in the decision-making process at board of director meetings (within the limits of this study) and (3) the greater the frequency of personal contact among individuals within a cooperative, the greater the tendency toward retention of active members and maintenance of a high volume of business.

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The board of directors hold more responsibility for providing an atmosphere for adequate communications among members in arriving at decisions than any other individual or individuals within a cooperative. Since there is a relationship between the amount of personal communications among individuals within these cooperatives and the retention of active members, the directors are partially responsible for keeping members loyal to their cooperative.

Former members of the five active cooperatives and former members of the two inactive associations blamed the shortcomings of these cooperatives more on the sales-manager than any other individual. However, since the directors are responsible for hiring and firing the sales-manager, they can be held responsible to some degree for the performance of the sales-manager.

Thus, it may be concluded that the degree of success of these fresh vegetable marketing cooperatives has depended more upon the actions or inactions of the board of directors than any other individual or individuals within the organizations.

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By

John T. Porter

A THESIS

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CHAPTER I

INTRODUCTION

The continued growth of large food purchasing organizations has made it increasingly more important that sellers organize to meet the demands of fewer buyers in order to provide a market for their produce. According to a Federal Trade Commission survey,¹ sales of all corporate food chains operating 11 or more retail stores increased from 29 to 38 per cent of total retail food store sales between 1948 and 1958. The sales of affiliated independent retailers who are members of voluntary and cooperative buying groups increased from 22-23 to 33 per cent of total retail food store sales between 1948 and 1958. These figures indicate that 71 per cent of the total retail food store sales were made by corporate food chains and independent retailers affiliated with cooperative and voluntary purchasing groups in 1958.²

¹Federal Trade Commission, Economic Inquiry into Food Marketing. Part 1. Concentration and Integration in Retailing, U.S. Government Printing Office, Washington D. C., January 1960, pp. 2-3.

²Sources of similar estimates: Folz, William E., and Alden C. Manchester, Chainstore Merchandizing and Procurement Practices: Marketing Research Report No. 417, Agricultural Marketing Service, U.S. Department of

Such consolidation of purchasing functions in a few central offices has greatly reduced the number of individual buyers. The changes in food purchasing since 1948 seem to indicate further growth of buying groups of all types which are large enough to buy directly from shipping points. With the increasing size of retail operations and a larger proportion of fresh produce bought directly from the shipping point, there is increased demand for large, steady volumes of more uniformly graded and packed high quality produce. It is increasingly difficult to sell odd grades, sizes, colors and small lots of produce. The large commercial growers are sometimes able to sell to chainstores quite effectively, but small, medium and some large scale producers are finding grower marketing organizations very helpful in selling their produce to large scale purchasing organizations.

In the fiscal year 1957-58 there were 730 fruit and vegetable marketing cooperatives in the United States with an estimated membership of 126,370. Cooperatives which market fruits and vegetables rank third in total number of farmer marketing cooperatives classified according to major product handled. Twelve per cent of all

Agriculture, Washington D. C., July 1960.

Mueller, R. W., Facts in Grocery Distribution, 27th annual Edition, Progressive Grocer, New York, April 1960.

Mueller, Willard F. and Leon Garoian, Changes in the Market Structure of Grocery Retailing 1940-58: Research Report 5, Agricultural Experiment Station, University of Wisconsin, Madison, April 1960.

agricultural marketing cooperatives in the United States are classified as fruit and vegetable organizations, while 3.3 per cent of the estimated membership of all marketing cooperatives is from fruit and vegetable cooperatives.³

Local and regional fruit and vegetable marketing cooperatives had an estimated \$508 million and \$661 million gross business volume, respectively, and remained in fourth place of commodity marketing cooperatives with a total gross business of \$1.17 billion during fiscal year 1957-58. The total net value of business for these local and regional cooperatives after adjustment for duplication resulting from intercooperative business was \$787 million.⁴

These figures represented an increase of 10.6 per cent over the gross value of nearly \$1.1 billion in 1956-57 and 9 per cent over the net volume of almost \$722 million in 1956-57. Fruits and vegetables accounted for more than 9.5 per cent of the net value of all farm products marketed by cooperatives in 1957-58.⁵

California led in the net value of fruits and vegetables marketed by cooperatives with almost \$337 million in 1957-58. Florida remained in second place with net sales of more than \$127 million. The two states within

³Gessner, Anne L., Statistics of Farmer Cooperatives, 1957-58, General Report 76, Farmer Cooperative Service, U. S. Department of Agriculture, Washington D. C., June 1960, p. 12.

⁴Ibid., p. 22.

⁵Ibid., pp. 29, 30.

the geographical area of this study, Michigan and Ohio, had 36 and 18 cooperatives, respectively, handling fruits and vegetables with an estimated net sales value of \$17.3 million and \$14.8 million, respectively, in 1957-58.⁶

There are several advantages gained from marketing cooperatives which help farmers increase their net income. According to Abrahamsen,⁷ marketing cooperatives help farmers increase their net income in the following ways:

1. "Help to increase their bargaining power in the market."
2. "Help to reach and expand existing markets and develop new ones."
3. "Help to improve quality production, payments according to grade and orderly marketing practices."
4. "Help to interpret market trends to patrons thus improving standardization of farm products."

The Nature of the Problem

The preceding statistics concerning the increased concentration of the buying functions in the food trade, the large number and business volume of fruit and vegetable marketing cooperatives in the United States and the advantages gained by marketing cooperatively provide adequate justification for the need of research designed to

⁶Ibid., p. 62.

⁷Abrahamsen, Martin A., "Role of Farm Cooperatives in Efficient Distribution," Journal of Farm Economics, vol. XXXIX, American Farm Economic Association, Banta Company, Menasha, Wisconsin, 1957, p. 1285.

improve the operation of producer marketing cooperatives.

There are certain essential sociological and economic factors necessary for the success of a cooperative which are often overlooked by members, directors and managers. These essential factors for success need to be examined more closely in order to detect the areas of strength and weakness in marketing cooperatives. Members are interested in the reasons for former members leaving a cooperative in order to combat future incidents of this kind in established and newly organized associations. Others are curious as to why producers in the vicinity of a marketing organization have not joined. Individuals concerned with agricultural marketing want to know what the shortcomings of other cooperatives have been in the past in hopes that these can be avoided in the future.

Because of the above reasons and the widespread grower interest in cooperative marketing in Michigan, a socio-economic study of several vegetable marketing cooperatives, both active and inactive, was conducted in Michigan and Ohio.

Objectives

The general objective of the study was to analyze and evaluate the operation of grower-owned and controlled fresh vegetable marketing cooperatives in order to provide helpful guides for improving existing cooperatives and to aid groups who may wish to establish similar types of organizations.

The specific objectives of the study were the following:

- (a) To analyze and evaluate the operations of several vegetable marketing cooperatives in order to determine some areas of strength and weakness;
- (b) To examine the organizational structures, personnel, services and sales outlets of several vegetable marketing cooperatives; and
- (c) To discern weaknesses in the operation of vegetable marketing cooperatives from the grower's viewpoint.

An Assumed Definition

There is no all-inclusive federal statutory definition of an agricultural cooperative. An organization may meet the conditions of the Capper-Volstead Act,⁸ but may not be exempt from the Internal Revenue Code. Although

⁸"The Capper-Volstead Act of 1922 authorizes the association of producers of agricultural products for the mutual benefit of the members thereof, as such producers. These associations are to conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein, or Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum, and in any case to the following: Third. That the association shall not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members."

Source: Hulbert, L. S., Legal Phases of Farmer Cooperatives, Farmer Cooperative Service Bulletin 10, U. S. Department of Agriculture, Washington, D. C., January 1958, pp. 166, 167.

an organization may not meet the conditions of the Capper-Volstead Act, it may be eligible for loans from a bank for cooperatives. In a cooperative the financial benefits accrue to the member-patrons, while in an ordinary commercial enterprise they accrue to the stockholders who have invested their money in the business. Organizations with or without a capital stock financial structure may be cooperative, if properly organized and operated. A corporation may be entirely cooperative, although incorporated under a business corporation statute.⁹ For purposes of this report each organization included in the study was considered to be a form of cooperative endeavor.

⁹Hulbert, op. cit., pp. 1-3.

CHAPTER II

PROCEDURES OF THE STUDY

The analytical framework developed to detect some areas of strength and weakness in the operation of marketing cooperatives was centered around an examination of seven essentials assumed necessary for the successful operation of these organizations. The seven essentials for marketing cooperatives selected for examination were the following: (1) economic need for an organization; (2) a capable sales-manager; (3) an adequate volume of business; (4) use of sound financial practices; (5) fulfillment of responsibilities by the directors; (6) utilization of effective channels of communication and (7) member loyalty. Adequate initial capital financing and other possible essential factors might have been studied, but the essentials selected were considered the most important for analyzing and evaluating the current operation of these organizations.

The areas included in the analytical framework to discern some of the weaknesses in the operation from the grower's viewpoint were: (a) reasons for members leaving active associations; (b) reasons for nonmembers not joining active associations and (c) reasons for failure of two marketing organizations.

Seven Essentials for Success

The following paragraphs are devoted to a review of literature used as source material for the development of the seven essentials for the successful operation of marketing cooperatives.

The existence of economic need for an organization is vital for the success of any business. Sanders¹⁰ makes the following statements in regard to this essential.

"The foundation upon which any cooperative rests is the economic need for it as a business enterprise. Should it be found that no economic need is present, a cooperative might do more harm than good."

In reference to the necessity of a capable sales-manager Gardner¹¹ states, "The manager must be able to meet the technical requirements of the particular job to be done. In a marketing association he must know how to prepare the product for sale and where to sell it. The extent of the loyalty of the membership will depend largely upon the ability of the manager to act as a leader and to inspire member's confidence. The manager must be able to 'sell' the association."

¹⁰Sanders, S. D., Organizing a Farmers' Cooperative, Farm Credit Administration Circular No. C-108, U. S. Department of Agriculture, Washington, D. C., 1949, p. 2.

¹¹Gardner, Kelsey B., Managing Farmers' Cooperatives, Farm Credit Administration Circular E-21, U. S. Dept. of Agriculture, Washington, D. C., 1948, p. 7

A third essential which should be considered as basic for the success of a cooperative is maintenance of an adequate volume of business, because shifts in production are quickly made from one crop to another in many areas. Buck¹² says, "Inability to develop an adequate business volume may bring failure to your association."

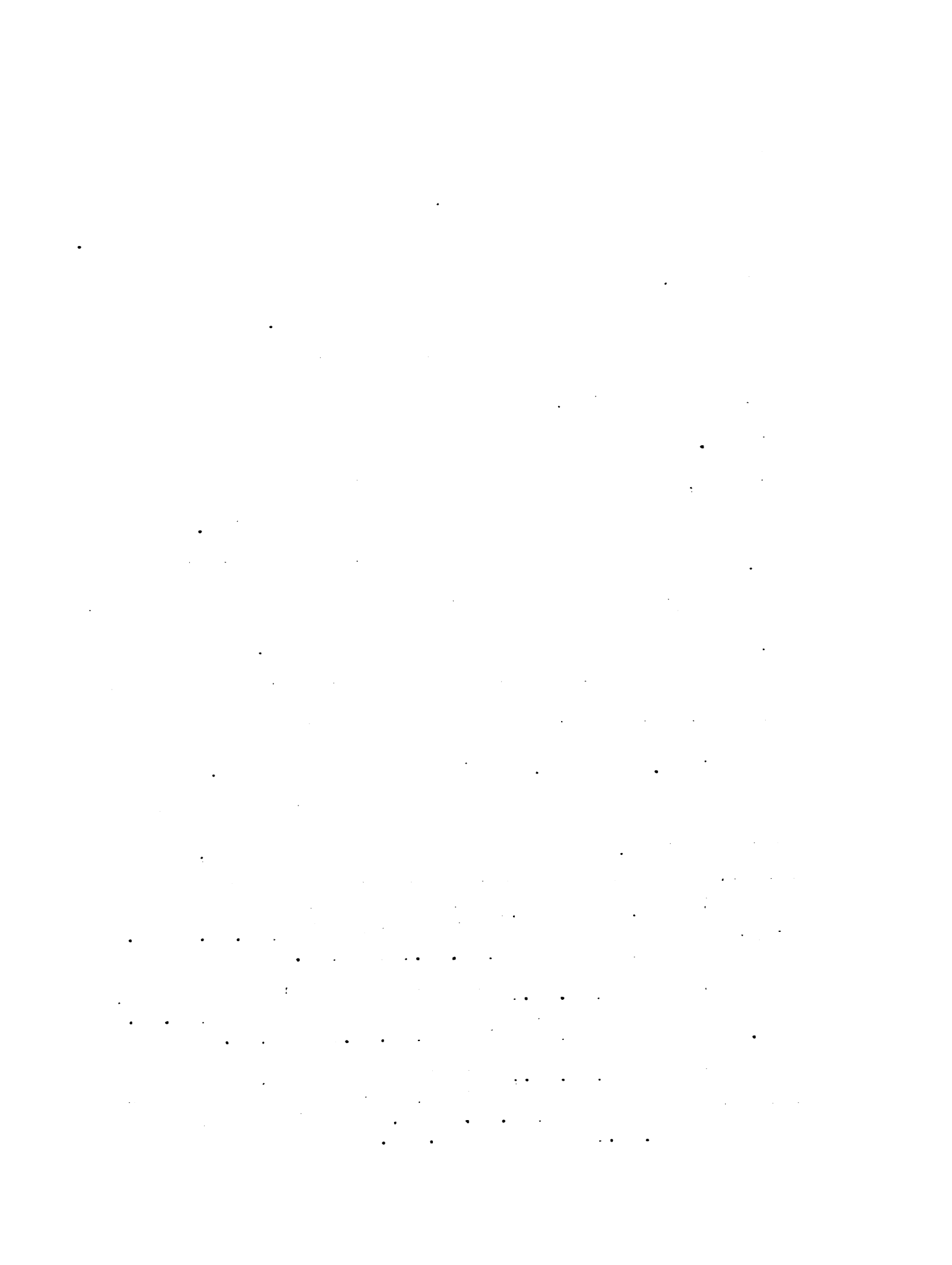
The use of sound financial practices is another well-known essential, fundamental for the success of a business. The use of financial statements and audits are necessary, since the members have a right to know the facts about the financial condition of their cooperative. Stokdyk¹³ says, "At the end of each season or fiscal year it is a sound practice to have an audit made by a competent accountant, preferably a certified public accountant."

The revolving capital plan of financing is another device which is considered a sound financial practice for cooperatives. Hulbert,¹⁴ Griffen and Gardner say, "Its use is regarded by many as the most effective plan for raising capital, maintaining cooperative practices, and

¹²Buck, Wilbur F., Using Your Fruit and Vegetable Co-op, Farmer Cooperative Service Circular 7, U. S. Dept. of Agriculture, Washington, D. C., 1955, p. 6

¹³Stokdyk, E. A., Financing Farmers' Cooperatives, Educational Circular 5, Farmer Cooperative Service, U. S. Dept. of Agriculture, Washington, D. C., 1954, p. 10

¹⁴Hulbert, H. H., Griffin and Gardner, Methods of Financing Farmer Cooperatives, Farmer Cooperative Service General Report 32, U. S. Dept. of Agriculture, Washington, D. C., June 1957, p. 39.



keeping control of the association in the hands of its current members and patrons."

The fulfillment of responsibilities by the board of directors is a very important essential for the successful performance of a cooperative, since the directors hold a vital place in management. Gardner¹⁵ states, "Members of the board of directors of cooperative associations are not chosen to serve in an honorary capacity, although some board members appear to take this point of view. The job carries with it important legal responsibility because the corporate powers of the cooperative are vested in its directors."

Utilization of effective channels of communication between the sales-manager and members, the directors and members, and the members and potential members is an essential which is gaining more attention among cooperatives. Irwin Rust,¹⁶ Chief of the Membership Relations Branch of the Farmer Cooperative Service, says, "Experience has taught that the informed member is the loyal member and loyal members in turn are the foundation of strong, successful cooperatives."

¹⁵Gardner, op. cit., p. 3.

¹⁶Rust, Irwin, Communication--Key to an Effective Member Relations Program, Notes from talks given at Kansas State University, and the Maine Cooperative Council, Farmer Cooperative Service, U. S. Dept. of Agriculture, Washington, D. C., February and March 1960, p. 1.

Bakken¹⁷ and Schaars claim, "An association must have the loyal support of its membership. . . .Without the loyal backing of its membership, a cooperative is doomed for it cannot depend upon nonmember business for its success."

Questionnaire Development

Six different questionnaires were developed in order to obtain sufficient information from six specific groups of individuals to fulfill the objectives of the study. Each questionnaire was designed to obtain specific information from these different individuals in order to obtain a cross section of facts and opinions. Questionnaires were developed for the following groups associated with active cooperatives: presidents, members, former members, nonmembers and sales-managers. Another questionnaire was developed for interviewing former members of cooperatives which have failed. The term "former members" in reference to the active cooperatives includes those growers who are either no longer members or are stockholders who once sold produce through the cooperative but don't anymore.

Sampling and Data Collection

The active organizations selected for the study had to meet the following criteria: (1) vegetables for

¹⁷Bakken, H. H., and Marvin A. Schaars, The Economics of Cooperative Marketing, McGraw-Hill (New York and London), 1937, p. 199. Other essential operating practices may be found in this book also.

fresh market was the primary business, (2) grower-owned and controlled and (3) operating for at least three years. The only requirement for the selection of inactive organizations was that they not have been dissolved for more than ten years. This assured that there would be enough individuals still available in the area for interview who had been members of the cooperative.

County Extension Directors were contacted to obtain a list of marketing organizations which met the criteria of the study. Six active cooperatives, including one for the pre-test of the questionnaires, and two inactive organizations, were selected for the sample. Lists of members, former members and nonmembers of the active associations and former members of the inactive groups were obtained from county extension offices and association presidents.

After pre-testing the questionnaires and revision of questions, random samples of active members, except presidents, were drawn from lists of members who sold produce through each of the five cooperatives during the year of the study. The membership samples were stratified according to the size of active membership. The following proportions of the memberships were sampled as shown in Table 1: all 13 active members of the smallest organization; a one-half sample of the group of 22; and a one-third sample of those three associations with over 25 active members. No attempt was made at selecting a stratified sample of

former members and nonmember growers, since the number of former members varied considerably among cooperatives and the number of nonmember growers in the locale of these cooperatives was not known.

TABLE 1.--Membership samples selected in five active vegetable marketing organizations, 1960.

Organization	Active Members	Proportion Sampled	Sample Size
A	13	all	13
B	22	1/2	11
C	26	1/3	9
D	26	1/3	9
E	28	1/3	9

The following number of individuals were interviewed personally in studying five active marketing cooperatives: 5 presidents, 46 other members, 30 former members, 19 nonmember growers and 5 sales-managers (Table 2). A total of 105 individuals were interviewed in gathering the data on the five marketing cooperatives which have a total active membership of 119.

A total of 12 former members of two inactive vegetable marketing organizations were personally interviewed to obtain data on cooperatives which have failed. (Table 3).

Thus a total of 117 personal interviews were made in collecting data for this study.

TABLE 2.--Classification of interviews taken in a sample of five active vegetable marketing organizations, 1960.

Organization	Number of Interviews					Sub-Total Interviews
	Presidents	Members	Former Members	Non-Members	Sales-Managers	
A	1	12	5	5	1	24
B	1	10	9	4	1	25
C	1	8	4	4	1	18
D	1	8	6	3	1	19
E	1	8	6	3	1	19
Sub-total	5	46	30	19	5	
Total interviews						105

TABLE 3.--Interviews with former members of two vegetable marketing organizations which have failed, 1960.

Organization	Number
A	6
B	6
Total	12

CHAPTER III

CASE DESCRIPTIONS OF ORGANIZATIONAL STRUCTURES, PERSONNEL, SERVICES AND SALES OUTLETS

The organizational structures, personnel, services and sales outlets of each cooperative will be examined prior to the chapter concerning the strengths and weaknesses in the operation of these associations so the reader will have a better conception of the types of organizations included in the study. These case descriptions will include two non-stock single commodity marketing cooperatives, three stock type cooperatives marketing several commodities, and will briefly describe two organizations which have failed.

Non-stock Single Commodity Organization A

The first organization was a non-stock type cooperative which marketed potatoes for 28 members during 1960. Membership is open to all potato growers in the area who wish to market their crop cooperatively. A non-member may market his crop through the cooperative if the sales-manager needs an extra supply to fill an order which can't be filled by the membership.

The directors are selected from the total membership. They receive \$5.00 for attending a board meeting

except the president and secretary-treasurer who each receive \$150.00 per year for their services. Membership voting follows the one-man, one-vote principle. A sales-manager is employed from June 21 to September 15, while the bookkeeper is employed from July 1 to September 15. The sales-manager has been employed for nine years by the cooperative while being employed concurrently elsewhere.

There is no central grading station for the organization, however an office and warehouse for supplies are maintained. An eight cent per hundredweight charge is levied for selling produce through the cooperative. Growers also pay a one dollar membership fee when they join the organization. Bags and baskets are the only supplies purchased for the members.

The cooperative sells potatoes, produced in two counties, primarily to buyers in the states of Michigan, Indiana and Ohio. The percentages of potatoes sold directly through different marketing channels are as follows: 60 per cent to chainstores; 20 per cent to wholesale grocers selling to retail grocers; 10 per cent to independent retail stores; and 5 per cent each to processors and private truckers selling direct to consumers and hucksters.

Non-stock Single Commodity Organization B

The second organization studied was a non-stock type cooperative which marketed potatoes for 26 members during 1960. The members are selected by the board of

directors in order to maintain top quality producers in the organization. Non-members are not allowed to market their crop through the organization.

The directors are selected from the entire membership but do not receive any payment for serving in their capacity as directors. Much of the decision-making is done by a vote of the total membership at their regular meetings on a one-man, one-vote basis. Each member is required to pay a fee of \$5.00 per acre of potatoes grown and a \$10.00 annual membership fee as his obligation in helping to finance the cooperative. This organization also has a combination salesman and manager who has been the third individual employed in this position on a full-time annual basis. He has held this position for a year. The bookkeeper is employed from August through April. The members grade and pack their own potatoes which are sold on an individual basis by the sales-manager instead of pooling the returns of all produce sold during a certain period. Bags are the only supplies purchased for the members.

The potatoes marketed by this association are produced in two counties and sold primarily to buyers in Ohio, Michigan and Indiana. The percentages of sales through different marketing channels are as follows: 90 per cent to chainstores, 7 per cent to jobbers selling to retail grocers and restaurants and 1 per cent to each of the three following groups: private truckers selling

direct to consumers and hucksters, processors, and independent retail stores.

Stock-type Multiple Commodity Organization A

The third organization is a capital stock type association with 13 active members who market four commodities through the cooperative. Membership is open to all vegetable growers in the area. Non-member growers are allowed to sell produce to the cooperative.

Preferred stock is authorized in the amount of 100 shares at a par value of \$50 per share while 300 shares of common stock are authorized with a par value of \$50 per share. In 1960 only 162½ shares of common stock had been issued while no preferred stock had been issued. Each stockholder is allowed one vote per share of common stock, but he is limited to holding not more than 10 per cent of the total common stock issued.

The directors are selected from the total membership and receive a small token payment for their work. This organization has a salesman at a large wholesale market where all of its produce is sold. The present salesman has been employed only during the harvest season, July to November, during the past two years. This salesman is really a broker-shipper who does most of his business with growers other than those in the cooperative. The bookkeeper is responsible for most of the financial management since he is employed on a part-time basis throughout the year. The plant manager's responsibility includes

hiring and supervising the employees who work in the central packing shed in addition to managing the grading, waxing and packaging operations of the shed.

All commodities except cauliflower are sold through the pooling system. Sales and operating expenses are paid by deducting 10 per cent from the gross f.o.b. price of member's produce. Members must also pay the transportation expense to a large wholesale market nearby. Containers are the only supplies purchased cooperatively by the members. The commodities marketed by this association are produced in two counties. Since all of the produce is sold through a broker at a large wholesale market, it is difficult to estimate the percentage that is sold in different states.

Stock-type Multiple Commodity Organization B

The fourth organization is a capital stock cooperative with 26 active members who market both fruits and vegetables. However, 65 per cent of the dollar volume sold consists of vegetables. Members are selected by the board of directors after application is made for membership. Membership requirements include purchasing \$800.00 of common stock and signing a marketing agreement. Produce may be marketed through the organization by non-member growers.

The amount of capital stock authorized includes 500 shares of preferred stock at \$100 per share and 1500 shares of common stock at \$100 per share. Each stockholder

is limited to purchasing not more than 5 per cent of the total common stock issued. A stockholder only has one vote regardless of the number of shares of stock he has purchased.

Since this organization handles both fruits and vegetables, it is specified that a minimum of three vegetable growers or three fruit growers be on the board of directors at all times. The directors receive no payment for their work. The present sales-manager is the fifth one employed on an annual basis, since the organization began operating. The sales-manager also operates a retail nursery garden center at night and on weekends. The book-keeper works part time on an annual basis. The plant manager is hired to work during the harvest season, June to November. The president and another member were employed as the plant manager and salesman, respectively, for a few years previous to 1960.

The association sells 12 kinds of vegetables, 3 tree fruits and several small fruits for growers through a pooling system. Many of the commodities are graded, waxed, hydro-cooled and packaged at the central packing shed. Six of the vegetables are designated as basic commodities, which means members should market all of their production of these commodities through the association. Packages are the only supplies purchased for members by the organization.

A sales charge of 10 per cent of the gross f.o.b. price is deducted for sales and operating expenses plus 5 cents a container for handling charges and 7 cents per container for hydro-cooling. This system of charging members is quite equitable, since those members whose produce doesn't require hydro-cooling aren't charged for this service. All growers pay the 5 cent handling charge which is deducted to pay off the mortgage.

The cooperative sells produce for growers of three counties to buyers in the three states of Michigan, Ohio and Pennsylvania. The percentages of produce sold through different marketing channels include the following:

88 per cent to chainstores, 6 per cent to commission merchants selling to jobbers and chainstores, 5 per cent to independent retail stores, about 1 per cent to jobbers selling to retail grocers and restaurants and less than 1 per cent direct to hotels, restaurants and institutions.

Stock-type Multiple Commodity Organization C

The last active organization to be examined is a capital stock cooperative with 22 active members who market 14 different vegetables. This cooperative began operations in 1955. The members are selected by the board of directors. Produce may be purchased from non-members to help fill orders when the supply is small.

Although 250 shares of preferred and 250 shares of common Class B stock are authorized at \$100 per share,

none of it has been sold. Seven hundred and ninety-three shares of common Class A stock have been issued while 1500 shares are authorized at \$100 per share. Not more than 10 per cent of the Class A common stock issued may be held by one person. Voting privileges are limited to one vote per share of common Class A stock held by the members.

Each township in the area of production is represented by a member on the board of directors. Directors are not paid for their work except by reimbursement for mileage when they must travel to represent the association at a meeting. The sales-manager has been employed from July through the middle of November every year since the organization began operating. He is a partner in a produce-sales firm, but devotes full time to his job as sales-manager of this cooperative during his period of employment with it. The manager of the packing shed is employed during June to January 15 on a full-time basis and on an hourly basis during the remainder of the year.

The association handles 14 vegetables, eight of which pass through at least one of the following operations at the central packing shed: grading, waxing, icing, vacuum cooling, hydro-cooling and packaging. The other 6 vegetables are packed at the farm and taken to the packing shed for shipment. The charge for selling produce through the organization is 10 per cent of the gross f.o.b. price. Seed and packages are the only supplies which are purchased by the co-op for the members.

Commodities handled by this association are produced in three counties and sold mostly in the following 8 states: Michigan, Indiana, Ohio, Alabama, Georgia, Florida, Illinois, Kentucky. A minor percentage of the produce is sold as far east as Boston and New York and west to Tulsa, Oklahoma. The percentages of produce sold directly through different market outlets are the following: 50 per cent to chainstores, 20 per cent to commission merchants selling to jobbers and chainstores and 10 per cent to each of the three following groups: processors, jobbers selling to retail grocers and restaurants, and brokers selling to jobbers and wholesalers.

Since there have been many failures of agricultural marketing cooperatives in the United States during the past four decades, it is of great value to examine some of the inactive associations, while appraising the five active organizations of this study.

Non-stock Multiple Commodity Organization Which Has Failed

The first inactive cooperative studied had a non-stock capital structure. The organization had been operating during 1950 to 1954 with about 50 members the first year and 35 members during the final year. The salesmanager was employed on an annual basis, but he also had another job. Ten fresh vegetables were sold through the cooperative while tomatoes were canned at the co-op's canning plant.

Stock-type Single Commodity Organization Which Has Failed

The second inactive cooperative had a capital stock financial structure. There were nine members who marketed a \$35,000 annual volume of fresh onions through the organization during 1957 and 1958. The sales-manager was a local producer and member of the organization. Only \$4,000 to \$5,000 worth of capital stock was sold from an authorized amount of \$20,000. This cooperative also had a central packing shed for its members. Since some of the members still hold meetings intermittently, the group may be revived in the future. Since the production pattern has been changing in that area, the cooperative would probably market a different commodity.

After analyzing the organizational structures, personnel, services and sales outlets of several cooperatives, it's apparent that each organization has a different combination of these factors. It is difficult to establish which particular combination is the optimum one, since this depends on the social and economic environmental conditions of the geographic area of production.

CHAPTER IV

ANALYSIS AND EVALUATION OF SOME AREAS OF STRENGTH AND WEAKNESS

The analysis and evaluation of data collected pertaining to seven essentials assumed necessary for the successful operation of marketing cooperatives will be the main subject of discussion in this chapter in order to determine some of the areas of strength and weakness in the operation of five active vegetable marketing cooperatives. Weaknesses in these five organizations from the grower's viewpoint will be detected by examining the reasons for members leaving and reasons for non-member growers failing to join these cooperatives. The reasons obtained from former members of two vegetable marketing cooperatives which have failed will be examined in order to determine weaknesses in their operation.

The numbers referring to the five marketing cooperatives in this chapter don't correspond to the listing of organizations in Chapter III by case description, but are coded to prevent disclosure of individual firm operations.

Economic Need for an Organization

Economic need for an organization is a basic essential for the success of these marketing cooperatives. One indication of the economic need for a marketing cooperative is the total number of acres of the type of produce handled by an organization which is harvested for sale in the counties served by an association. The numbers of acres of produce harvested for sale in the counties served by each of the five organizations was over 6,000 acres (Table 4). The first and fourth cooperatives have the largest potential acreages of 13,942 and 11,638 acres, respectively. These figures indicate that there is a good potential in terms of possible business volume for all five organizations.

TABLE 4.--Number of acres of produce harvested for sale in counties served by five marketing organizations, 1959.

Organization	Acres of Produce in Counties Served by the Organizations
1	13,942
2	6,438
3	6,855
4	11,638
5	6,894

Source: Bureau of the Census, 1959 Preliminary Census of Agriculture, U. S. Department of Commerce.

Further substantiation of the economic need for these marketing organizations is revealed upon examination

of the average acreage of produce grown by the cooperative members interviewed in the study. The average acreages of produce grown by members of each of the five organizations were 60, 145, 86, 18 and 29 acres, respectively (Table 5). Producers with acreages in this range may derive certain benefits from cooperative marketing, such as obtaining chainstore accounts which might not be possible as individuals.

TABLE 5.--Average acreage of produce grown by members of each of five marketing organizations, 1959.

Organization	Average Acreage Grown Per Member
1	60
2	145
3	86
4	18
5	29

Another indicator of economic need in the case of all five cooperatives is that there are no other grower owned marketing organizations within a 70 mile radius of any of these associations which handle the same commodities.

With adequate potential acreages of produce grown in the counties served by the cooperatives, the most important factor in determining economic need in this

case may be the distance of the production areas of the cooperatives from cities with terminal receivers, wholesale public markets and retail farmer markets. Since jobbers, commission merchants and warehouses for retail units of corporate chains, cooperative and voluntary purchasing groups of independents may be found in practically all cities of 100,000 population or over, these cities are likely markets for local produce. If a terminal market is located more than 30 or 40 miles from the production area, growers may save time and expense by marketing their produce cooperatively. It is estimated that the total cost of time, vehicle use and market fees represent between 5 and 20 per cent of total load value of produce sold at wholesale public markets and between 10 and 30 per cent at retail farmer markets in Michigan.¹⁸ The distances of each of the five cooperatives from the nearest city with 100,000 population, a wholesale public market and a retail farmer's market are shown in Table 6.

The second and third cooperatives are located an average distance of 47 and 61 miles, respectively, from the three nearest places with a 100,000 population, a wholesale public market and a retail farmer's market. The first, fourth and fifth organizations are located much closer to these three market outlets with an average

¹⁸Motts, George N., Marketing Handbook for Michigan Fruits and Vegetables, Special Bulletin 418, Department of Agricultural Economics, Michigan State University, East Lansing, December 1957, p. 43.

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distance of 27, 35 and 11 miles, respectively. On the basis of distance from these three major outlets for fresh produce the second and third cooperatives serve a greater economic need than the other three.

TABLE 6.--Number of miles distance of five marketing organizations from the nearest city with 100,000 population, a wholesale public market and a retail farmer's market, 1960.

Organization	Distance from Nearest City with			Average Distance from the Three Places
	100,000 Population	Wholesale Public Market	Retail Farmer's Market	
- - - - - Miles - - - - -				
1	27	27	27	27
2	41	60	41	47
3	62	62	60	61
4	51	27 *	27	35
5	14	6	14	11

* This large wholesale public market can easily dispose of all the produce grown in the counties served by this organization, thus the distance from the nearest city of 100,000 population and a retail farmer's market are rather insignificant in determining the economic need for this organization.

Opinions expressed by former members and non-members, as a group for each marketing association, indicate there is a real need for all five organizations (Table 7). The following percentages of former members and non-members interviewed from each of the five organizations claimed that there is a real need for their respective cooperatives: 89, 92, 88, 80 and 100 per cent.

TABLE 7.--Percentages of former members and non-members of five marketing organizations who said there was a real need for the marketing organization in their locale, 1960.

Organization	Percent of Total Former Members and Non-members
1	89
2	92
3	88
4	80
5	100

There were nine different reasons expressed by the 49 former members and non-members of five vegetable marketing organizations for the need of group marketing in their locale (Table 8). To meet the demand of fewer buyers for large volumes of quality packed produce and to obtain more market outlets were reasons given by 35 per cent and 24 per cent of the growers, respectively. Twenty per cent of the producers said a marketing organization was needed to help stabilize prices of produce in their area. The need for fewer sellers to bargain with fewer buyers and a good market outlet for smaller producers were reasons expressed by 10 per cent of the growers. The sales organization reduces the time a grower must devote to marketing tasks, 8 per cent of the growers claimed. Four per cent of the producers said it helps some growers obtain a better price for their produce. Two per cent

thought the cooperatives helped reduce marketing costs and the excess supply of produce at relatively nearby city markets.

TABLE 8.--Reasons expressed by 49 former members and non-members for the need of five marketing organizations, 1960.

Reasons for the Need of Five Associations	Frequency	Percent of Total 49 Growers*
1. To meet the demand of fewer buyers for large volumes of quality packed produce.....	17	35
2. To obtain more market outlets.....	12	24
3. To help stabilize prices in the area.....	10	20
4. Need fewer sellers to bargain with fewer buyers.....	5	10
5. Good market outlet for smaller producers.....	5	10
6. To reduce grower's time spent on marketing.....	4	8
7. Helps some growers obtain a better price.....	2	4
8. To reduce marketing costs.....	1	2
9. Helps reduce excess supply at city markets.....	1	2

*The percentage figures do not total 100 per cent, since some growers gave more than one reason.

From examination of the various facts in the previous tables and testimony of former members and non-members, it is apparent that an economic need exists for

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all of these cooperatives. However, there appears to be more of a need for the second and third cooperatives than the other three on the basis of one of the better indicators of economic need - the distance from the nearest city with population of 100,000, a wholesale public market and a farmer's retail market.

A Capable Sales-Manager

The sales-manager refers to the individual hired by the board of directors who is primarily responsible for selling the produce grown by the members of the cooperative. The sales-managers of all the organizations, except one, are responsible for the financial management of their cooperatives. In order to help evaluate the capability of sales-managers, members, former members and non-members of each marketing cooperative were asked questions concerning their sales-managers' ability and performance during his period of employment.

Each group of members, former members and non-members was asked to rate the ability of the sales-manager of their cooperative as excellent, good, fair or poor. The sales-manager of the first co-op received fair or poor ability ratings from 22 per cent of the members, 17 per cent of the former members, 33 per cent of the non-members and 23 per cent of all growers interviewed (Table 9). Members and former members thought the sales-manager of the second cooperative well qualified for his job, since all of the members and 89 per cent of the

former members rated him excellent or good. Non-members apparently didn't know him very well, since 75 per cent didn't care to comment on his ability. Eighty-three per cent of all growers rated this sales-manager as excellent or good.

TABLE 9.--Ability ratings of sales-managers of five marketing organizations by per cent of each of the following groups of growers interviewed: members, former members, non-members and all growers, 1960.

Organization	Ability Rating of Sales-Manager	Members	Former Members	Non- Members	All Growers
-----Percent of total-----					
1	Excellent or Good	67	17	34	44
	Fair or Poor	22	17	33	23
	Don't Know	11	66	33	33
2	Excellent or Good	100	89	25	83
	Fair or Poor	0	11	0	4
	Don't Know	0	0	75	13
3	Excellent or Good	78	50	0	53
	Fair or Poor	22	0	0	12
	Don't Know	0	50	100	35
4	Excellent or Good	76	60	40	66
	Fair or Poor	24	0	40	21
	Don't Know	0	40	20	13
5	Excellent or Good	33	0	0	17
	Fair or Poor	67	100	33	72
	Don't Know	0	0	67	11

The third sales-manager received fair or poor ability ratings from 22 per cent of the members but none from the other groups of growers. Apparently, this

individual is doing a good job for the association, since 78 per cent of the members rated him excellent or good. Former members and non-members weren't well acquainted with the sales-manager, since 50 per cent of the former members and none of the non-members knew which ability rating to give him. The fourth sales-manager received fair or poor ratings from 23 per cent of the members, none of the former members, 40 per cent of the non-members and 21 per cent of all the growers interviewed. The fifth sales-manager received fair or poor ratings from 67 per cent of the members, 100 per cent of the former members, 33 per cent of the non-members and 72 per cent of all the growers interviewed.

It may be worth noting that all five sales-managers were rated as excellent or good by 67 per cent or more of the members of all cooperatives except the fifth organization. All members of the second cooperative rated their sales-manager as excellent or good. Since many of the former members and non-members didn't know what rating to give the sales-managers of the first and fourth cooperatives, it is hard to draw any valid conclusions in their cases. However, 89 per cent of the former members of the second association rated their sales-manager excellent or good, while 100 per cent of the former members of the fifth cooperative gave their sales-manager a fair or poor rating.

The 25 growers who indicated either fair or poor ratings for their sales-manager were asked why they had given these ratings in order to determine some of the shortcomings of these individuals (Table 10). The statement that the sales-manager is employed only on a part-time basis, which doesn't allow him to devote enough time to his job as sales-manager, was given by 36 per cent of the growers.

TABLE 10.--Reasons given by 25 growers for fair or poor ratings of sales-managers of five marketing organizations, 1960.

Reasons for Fair or Poor Sales-Manager Ratings	Frequency	Per cent of 25 Growers Interviewed
1. Employed only part-time . . .	9	36
2. Personality conflict with growers	6	24
3. Poor salesmanship	6	24
4. Enjoys too much freedom in making decisions	5	20
5. No personal contact with growers at their farms . . .	4	16
6. Poor knowledge of crop production practices	3	12
7. Inexperienced	3	12
8. Not dependable in price quotations to growers	3	12
9. No interest in cooperative. .	2	8
10. Favoritism to certain mem- bers	1	4
11. Not enough personal con- tact selling	1	4

The sales-manager's personality conflict with growers and poor salesmanship were reasons listed by 24 per cent. The sales-manager's excessive freedom in making decisions was stated as a reason by five members of one cooperative. Four members of another association claimed their sales-manager never personally contacted members at their farms in order to understand their problems in production. Poor knowledge of crop production practices, inexperience and undependability in giving price quotations to growers were reasons listed by 12 per cent of the growers. Two members of one cooperative claimed the sales-manager didn't have any particular interest in the association. Other reasons included favoritism to certain members and not enough personal contact selling.

All of the members, former members and non-members of each cooperative were asked if they honestly thought the sales-manager had developed the necessary confidence and loyalty of the membership (Table 11). The largest group of opinions by per cent of total numbers of growers evaluating the five individuals were: 50 per cent--yes; 46 per cent--yes; 47 per cent--yes; 48 per cent--not sure; and 67 per cent--no, respectively.

The quality of sales-manager a cooperative will obtain depends to some extent on the salary and commission offered to him. The largest amount paid for sales management by any association was \$19,775 for a sales-manager

and his assistant who were employed for 4 months full-time in 1959 (Table 12). These individuals received a 4 per cent commission of the gross f.o.b. sales. One sales-manager received a straight salary of \$8,700 for 12 months full-time employment, while another received a \$6,000 salary for 12 months part-time employment. One sales-manager was guaranteed \$3,000 plus a 1 per cent commission on all produce sold over a certain business volume. He received \$3,200 in 1959 for 3 months part-time employment. The lowest amount received by any of the five sales-managers was \$2,200 for 4 months part-time employment. This individual is paid on the basis of 10 cents per bushel of produce sold.

TABLE 11.--Opinions of all growers interviewed in connection with five marketing organizations when asked if their sales-manager had developed the necessary confidence and loyalty of the membership of their organization, 1960.

Organization	Opinions of Membership Confidence in Sales-Manager	Per cent of Total Growers
1	Yes	50
	No	6
	Not sure	44
2	Yes	46
	No	25
	Not sure	29
3	Yes	47
	No	12
	Not sure	41
4	Yes	30
	No	22
	Not sure	48
5	Yes	11
	No	67
	Not sure	22

TABLE 12.--Months employed and estimated earnings of sales-managers of five marketing organizations, 1959.

Months of Sales-Managers' Employment	Estimated Earnings
4 full time	\$ 19,775
12 full time	8,700
12 part time	6,000
3 part time	3,200
4 part time	2,200

The majority of members and former members of each of the five cooperatives said that their organization had paid enough in the past to obtain a satisfactory sales-manager (Table 13). All growers interviewed from the second and third associations answered yes, and 90 per cent of the fourth, 86 per cent of the fifth and 57 per cent of the growers of the first cooperative also stated affirmative opinions.

TABLE 13.--Percentages of members and former members of five marketing organizations expressing affirmative opinions when asked if their organization had paid enough in the past to obtain a satisfactory sales-manager, 1960.

Organization	Per cent of Total Members and Former Members
1	57
2	100
3	100
4	90
5	86

Previous employment and experience have a bearing on the quality of work a sales-manager might be expected to perform. The 1960 sales-managers of these associations had the following types of employment previous to their present jobs: partner in a grower-processor produce business, owner and manager of a retail nursery garden center, radio farm editor and two were produce salesmen.

In summarizing this section on sales management, it is noted that 67 per cent or more of all the members of all cooperatives, except one, rated their sales-managers as excellent or good. The most frequent reasons given by 25 growers for rating the sales-managers fair or poor were (1) employed only part-time, (2) personality conflict with growers and (3) poor salesmanship. Only 50 per cent or less of all growers interviewed in each of the five associations thought that their sales-manager had developed the necessary confidence and loyalty of the membership in their organizations. In all cooperatives except the first one, 86 per cent or more of the members and former members thought that the cooperative had paid enough in the past to obtain satisfactory sales-managers. This analysis and evaluation of five sales-managers points out the need for more evaluation of sales-managers by the board of directors and the increased concern members must take in securing and evaluating their sales-managers if they expect to obtain top rate personnel for this job.

An Adequate Volume of Business

An adequate dollar volume of business is quite essential for the successful operation of any business. Although it is impossible to state a satisfactory minimum dollar volume of business because of great variations in individual organizations, it is important that the cooperative have enough business to benefit from the economies of reasonably large scale operation so that its fixed costs will be kept in proper relationship to its variable costs. Since financial statements weren't made available from some of these organizations, and those organizations submitting statements wished them to be kept confidential from publication, there was no financial ratio analysis and percentage trend analysis done on these associations. However, some insight of the success of these marketing organizations may be gained by examining the trend of the gross dollar volume of business over a period of years.

The trend in gross f.o.b. dollar volume of business of members' produce sold by all five organizations, except the second and third, has been downward during the years indicated for each association in Table 14. The volume of business for the first cooperative dropped from \$500,000 in 1956 to \$247,000 in 1959. The second association had a rise in business volume from \$570,000 in 1955 to a high of \$973,000 in 1957 but experienced a drop to \$735,000 in 1959. Organization three has had a steady increase in volume of business from \$78,000 in

1956 to \$585,000 in 1959. The fourth cooperative experienced a decline in business volume from \$111,000 in 1957 to \$49,000 in 1959, as did the fifth organization from \$250,000 in 1957 to \$210,000 in 1959. The volume of business has been decreasing fairly steadily for three of the five cooperatives. Such a downward trend can eventually be a basic cause for dissolution of an association.

TABLE 14.--Gross f.o.b business volume of member produce sold by five marketing organizations, 1955 - 1959.

Year	Gross f.o.b. Business Volume of Organizations				
	Co-op 1	Co-op 2	Co-op 3	Co-op 4	Co-op 5
	----- (\$1,000) -----				
1955		\$570			
1956	*\$500	738	\$ 78		
1957	325	973	434	\$111	*\$250
1958	175	885	499	77	* 220
1959	247	735	585	49	* 210

Note: Where there are no figures for certain years, the organization either was not operating or no figures were available.

* Indicates an estimate by the sales-manager.

Use of Sound Financial Practices

The use of sound financial practices is another essential for the successful operation of any business organization. The pooling system of financial payment is considered a good practice by many cooperatives. In using the pooling system of payment the complete payment to members for commodities marketed is deferred until the commodities are sold by the organization and the

expenses are ascertained and deducted. The returns received by the members are based on an average price of the total amount of an individual commodity sold during the pool period.

Members of the four marketing organizations using the pooling system of payment were asked if the pooling system used by their organization was fair to all growers. Opinions expressed by members of the first organization which has a weekly pool show that 63 per cent thought the pool system was fair to all growers (Table 15). Members of the second cooperative with a weekly pool answered "yes" by only 30 per cent. Members of the fourth one with a daily pool voiced affirmative opinions by 83 per cent, while 63 per cent of the members of the fifth organization with a weekly pool indicated the method was fair to all members.

TABLE 15.--Member opinions when asked if the present pooling system used by their marketing organization was fair to all growers, 1960.

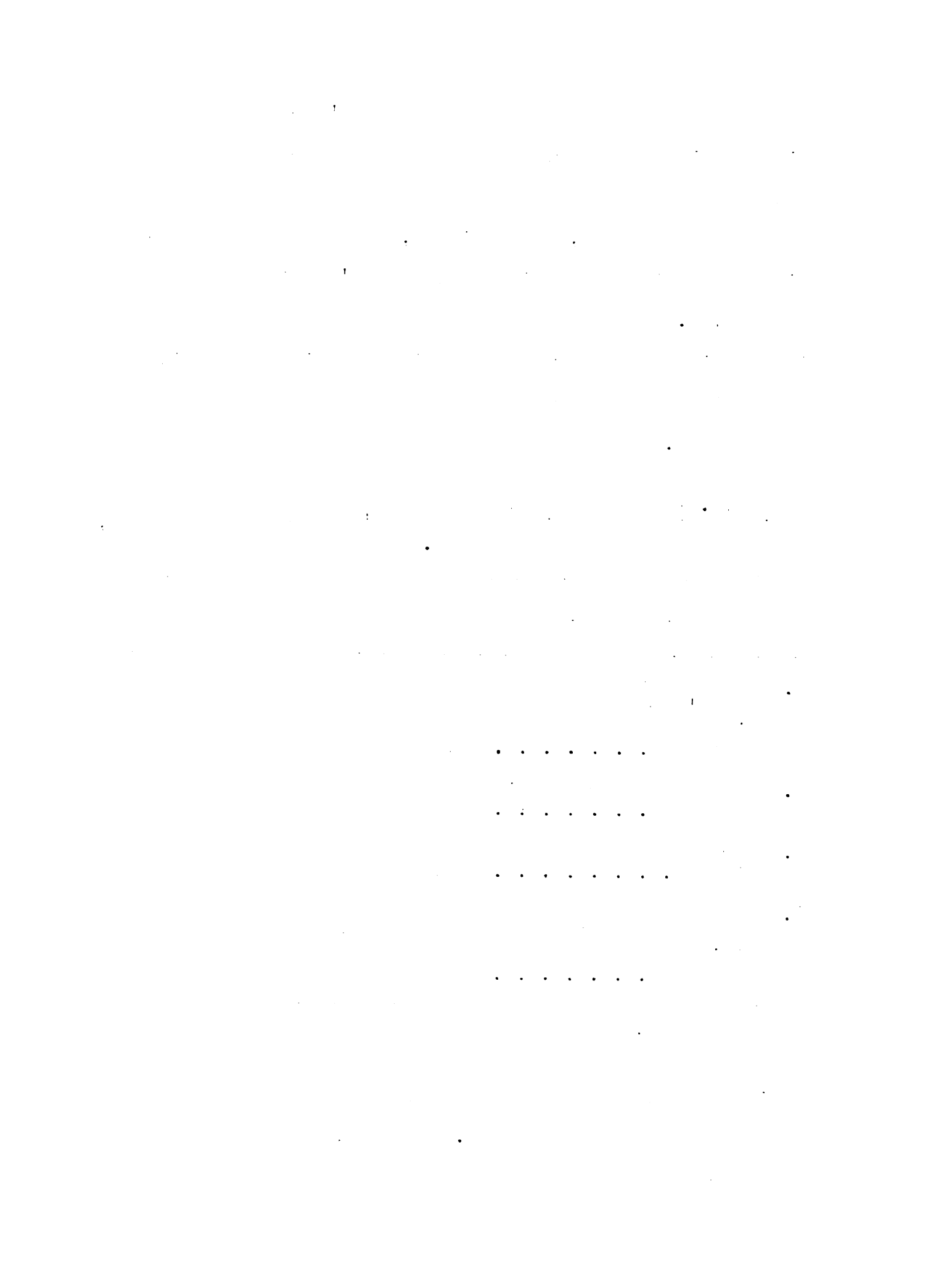
Organization	Length of Pool	Opinions of System's Fairness	Per cent of Total Members Interviewed
1	Daily	Yes	63
		No	37
2	Weekly	Yes	30
		No	70
4	Daily	Yes	83
		No	17
5	Weekly	Yes	63
		No	37

The high quality producer doesn't receive the higher price he deserves and payment for produce is too slow were two reasons stated by 67 per cent and 27 per cent of the members, respectively, of the four cooperatives who said the pooling system wasn't fair to all growers (Table 16). Accounting costs are higher and no exact information on the true price which individuals receive for their produce were reasons given by 7 per cent of the members.

TABLE 16.-- Reasons why 15 members of four marketing organizations said the pooling system wasn't fair to all growers, 1960.

Reasons for Pooling System being Unfair	Frequency	Per cent of Total Members Interviewed
1. High quality producer doesn't receive the higher price he deserves	10	67
2. Payment for produce is too slow	4	27
3. Accounting costs are higher	1	7
4. No exact information on the true price in- dividuals receive for produce	1	7

The ability of a bookkeeper to perform his job satisfactorily has a bearing on the use of financial practices by an organization. Members, former members and non-members of the five organizations were asked



to rate the ability of the bookkeepers. Since 57 per cent of the former members and 79 per cent of the non-members did not know enough about the job which the bookkeepers were doing to rate them, only the ability ratings given by members are shown in Table 17.

TABLE 17.--Ability ratings of bookkeepers by five marketing organizations by per cent of total members interviewed from each organization, 1960.

Organization	Ability Ratings Given by Members			
	Excellent	Good	Fair	Don't Know
	- - - - - Per cent of total - - - - -			
1	0	33	44	23
2	0	50	0	50
3	11	67	11	11
4	55	45	0	0
5	13	87	0	0

None of the members rated the bookkeepers poor. Only 33 per cent and 50 per cent of the members of the first and second organizations, respectively, rated the bookkeepers good with neither receiving excellent scores. The third and fourth bookkeepers were rated excellent or good by 78 per cent and 100 per cent of the members, respectively. All members of organization one rated their bookkeeper either excellent or good.

The revolving capital plan of financing is considered a sound financial practice by many cooperatives.

The use of this plan of financing requires that members contribute annually to the organization's capital in proportion to the business done with the association by a per unit or percentage deduction from the proceeds of their produce sales. Each year the member receives repayment of the capital contribution made in an earlier year.¹⁹ Only the first and third cooperatives are using the revolving capital plan of capitalization.

Sending financial reports to the members is another sound financial practice. All five cooperatives except organization five sent annual financial reports to the members for the 1959 fiscal year. All of the organizations made vocal financial reports at their annual meetings, but none of the five associations sent financial reports to the members during the year except the annual reports.

Having annual audits of the financial records of a business made by certified public accounts is another sound financial practice. Only organizations two and three always have annual audits made by certified public accountants. These accountants are selected by the board of directors. The first organization sometimes has audits made by certified public accountants. Otherwise, audits are only made by the bookkeepers and board of directors of these organizations.

Cost and efficiency studies of handling produce have only been carried out by the second cooperative.

¹⁹Stokdyk, Op. Cit., pp. 5, 6.

The most frequent financing and operating problems which members of the five organizations mentioned were: slow payment on produce sold, mortgage debt to pay and low volume of business (Table 18). Problems mentioned by two members were: not enough working capital at peak seasons and a poor bookkeeping system.

TABLE 18.--Member opinions of the major financing and operation problems of five marketing cooperatives, 1960.

Financing and Operation Problems	Frequency
1. Slow payment on produce sold	4
2. Have mortgage debt to pay	4
3. Low volume of business.....	3
4. Not enough working capital at peak seasons.....	2
5. Poor bookkeeping system.....	2
6. No written annual report.....	1
7. Books need auditing by a public accountant.....	1
8. Need storage facilities.....	1
9. Haven't received any dividends yet.....	1
10. Not informed of financial status during the year.	1
11. Inefficient packing.....	1
12. Use poor quality containers.....	1
13. Bookkeeping costs too high.....	1
14. Difficult to negotiate loans with banks.....	1

Other problems voiced by members included: no written annual reports, books need auditing by a public accountant, need storage facilities; haven't received any dividends yet; not informed of financial status during the year, inefficient packing, use of poor quality containers, bookkeeping costs are too high and difficulty in negotiating loans with banks.

In summarizing the important points in this section, it may be noted that 63 per cent or more of all members in each of the four associations with a pooling system, except one, thought this method of payment was fair to all growers. The two most frequent reasons obtained from members who stated that the pooling system wasn't fair to all growers were: (1) high quality producers don't receive the higher prices they deserve and (2) payment from the cooperative for produce sold is too slow. Fifty per cent or more of the members of each of the five association, except the first one, rated their cooperative's bookkeeper excellent or good. Only two associations are using the revolving plan of capitalization. The fifth association was the only one which hadn't sent an annual financial report to members during the year of 1959. Only the second and third cooperatives always have annual audits made by certified public accountants. The most frequent financing and operation problems stated by members of the five associations were the following: (1) slow payment on produce sold, (2) have mortgage debt to pay, and (3) low volume of business.

This analysis of some of the financial practices used by the five cooperatives illustrates the need for more attention to financial matters by all segments of the cooperatives' management: directors, sales-managers and members.

Fulfillment of Responsibilities by the Directors

Much too often members blame the shortcomings of their association on the sales-manager and fail to realize that part of the shortcomings may be due to neglect of the board of directors in fulfilling their responsibilities as a segment of the management team. The directors have the responsibility to hire or fire the sales-manager and to establish the policies under which he will operate. The directors also have certain responsibilities to the membership, since they are a vital link between the members and the operation of the association.

The number of members on the board of directors varied from 6 to 16 for the five associations (Table 19). The numbers of directors representing the membership in the five cooperatives were 9, 7, 16, 7 and 6, respectively. All the associations have 3 year terms of office for their directors except the third organization which has a one year term. The numbers of meetings held by the directors of these five cooperatives in 1959 were 17, 25, 8, 8 and 10 meetings, respectively. The total member attendance figures for all of the director's meetings of each of the five associations were 135, 151, 167, 74 and 50,

respectively. The average numbers of members attending the meetings of the board of directors of the five associations in 1959 were the following: 8, 6, 21, 9 and 5 members, respectively. Apparently some members who weren't directors attended some of the meetings of the third and fourth cooperatives, since the total attendance figures at their meetings were higher than could have been possible from director attendance alone.

TABLE 19.--Number of directors, terms of office, number of director meetings held, total attendance and average attendance at board of director meetings of five marketing organizations, 1959.

Organization	Number of Directors	Years in Office	Board of Director Meetings		
			Number Held	Total Attendance	Average Attendance
1	9	3	17	135	8
2	7	3	25	151	6
3	16	1	8	167	21
4	7	3	8	74	9
5	6	3	10	50	5

With the assumption that most of the major policy decisions are made at meetings of the board of directors, these data point out that there were more members involved in making decisions in the third cooperative than any of the other associations in 1959, since the average attendance at director meetings was much greater than in any other organization. The greater average member attendance

at director meetings in the third cooperative also provided more opportunity for personal contacts among more members in a decision-making atmosphere than in any of the other associations.

A responsibility which many directors tend to neglect is enforcement of penalties on members for selling produce to markets outside of their cooperative. Members of the first, second and fifth organizations have sold produce to outside markets after making an agreement with their cooperative to sell 100 per cent of certain produce through the association. Presidents of the first and fifth associations claimed that the penalties for selling to outside markets have not been enforced in all cases. The second cooperative has enforced the penalties to the best of the directors' abilities, depending upon the situation.

All directors interviewed from the second and fourth cooperatives signed marketing agreements with their organizations in 1960. The other three associations don't require the member's signature annually for their marketing agreements.

Directors are responsible for keeping members informed on the operation, programs and policies of their cooperative and to hear views of members before important decisions are made. Members should also vote on the more important decisions which are made. These responsibilities can be partially fulfilled by holding regular

membership meetings. The number of membership meetings held by the five organizations in 1959 varied from 12 for the first cooperative to 1 for the fifth organization (Table 20). The second and third associations each held 3 membership meetings and the fourth cooperative had four meetings.

TABLE 20.--Number of membership meetings held by five marketing organizations, 1959.

Organization	Number of Membership Meetings Held
1	12
2	3
3	3
4	4
5	1

Members were asked if the board of directors was taking adequate steps to keep the membership fully informed on the activities and problems of their organization. Affirmative opinions expressed by members of the five organizations varied from 88 per cent in the third cooperative to 12 per cent in the fifth organization (Table 21).

Members of the first two associations stated affirmative opinions by 38 per cent and 20 per cent, respectively. Fifty per cent of the members of the fourth association said they had been kept adequately informed on the organization by the directors.

TABLE 21.--Percentages of members of five marketing organizations who thought their directors were taking adequate steps to keep the membership informed on the activities and problems of their organization, 1960.

Organization	Members who thought directors had adequate membership relations program
- - - -Per cent of Members- - - -	
1	38
2	20
3	88
4	50
5	12

Another examined responsibility of the board of directors was the freedom allowed the sales-manager in the use of his own judgement in performing his duties. The percentages of members of the five organizations who thought their sales-manager was allowed ample freedom in the use of his own judgement ranged from 88 per cent to 100 per cent (Table 22). The percentages of former members who gave an affirmative answer were 67, 87, 50, 40 and 83 per cent, respectively, for the five organizations.

A counter responsibility of directors is to make adequate checks to see that the sales-manager is conforming to the policies adopted by the cooperative. The following percentages of members of the five associations

thought that adequate checks were made on the sales-manager: 50, 40, 63, 50 and 13 per cent, respectively, (Table 23).

TABLE 22.--Member and former member opinions when asked if the sales-managers of five marketing organizations were allowed ample freedom to use their own judgement in performing their duties, 1960.

Organization	Opinions	Members	Former Members
		(Per cent of total interviewed)	
1	Yes	88	67
	No	0	0
	Don't Know	12	33
2	Yes	100	87
	No	0	0
	Don't Know	0	13
3	Yes	100	50
	No	0	50
	Don't Know	0	0
4	Yes	92	40
	No	8	0
	Don't Know	0	60
5	Yes	100	83
	No	0	0
	Don't Know	0	17

The directors also have a responsibility to see that adequate public relations work is being done by the organization to acquaint growers and buyers with their cooperative. Many members and former members didn't think enough public relations work had been done by their

marketing associations in the past (Table 24). Members who held this negative opinion consisted of 50, 50, 37, 59 and 50 per cent of all those interviewed in the five organizations, respectively. The percentages of former members of the five groups who stated a negative reaction were 67, 56, 50, 80 and 83 per cent, respectively.

TABLE 23.--Percentages of members of five marketing organizations who thought that adequate checks were made by their directors to see that the sales-manager was conforming to the policies adopted, 1960.

Organization	Members who thought adequate checks were made on the sales-manager
(Per cent of Members)	
1	50
2	40
3	63
4	50
5	13

TABLE 24.--Percentages of members and former members of five marketing organizations who didn't think enough public relations work had been done in the past by their organizations, 1960.

Organization	Members	Former Members
(Per cent of total)		
1	50	67
2	50	56
3	37	50
4	59	80
5	50	83

In concluding this section it is noted that the third cooperative had more members involved in making decisions at board of director meetings in 1959 than any of the other associations by average attendance at meetings held. The responsibility of enforcement of penalties on members for selling produce to markets other than through the cooperatives tended to be neglected in most instances. All directors did set the example by signing marketing agreements in those two cooperatives requiring such signatures.

All cooperatives except the fifth one held 3 or more membership meetings in 1959. The third cooperative had a much higher percentage of members (88 per cent) who thought their directors were taking adequate steps to keep the membership informed on the activities and problems of their organization than any of the other associations. Members of all the five associations almost unanimously agreed that their sales-managers had been allowed ample freedom to use their own judgement in performing their duties. The third association had the highest percentage of members (63 per cent) agreeing that adequate checks were made by their directors to see that the sales-manager was conforming to the policies adopted, while the percentage varied from 13 to 50 per cent for the other organizations. Thus, members seem to feel that the directors haven't been fulfilling the responsibility of checking and evaluating the work of the sales-manager in many cases.

The majority of members and former members of all five organization, except members of the third cooperative, thought that the associations had not done enough public relations work in the past. Partial responsibility for public relations may be delegated to the sales-manager but again it is a major responsibility of the directors. A comparative evaluation of this data leads one to conclude that the board of directors of all associations except the third one have not been fulfilling their responsibilities to these cooperatives and their members in many instances.

Utilization of Effective Channels of Communication

Utilization of effective channels of two-way communication among different groups within an organization is very important for the successful operation of a cooperative. In order to determine the most important channels of communication which members have with their organization, they were asked what source of information was the most important to them for knowledge of financial matters and activities other than strictly financial (Table 25). The sources of information used by members of one or more of the five marketing cooperatives included the following: the written annual report, regular member meetings, personal contacts with the directors and sales-manager, phone talks with the directors and the sales-manager, the annual meeting, social gatherings and television.

TABLE 25.--Ratings of the most important sources of information on financial matters and activities other than financial by members of five marketing organizations, 1960.

Sources of Information	Organization 1		Organization 2	
	Finances	Other Activities	Finances	Other Activities
(Per cent of Total Members)				
Written annual report	67	11	46	9
Regular member meetings	0	33	9	73
Personal contacts with directors & sales-manager	11	23	18	9
Phone talks with directors & sales-manager	22	33	0	9
Annual meeting	0	0	27	0
Social gatherings	*	*	*	*
Television	*	*	0	0
TOTALS	100	100	100	100

*Indicates sources of information not used by the particular marketing organization.

0-Zeros indicate this source of information was used but wasn't considered the most important by anyone.

TABLE 25.--Continued

Organization 3		Organization 4		Organization 5	
Finances	Other Activities	Finances	Other Activities	Finances	Other Activities
(Per cent of Total Members)					
44	11	76	0	*	*
56	89	8	62	*	*
0	0	0	38	33	56
0	0	0	0	11	11
0	0	16	0	56	33
0	0	*	*	0	0
*	*	*	*	*	*
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
100	100	100	100	100	100

Members of the first marketing organization rated the written annual report as the most important source of information on finances by 67 per cent, while regular member meetings and phone talks with directors and the sales-manager tied in votes for the most important source on activities other than strictly financial with 33 per cent of the total votes. The annual report was considered the most important source of information for finances by members of the second marketing cooperative by 46 per cent of the members, while regular member meetings was voted the most important for activities other than strictly financial by 73 per cent of the members. Regular member meetings were considered the most important source of information for both finances and other activities by 56 per cent and 89 per cent of the members of the third association, respectively. The annual report was voted the most important source of information for finances in the fourth cooperative by 76 per cent of the members, while regular member meetings were considered the most important source for other activities by 62 per cent of the members. The annual meeting was voted the most important source of information on finances in the fifth organization by 56 per cent of the members, while personal contact with directors and the sales-manager was considered the most important source for other activities by the same percentage of members.

The written annual report was considered the most important source of information for finances by members of three cooperatives, while regular member meetings and the annual meeting were considered more important by members of the third and fifth associations. However, the written annual report and regular member meetings were not used as sources of information in the fifth cooperative. Regular member meetings were considered the most important source of information for activities other than strictly financial by all four organizations holding them, except for the first cooperative which considered phone talks with directors and the sales-manager just as important.

The amount of direct personal communications between the following four sets of groups: (1) directors and the sales-manager, (2) members and the sales-manager, (3) directors and the president, and (4) members and the president of each of the five cooperatives was measured by asking the directors and members how many times yearly they saw their sales-manager and president to talk with them.

The average numbers of personal contacts annually between directors and sales-managers of the five associations were: 16, 45, 66, 16 and 24 times, respectively (Table 26). The average numbers of personal contacts annually between members and sales-managers of the five organizations were : 22, 31, 41, 3 and 12 times, respectively. The average numbers of personal contacts between

directors and presidents of the five organizations annually were: 6, 25, 31, 15 and 12 times, respectively.

The average numbers of personal contacts annually between members and presidents of the five organizations were: 5, 11, 23, 8 and 9 times, respectively.

TABLE 26.--Average numbers of personal contacts between directors and sales-managers, members and sales-managers, directors and presidents and members and presidents of five marketing organizations, 1960.

Groups Doing the Communicating	Classification of the Average Number of Personal Contacts Between Groups in Five Organizations				
	Co-op 1	Co-op 2	Co-op 3	Co-op 4	Co-op 5
Directors & sales- managers	16	45	66	16	24
Members & sales- managers	22	31	41	3	12
Directors & presi- dents	6	25	31	15	12
Members & presi- dents	5	11	23	8	9
TOTALS	49	112	161	42	57

From an examination of the data in Table 26, it is apparent that the second and third cooperatives consistently had a larger average number of personal contacts between the four sets of communicating groups than the other three organizations in 1959. In examining the totals of the average number of contacts in each organization it is discerned that the fourth cooperative had

the lowest cumulative number of contacts (42), while the third organization had the greatest number of contacts (161).

It may be noted in summarizing this section that the written annual report was considered the most important source of information for financial matters by members of three of the four organizations utilizing this type of communication. Regular member meetings were considered the most important source of information for activities other than strictly financial by three of the four organizations holding them.

The second and third organizations had a consistently greater average number of personal contacts between the four sets of communication groups in their organizations. These two organizations had a greater cumulative number of personal contacts (based on average numbers) for all four sets of communicating groups than the other three cooperatives, while the fourth cooperative had the lowest cumulative figure of contacts annually.

After examination of the channels of communication used by members and the amount of communications between the different groups in these cooperatives, it is apparent that much more effective use of communicative methods could be applied in many instances. This is a definite area of weakness in the first, fourth and fifth cooperatives.

Member Loyalty

Members often fail to recognize that one of the main causes for the weakness of their marketing cooperatives is the lack of loyalty as members of their organization. The members and directors are directly responsible for any deviation from the essential of member loyalty in cooperative marketing.

There has been a pronounced downward trend in the number of original members who have kept marketing their produce through the five organizations, since these cooperatives were first founded (Table 27). In calculating the percentage trends in Table 27 the number of members in the first year of operation of each organization was used as a base of 100 per cent. The third organization had retained a high of 76 per cent of the original members in 1960, while the fourth cooperative has the lowest percentage of charter members, 19 per cent. The first, second and fifth associations had retained 51, 43, and 21 per cent of their charter members, respectively, in 1960.

TABLE 27.--Percentage trend of the original active members remaining in five marketing organizations, 1957-1960.

Year	Percentage Trend of Original Membership by Organizations				
	1	2	3	4	5
	(Per cent)				
First	100	100	100	100	100
1957	69	87	100	43	64
1958	61	70	93	39	50
1959	53	50	86	37	37
1960	51	43	76	19	21

The downward trends in the total number of members who remained actively marketing produce through the five cooperatives hasn't been quite as pronounced due to the periodic acquisition of new members (Table 28). The second association is the only one that experienced any upward trend in membership from the first year of operation. It reached a peak of 147 per cent in 1957 and regressed to 73 per cent in 1960. The percentage trend for the first organization remained the same as in Table 27, since the inflow of new members equaled the drop out rate of old members. The last three cooperatives retained the following percentages of their total active membership in 1960 in comparison to their first year: 90, 28 and 31 per cent, respectively.

TABLE 28.--Percentage trend of overall active membership in five marketing organizations, 1957-1960.

Year	Percentage Trend of Total Active Membership by Organizations				
	1	2	3	4	5
	(Per cent)				
First	100	100	100	100	100
1957	69	147	100	46	67
1958	61	130	93	46	56
1959	53	83	90	43	44
1960	51	73	90	28	31

It may be concluded that the loyalty of the members in their continuance to patronize these cooperatives has been far from perfect in most instances. The third organization has retained a higher percentage of its original active members and has a greater percentage of overall active membership remaining in 1960 compared to the first year of operation than any of the other four associations. The fourth cooperative had the lowest percentage retention of original active members and overall active membership of the five organizations. Lack of member loyalty is a definite weakness which three of the five associations have experienced.

Reasons for Members Leaving

There have been many reasons advanced for member's failure to continue patronizing these cooperatives. However, probably one of the most important reasons is that many of these former members have stopped farming entirely. The total number of members who left one cooperative for various reasons from 1956 through 1960 was 34 (Table 29). However, 35 per cent of these 34 former members stopped patronizing the cooperative because they had quit farming entirely.

The 30 former members interviewed who are still growing produce gave many reasons for no longer selling their crops through the five associations. The percentages of former members who gave the following reasons

pertaining to the sales-manager were as follows: not enough market outlets, 33 per cent; dissatisfied with sales-manager, 20 per cent; showed favoritism to large growers, 17 per cent and inaccurate price quotations, 13 per cent (Table 30). Ten per cent said the sales-manager is only an order taker and has too much authority.

TABLE 29.--Former members who stopped patronizing one marketing organization because they quit farming, 1956-1960.

Year	Total Growers Leaving the Organization	Former Members Quitting Farming Number	Per cent
1956	2	1	50
1957	2	0	0
1958	11	3	23
1959	15	6	40
1960	4	2	50
	<hr/>	<hr/>	<hr/>
TOTAL	34	12	35

Reasons stated by 7 per cent included: the sales-manager only works part-time and suspicious of his honesty. The following 3 reasons were given by 3 per cent of the former members: too strict on quality sold, employed too long and never checked on crops in the field.

Reasons pertaining to the use of financial practices given by former members for leaving the five marketing cooperatives included: dissatisfaction with pooling

system by 17 per cent, double commission on produce sold to a commission house and slow on payment for produce by 10 per cent (Table 31). Other former members thought the membership fee was too high and the bookkeeping system was poor.

TABLE 30.--Reasons pertaining to the sales-manager obtained from 30 former members for leaving five marketing organizations, 1957-1960.

Reasons for Former Members Leaving	Frequency	Per cent of Total 30 Former Members
1. Not enough market outlets	10	33
2. Dissatisfied with sales-manager	6	20
3. Showed favoritism to large growers.	5	17
4. Inaccurate in price quotations.	4	13
5. Only an order taker	3	10
6. Has too much authority.	3	10
7. Only works part-time.	2	7
8. Suspicious of his honesty	2	7
9. Too strict on quality sold.	1	3
10. Employed too long	1	3
11. Never checked on crops in the field	1	3
	<hr/>	
	TOTAL	38

TABLE 31.--Reasons pertaining to the use of financial practices obtained from 30 former members for leaving five marketing organizations, 1957-1960.

Reasons for Former Members Leaving	Frequency	Per cent of Total 30 Former Members
1. Dissatisfied with pooling system	5	17
2. Double commission on produce sold to a commission house	4	10
3. Slow on payment for produce.	4	10
4. Membership fee too high.	2	7
5. Poor bookkeeping system.	1	3
	<hr/>	
	TOTAL	16

The reasons which pertained to communication difficulties for 7 per cent of the former members leaving some of the marketing organizations included: poor communications between individuals in the organization and not informed on costs of the organization (Table 32). One grower claimed he wasn't kept informed on business at board meetings.

TABLE 32.--Reasons pertaining to communications, member loyalty and board of directors obtained from 30 former members for leaving five marketing organizations, 1957-1960.

Classification of Reasons for Former Members Leaving	Frequency	Per cent of Total 30 Former Members
<u>Communications</u>		
1. Poor communications between individuals in the organization	2	7
2. Not informed on costs of the organization	2	7
3. Not informed on business at board meetings.	1	3
<u>Member Loyalty</u>		
1. Members wouldn't sell all of their produce through organization	2	7
2. Members didn't deliver produce when promised.	1	3
<u>Directors</u>		
1. Inactive board of directors.	1	3

Reasons given pertaining to member loyalty for growers leaving these cooperatives included: members wouldn't sell all of their produce through the organization

and members didn't deliver produce to the sales-manager when promised. Another former member said the board of directors of his cooperative was rather inactive.

Some miscellaneous reasons given by the corresponding percentage of 30 former members for leaving the five marketing groups included: prices received did not reach expectations, 40 per cent; always had to use new containers, 13 per cent and large growers had too much control, 10 per cent (Table 33).

TABLE 33.--Miscellaneous reasons obtained from 30 former members for leaving five marketing organizations, 1957-1960.

Reasons for Former Members Leaving	Frequency	Per cent of Total 30 Former Members
1. Didn't meet price expectations.	12	40
2. Always had to use new containers.	4	13
3. Large growers had too much control.	3	10
4. Poor packing and handling of produce	2	7
5. Fixed costs too high.	2	7
6. No uniformity in field packing.	2	7
7. No benefits from organization	2	7
8. Plenty of family labor to pack produce	1	3
9. Dissatisfied with by-laws and marketing agreement	1	3
10. Poor quality produce grown hurt organization's reputation	1	3
11. No extra payment for washed produce.	1	3
12. Packing labor costs too high.	1	3
13. Marketing agreement didn't allow outside sales	1	3
14. Poor cooperation among members.	1	3
TOTAL	34	

Seven per cent of the growers listed the following reasons: poor packing and handling of produce, fixed costs too high, no uniformity in field packing and no benefits from the organization. Other reasons given included: plenty of family labor to pack produce, dissatisfied with by-laws and marketing agreement, poor quality produce grown hurt the organization's reputation, no extra payment for washed potatoes, packing labor costs too high, marketing agreement didn't allow for sales to outside markets and poor cooperation among members.

In concluding this section concerning reasons for members leaving the five cooperatives, it may be noted that the single most important cause for member drop out was probably due to members finding employment in an occupation other than farming. Thirty-nine per cent of a total of 97 reasons for leaving the five marketing associations, given by 30 former members still growing produce, pertained directly to the sales-manager. This was the largest percentage of reasons obtained from former members, which could be directly related to any one factor. The most frequent reasons stated by growers for leaving the cooperatives were as follows: (1) cooperative didn't meet price expectations, (2) sales-manager didn't have enough market outlets and (3) dissatisfied with the sales-manager.

Reasons for Growers Not Joining

The most frequent reasons for not joining the five marketing associations given by the corresponding

percentages of 19 growers were the following: have a market outlet with equally favorable prices, 89 per cent; and poor sales-managers, 21 per cent (Table 34). Sixteen per cent gave these two reasons: (1) operations on Sunday are against their religion and (2) have to use new containers all the time. The following reasons were stated by 11 per cent of the non-members: poor quality growers in the association, haven't been asked to join, loss of membership is discouraging, fixed costs are too high, treasures independence of selling, grading isn't uniform and not enough market outlets.

TABLE 34.--Most frequent reasons obtained from 19 growers for not joining five marketing organizations, 1960.

Reasons for Growers Not Joining	Frequency	Per cent of Total 19 Growers
1. Have market outlet with equally favorable prices	17	89
2. Poor sales-manager	4	21
3. Operations on Sunday are against their religion	3	16
4. Have to use new containers	3	16
5. Poor quality growers in it	2	11
6. Haven't been asked to join	2	11
7. Loss of membership is discouraging	2	11
8. Fixed costs too high	2	11
9. Treasures independence of selling	2	11
10. Grading isn't uniform	2	11
11. Not enough market outlets	2	11

Other reasons given once by growers for not joining one cooperative included: another cooperative recently

failed in the area; prefers not to sell through the cooperative since it doesn't have good market outlets in early fall when he must sell; acreage fee is too high and can't pack potatoes at cooperative's request, since he has to rely on another grower's grader. Non-members of another association listed the following reasons: the cooperative has no personal interest in its members, a relative went broke when selling to the association, my business partner is a good salesman at the city market, the cooperative isn't interested in small growers joining and the small grower doesn't have a voice in the organization with only one vote per share of capital stock. Growers of another cooperative listed these three reasons: a few large growers have a selfish interest in the organization; can obtain better service at the broker's packing shed, and the cooperative was started by individuals whom the brokers refused to do business with, since they grew poor quality produce. Reasons obtained from two growers who didn't join two other marketing cooperatives were: too many small part-time growers in the cooperative and had a sad experience with a previous cooperative.

Reasons for Failure of Two Marketing Organizations

In order to confirm the importance of employing a capable sales-manager, reasons pertaining to this essential, given by 12 former members of two marketing organizations which have failed, shall be examined (Table 35).

TABLE 35.--Reasons pertaining to sales management obtained from 12 former members for failure of two marketing organizations, 1960.

Reasons for Failure	Frequency	Per cent of Total 12 Growers
1. Dissatisfaction with sales- manager.	10	80
2. A part-time sales-manager.	8	67
3. Poor market outlets.	6	50
4. Didn't pay enough to obtain a capable sales-manager.	6	50
5. Too many sales-managers in a short time period.	3	25
6. Sales-manager didn't have the confidence and loyalty of membership	2	17
7. Dishonest sales-manager.	2	17
8. Sales-manager was a member grower	2	17
9. Sales management cost 15% of the total gross volume of business	1	8
TOTAL		40

Dissatisfaction with the sales-manager and a part-time sales-manager were reasons given by 80 per cent and 67 per cent of the growers, respectively. Poor market outlets and not paying enough to obtain a capable sales-manager were given as reasons by 50 per cent of the growers. Twenty-five per cent of the former members claimed their cooperative had employed too many sales-managers during too short a period of time for any one of them to put the organization on a sound financial basis. Reasons given by 17 per cent of the growers included: the sales-manager didn't have the confidence and loyalty of the membership,

dishonest sales-manager and the sales-manager was also a member-grower of the cooperative. One grower said the sales management charge of 15 per cent of the total gross volume of business was too high for the members to make any profits.

Several former members of two marketing organizations thought an inadequate volume of business was an important reason for the failure of their cooperatives (Table 36). Not enough members to obtain necessary business volume and lack of potential acreage in the area were reasons stated by 67 per cent and 33 per cent, respectively, of the 12 former members. Another 17 per cent of the growers claimed the fixed costs were too high in relation to the volume of business done by their organization.

TABLE 36.--Reasons pertaining to volume of business obtained from 12 former members for failure of two marketing organizations, 1960.

Reason for Failure	Frequency	Per cent of Total 12 Growers
1. Not enough members to obtain necessary business volume . . .	8	67
2. Lack of potential acreage in the area.	4	33
3. Fixed costs too high in rela- tion to volume of business. . .	2	17
TOTAL	14	

A number of reasons pertaining to the use of financial practices were expressed by 12 former members for the failure of two vegetable marketing organizations (Table 37). The most frequent reasons stated by the corresponding percentages of the 12 former members included: had to wait too long for crop payment, 58 per cent; lack of enough reserve funds for bad years, 42 per cent; member dissatisfaction with the pooling system, 33 per cent; and the pool period was too long, 25 per cent. Reasons expressed by 8 per cent of the former members included: sound financial policies weren't used, no payment for produce one year and dividends paid only in form of fertilizer one year.

TABLE 37.--Reasons pertaining to financial practices obtained from 12 former members for failure of two marketing organizations, 1960.

Reason for Failure	Frequency	Per cent of Total 12 Growers
1. Had to wait too long for crop payment.	7	58
2. Lack of enough reserve funds for bad years	5	42
3. Member dissatisfaction with pooling system.	4	33
4. Pool period too long.	3	25
5. Sound financial policies weren't used.	1	8
6. No payment for produce one year.	1	8
7. Dividends paid only in the form of fertilizer one year.	1	8
TOTAL	22	

Poor utilization of effective channels of communication was the subject of reasons given for the failure of two vegetable marketing organizations by 12 former members (Table 38). The lack of effective communications between the sales-manager and the directors was a reason given by 25 per cent of the growers. The following two reasons were expressed by 17 per cent of the growers: lack of effective communications between the sales-manager and members, and members weren't kept informed on operations and problems. Another reason listed by one former member was the lack of effective communications between directors and other members.

The lack of member loyalty was the subject of some reasons given for failure of two marketing organizations by 12 former members interviewed from these organizations. Forty-two per cent said one reason for failure was members selling to markets outside the organization when the price was higher. Members not always being loyal in delivery of produce promised to the sales-manager was another reason stated by one grower.

Many miscellaneous reasons for the failure of the associations which are not easily classified were given by the 12 former members of two marketing cooperatives (Table 39). Forty-two per cent of the former members reported dissatisfaction with the grower's sales agreement. Dissatisfaction with services offered and higher prices elsewhere were reasons given by 33 per cent.

The following seven reasons were listed by 17 per cent of the growers: (1) not enough services offered, (2) too much disagreement on objectives, (3) didn't like group marketing, (4) brokers boycotted the organization, (5) lack of initial operating capital, (6) lack of cooperation among growers and (7) poor quality produce sold the first year. Eight per cent of the former members stated the following four reasons: (1) many growers had good marketing outlets, (2) didn't need a central grading system, (3) membership fee too high and (4) growers paid by check couldn't evade income taxes easily.

TABLE 38.--Reasons pertaining to communications and member loyalty obtained from 12 former members for failure of two marketing organizations, 1960.

Classification of Reasons for Failure	Frequency	Per cent of Total 12 Growers
<u>Communications</u>		
1. Lack of effective communications between sales-manager and directors	3	25
2. Lack of effective communications between sales-manager and members	2	17
3. Members weren't kept adequately informed on operations and problems	2	17
4. Lack of effective communications between directors and other members	1	8
<u>Member Loyalty</u>		
1. Members sold to outside markets when the price was higher	5	42
2. Members weren't always loyal in delivering produce promised to the sales-manager . .	1	8

TABLE 39.--Miscellaneous reasons obtained from 12 former members for failure of two marketing organizations, 1960.

Miscellaneous Reasons for Failure	Frequency	Per cent of Total 12 Growers
1. Dissatisfaction with grower's sales agreement.	5	42
2. Dissatisfaction with services offered.	4	33
3. Received higher price elsewhere.	4	33
4. Not enough services offered.	2	17
5. Too much disagreement on objectives	2	17
6. Didn't like group marketing.	2	17
7. Brokers boycotted the organization	2	17
8. Lack of initial operating capital.	2	17
9. Lack of cooperation among growers.	2	17
10. Poor quality produce sold first year	2	17
11. Many growers had good outlets.	1	8
12. Didn't need a central grading station.	1	8
13. Membership fee too high.	1	8
14. Growers paid by check couldn't evade income taxes easily	1	8
TOTAL	31	

In summarizing this section, it should be noted that 33 per cent of the 121 reasons (some stated more than once) obtained from 12 former members for failure of two cooperatives pertained directly to the sales-manager. The three most frequently stated reasons for failure of these two organizations were as follows:

(1) dissatisfaction with the sales-manager, (2) had a

part-time sales-manager and (3) not enough members to obtain necessary volume of business. These growers seemed to feel that the failure of their organizations was due to sales management more than any other single factor.

CHAPTER V

CONCLUSIONS AND IMPLICATIONS

With the previous analysis and evaluation of some areas of strength and weakness in the operation of several vegetable marketing cooperatives, it is now possible to draw some definite conclusions which may be of value in recommending some guides for the successful operation of marketing cooperatives. By the following indicators of economic need (Table 6)--distance of a cooperative from the nearest city with a 100,000 population; a wholesale public market and a retail farmer's market--it was determined that the second and third cooperatives served a greater economic need than the other three associations. Upon examination of the percentage trend of overall active membership in the five cooperatives (Table 28), the results show that the second and third cooperatives have retained much higher percentages of their active membership (73 per cent and 90 per cent) since their first year of operation, than the other three associations.

The volume of business in the third organization has increased steadily since the first year of operation (\$78,000 in 1956 to \$585,000 in 1959). The volume of business of the second cooperative has increased and

then decreased but was still at a higher level in 1959 (\$735,000) than the business volume of \$570,000 in 1955 (Table 14). However, the business volumes of the other three associations have had decidedly downward trends with no upturns for those years in which figures were available. Therefore, it might be concluded that the greater the economic need for a cooperative in terms of distance from markets, the greater the tendency toward retention of active members and maintenance of a high volume of business.

However, there seems to be more than the one factor of economic need responsible for the retention of active members and the maintenance of a high volume of business. There also seems to be some relation between the number of members involved in the decision-making process at meetings of the board of directors and the retention of members and maintenance of a high volume of business. It was determined in Table 19 that the third cooperative had more members involved in the decision-making process at board of director meetings in 1959 than any of the other four organizations. The third organization also retained the greatest relative percentages of their active membership and maintained the highest volume of business. Thus, if it is assumed that an equal economic need exists for all five cooperatives, the following conclusion may be valid within the limits of this study: the greater the number of members involved in

the decision-making process at board of director meetings of a cooperative, the greater the tendency toward retention of active members and maintenance of a high volume of business.

Another area closely related to the number of members involved in decision-making which seems to bear some significant implications is the amount of personal communications among individuals within a cooperative. In Table 26 it was determined that the second and third cooperatives consistently had a much higher average number of personal contacts annually between four sets of communicating groups (directors and the sales-manager, members and the sales-manager, directors and the president and members and the president) than any of the other three associations. This is also brought out in totaling the average number of personal contacts among the four sets of communicating groups, since the second and third organizations had totals of 112 and 161 personal contacts while the fourth cooperative had the lowest total number with 42. The second and third cooperatives also have retained much higher percentages of their active membership than the other three associations, while the fourth organization has the lowest percentage of overall active membership remaining since the first year of operation (28 per cent).

The volumes of business of the second and third associations have been rising, while all the other

cooperatives' business volumes have been declining. However, the business volume of the fourth cooperative has declined much more rapidly than in any of the other associations (\$111,000 in 1957 to \$49,000 in 1959). Therefore, if it is assumed that an equal economic need exists for all five cooperatives, the following conclusion has some validity: the greater the frequency of personal contact among individuals within a cooperative, the greater the tendency toward retention of active members and maintenance of a high volume of business.

Finally, the following may be concluded with the inclusion of all three variables: (1) the greater the economic need in terms of distance from markets; (2) the greater the number of members involved in the decision-making process at board of director meetings (within the limits of this study) and (3) the greater the frequency of personal contact among individuals within a cooperative, the greater the tendency toward retention of active members and maintenance of a high volume of business.

Implications

In view of these conclusions it can be stated that the existence of economic need for a cooperative must be carefully analyzed and evaluated before other essential operating factors are held responsible for the shortcomings of a marketing association. However, it appears to be very probable that the amount of personal communications among individuals within these organizations and the

number of members involved in the decision-making process are also major factors for the success of two of these cooperatives in retaining active members and maintaining upward trends in volume of business.

But who is responsible for the number of members involved in the decision-making process and the amount of direct personal communications among individuals? This is a difficult question to resolve, but it can be argued that the board of directors should share a larger portion of the responsibility for communications with members than any other individual or individuals within a cooperative. .

The board of directors is charged ultimately with the responsibility of seeking members' opinions on the operation, programs and policies of a cooperative, allowing members to participate in making decisions and informing members of decisions which are made. If directors are held responsible for providing an atmosphere for adequate communications among members in arriving at decisions, they can also be held partially responsible for helping maintain member loyalty. They may be held responsible for member loyalty, since retention of active members seems to be partially related to the number of members involved in the decision-making process and the amount of personal communications among individuals within the associations.

One way to seek members' opinions is by holding several regular membership meetings throughout the year,

if only a few members are on the board of directors. Some thought should be given to increasing the number of members on the board of directors of these associations so that more members could participate in decision-making and policy formation. Members who aren't directors might be invited to attend directors' meetings more often.

Directors should be paid for attending board meetings, since they are greatly responsible for the management of their marketing cooperative. Many growers fail to realize that their total net returns might be increased more and their time used more efficiently if greater concern were taken with the operation of their cooperative marketing program than spending most of their time with production alone. There is reason to believe that members might profitably schedule board meetings during daytime hours as most businessmen do, in order to eliminate the possibility of physical and mental fatigue from hindering individuals' thinking and reasoning processes, since making right decisions is most important.

The responsibility of keeping members informed may be partially delegated to the sales-manager, but it is the directors who are then responsible to see that the sales-manager is carrying out the assigned duty. Fifty per cent or more of all the members interviewed in each of the five cooperatives, except number three, thought that adequate checks were not made by their directors to see that the sales-manager was conforming to the policies

adopted by the organization (Table 23). Thus, many members feel that their directors have not been fulfilling the responsibility of checking on the sales-manager.

The members of the board of directors are also responsible for the use of sound financial practices. This responsibility may be delegated to the sales-manager and bookkeepers, but the directors are responsible to see that the proper practices are being carried out. It is necessary to send written annual financial reports to members and to have the financial records audited by a competent certified public accountant. The two cooperatives with greater retention of active memberships and maintenance of higher volumes of business are the only cooperatives of the five surveyed which always have had annual audits made by a certified public accountant. Thus, the shortcomings of several of these cooperatives seem to stem from failure of directors to fulfill their responsibilities.

This evaluation of the major areas of weakness in the operation of the cooperatives seems to be in conflict with the evaluation made by former members. Thirty-nine per cent of the reasons given by 30 former members for leaving the five marketing associations pertained to the sales-manager. Likewise, 33 per cent of the reasons given by 12 former members for failure of two marketing cooperatives were directly concerned with the sales-manager. Evidently, many of the former members of these cooperatives

felt that the sales-manager of a cooperative should be held responsible for most of the shortcomings of their organizations. Only one of the thirty former members of the five active cooperatives stated that there was an inactive board of directors in his association. Thus, members don't seem to understand the responsibilities which they have as members of the board of directors.

Members of cooperatives should make a list of responsibilities which they expect their directors to fulfill, if these responsibilities aren't stated clearly in the by-laws. It was observed in the course of the survey that most members of the five active cooperatives didn't have a copy of the by-laws of their association. If the members don't have a copy of the by-laws, how can they be expected to know what constitutes the rules and regulations of their association?

Cooperatives should consider seriously the employment of full-time sales-managers who will have time to conduct public relations work with chainstores, cooperative and voluntary purchasing groups in order to develop market outlets. A sales-manager should have personal contact with members at their farms in order to gain more insight into their problems and views concerning the association. Members will have to pay better salaries than in the past to obtain a capable full-time sales-manager.

However, it may be concluded from the analytical framework used in this thesis that the degree of success

of these fresh vegetable marketing cooperatives has depended more upon the actions or inactions of the board of directors than any other individual or individuals within the organizations. Members tend to overlook the most important segment of management of their cooperatives - the board of directors.

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A P P E N D I X

CONFIDENTIAL

Department of Agricultural Economics,
Michigan State University

QUESTIONNAIRE FOR THE PRESIDENT OF THE
BOARD OF DIRECTORS OF A GROWER-OWNED
FRESH VEGETABLE MARKETING ORGANIZATION

1. Name of the organization _____
2. Post Office address _____
3. How many acres did you grow of each commodity which
was marketed through this organization in 1959?

Commodity	Number of acres	Commodity	Number of acres	Commodity	Number of acres

4.
 - a. How many members are on the board of directors? _____
 - b. What is their length of office? _____
 - c. What is the method of election? Area representa-
tive _____ Soil type _____ Commodities _____
Other _____
 - d. Are the directors paid for their job? (1) Yes _____
No _____
 - e. How often are total membership meetings held?

5.
 - a. What type of membership do you have? Open _____
or selective _____
 - b. If selective, who determines the selection?

 - c. What is the basis for selection?

6. Can produce be marketed through the organization by
non-member producers?
 - a. Yes _____ b. No _____

7. a. Are all of the member growers required to market through the organization all of the commodities produced by them that can be handled by the organization?
 (1) Yes _____ (2) No _____
- b. If yes above: Have all growers complied in marketing all produce through the organization?
 (1) Yes _____ (2) No _____
- c. If no above: Have the penalties been strictly enforced in all cases for members selling outside the organization?
 (1) Yes _____ (2) No _____
- d. If no for item 7a: What commodities grown are not required to be 100% marketed through the organization, and what percentage of these commodities are required to be sold through the organization?
-
8. Who selects the bookkeeper? _____
9. During what month dates did the following employees work for your organization in 1959?
- a. Sales-manager _____
- b. Plant or floor manager _____
- c. Bookkeeper _____
10. What percentage of the gross f.o.b. sales price does the sales-manager receive as a commission? _____
11. How many sales-managers have been employed since the operations of the organization began? _____
12. How would you rate the ability of the present
- | | Excellent | Good | Fair | Poor |
|-----------------------------|-----------|------|------|------|
| a. General sales manager. . | | | | |
| b. Bookkeeper | | | | |
13. If any of the above positions were rated as fair or poor, why are you rating them this way?
-
14. a. Are complete monthly operating reports and balance sheets required from the sales-manager?
 (1) Yes _____ (2) No _____
- b. If no: How often are they required? _____

15. Are annual audits made by a certified public accountant?
(1) Yes_____ (2) No_____
16. Do you honestly think your present sales-manager has developed the necessary confidence and loyalty of the membership? a. Yes_____ b. No_____
c. Not sure_____
17. Which of the following channels, through which members receive information about the activities of an organization, are used by your market organization?

(Note rank here for question 18)

- | | <u>Financial</u> | <u>Other Activities</u> |
|--|------------------|-------------------------|
| a. _____ Radio-T.V. programs | a. _____ | b. _____ |
| b. _____ Personal contacts with the
board of directors and
manager | b. _____ | b. _____ |
| c. _____ Annual reports (written) | c. _____ | c. _____ |
| d. _____ Annual meetings | d. _____ | d. _____ |
| e. _____ Newsletters or newscards | e. _____ | e. _____ |
| f. _____ Educational tours | f. _____ | f. _____ |
| g. _____ Social gatherings | g. _____ | g. _____ |
| h. _____ Regular member meetings | h. _____ | h. _____ |
| i. _____ Phone talks with the
directors and manager | i. _____ | i. _____ |

18. How would you rank the methods of member information used by your organization in their order of effectiveness and importance to you as a member, first for finances alone and secondly, for activities other than strictly financial?
19. Do you have the attendance figures for the board of directors' meetings during 1959?

[illegible]

20. We would like to find out something about the trend in growth of your organization during the years designated in the table (below) on the basis of membership patronage, dollar volume of business, etc., as indicated in the table.

Definition of terms in the table:

Marketing producers refers to numbers of members who sold their produce through the organization.

Non-marketing producers refers to the number of members who did not sell any of their produce through the organization that year but still retained stock in the company or were still considered members.

- a. What was the first year of operation? _____

Year	Members			Member turnover		Dollar volume of business
	Non-producers	Marketing producers	Non-marketing producers	New members	Members dropped	Gross f.o.b. member produce marketed
1st Year						
1954						
1955						
1956						
1957						
1958						
1959						
1960						

21. What would you say are the major problems that this organization faces now in financing and operations?
- _____

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22. Since we would like to get some idea of what sales-managers of market organizations are paid, would you mind giving me some idea of what the total earnings, including commissions, were that your sales-manager received in 1959 for being employed by this organization?

23. Do you have anything else to say about the organization, its policies and personnel which has not been covered in previous questions?

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Department of Agricultural Economics,
Michigan State University

QUESTIONNAIRE FOR THE SALES-MANAGER OF A
GROWER-OWNED FRESH VEGETABLE
MARKETING ORGANIZATION

1. Name of organization _____
2. How many years have you been employed as the sales-
manager for this organization? _____
3. What type of employment did you hold before starting
work here?

4. Do you have any other part-time job besides this? _____
5. Which vegetables are put through the following opera-
tions at the packing shed and what is their length
of pool?

Commodity	Grading	Waxing	Icing	Vacuum cooling	Steri- cooling	Pack- aging	Storage prior to sale	Length of 1959 pool
a. Beans								
b. Cabbage								
c. Carrots								
d. Cauli- flower								
e. Celery								
f. Corn								
g. Cucum- bers								
h. Egg- plant								
i. Lettuce								
j. Onions								

Commodity	Grading	Waxing	Icing	Vacuum cooling	Steri- cooling	Pack- aging	Storage prior to sale	Length of 1959 pool
k.Parsnips								
l.Peppers								
m.Potatoes								
n.Radishes								
o.Rutabagas								
p.Spinach								
q.Squash								

6. Are there any commodities which are not sold through the pool?

a. Yes_____ b. No_____ c. (If yes) What ones?

7. If yes for 6: What is your sales policy regarding these vegetables not sold through the pool?

8. What is the percentage of the gross f.o.b. price charged members for sale of produce?

9. What is the percentage of gross f.o.b. price deducted by the organization for the revolving capital fund?

10. Since we would like to get some idea of what sales-managers of market organizations are paid, would you mind giving me some idea what your total earnings including commissions were for being employed by this organization in 1959?

11. What supplies are purchased by the organization for use by members in production or the organization in marketing the commodities?
-

12. In what counties is the produce grown which is sold through your organization?
-

13. What percentage of the produce is sold in the different states of Michigan_____ Indiana_____ Illinois_____ Ohio_____ Others (specify)
-

14. What percentage or dollar volume of the produce marketed during 1959 was sold directly to the following outlets?

- a. _____ Private truckers selling direct to consumers or hucksters
- b. _____ Wholesalers selling to auctions and jobbers
- c. _____ Brokers selling to jobbers and wholesalers
- d. _____ Commission merchants selling to jobbers and chain stores
- e. _____ Auctions
- f. _____ Processors
- g. _____ Jobbers selling to retail grocers and restaurants
- h. _____ Wholesale grocers selling to retail grocers
- i. _____ Chain stores
- j. _____ Independent retail stores
- k. _____ Hotels, restaurants and institutions
- l. _____ Other

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Michigan State University

QUESTIONNAIRE FOR THE MEMBERS OF A
GROWER-OWNED FRESH VEGETABLE
MARKETING ORGANIZATION

1. Name of organization _____
2. Post Office address _____
3. During which years have you been a member of this organization? _____
4. Are you a member of the Board of Directors? a. Yes _____
b. No _____
5. How many acres of each commodity did you grow in the 1959 crop which were marketed (a) through the organization? (b) outside the organization?

Commodity	Acres through	Acres outside	Total acres	Commodity	Acres through	Acres outside	Total Acres

6. a. Do you think the present selling (pooling) system is fair to all growers? Yes _____ No _____
b. If no: Why do you think that it isn't? _____
7. Did you sign a sales agreement with the organization this year? Yes _____ No _____
8. How would you rate the ability of the present organization employees?

	Excellent	Good	Fair	Poor
a. General sales-manager.				
b. Bookkeeper				

9. If any of the above positions were rated as fair or poor, why are you rating them this way?
-
-

10. Do you honestly think your manager has developed the necessary confidence and loyalty of the membership? a. Yes_____ b. No_____ c. Not sure_____
11. Do you think your marketing organization has paid enough in the past to obtain satisfactory management?
-
12. Do you think the board of directors allows the sales-manager ample freedom in the use of his own judgment and experience in performing his duties? a. Yes_____ b. No_____
13. Do you think that adequate checks are made by the board of directors to see that the sales-manager is conforming to the policies adopted by the organization? a. Yes_____ b. No_____
14. Do you feel there has been enough public relations work done in the past? a. Yes_____ b. No_____
15. Do you think the board of directors is taking adequate steps to keep the membership fully informed regarding the activities and problems of the organization? a. Yes_____ b. No_____ c. Not sure_____
16. About how many times a year do you think you see the sales-manager to talk with him?_____
17. About how many times a year do you see the president of the board of directors to talk with him?_____
18. Which of the following channels through which members receive information about the activities of an organization are used by your market organization?

(Note rank here for question 19)

- | | <u>Financial</u> | <u>Other Activities</u> |
|--|------------------|-------------------------|
| a. _____ T.V. or radio programs | a. _____ | a. _____ |
| b. _____ Personal contacts with the board of directors and manager | b. _____ | b. _____ |

	<u>Financial</u>	<u>Other Activities</u>
c. _____ Annual reports (written)	c. _____	c. _____
d. _____ Annual meetings	d. _____	d. _____
e. _____ Newsletters or cards	e. _____	e. _____
f. _____ Educational tours	f. _____	f. _____
g. _____ Social gatherings	g. _____	g. _____
h. _____ Regular member meetings	h. _____	h. _____
i. _____ Phone talks with the directors and manager	i. _____	i. _____

19. How would you rank the methods of member information used by your organization in their order of effectiveness and importance to you as a member, first for finances alone and secondly, for activities other than strictly financial?

20. a. Do you receive reports on the financial status of your organization within the year besides the annual report? (1) Yes _____ (2) No _____

21. What would you say the major problems are that this organization faces now in financing and operations?

22. Do you have anything else to say about the organizations, its policies and personnel which hasn't been covered in previous questions?

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Department of Agricultural Economics,
Michigan State University

QUESTIONNAIRE FOR FORMER MEMBERS WHO HAVE WITHDRAWN
FROM MEMBERSHIP IN A GROWER-OWNED FRESH
VEGETABLE MARKETING ORGANIZATION

1. Name of organization _____
2. Post Office address _____
3. During what years were you an active marketing member?

4. If stock company, do you still own stock in the company? a. Yes _____ b. No _____
5. What acreages of what commodities did you formerly sell (1) through the organization in your last year as an active marketing member? (2) Outside the organization?

Commodity	Acre through	Acre outside	Total acres	Commodity	Acre through	Acre outside	Total Acres

6. What would you say are the reasons for your withdrawing from marketing or membership in this organization?

7. How would you rate the ability of the present organization employees?

	Excellent	Good	Fair	Poor
a. General sales-manager				
b. Bookkeeper				

8. If any of the above positions were rated fair or poor, why are you rating them this way?

9. Do you honestly think the present sales manager has developed the necessary confidence and loyalty of the membership? a. Yes_____ b. No_____ c. Not sure_____
10. Do you think this market organization has paid enough in the past to obtain satisfactory management?
11. Do you feel there has been enough public relations work done in the past? (1) Yes_____ (2) No_____
12. Do you think the board of directors allows the sales-manager ample freedom in the use of his own judgment and experience in performing his duties? a. Yes_____ b. No_____ c. Don't know_____
13. Do you have anything else to say about the organization, its policies and personnel which hasn't been covered in previous questions?

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QUESTIONNAIRE FOR NON-MEMBERS OF A
VEGETABLE MARKETING ORGANIZATION

1. Name of organization _____
2. What acreages of what vegetables did you grow in 1959?

Vegetable	Acres	Vegetable	Acres

3. Have you ever marketed produce through the organization? a. Yes _____ b. No _____
4. What would you say are the reasons for your not becoming a member of this marketing organization?
- _____
- _____

5. How would you rate the ability of the present organization employees?

	Excellent	Good	Fair	Poor
a. General sales-manager _____				
b. Bookkeeper _____				

6. If any of the above positions were rated as fair or poor, why are you rating them this way?
- _____

7. Do you honestly think the present manager has developed the necessary confidence and loyalty of the membership? a. Yes _____ b. No _____ c. Not sure _____

8. Do you have anything else to say about the organization, its policies and personnel which hasn't been covered in previous questions?

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Department of Agricultural Economics,
Michigan State University

QUESTIONNAIRE FOR MEMBERS OF A
GROWER-OWNED FRESH VEGETABLE
MARKETING ORGANIZATION WHICH HAS FAILED

1. Name of former organization _____
2. Post Office address _____
3. During what years was the organization operating?

4. What commodities were handled by the organization?

5. Did it have a central packing shed? a. Yes _____
b. No _____
6. How many members were in the organization?
a. The first year of operation? _____
b. The last year of operation? _____
7. What was the volume of business (a) the first year
of operation? _____ (b) the last
year of operation? _____
8. Since we are interested in finding out why some fresh
vegetable marketing organizations have failed in
the past, I would like to ask your opinion on why
this particular one failed.

9. Would any other possible reasons for failure of the
organization stem from any of the following cate-
gories?

a. _____	Member dissatisfaction with the services of the
b. _____	organization
c. _____	operation of the
d. _____	packing shed
	sales-manager
	floor manager

- e. _____ Member dissatisfaction with the grower sales agreement
- f. _____ " " " " pooling system
- g. _____ " " " " length of pool period
- h. _____ " " " " prices received
- i. _____ " " " " control of
- j. _____ " " " " planting dates
- _____ " " " " policies of the board of directors
- k. _____ Members didn't receive enough services from the organization
- l. _____ Members weren't kept properly informed on the operations of the organization.
- m. _____ Time for payment was too long
- n. _____ Not enough large growers in the organization
- o. _____ Not enough growers, large or small, in the organization to obtain necessary volume
- p. _____ Sound financial management policies weren't used
- q. _____ Bad news was being spread about the organization through rumors
- r. _____ Had a part-time sales-manager
- s. _____ Had a part-time floor manager
- t. _____ Poor working relations between the management team and the board of directors
- u. _____ Not enough acreage grown in the area for potential expansion in volume of business of the organization
- v. _____ Didn't have a good market outlet for produce
- w. _____ Received higher price elsewhere
- x. _____ Too much disagreement on the objectives and goals of the organization by the members
- y. _____ Members just didn't like this type of marketing
- z. _____ No real need for the market organization
- z(2) _____ Lack of effective communications between the manager and board of directors
- z(3) _____ Lack of effective communications between the board of directors and other members
- z(4) _____ Sales manager not given ample freedom to do his job
- z(5) _____ Lack of effective communications between the sales-manager and the membership
- z(6) _____ Sales-manager didn't have the necessary confidence and loyalty of the membership
- z(7) _____ Members weren't kept adequately informed on the activities and problems of the organization
- z(8) _____ Didn't pay enough to obtain a well-qualified sales manager
- z(9) _____ Dishonest management

- z(10) _____ Dishonest bookkeeping
- z(11) _____ Too rapid a turnover of managers for any
one of them to put the organization on
sound financial basis
- z(12) _____ Not enough money in reserve fund to carry
organization over in bad years
- z(13) _____ Other reasons:

10. Do you have anything else to say about the former organization, its policies and personnel, which hasn't been covered in previous questions?

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