

THE PRINCIPLES OF OPERATION
OF FARMERS' COOPERATIVES AS
VIEWED BY MICHIGAN FARMERS

Thesis for the Degree of M. A.

MICHIGAN STATE COLLEGE

J. Howard Kauffman

1948



THESIS

This is to certify that the
thesis entitled
THE PRINCIPLES OF OPERATION OF FARMERS' COOPERATIVES
AS VIEWED BY MICHIGAN FARMERS
presented by
J. Howard Kauffman

has been accepted towards fulfillment
of the requirements for

M. A. degree in Sociology and Anthropol.

Walter A. Wilson

Major professor

Date May 26, 1948

~~MAY 2 3 170~~
9 157

~~JUN 03 '86~~
MISS



THE PRINCIPLES OF OPERATION OF FARMERS' COOPERATIVES
AS VIEWED BY MICHIGAN FARMERS

By

J. HOWARD KAUFFMAN

A THESIS

Submitted to the School of Graduate Studies of Michigan
State College of Agriculture and Applied Science
in partial fulfillment of the requirements

for the degree of

MASTER OF ARTS

Department of Sociology and Anthropology

1948

THESIS

777
8-

ACKNOWLEDGMENT

The author wishes to express his appreciation to all those who have assisted in the preparation of this thesis. He is indebted to Dr. Charles P. Loomis, Head of the Department of Sociology and Anthropology and Director of the Social Research Service, for the opportunity of participating in this research project. Dr. Edgar A. Schuler, Assistant Director of the Social Research Service, assisted in the general supervision of the project. Dr. Duane L. Gibson had major responsibility for the direction of the project, and gave much helpful criticism and guidance in the writing of the thesis. Walter E. Boek assisted in the preparation of the schedule, and made a major portion of the interviews.

Acknowledgment is also due the Michigan Association of Farmer Cooperatives, at whose instance and with whose financial aid the project was undertaken. The five hundred farmers, who were interviewed during harvest time, manifested cooperation by giving time and serious thought in answering the questions which were asked of them.

TABLE OF CONTENTS

<u>Chapter</u>	<u>Page</u>
I. Introduction to the Study	1
1. Origin of the study	1
2. Development of the schedule	4
3. Selection of sample areas	6
4. Sample selection and interviewing	10
5. Cooperative activity in Michigan	10
6. The nature and validity of the sample	14
7. Procedure in analyzing data	19
8. Other studies on membership relations	20
9. Importance of the study	26
II. The Principles of Cooperation	28
1. Cooperation and cooperatives	28
2. The Rochdale principles	31
3. Legal recognition of the principles	34
4. Observations regarding the principles	38
5. Summary statement of purpose	41
III. Factors Affecting Opinion Responses Regarding the Principle of Democratic Control	43
1. Membership status	44
2. Amount of business done	45
3. Age	46
4. Education	47
5. Attendance at meetings	48
6. Length of membership	50
7. Type of cooperative a member	51
8. Officers versus non-officers	54
9. Status as member of the Farm Bureau	55
10. Summary	56
IV. Factors Influencing Opinions Regarding Principles Pertaining to the Disposition of Earnings	58
1. Are cooperative earnings "profits"?	58
(a) Membership status	59
(b) Length of membership	60
(c) Age	62
(d) Education	63
(e) Attendance at meetings	64
(f) Farm Bureau membership status	65
(g) Summary	66
2. Who should receive the earnings?	67
(a) Membership status	68
(b) Amount of business done	69
(c) Age	70
(d) Attendance at meetings	71

(e) Type of cooperative a member	72
(f) Summary	73
3. Should earnings be withheld to increase capital?	74
(a) Membership status	74
(b) Amount of business done	75
(c) Age	76
(d) Summary	77
V. Factors Influencing Opinions Regarding the Principle of Open and Voluntary Membership	78
1. Should membership be restricted?	78
(a) Membership status	79
(b) Amount of business done	81
(c) Age	82
(d) Education	82
(e) Attendance at meetings	83
(f) Summary	84
2. Should members be bound by contracts?	85
(a) Membership status	86
(b) Type of cooperative a member	88
(c) Education	89
(d) Amount of business done	90
(e) Summary	91
3. Should new members be added by share dividends?	92
(a) Membership status	94
(b) Age	95
(c) Size of farm	97
(d) Type of cooperative a member	98
(e) Attendance at meetings	99
(f) Reasons for joining	100
(g) Summary	102
VI. Factors Influencing Opinions Regarding the Principle of Buying and Selling at Market Prices	105
1. Should cooperatives buy and sell at market prices?	105
(a) Membership status	106
(b) Amount of business done	107
(c) Age	108
(d) Education	109
(e) Attendance at meetings	110
(f) Summary	111
VII. Factors Influencing Opinions on Minor Policies and Practices	113
1. Opinions regarding officers	113
(a) Membership status	114
(b) Age	115
(c) Education	116
(d) Amount of business done	117
(e) Summary	118

2. Should cooperative earnings be taxed?	119
(a) Membership status	120
(b) Amount of business done	121
(c) Age	123
(d) Education	123
(e) Attendance at meetings	124
(f) Officer status	124
(g) Summary	124
3. Does it cost too much to join?	126
(a) Membership status	127
(b) Amount of business done	128
(c) Farm Bureau membership	129
(d) Summary	130
 VIII. Factors Influencing Farmers' Loyalty to Cooperative Organi- zations	 132
1. Questions indicating loyalty	132
(a) Membership status	134
(b) Age	136
(c) Education	138
(d) Amount of business done	139
(e) Attendance at meetings	140
(f) Officer status	141
(g) Length of membership	143
(h) Type of cooperative a member	143
(i) Summary	144
 IX. Summary and Conclusions	 147
1. Summary of findings	147
2. Conclusions	156
 Bibliography	 162
 Appendix A	 167
 Appendix B	 169

CHAPTER I

INTRODUCTION TO THE STUDY

1. Origin of the study

Although the story of the development of modern cooperative economic enterprises covers a period of more than a century, farmers' cooperatives in the United States are a comparatively recent development. Nearly all of the farmers' cooperatives now in existence have had their origin within the past thirty years. The disadvantageous position of agriculture relative to industry during the 1920's and 1930's greatly accelerated the increase of memberships in farmers' cooperatives throughout the United States. During the period from 1915 to 1945 the estimated number of memberships in farmers' marketing and purchasing cooperatives increased from 651,186 to 5,010,000.¹ Especially in the North Central Region, cooperatives have become more or less institutionalized economic associations among farmers.

The great increase in support of cooperative organizations in rural communities does not, however, signify a triumph of the cooperative movement over all opposition. Both from within and without there are persistent opposing and disintegrating forces. From within there is the ever-present problem of maintaining favorable membership relations. With regard to the members themselves, a constant program of education and vigilance needs to be undertaken to insure the success and permanence of cooperative enterprises.

1. Grace Wanstall, Statistics of Farmers' Marketing and Purchasing Cooperatives, 1944-45, Farm Credit Administration, U. S. Dept. of Agriculture, 1947, p. 2.

One important method of maintaining this vigilance is the use of quantitative measurement of the opinions and attitudes of the members who compose the cooperative organizations. No organization can hope for permanent success unless its members understand its purposes and principles of operation, unless they are satisfied with its services, and unless they can attach themselves to it with a feeling of loyalty. To objectively determine the extent and intensity of general understandings, of satisfactions and dissatisfactions, and of loyalties and disloyalties is a major problem. Managers, directors, and other officers of cooperatives constantly are making subjective evaluations of the successes and failures of their undertakings. This is accomplished through manager-member contacts afforded by business transactions, through membership meetings, and through a study of the financial and membership records of the business. Frequently, however, members' opinions on particular issues are not easily determined by such media. Even more difficult to determine are the more general, underlying attitudes which are built up over a period of time, and which influence a member's opinion on specific issues. Realization of these difficulties has led cooperative leaders to seek a more objective measurement of the opinions and attitudes of the cooperative members.

The development of quantitative research techniques has rendered it possible to reliably measure opinions and attitudes by objective methods.² By using a carefully worded schedule of question it is possible for an impartial interviewer, maintaining the anonymity of the interviewee, to obtain data which reveal attitudes unlikely to be expressed, either

2. See George A. Lundberg, Social Research, Longmans, Green and Co., 1942, Chapter VIII.

directly or indirectly, to officers of the organization. Discovery of the nature and extent of adverse opinions and attitudes held by members should enable the officials of an organization to improve the services of the organization, and, in the case of cooperatives, to take steps to better educate the members concerning the purposes and values of the organization.

The desire to gain more objective information concerning the status of membership relations among Michigan cooperatives prompted the Michigan Association of Farmer Cooperatives to finance a research project which would provide the information desired. The study involved the personal interviewing of five hundred Michigan farmers, in order to obtain their opinions regarding their relations with, and participation in, Michigan farmers' cooperatives. The present chapter deals with the technical methods and procedures used in the conduct of the research project. Only a part of the data obtained, however, is used in this thesis, viz., those items which contribute to the analysis of the farmers' opinions and attitudes toward the principles of operation of cooperatives. Subsequent chapters develop this particular aspect only.³ Further statements regarding the purpose and scope of this thesis will be made in Chapter II.

Early in 1947 the Michigan Association of Farmer Cooperatives, with offices in Lansing, Michigan, approached the Social Research Service of Michigan State College with a request that the Research Service conduct a study of membership relations among Michigan farmers' cooperatives. The Social Research Service agreed to conduct the survey and to report the subsequent findings to the Association. Preparations for the survey

3. For an analysis of other data obtained in this study, see Walter E. Boek, Personal Attributes and Social Experience as Correlates of Participation in Farmers' Cooperatives in Michigan, unpublished master's thesis, Michigan State College, 1948.

were made in the months immediately following. The development and pre-testing of the schedule was carried out during the spring months of 1947. The five hundred interviews were made by field workers from July 10 to August 20.⁴ The data were subsequently coded, punched into International Business Machine cards, and tabulated. The initial report of the findings was made to the annual meeting of the Michigan Association of Farmer Cooperatives on October 30, 1947.

2. Development of the schedule

As stated above, the purpose of this study was to obtain reliable, first-hand information concerning the nature and extent of participation by farmers in Michigan cooperatives, and concerning the attitudes and opinions which farmers held relative to cooperative policies and practices. The more specific objectives of the study were to obtain answers to the following questions: (1) How high does cooperation stand as a method of doing business? (2) What do farmers think about the operation and policies of cooperatives? (3) What do farmers think of the price, quality and service of cooperatives as compared with other businesses? (4) What do farmers know about the principles and methods of operation of cooperatives? (5) Where do farmers get their information about cooperation and cooperatives? (6) How aware are farmers of the state-wide and national problems which cooperatives face?

It was decided that the survey should be conducted by means of personal interviews with the farmers, using a pre-arranged schedule of questions. Many opinion studies are carried on by the use of mailed

4. The interviews were made by Dr. D. L. Gibson, Walter E. Boek, and the writer. The latter two were both graduate research assistants in the Department of Sociology and Anthropology, Michigan State College.

questionnaires, a less costly procedure. This technique is used extensively in market research. Certain distinct advantages are obtained, however, by the use of the schedule and personal interview method, notably the following: (1) By interviewing according to a pre-arranged random sample, the undesirable factor of "selectivity" of returns is avoided. (2) The interviewer is present to answer any questions concerning the interpretation of a particular question, or the purpose of the questionnaire, in general. (3) The method helps to insure that a logical answer will be given to all questions in the schedule.

In general, two types of questions were used in the schedule: (1) Questions calling for the recording of objective facts, such as the age, education, and membership status of the farmer, and (2) Questions calling for a statement of the farmer's opinion on various aspects of cooperative operation. The data obtained thus permits the cross tabulation of different types of farmers with varying opinion responses. A major portion of this thesis is devoted to the analysis of the varying opinion responses in the light of different age groups, membership status, educational levels, etc., of farmers.

A complete record of the problems encountered, and steps taken, in the construction of the schedule will not be given in this treatise. Suffice it to say that various methods were undertaken to overcome the inherent weaknesses of particular types of question responses. Different types of questions used permitted responses of the "Yes-No", multiple choice, free response, and simple rating types. In some cases, alternate forms of the same question were used in order to overcome psychological factors influencing opinion responses. Efforts were made to avoid all "leading" forms of question statement. The

schedule underwent eight revisions before the final form was drafted. Four pre-testings were made to enable the discovery of poorly worded phrases, words which were not generally understood or posed ambiguous meanings, and entire questions concerning issues about which the average farmer had insufficient information to answer intelligently.

The entire schedule of questions, as it appeared in final form, is given in Appendix B, together with the number of each of the responses given to each question. Subsequent chapters will note the particular questions with which this thesis deals.

3. Selection of sample areas.

The problem of the selection of sample areas, in order to obtain a representative sample of the opinion of Michigan farmers, was a major one. Time and money did not allow taking interviews throughout the entire state. Therefore, in order to obtain data which could be considered fairly representative of Michigan cooperatives, it became important that the sample areas selected be as nearly average, or representative of average, of all Michigan communities as possible. The following determinants were used as guides to the selection of representative areas: (1) Areas where cooperatives have been operating for less than ten years should, in general, be avoided. (2) Areas in which unusual happenings dominate the present scene, such as the formation of a new cooperative, or the recent failure of a cooperative, should be avoided. (3) The areas selected should be where neither the most successful nor where the least successful cooperatives exist. (4) The sample should be confined to areas where several cooperatives exist, preferably several types of cooperatives. (5) The sample areas should include a cross section of the

different types of farming in Michigan. (6) The areas should have a wide geographical spread in the southern part of the lower peninsula, which would be south of a line drawn from Bay City to Muskegon. (7) Lastly, the sample should be confined to areas where the greatest amount of information could be obtained with the least time and expense. Time and funds available were major determinants in deciding on five hundred as the number of farmers to be included in the sample.

The map on the following page shows the location of the sample areas. Five localities were selected, with one hundred farmers to be interviewed in each locality. In general, these areas meet the requirements of the determinants stated above. The areas are geographically diverse, memberships in at least seven different cooperatives were found in each area, and all major types of Michigan farming were represented, including dairying, grain, fruit, vegetable crops, livestock, and general farming. Each area had at some time in the past experienced a cooperative failure, or near failure.

The five areas, by names of counties in which located, and by names of trading centers located within or near the areas, are as follows:

- (1) Berrien and Cass Counties: Eau Claire and Dowagias.
- (2) Branch County: Coldwater, Quincy, Bronson, and Batavia.
- (3) Lenawee and Monroe Counties: Blissfield and Deerfield.
- (4) Ottawa, Allegan, and Kent Counties: Moline, Dorr, Byron Center, Burnips, Hamilton, Hudsonville, Jamestown, and Vriesland.
- (5) Huron County: Elkton and Pigeon.

An examination of a land classification map reveals that the soil types found in these areas are, in general, somewhat above average for

State of Michigan

Showing location of sample areas

Key to Areas by Major Trading Centers

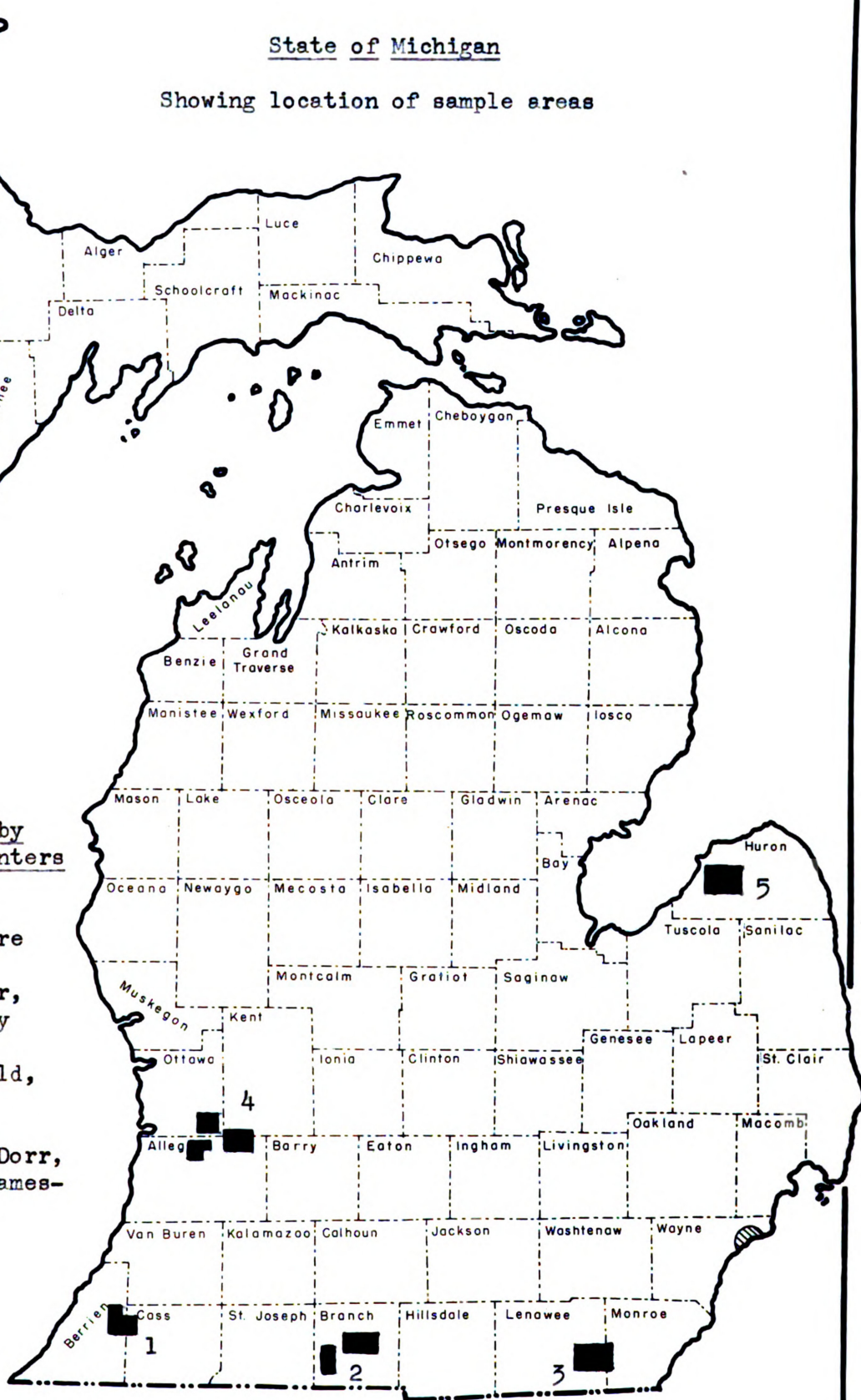
Area 1: Eau Claire

Area 2: Coldwater,
Bronson, Quincy

Area 3: Blissfield,
Deerfield

Area 4: Moline, Dorr,
Hudsonville, James-
town, Burnips

Area 5: Pigeon,
Elkton



the state of Michigan.⁵ Huron and Lenawee counties, in particular, represent two of the most fertile areas in the state. The other three areas enjoy a soil fertility which is at least average for the more fertile lower part of Michigan. This fact may raise some question as to the possibility that the sample is biased towards the more prosperous parts of the state. It is possibly true that this bias does exist, but this does not necessarily indicate that the data obtained should be biased either for or against cooperatives. It would be difficult to prove a hypothesis that the most successful cooperatives are found in the most prosperous farming areas. Several of the largest and most successful cooperatives in Michigan (notably the large cooperative at Hamilton) are located in areas of relatively poor soil. It is conceivable that farmers in relatively poor areas may be quite likely to enter into cooperative enterprises in order to improve their economic conditions.

A major item with respect to the survey was the maintaining of a general anonymity of the cooperatives under surveillance. The council of the Michigan Association of Farmer Cooperatives recommended that primary emphasis should not be placed upon the particular problems of any one or more cooperatives, but rather upon the broader membership relations problems faced by cooperatives in general. The sample includes memberships in over thirty Michigan cooperatives. No one cooperative claims as members more than 12.4 percent of the total sample.

5. Map included with J. O. Veatch, Agricultural Land Classification and Land Types of Michigan, Agricultural Experiment Station, Michigan State College, Special Bulletin 231, October, 1941.

4. Sample selection and interviewing.

Each sample area included about five hundred to eight hundred farmers. Since only one hundred interviews were to be made in each sample area, it was necessary to select at random those farmers which were to be interviewed. This was done by the use of county road maps produced by the Michigan State Highway Department, on which was located each farm residence. By selecting every fifth, sixth, seventh, or eighth farm along a road (the number depending on the total farms in the area), the exact location of each of the one hundred farmers to be interviewed was determined before entering the area. This permitted a completely random sampling of farmers of all economic levels.

Naturally, not all farmers selected would be members of a cooperative enterprise. This feature was desired, because it would permit the opinions of members to be compared with the opinions of non-members. Strict anonymity was maintained with respect to the farmer interviewed. This was made clear to the farmer in order that he would feel free to express his honest opinions. Interviews were confined to the heads of households. In cases where it was impossible to contact the head of a household while the interviewers were in the area, substitutions were made. In general, at least three attempts were made to secure a prospective interview before a substitution was made. Only six farmers, 1.2 percent of the total sample, refused to be interviewed. The time required for each interview usually covered from one-half hour to one and one-half hours.

5. Cooperative Activity in Michigan

The Michigan Association of Farmer Cooperatives stated that for the

year 1944-45 there were in the state of Michigan 235 cooperative associations which sell farmers' products and buy needed supplies for farmers. These associations did an estimated 161 million dollars worth of business. The estimated increase in purchasing power that the farmers realized through their cooperative memberships was placed at four million dollars.⁶ The same source estimates the number of farmer memberships to be 135,600. Since many farmers hold membership in more than one cooperative, the actual number of farmers who are members of cooperatives is somewhat less.

As of 1937, the St. Paul Bank for Cooperatives estimated that, on the average, between 70 and 80 million dollars worth of crops and livestock were marketed each year through Michigan cooperatives. This represented over one-third of the estimated total value of over \$200,000,000 of crops and livestock marketed annually in Michigan.⁷ This source also indicated that, for the same period, Michigan had about 190,000 farmers, and more than a third of them were marketing farm products or purchasing farm supplies through cooperative organizations. The 1945 census of agriculture, however, gives 175,268 as the number of farmers living in Michigan. Whether this decrease in the absolute number of farmers has tended to increase the proportion of farmers who are cooperative members is problematical. At any rate, it should be safe to assume that between one-third and one-half of all farmers in Michigan at

6. Data obtained from the program leaflet for the Third Annual Meeting of the Michigan Association of Farmer Cooperatives, October 30, 1947. This number does not include the associations organized to loan money, provide insurance, and render special services like telephone, irrigation, etc.

7. R. C. Dorsey, Farmer Co-ops in Michigan, St. Paul Bank for Cooperatives, St. Paul, Minnesota, 1939, p. 1.

present actually belong to one or more cooperatives.

Since 395 (79 percent) of the 500 farmers in the sample were cooperative members, it appears that the sample areas have a much greater proportion of cooperative members than is true for all of Michigan. This fact should not destroy the validity of the sample, however. There are, of course, areas in Michigan where no cooperatives exist. Farmers in these areas would probably know little about cooperatives, and therefore would have no basis upon which to form opinions regarding cooperative policies and procedures. The inclusion of such farmers in the sample would decrease the value of the study, since the main objective is to gather the opinions of farmers who actually participate in cooperative activity, or have learned about cooperatives through their contacts with others in the community. It is significant to note that 98 percent of the 500 farmers included in the sample stated that they have had some dealings with cooperatives.

Dairying rates highest among Michigan farm enterprises. About 50 percent of all dairy products are marketed cooperatively. The value of cooperatively marketed dairy products accounts for nearly one-third of the total value of all commodities marketed and purchased cooperatively. Next in order of value of business comes grain, followed by farm supply, fruit, and livestock cooperatives.⁸ Compared with other states in 1937, Michigan ranked fourteenth in cash farm income, but in proportion of farm products sold cooperatively Michigan ranked ninth.⁹

The oldest cooperatives operating in Michigan at the present time

8. H. E. Larzelere, Financial Management Analysis of Farmers' Cooperatives in Michigan, Michigan State College, Special Bulletin 315, May 1942, p. 5.

9. Dorsey, op. cit., p. 1.

date from the 1880's and 1890's. They are principally grain elevators and dairy and cheese associations. Table 1 presents a distribution of the number of cooperatives existing in Michigan in 1938, according to the period of organization.

Table 1. Number of Michigan Farmers' Marketing and Purchasing Cooperatives operating in 1938, classified according to the period of organization.¹⁰

Period of Organization	Number of Cooperatives
1900 or before	8
1901-10	14
1911-15	49
1916-20	151
1921-25	38
1926-30	12
1931-38	<u>57</u>
Total	309

The period of greatest cooperative development came during the World War and immediately following. By 1921 there were nearly as many cooperatives in Michigan as there are today. The number of cooperatives reached a peak in the mid 1920's, but since that time mergers and failures have gradually reduced the total number of cooperatives.

The Michigan Association of Farmer Cooperatives was organized in 1944 as a division of the Michigan Farm Bureau. Its membership (as of August 31, 1947) consists of 179 local and centralized cooperatives throughout the state. According to the annual report of the chairman of the board of directors, "the major function of this association has been, and still is, to carry on the state level the defense of cooperatives

¹⁰. Ibid, p. 25.

in the tax battle..."¹¹ Other services, such as cooperative education, research, and matters pertaining to public and patron relations, are also rendered to its patrons. The Association represents a united effort, at the state level, to influence state and national policies affecting cooperatives, and, in general, to promote the welfare of cooperative enterprises on all levels.

6. The nature and validity of the sample

Certain interesting and pertinent observations can now be made concerning the sample upon which this study is based. Of the 500 farmers interviewed, 395 were found to be present members of one or more farmers' cooperatives. 105 were not members at the present time. Of the latter, 70 had at some previous time been a member of a cooperative. Only 35 farmers, seven percent of the total sample, had never been a member of a cooperative. Of the 395 present members, 42 were unaware that they were members. When asked whether they were at present members of a cooperative, these 42 "unaware" members answered "No". Subsequent questions in the schedule, asking whether they were members of, or did business with, certain specific cooperatives, revealed these memberships which had not been stated earlier. These "unaware" members are included with the other members in this study, inasmuch as they are officially included in the membership rosters of their respective cooperatives, as well as the total cooperative memberships for the entire state. Any mention of the opinions of Michigan cooperative members should naturally include the opinions of "unaware" members. Any adverse effects which the opinions of such a group

11. Annual Report, Michigan Association of Farmer Cooperatives, Lansing, Michigan, August 31, 1947, p. 3.

may have on the opinion data for all members is merely a reflection upon cooperatives in general for permitting the existence of such a state of unawareness.

The distribution of ages by ten-year class intervals is given in Table 2.

Table 2. Age distribution of the sample farmers by ten-year class intervals.

Interval	Number	Percent of Total
Under 30 years	56	11.3
30 to 39 "	117	23.5
40 to 49 "	117	23.5
50 to 59 "	117	23.5
60 years and over	<u>90</u>	<u>18.2</u>
Total	497*	100.0

* Note: Ages not obtained for three farmers

A comparison of the ages of members and non-members revealed an insignificant difference between the two groups. Calculation of the mean age for both groups by class intervals as above gives a mean age of approximately 46 for members and 48 for non-members. This difference may be due to chance factors in sampling, or to errors in calculation of the mean by the arbitrary use of class intervals.

There is a significant difference between members and non-members with respect to the size of farm operated. Members farmed, on the average, considerably larger farms than non-members. The average educational level of members was somewhat higher than that for non-members.

A large percentage of the farmers in the sample were owners of their own farms. Fifty-nine percent owned all the land they farmed, and 27.3 percent owned part of the land they farmed. Only 13.7 percent of the sample were renters owning no land.

With respect to length of membership, the cooperative members can be divided into three fairly equal groups. One third of the present members joined a cooperative prior to 1931. One third joined during the period 1931 to 1940. The remaining one third first joined a cooperative in the period since 1940.

Twenty-nine of the farmers interviewed (7.3 percent of the members) had at some time in their lives been officers, directors, or managers of a cooperative. Of the total sample, 233 (46.9 percent) were found to be members of the Michigan Farm Bureau. Of the 264 farmers who were not members of the Farm Bureau, 85 had at some time been members, but had dropped their memberships.

The 395 members represented an aggregate of 602 cooperative memberships, or an average of 1.52 memberships per farmer. A distribution of memberships by major types of cooperatives, according to commodities handled, is given in Table 3.

Table 3. Distribution of memberships of sample farmers by type of cooperative.

Type	Number of Memberships	Percent of Total Memberships
Combination elevator and supply	292	48.5
Petroleum products (supply)	36	6.0
Fruit and vegetable marketing and supply	65	10.8
Milk and cream marketing	83	13.8
Livestock marketing	95	15.8
Rural Electrification Ass'n	27	4.5
All others	<u>4</u>	<u>.6</u>
Total	602	100.0

This distribution indicates that the sample represents a considerable diversity of types of cooperative enterprises. From this it can also

be inferred that the sample represents a diversity of types of farming. Compared with the proportional distribution of marketing by types of cooperatives for all of Michigan, the sample is weighted heavily in favor of grain elevators, and not heavily enough to represent the large proportion of memberships in dairy associations in the state.¹² Wool and potato cooperatives are not represented in the sample, but the value of cooperative marketings of these commodities taken together does not represent more than two percent of the total annual value of all commodities marketed cooperatively. Lastly, the sample does not represent credit cooperatives. It is possible that some farmers included in the sample may have held memberships in credit cooperatives, but, in general, these memberships were not determined.

By way of summary, certain statements should be made with respect to the validity of the sample. The technique of random sampling used within the areas would seem to indicate that the sample is representative of all farmers in the sample areas. For representativeness on a larger scale, the following can be said:

- (1) A total of over thirty individual cooperatives are represented in the sample.
- (2) The sample is geographically diverse over the heavily populated part of the state.
- (3) A wide variety of farm enterprises is represented.
- (4) All major types of marketing and purchasing cooperatives are represented.

In addition, the determinants for area selection, mentioned in part

12. Larzelere, op. cit., p. 5.

three of this chapter, were designed to aid in the selection of areas which were average for Michigan. Therefore, it may be assumed that generalizations drawn from this study are representative of other areas in Michigan to the extent that their cooperative setting reasonably conforms to the determinants upon which the sample areas were selected.

It should be noted that this study can speak only for those farmers who have opinions concerning cooperative enterprises. An opinion is an expression on a controversial issue.¹³ Farmers who have had little or no experience with cooperatives are not aware of the issues, and therefore have no opinions. Any expressions of such farmers would not be based on knowledge, but rather on rumor or hearsay, and therefore would be detrimental rather than contributive to an opinion study.

There may be some question concerning the amount of consideration that should be given to the opinions of non-members in a study dealing principally with membership relations. Certain data herein will be analyzed on the basis of the total sample, rather than by distinguishing between the opinions of members and non-members. Such a procedure would seem to be justified from a number of standpoints. Firstly, non-members are potential members, and their willingness to join is directly dependent upon their attitudes and opinions. Secondly, the non-members probably exert an influence upon the thinking of their member associates in the community. Thirdly, the opinions of non-members are to a certain extent a measure of membership relations, since the attitudes of non-members frequently originate from the attitudes of members with whom they associate. Therefore, especially since the non-members in the sample have considerable knowledge of cooperatives, it seems advisable

13. William Albigh, Public Opinion, McGraw-Hill, 1939, p. 1.

that the opinions of non-members, rather than being discarded, should be frequently considered alongside that of the members. Wide awake cooperative leaders will be interested in the opinions of non-members as well as members.

7. Procedure in analyzing data

The data used in this thesis are presented largely by the use of tables. As a rule, the responses to specific questions are given in percentages, rather than in the actual numbers. This facilitates comparing the responses of different groups.

A major problem in analyzing the responses is the determination of the significance of differences between sample percentages. It is important to know whether a difference in responses between two groups is possibly due to chance factors in sampling, or whether the difference is great enough that it could be expected that for all other samples that might be drawn from the same population the results would be substantially the same. A difference between two percentages is said to be reliable if there is little likelihood that the difference is caused by chance.

In this study, the principle measure of reliability used is that of the calculation of the standard error of the difference between the two percentages. By dividing the actual difference between two percentages by the standard error of the difference, a "t-score" is obtained, by which the probability ratio is determined. For the purposes of this study, a probability ratio of .05 or less will be considered significant. In a few instances the Chi-square test for reliability of percentage differences will be applied to a series of sample percentages to determine

significance.¹⁴

The general procedure used to analyze the data is to examine the responses to each opinion question according to age groups, different educational levels, size of farms operated, length of membership, etc., of those responding to the question. A major purpose of the analysis is to determine which groups are more, and which groups less, favorable toward certain principles and practices in the operation of cooperatives.

8. Other studies on membership relations

As a part of the introduction to the present study it is pertinent to note previous studies that have been made in the field of membership relations of farmers' cooperatives. Following are brief discussions regarding the purpose and scope of the major studies that have been made:

1. One of the earliest studies was conducted by the Pennsylvania State College and Experiment Station. This involved a study of the membership problems of 15,000 members in a centralized milk marketing organization in the Pittsburgh district. Schedules were taken by interview from 902 members. A major purpose was to find out what factors in management were influencing favorable or unfavorable attitudes. Some data was compiled concerning members' reasons for joining, benefits received, sources of information about cooperatives, and differences between those members who reported benefits received, and those who reported no benefits received.¹⁵

14. For an explanation of these statistical measures see F. E. Croxton and D. J. Cowden, Applied General Statistics, Prentice-Hall, N. Y., 1946, pp. 332-338.

15. J. K. Stern, Membership Problems in a Milk Marketing Organization, Pennsylvania State College, State College, Pa., Bulletin 256, May, 1930.

2. The membership problems in Iowa farmers' elevators were studied in 1930-31 by Iowa State College personnel, and subsequently reported by Frank Robotka. The study was designed to discover the ailments of the cooperative elevators to see what could be done to improve the membership situation. Data were obtained from officers and managers, and from cooperative records. No data or opinions were gathered from the rank and file membership. A very informative analysis is made of membership trends, and of the tendency to laxness in the observance of strict cooperative principles and practices. The main breakdown of data is by companies (elevators).¹⁶

3. Under the auspices of the Farm Credit Administration an analysis of certain data obtained from 47 anonymous centralized and federated cooperative associations was reported under the title Membership Relations of Cooperative Associations, by J. W. Jones. Data was obtained from the records of the activities of the associations. A number of statements and conclusions are advanced concerning the importance of member participation, and how member participation can be increased.¹⁷

4. Also sponsored by the Farm Credit Administration was a study of Iowa Farmers' Creameries. The main source of information for this study consisted of detailed reports obtained from half of the 277 cooperative creameries in the state. An analysis is made of the problems of establishing relationships with members, as to financing, control, patronage,

16. Frank Robotka, Membership Problems and Relationships in Iowa Farmers' Elevators, Iowa State College, Ames, Bulletin 321, July, 1934.

17. J. W. Jones, Membership Relations of Cooperative Associations, Farm Credit Administration, Washington, D.C., Bulletin No. 9, October, 1936.

and member participation, on a basis that is consistent with sound cooperative principles.¹⁸

5. A study of the attitudes of farmers toward cooperative marketing of Livestock was published in 1939. Three hundred twenty-six representative Ohio farmers who ship livestock through cooperative organizations were personally interviewed with a view toward finding out their knowledge of cooperative marketing, their information concerning it, and their opinions and attitude toward cooperative livestock marketing. Particularly useful is the opinion data regarding the advantages of cooperatives, and the criticisms the farmers made of their operation.¹⁹

6. A financial study of Michigan farmers' cooperatives was made in 1937. The St. Paul Bank for Cooperatives, assisted by the Michigan State College and the Michigan Agricultural Experiment Station, collected data on all Michigan cooperatives, from which H. E. Larzelere prepared an analysis of the financial management of farmers' cooperatives. The general purpose was to (1) study the nature and volume of business, and the capital structure of marketing and purchasing cooperatives, (2) compare the financial condition of Michigan cooperatives, and (3) to develop selected management ratios for the use of managers and directors. Chapters III and VI contain material pertaining to cooperative principles and methods of operation, particularly concerning the acquisition of capital and the distribution of earnings. The study, however, does not

18. Frank Robotka and Gordon C. Laughlin, Cooperative Organization of Iowa Farmers' Creameries, Farm Credit Administration, Washington, D.C., Bulletin No. 14, April, 1937.

19. George F. Henning and Earl B. Poling, Attitudes of Farmers Toward Cooperative Marketing, Ohio Agricultural Experiment Station, Wooster, Ohio, Bulletin 606, September, 1939.

undertake to determine the farmers' appraisal of the successes or failures of cooperatives, nor their understanding of the policies and practices of their organizations.²⁰

7. A report by Anderson and Sanderson in 1943 analyzes data gathered by interviewing a total of 1612 farmers in New York State. This report is based on three separate studies of several milk marketing associations and the Grange League Federation made by M. E. John, Duane L. Gibson, and J. Edwin Losey. Extensive data was gathered, classified, and analyzed in the three studies, and a summary of the findings is given in the report mentioned here. Specific items discussed in the summary report are: extent, length, and nature of memberships, reasons for joining and dropping out, attendance at meetings, cooperative knowledge possessed by members, and opinions and attitudes concerning cooperatives. The studies were designed to explore the essential of satisfactory membership relations, rather than the essential of economic gain. The latter essential was the subject of most previous studies of farmers' cooperatives.²¹

8. The North Carolina experiment station published in 1937 the results of a study of the organization, practices, and membership participation of two North Carolina Farmers' Cooperatives. Three hundred fifty-nine farmers were interviewed in six North Carolina counties. Fifty-three percent of those interviewed were members of the two

20. H. E. Larzelere, Financial Management Analysis of Farmers' Cooperatives in Michigan, Michigan State College Agricultural Experiment Station, Special Bulletin 315, May, 1942.

21. W. A. Anderson and Dwight Sanderson, Membership Relations in Cooperative Organizations, Department of Rural Sociology, Mimeograph Bulletin No. 9, Cornell University Agricultural Experiment Station, Ithica, N. Y., April, 1943.

cooperatives. Questions were asked calling for both factual and opinion responses. Comparisons were made between the responses of members and non-members with respect to management, policies, membership control and support, and criticisms and suggestions.²²

9. M. E. John used an attitude scale in analyzing the factors influencing farmers' attitudes toward a cooperative milk marketing cooperative in the Philadelphia area. Interviews were made with 1256 dairy farmers within the area. Information was gathered concerning farmers' participation, personal characteristics, attitude toward the cooperative, and amount of information concerning cooperatives. This study differs somewhat from other studies that have been published because of its use of a Thurstone type of attitude scale in measuring intensity of favorableness and unfavorableness toward the cooperative. General attitudes are related to age, size of dairy, tenure status, religion, specific attitudes, etc., and are shown by the use of numerous tables and charts.²³

10. In paragraph seven mention was made of a particular study by D. L. Gibson as forming part of the basis for the report by Anderson and Sanderson. The Gibson study involved the personal interviewing of 772 dairy farmers in three counties in the state of New York, during the years 1936 and 1937. Comparisons were made between the membership relations in the Dairymen's League, the Sheffield Producers' Cooperative, and five local cooperative associations. An extensive analysis is made

22. S. L. Clement, The Organization, Practices, and Membership Participation of Two North Carolina Farm Cooperatives, Agricultural Experiment Station, Raleigh, N. C., Bulletin 311, July, 1937.

23. M. E. John, Factors Influencing Farmers' Attitudes Toward a Cooperative Marketing Organization, Pennsylvania Agricultural Experiment Station, Bulletin 457, November, 1943.

of the nature and extent of participation, the knowledge which farmers had of their organizations, and the opinions members had of the organizations and their accomplishments.²⁴

11. Finally, attention should be called to three previous studies made in Michigan, in addition to the financial study made by Largelere. Clayton and Horner surveyed the cooperative situation in Michigan in 1925.²⁵ Data was obtained by personal visits to each of the cooperatives existing at that time. An analysis was made of the operations of the cooperatives, and various interpretations were given. Topics treated were the types and distribution of Michigan cooperatives, legal and economic aspects, and management problems. A second study was made ten years later, in 1935, by W. O. Hedrick.²⁶ This was limited to a study of cooperative elevators, and treats specifically their organizational structure, service records, supplies handled, and business volume. Direct comparisons are made between the elevator situation in 1935 and the situation in 1925 at the time of the Clayton and Horner study. The third study was made by G. N. Motts and reported in 1942. Fruit and vegetable cooperatives in Michigan were surveyed and analyzed in this study. Special attention was given to the history, operating methods, organizational and financial structure, management problems, and

24. Duane L. Gibson, Membership Relations of Farmers' Milk Marketing Organizations in New York State, Unpublished Doctor's Thesis, Cornell University, 1940.

25. C. F. Clayton and J. T. Horner, Farmers' Cooperative Buying and Selling Organizations in Michigan, Agricultural Experiment Station, East Lansing, Michigan, Special Bulletin 171, 1928.

26. W. O. Hedrick, A Decade of Michigan Cooperative Elevators, Agricultural Experiment Station, East Lansing, Michigan, Special Bulletin No. 291, May, 1938.

efficiency of these cooperatives.²⁷ None of these three studies included a survey of membership relations and attitudes by personal contacts with the farmers supporting the cooperatives.

Many other lesser studies of cooperatives have been made throughout the United States. The Farm Credit Administration in particular has carried out studies in states in addition to those mentioned above. In general, they all follow the plan of analyzing statistical data obtained from official reports of cooperatives, rather than giving attention to farmers' opinions and attitudes as measured by personal interviews.

Occasional reference to the studies mentioned above will be made in the analysis of data in the following chapters. Wherever possible, comparison will be made between the results of this study and the results obtained on similar questions in the foregoing studies.

9. Importance of the study

In the studies made by the Farm Credit Administration very little attention was given to farmers' opinions regarding the cooperatives. In the studies conducted by the state colleges and experiment stations in Pennsylvania, Iowa, Ohio, New York, and North Carolina considerable effort was put forth to gather data direct from the farmers. This included not only factual data, but responses to questions revealing general attitudes and specific satisfactions and dissatisfactions. A large part of the data, however, was aimed at measuring the satisfactions or dissatisfactions with respect to the economic aspects of cooperation. Very little was done to determine farmer attitudes toward the basic principles of operation.

27. G. N. Motts, Fruit and Vegetable Cooperatives in Michigan, Agricultural Experiment Station, East Lansing, Michigan, Special Bulletin 317, June, 1942.

Although the economic aspects are not to be minimized, greater importance in the long run must be attached to farmers' understanding of the basic principles of cooperation. Their loyalty must be based on this understanding if it is to endure. Robotka emphasizes this point by saying that,

Loyalty of the "dollar and cents" type provides a poor foundation upon which to build, because it will evaporate like a mist the moment the organization ceases to be the best bidder, thus destroying the stability of the organization.²⁷

If we are to judge the enduring qualities of cooperatives we must pay particular attention to the farmers' understandings of the organizational framework upon which cooperatives are built. This study is designed to help meet this need.

In conclusion, the present study occupies a position of considerable importance because: (1) It represents the first scientific opinion study undertaken among Michigan farmers' cooperatives. (2) It purports to go beyond other previous studies by measuring the farmers' understanding of the basic principles of cooperation.

27. Frank Robotka, Membership Problems and Relationships in Iowa Farmers' Elevators, p. 178.

CHAPTER II

THE PRINCIPLES OF COOPERATION

1. Cooperation and cooperatives

Cooperation is a social process, and as such is universal.

Sanderson says that,

Whereas competition and conflict are forms of opposition and are dissociative, cooperation is a form of composition, or placing together, and is associative. Literally, cooperation is working together. It occurs among individuals and groups. The individual who will not cooperate in a group cannot be an efficient member, and will tend to dissociate himself from it. Cooperation is, therefore, essential for any permanent social organization, and it is a sine qua non for organized society.¹

In the economic world, however, cooperation has come to refer to a much more narrowed concept--that of a more or less institutionalized form of business organization. Most "cooperative societies" have arisen to meet the economic needs of their founders. A "cooperative society" merits its name on the basis of including in its system a greater number, and greater intensity, of cooperative functions than is found in the ordinary business form. The words of Kercher, Kebker, and Leland are enlightening at this juncture:

The significant factor, then, that vitally distinguishes a cooperative society from cooperation in general or from a noncooperative business enterprise is that, in a cooperative society, cooperation is consciously established and maintained as a foundation principle. This principle becomes the source of, and also in turn is strengthened by, settled rules of action governing the conduct of the affairs of the organized group in question and to a considerable extent the relationships and the motives of the individuals within it. But these rules of action have no miraculous origin. They are the results of a long history of trial and much error in cooperative enterprises. Their origins are frequently reminders of an extensive graveyard of departed cooperative adventures. But as tested behavior patterns they are today of

1. Dwight Sanderson, Rural Sociology and Rural Social Organization, John Wiley & Sons, N. Y., 1942, p. 624.

vital importance in a positive sense. In reality they come to be subsidiary principles or policies that serve to sustain cooperation as the basic principle of a given enterprise. They are, in effect, guardians of the integrity of a cooperative society.²

These organizational and procedural rules which have been developed through the years have come to be commonly termed the "principles of cooperation". With variations, the principles of cooperation are followed by all cooperative societies. In fact, the legal definitions of what is, and what is not, a cooperative society have been given chiefly in terms of the principles of cooperation.

The principles of cooperation are not to be confused with the purpose of cooperation. The purpose of a cooperative is to handle products for its members in a manner which will prove most advantageous to them as patrons, as distinguished from the main objective of the ordinary type of business organization, which is to obtain profit for its owners from the operations of the organization itself.³ Specifically, the objective of cooperative associations is to enable the members to obtain some price or service advantage, in the purchase or sale of the goods the organization handles, which could not be obtained through other existing business organizations. The Inquiry on Cooperative Enterprise in Europe defines a cooperative in the following terms:

A cooperative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and the gains of which are distributed to the members in proportion to the use they make of its services.⁴

2. L. C. Kercher, V. W. Kebker, and W. C. Leland, Consumers' Cooperatives in the North Central States, University of Minnesota Press, Minneapolis, 1941, p. 4.

3. F. E. Clark and L. D. H. Weld, Marketing Agricultural Products, Macmillan, N. Y., 1932, p. 526.

4. In Kercher, Kebker, and Leland, op. cit., p. 7.

On the basis of functions performed, there are three main types of cooperatives, (1) consumers' or purchasing, (2) producers or marketing, and (3) credit cooperatives. Consumers', or purchasing, cooperatives perform buying functions for their patrons. Technically there is a difference between consumers' and purchasing cooperatives. Consumers' cooperatives deal more particularly in goods for consumption, such as food and clothing, and are usually not formed by farmers. Purchasing cooperatives deal chiefly in producers' goods, such as farm supplies. Many marketing cooperatives also carry on purchasing functions for their farmer patrons.

Producers', or marketing, cooperatives perform selling functions for their patrons. There is also a slight technical distinction between producers' and marketing cooperatives. A producers' cooperative may refer to an enterprise in which the members cooperatively own and use the means of production, such as a small factory, or farmers' threshing outfit. A marketing cooperative refers to an enterprise where producers, or middlemen, join together in selling their produce. The marketing cooperative not only performs the selling function, but also owns the marketing facilities.

The cooperatives under consideration in this study are strictly the purchasing and marketing type. Most of them perform both functions. Mutual insurance companies are sometimes referred to as cooperatives, but there is considerable disagreement on this issue. Membership in mutual insurance companies are not considered herein, although most of the farmers had insurance in one or more mutuals. Farmers generally do not recognize mutual insurance companies as cooperatives. In this particular survey not one farmer mentioned membership in a mutual insurance company

when asked to name the cooperatives of which he was a member.

The Michigan Farm Bureau does not come under the categories of purchasing or marketing cooperatives, since it performs no buying or selling functions. Consequently, membership in the Farm Bureau is not considered when speaking of cooperative membership in this study. However, most of the farmers who belong to cooperatives, also are members of the Farm Bureau, not owning any stock, of course, but paying annual membership dues.

2. The Rochdale principles

The most important and most generally recognized principles of cooperative action are those commonly referred to as the "Rochdale principles of cooperation". They had their origin in the cooperative adventures of the early nineteenth century in England. It remained, however, for twenty-eight poverty-stricken flannel weavers of Rochdale, England, to refine and supplement these principles, as well as to prove their worth in actual operation. The Rochdale Society of Equitable Pioneers was founded in 1844 as a grocery store, with a capitalization of twenty-eight English pounds. Its success was both immediate and enduring. By the end of its fiftieth year, 1894, the membership was 12,000 and the annual volume of business was \$1,500,000. By 1863 there were 426 societies in England similar to the Rochdale Society.⁵

Although there is general agreement on the nature of the Rochdale principles, there is considerable variation in the statement of these principles and in the order of importance in which they are placed. Most writers select three or four which they regard as of major importance.

5. Ellis Cowling, Cooperatives in America, Coward McCann, N.Y., 1938, pp. 37-40.

A few illustrations show the diversity of opinion attendant upon these selections.

Clark and Clark list the main principles as (1) one vote per member, regardless of the amount of stock he may own, (2) a limited rate of dividends on stock and limitation of the number of shares one member may own, (3) the division of expenses and profits on the basis of business done with the association, and (4) the "cooperative spirit" of loyalty to organization is fostered.⁶

Ellis Cowling denotes three main principles: (1) democratic control, (2) fair return on capital invested, and (3) patronage dividends.⁷

Senderson lists (1) dividends on capital limited to a fixed rate, (2) each stockholder has one vote, and (3) earnings divided among patrons on the basis of amount of business done with the cooperative.⁸

The three main principles listed by Converse and Huegy are (1) democratic control, (2) cash sales, and (3) sales at prevailing market prices.⁹

Kercher, Kebker, and Leland record the principles according to the listing made by the International Cooperative Alliance: (1) open and voluntary membership, (2) democratic control, and (3) limited interest rate on capital and return of surplus earnings to patrons in proportion to patronage.¹⁰ Bakken and Schaars also list these principles as given

6. F. E. Clark and C. P. Clark, Principles of Marketing, Macmillan, N. Y., 1942, p. 410.

7. Cowling, op. cit., p. 45.

8. Senderson, op. cit., p. 523.

9. P. D. Converse and H. W. Huegy, The Elements of Marketing, New York: Prentice-Hall, 1946, p. 396.

10. Kercher, Kebker, and Leland, op. cit., p. 5.

by the International Cooperative Alliance.¹¹ Kercher, Kebker, and Leland record "three other principles regarded as very important by the International Cooperative Alliance but not required to qualify a society for membership in the Alliance": (1) political, racial, and religious neutrality, (2) cash trading, and (3) promotion of cooperative education.¹²

Ward W. Fetrow, in a bulletin published by the Farm Credit Administration, lists the three main principles as (1) democratic control, (2) payment for capital limited to a conservative rate, and (3) sharing the benefits and savings of cooperation in direct proportion to the patronage of the individual member.¹³

A logical summarization of these variations in statements of the cooperative principles would seem to take the form of the following pattern:

Major principles:

- (1) Democratic control, by one vote per member.
- (2) Interest on capital invested limited to a fixed rate.
- (3) Surplus earnings returned to patrons on the basis of patronage.

Secondary principles:

- (4) Open and voluntary membership.
- (5) Sales and purchases made at prevailing market prices.
- (6) Sales made on cash basis only.

11. H. H. Bakken and M. A. Schaars, The Economics of Cooperative Marketing, New York: McGraw-Hill, 1937, Chapter VII.

12. Kercher, Kebker, and Leland, op. cit., p. 6.

13. Ward W. Fetrow, Three Principles of Agricultural Cooperation, Washington D. C.: Farm Credit Administration, Circular E-24, 1945, p. 1.

Other secondary principles frequently mentioned:

- (7) Promotion of cooperative education.
- (8) Political, racial, and religious neutrality.
- (9) Fair treatment of labor.
- (10) Adequate reserves should be carried for depreciation, expansion, and unforeseen difficulties.

These ten principles represent the main body of rules of action for cooperatives which follow the Rochdale plan. As noted above, Clark and Clark suggest the principle of fostering a "cooperative spirit" of loyalty to the organization. "The 'cooperative'," they say, "is a less tangible element, . . . a spirit which combines patience to wait for results with a willingness to stick together through adversity." The cooperative spirit is necessary to overcome the tendency for the cooperators to undervalue the possible future benefits of cooperation once the glamour of a new enterprise wears off. It is necessary to keep members from being drawn off by temporary advantages offered by competitors, and from other acts of disloyalty which would tend to weaken the organization.¹⁴ The fostering of the "cooperative spirit" is very definitely linked with the principle of promotion of cooperative education. One of the main objectives of member education is to strengthen the bonds of cooperation by building up this spirit of loyalty.

3. Legal recognition of the principles

It is probably true that no cooperative society follows all of the Rochdale principles one hundred percent. There are, no doubt, hundreds of combinations of principles and rules followed by cooperatives today.

14. Clark and Clark, op. cit., p. 412.

Some enterprises follow so few of the principles that it becomes difficult to determine whether they are truly cooperatives or not. As a result, serious difficulties accompanied cases of litigation which arose. This condition led state and federal governments to define by law the basis on which an organization could be adjudged cooperative, or non-cooperative. A brief summary of these laws reveals present-day legal thinking in the United States concerning the principles which should be followed by cooperatives.

The significance of the cooperative form of business enterprise lies in the fact that it differs markedly from the ordinary business structure. Cooperatives were largely overlooked by the national government until the second decade of the twentieth century. Meanwhile laws (particularly the Sherman Anti-Trust Act) had been passed regulating the forms of the rapidly expanding corporate businesses. Due to their peculiar nature, various aspects of the cooperative form came into conflict with the anti-trust laws. To correct this situation in favor of cooperatives the Clayton Act was passed in 1914, but was of little help. It stipulated that cooperatives had the right to exist and operate, but said nothing about the methods they could use. Furthermore, the law applied only to non-stock associations.¹⁵

The Capper-Volstead Act of 1922 gave to cooperatives complete exemption from prosecution under the anti-trust laws. Before a cooperative may claim this exemption, however, it must show that it observes the following principles:

- (1) The association must be composed of farmers and must be operated

15. Tom G. Stitts and W. C. Weldon, Agricultural Cooperation and National Legislation, Washington D. C.: Farm Credit Administration, Circular A-20, July, 1940, p. 5.

for the mutual benefit of its members as producers of farm products.

(2) The association must conform to one or both of the following:

(a) No member shall have more than one vote, regardless of the amount of stock he owns or capital he contributes.

(b) Dividends on stock or membership capital cannot be in excess of eight percent per year.

(3) The association shall do no more than half of its business (in value) with non-members.¹⁶

Other federal laws grant certain exemptions and privileges to cooperatives which operate on similar principles. Cooperatives enjoy exemption from taxes which are levied on the incomes of business corporations. This is based on the assumption that cooperatives are non-profit organizations. That is, the earnings are not business profits, but are savings to the members, to be returned to them.

In the same way, federal laws prohibiting the payments of rebates and discounts in ordinary types of business provide that agricultural cooperatives may pay patronage dividends. The Bank for Cooperatives, established under the Farm Credit Administration requires that similar principles be followed before a cooperative is eligible to receive loans. In all cases, the cooperatives must show proof that they abide by the principles stipulated as necessary for differentiation from the ordinary business unit, if they are to receive the benefits of the laws.

In general, the federal government upholds the principles of democratic control, limited dividends on stock, and patronage dividends. In the case of marketing cooperatives, the principle of open and

16. Ibid, p. 6.

voluntary association is limited to the inclusion of producers only. Concerning the other lesser principles, the government takes no legal stand.

Most states have also passed laws affecting cooperatives. Although most of the statutes were designed to encourage cooperatives, some state laws actually prohibit the exercise of certain Rochdale principles. Warbasse points out a number of the cooperative principles, the free exercise of which has been curbed by state statutes:

In nine states in the Union, each share of stock of a cooperative must have a vote. In fourteen states, proxy voting must be permitted. In thirteen states a dividend must be paid to stockholders in proportion to stock ownership before profits or savings can be allocated to patrons in proportion to patronage. In six states cooperatives must pay a bonus to employees. In eight states a "patronage dividend" must be paid to non-members of cooperative societies.¹⁷

In the main, however, both state and federal legislation in the United States have tended to clarify and accentuate the importance of the major cooperative principles. It is probably true that the present laws have kept many cooperatives from degenerating into stock companies, or other non-cooperative forms.

Subsequent chapters in this study deal with the more important of the Rochdale principles of cooperation. Chapter III gives the analysis of the farmers' opinion regarding the principle of democratic control. Chapter IV is devoted to the principles connected with the disposition of earnings. The principle of open and voluntary association is discussed in the fifth chapter. Selling at market prices is treated in Chapter VI. Chapter VII records the farmers' opinion on certain less important policies connected with cooperative operation, including

17. J. P. Warbasse, Problems of Cooperation, Island Press, N. Y., 1942. p. 180.

the tax problem. Lastly, Chapter VIII is devoted to analyzing the comparative loyalty of different types of farmers.

4. Observations regarding the principles

The Rochdale principles have undergone very little change in the one hundred years since they were set forth. This fact seems to take on a special significance in the light of the present age of comparatively rapid social and economic change. Is there something unique about the nature and quality of these principles? Are these principles necessary for the accomplishment of the economic aims of cooperation? Did these principles arise out of purely economic considerations, or did certain socio-psychological characteristics of human nature cause their advent and subsequent continuance to the present day? Why cannot the ordinary forms of business units accomplish the economic aims of cooperation?

It may be said that the economic exigencies of a society call forth the type of business unit which will best satisfy those exigencies. Moreover, the business unit which evolves must be in harmony with the value systems of those whom it serves.¹⁸ To a large sector of western society, the corporate unit is satisfactory, both from the standpoint of meeting the economic exigencies and because it conforms to the value system. If it were not so, the corporate form would not be so much in evidence. The existence of the cooperative form of business enterprise bears witness to the fact that a certain segment of society has differing economic exigencies, or differing sets of values, or both.

It is quite apparent that both factors are found in the cooperative movement. The movement was born of dire economic need, which existing

18. Bakken and Schaars, op. cit., p. 118.

forms of business organization were not meeting. Cooperation continues because these economic exigencies continue. In fact, the growth of co-operatives seems to be stimulated in periods when the exigencies are the greatest.

Secondly, the advocates of cooperation stress several values, or ethical principles, which must not be compromised. Those which are particularly pertinent are:

- (1) That the earnings of a business enterprise should be returned to those who contribute to the business, in proportion to their contributions.
- (2) That individual interests should be subordinated to the interests of the group as a whole.
- (3) That wastes in production and distribution should be allowed no place in the economic order.

Cooperators hold that other business forms do not guard against the destruction of these values. Society is fraught with selfish men who use the existing forms to advance their own interests at the expense of others. Many industrial units tend to exploit the consumers rather than serve them. John Daniels expresses this point of view, and adds that the "whole laborious process of production and distribution . . . is justified not for its own sake as an end in itself, but as a means to the end of satisfying the wants of consumers."¹⁹ The cooperative form guards against this tendency for the exploitation of consumers for the sake of large profits. The principles of operation, therefore, are those measures which identify the cooperative enterprise as the guardian

¹⁹. John Daniels, Cooperation: An American Way, Covici, Friede, N. Y., 1938, p. 29.

of values which other forms have compromised.

Many cooperative practices, such as keeping good financial records and encouraging production of high quality products, have not come to be considered as principles of cooperation. This is true because they do not distinguish cooperatives from other forms of business units, and because they are based merely on economic considerations. In contrast, the basic principles of cooperation appear to be rooted more in socio-psychological, than in economic, considerations. This may explain why the principles have persisted for so long a time. The inertia of human nature is greater than that of economic practices. Thus it appears that it is of primary importance that the principles be preserved in essentially their present form if cooperation is to be of continuing use as a means of meeting the economic exigencies.

Many students of cooperation emphasize the importance of the Rochdale principles. Cowling points to the early development of cooperatives in America as proof of this point:

The cooperative movement in America began in the 1840's and consisted largely of consumer stores operated by the working classes. They did not adhere to the strict set of Rochdale principles. They sold at prices which would defray expenses and pay interest on capital.

1857 was high tide for these stores. Although many had failed, about 400 were carrying on a successful program of merchandising. By 1890 there were only three stores left in the New England Protective Union which had been set up in 1847, and the movement passed out of existence.

Thus America's first great consumers cooperative effort was a failure. Its leaders had made a stab in the dark. The story of the Rochdale Pioneers was an untold tale. The saving device of avoiding price wars by charging market prices and paying refunds to the consumers was then an obscure English invention.²⁰

Anders Orne, in discussing the principle of democratic control says that,

All our experience goes to show that a graduated voting right leads

20. Cowling, op. cit., p. 83.

to degeneracy--to the defection of the cooperative concern into the ranks of the ordinary profit-seeking enterprises governed by a dominant minority. . . . The cooperative undertaking would lose itself if it became necessary, for any reason, to introduce multiple voting. . . . The cooperative type of enterprise stands or falls with democracy.²¹

The challenge is directly up to each cooperative--more particularly, to the cooperative officials. The principles must continue to be practiced. Members' understanding and acceptance of these principles must be fostered by a constant program of education and vigilance.

5. Summary statement of purpose

Chapter I set forth the nature and mechanics of the survey of Michigan farmers which provided the data for this thesis. Chapter II has dealt with the meaning and importance of the principles of cooperation. Before proceeding with the analysis of the data, it is well to summarize the scope and purpose of this thesis.

The Rochdale principles have been set forth as reliable, time-proven guides to cooperative action. To a large extent the success of cooperatives directly depends on how well these principles are followed. How well these principles are followed is, in turn, dependent on the attitudes of the members who compose the cooperatives. Attitudes are tendencies to act. Where attitudes are discovered to be favorable to the principles, it will be assumed that the farmers have a clear understanding of the principles, and will tend to act in harmony with them. Where unfavorable attitudes are discovered, it will be assumed that there is lack of understanding and a tendency to work against cooperation. To measure the degree of favorableness and unfavorableness is the ever-present,

21. Anders Orne, Co-operative Ideals and Problems, Co-operative Union, Ltd., Manchester, 1937, p. 2.

vital problem of cooperatives. Only by such measurement can a true picture be had of the stability of the cooperative system.

With this vital problem in mind, this thesis proposes the following:

(1) To examine the attitudes of Michigan farmers toward the basic principles of cooperation as practiced by cooperatives with which they are familiar. Deviations in the farmers' views from those principles will be considered as due to lack of knowledge and experience rather than to any discovery of new and better principles.

(2) To determine the extent of understanding or lack of understanding among Michigan farmers of the basic principles of cooperation. This will permit reflections upon the need of educating members to the cooperative principles.

(3) To measure the depth of loyalty and enthusiasm for the cooperative method of doing business for farmers.

CHAPTER III

FACTORS AFFECTING OPINION RESPONSES REGARDING THE PRINCIPLE OF DEMOCRATIC CONTROL

The principle of democratic control is exercised by permitting each member to cast only one vote regardless of the number of shares of stock he may own, or the amount of business he may do with the cooperative. Bakken and Schaars state that the origin of this principle is political in nature. Man, not money, is the important point of emphasis in cooperation.¹ Equality on the basis of human individuals is to be given the preeminence over equality on the basis of property rights. In its economic sense, democratic control is designed to prevent a concentration of property rights in the cooperative from becoming a concentration of power which might be wielded to the harm of those with less property rights.

Not all cooperatives have adopted voting equality on the basis of membership. In the United States as a whole (data for 1936), 86 percent of the marketing and purchasing associations voted on the basis of one vote per member. Twelve percent voted by one vote per share of stock. The other two percent voted otherwise, chiefly on the basis of patronage. In Michigan 90 percent voted by membership and nine percent by shares of stock.² What do the Michigan farmers think about the voting principle?

1. Bakken and Schaars, op. cit., p. 155.

2. A Statistical Handbook of Farmers' Cooperatives, Farm Credit Administration, Washington, D. C., Bulletin No. 26, November, 1938, p. 54.

1. Membership status

Each of the 500 farmers was first asked whether each member of a cooperative should have just one vote, or one vote for every share of stock owned. Secondly, he was asked whether he thought that a cooperative should be set up so that the more business a man does with it, the more votes he should be allowed to cast. Table 4 indicates the responses on the basis of the total sample, and on the basis of whether a member

Table 4. Percentage distribution of sample farmers by membership status and by opinion on method of voting.

Questions and replies	Total N=499	Members N=394	Non- members N=105
Should voting be by membership or by number of shares owned?	%	%	%
One vote per member	75.4	75.3	75.2
One vote per share	20.0	20.6	18.1
Don't know	<u>4.6</u>	<u>4.1</u>	<u>6.7</u>
Total	100.0	100.0	100.0
Should voting be by membership or on basis of patronage?			
By amount of patronage	14.0	14.7	11.4
One vote per member	84.4	84.3	84.8
Don't know	<u>1.6</u>	<u>1.0</u>	<u>3.8</u>
Total	100.0	100.0	100.0

or not. The outstanding fact to be observed from these results is the uniformity of opinions held by members and non-members. Apparently the democratic principle is equally well understood and approved by members and non-members. Whereas about 75 percent of the farmers favor the one-man-one-vote principle over voting by shares, about 85 percent favor one-man-one-vote over voting on the basis of patronage.

2. Amount of business done

Each farmer was asked to estimate the amount of business he had done with cooperatives during the previous year. On the basis of this information the farmers were put into six groups, ranging from less than \$100 to \$3000 or more. Approximately 75 percent of each group favors one-vote-per-member over voting by shares owned. A slightly greater proportion of the \$2000-\$2999 group were found to favor the democratic principle than

Table 5. Percentage distribution of farmers by amount of business done with cooperatives during the previous year, by opinion on method of voting.

Questions and replies	Less than \$100 N=65	\$100- \$499 N=81	\$500- \$999 N=90	\$1000- \$1999 N=111	\$2000- \$2999 N=57	\$3000 & over N=96
Should voting be by membership or by num- ber of shares owned?						
One vote per member	75.4	75.0	75.6	73.9	79.0	75.0
One vote per share	13.8	21.3	22.2	20.7	17.5	21.9
Don't know	<u>10.8</u>	<u>3.7</u>	<u>2.2</u>	<u>5.4</u>	<u>3.5</u>	<u>3.1</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0
Should voting be by membership or on basis of patronage?						
Basis of patronage	12.3	14.8	16.7	9.9	12.3	17.7
One vote per member	81.5	82.7	83.3	89.2	87.7	81.3
Don't know	<u>6.2</u>	<u>2.5</u>	<u>...</u>	<u>.9</u>	<u>...</u>	<u>1.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

is true of the other groups. With insignificant variations, roughly 85 percent of the farmers favored voting by membership over voting by patronage. In this instance the \$1000-\$1999 group was most strongly in favor of the democratic principle, while the \$3000-and-over group was least favorable to democratic voting. No general conclusions, however, can be drawn since the percentage differences in no case are statistically

significant.

It might be expected that those doing a greater amount of business would be less likely to favor democratic control. On the other hand, those who do more business may tend to have a better understanding of cooperative principles. The results of this survey show that those doing greater amounts of business with cooperatives are more likely to be members of cooperatives, and attend meetings more regularly. Thus the uniformity of responses between these six groups may be the result of a synthesis between two opposing tendencies.

3. Age

As revealed in Table 6, no generalizations can be made as to the effects of age on the opinion responses. When comparing voting by membership and by shares owned, 82.1 percent of those under 30 years of age

Table 6. Percentage distribution of farmers by age groups by opinion on method of voting.

Questions and replies	Under 30 N=56	30-39 N=117	40-49 N=117	50-59 N=117	60, over N=90
Should voting be by membership or by number of shares owned?					
One vote per member	82.1	74.4	75.2	75.0	72.2
One vote per share	14.3	23.9	18.8	19.0	22.2
Don't know	<u>3.6</u>	<u>1.7</u>	<u>6.0</u>	<u>6.0</u>	<u>5.6</u>
Total	100.0	100.0	100.0	100.0	100.0
Should voting be by membership or on the basis of patronage?					
Basis of patronage	8.9	14.5	17.1	16.2	10.0
One vote per member	89.3	84.6	82.0	82.1	86.7
Don't know	<u>1.8</u>	<u>1.9</u>	<u>1.9</u>	<u>1.7</u>	<u>3.3</u>
Total	100.0	100.0	100.0	100.0	100.0

avored voting by membership compared with 72.2 percent for those aged 60 or over. Percentages for the other age groups ranged in between these extremes. This shows that the older members of the sample tended to be less favorable to the democratic principle. When considering voting on the basis of patronage, however, this tendency did not exist. In the latter case, the middle-aged groups tended to be less favorable toward the democratic principle. These percentage differences may be due to chance factors in sampling, however, since none of the differences are large enough to prove significant.

The table does not show age group data for separate categories of members and non-members. Such a breakdown did not reveal any significant differences in the responses of the different age groups within the separate member and non-member categories. For all practical purposes, the age factor does not have any influence on the attitude of the farmers toward the democratic principle.

4. Education

It might be supposed that farmers with different levels of academic education would react differently to questions concerning the principle of democratic control. Table 7 shows that there is considerable variation in the responses of the various educational level groups. This is true only when voting by membership is compared with voting by shares, and not when compared with voting on the basis of patronage. In the latter instance, no appreciable differences in responses between educational level groups is evidenced. In the former instance, however, a significance does exist. Seventy-eight and seven-tenths percent of those farmers having eight or less years of schooling favor the

Table 7. Percentage distribution of farmers by educational levels by opinion on method of voting.

Questions and replies	<u>Years of Schooling Completed</u>		
	<u>Eight or less N=324</u>	<u>Nine to Twelve N=142</u>	<u>More than Twelve N=28</u>
Should voting be by membership or by number of shares owned?			
One vote per member	78.7	72.6	60.7
One vote per share	16.7	22.5	39.3
Don't know	<u>4.6</u>	<u>4.9</u>	<u>...</u>
Total	100.0	100.0	100.0
Should voting be by membership or on basis of patronage?			
Basis of patronage	14.5	12.7	17.8
One vote per member	83.6	85.9	82.2
Don't know	<u>1.9</u>	<u>1.4</u>	<u>...</u>
Total	100.0	100.0	100.0

one-vote-per-member method, whereas only 60.7 percent of the college level farmers favor that method. The Chi-square test reveals a probability ratio of slightly less than .05 in this instance.

Why more educated farmers should favor a less democratic voting procedure is not clear. It may be that general education does not necessarily educate in the understanding of cooperative principles. Or it may be that through their possibly greater acquaintance with corporate business forms, the more educated have come to favor less democratic controls. At any rate, these results would indicate that cooperatives cannot depend on their more educated members to support the democratic principle as strongly as other members.

5. Attendance at meetings

All of the 353 farmers who were aware of their memberships were asked how frequently they attend the cooperative meetings. Forty-three

and nine-tenths percent stated that they attend most of the meetings, 28.6 percent said that they attend a few of the meetings, and 27.5 percent attend no meetings at all. If the 42 "unaware members", who very probably do not attend meetings, are taken into account also, it appears that somewhat over 60 percent of all cooperative members seldom or never attend the cooperative meetings.

Of those who attend most of the meetings, 78.7 percent favor the

Table 8. Percentage distribution of "aware" members by frequency of attendance at meetings, by opinion on method of voting.

Questions and replies	Most of them N=155	Few of them N=101	None of them N=97
Should voting be by membership or by number of shares owned?			
One vote per member	78.7	77.0	69.0
One vote per share	19.4	22.0	21.7
Don't know	<u>1.9</u>	<u>1.0</u>	<u>9.3</u>
Total	100.0	100.0	100.0
Should voting be by membership or on basis of patronage?			
Basis of patronage	12.9	12.9	22.7
One vote per member	87.1	87.1	74.2
Don't know	<u>...</u>	<u>...</u>	<u>3.1</u>
Total	100.0	100.0	100.0

one-vote-per-member principle. Of those who attend no meetings, only 69.0 percent favor one-vote-per member. Thus attendance at meetings appears to have affected the opinions of the farmers in the sample. The difference is not quite great enough, however, to be assumed reliable for all samples that might be taken.

When asked to choose between voting by membership and voting on the basis of patronage, 87.1 percent of those who attend a few or most of the meetings were of the opinion that one-vote-per-member was best. Of

those who never attend, only 74.2 percent favored that principle, while 22.7 percent favored voting on the basis of patronage. The difference between these percentages is statistically significant, so it may be assumed that attendance at cooperative meetings influences farmers to support the democratic principle over voting on the basis of patronage.

It is interesting to note that of those who never attend meetings, a much greater number (9.3 and 3.1 percents) replied "don't know" to the questions than was true of those who attend meetings.

6. Length of membership

Table 9 reveals the opinions of the "aware" members when grouped according to the period in which they first joined a cooperative of which they are now a member. Seventy-six and three-tenths percent of those who joined prior to 1931 favor the democratic method of voting over voting by shares. Seventy-two and two-tenths percent of those

Table 9. Percentage distribution of "aware" members by period in which first joined a cooperative of which now a member, by opinion on method of voting.

Questions and replies	Before 1931 N=118	1931- 1940 N=109	Since 1940 N=125
Should voting be by membership or by number of shares owned?			
One vote per member	76.3	72.2	77.6
One vote per share	22.0	23.2	17.6
Don't know	<u>1.7</u>	<u>4.6</u>	<u>4.8</u>
Total	100.0	100.0	100.0
Should voting be by membership or on basis of patronage?			
Basis of patronage	18.6	13.8	14.4
One vote per member	81.4	86.2	83.2
Don't know	<u>...</u>	<u>...</u>	<u>2.4</u>
Total	100.0	100.0	100.0

who joined from 1931 to 1940, and 77.6 percent of those who joined since 1940 are of the same opinion. Compared with the other two groups, the 1931-1940 group is less in favor of one-vote-per-member over voting by shares, and more in favor of one-vote-per-member over voting on the basis of patronage. It must be realized, however, that these percentage differences are not substantial, and may be due to chance factors in sampling. It cannot be said that length of membership has any appreciable influence on the farmers' opinions regarding the principle of democratic control.

7. Type of cooperative a member

Grain and certain fruit marketing cooperative associations are noted for their frequency of violations of the democratic principle. According to the 1936 data for this nation as a whole, only 78 percent of grain

Table 10. Percentage distribution of cooperative members by type of cooperative a member, by opinion on method of voting.

Questions and replies	Live- stock mktg. N=95	Eleva- tor & supply N=292	Milk & cream N=83	Oil & gas N=36	Fruit mktg. & supply N=65
Should voting be by mem- bership or by number of shares owned?					
One vote per member	81.1	77.7	78.3	61.1	59.4
One vote per share	16.8	18.2	18.1	38.9	39.1
Don't know	<u>2.1</u>	<u>4.1</u>	<u>3.6</u>	<u>...</u>	<u>1.5</u>
Total	100.0	100.0	100.0	100.0	100.0
Should voting be by mem- bership or on basis of patronage?					
Basis of patronage	8.4	13.4	15.7	36.1	32.3
One vote per member	91.6	85.9	83.1	63.9	66.2
Don't know	<u>...</u>	<u>0.7</u>	<u>1.2</u>	<u>...</u>	<u>1.5</u>
Total	100.0	100.0	100.0	100.0	100.0

cooperatives observed the one-man-one-vote principle. Twenty-one percent used the method of voting by stock owned.³ When classified according to the types of cooperatives (on basis of commodities handled) of which they are members, how do the Michigan farmers respond to the democratic principle?

It should be recalled that many farmers are members of more than one cooperative, and therefore their opinions cannot be attributed to their experiences with any one type of cooperative. This situation would tend to mitigate the extremes of differences which would otherwise appear in the table. For this reason the results in the table can be considered quite conservative. In spite of this, there are significant differences in the responses. Percentages in favor of membership voting over share voting varied all the way from 81.1 in the case of livestock marketing cooperatives to 59.4 in the case of fruit marketing and supply cooperatives, a range of 21.7 percent. An even greater range (27.7 percent) is manifest in the replies to the question of one-vote-per-member versus voting by patronage. In this case, livestock marketing cooperatives are again most favorable, with 91.6 percent for democratic voting. Elevator and supply cooperatives follow with 85.9 percent, milk and cream next with 83.1, fruit marketing next with 66.2, and oil and gas cooperatives last with only 63.9 favoring one-vote-per-member.

There is not enough data available to determine the reason for these differences between types of cooperatives. Certain observations can be made, however, which are pertinent to the situation. Sixty-four of the 65 farmers listed with the fruit marketing group are members of the Eau Claire Fruit Exchange. This cooperative uses the method of voting

3. Statistical Handbook, p. 55.

according to number of shares owned. The psychological tendency for people to think that "our way is best" may be a factor contributing to the comparatively large number not favoring the democratic principle. It is remarkable, however, that nearly sixty percent of the Eau Clair Fruit Exchange members voiced opposition to the method in practice. This is augmented by the fact that 13 of the 18 farmers in the sample who criticized cooperatives as being "run by a clique", or as favoring certain persons, were located in the Eau Clair area and the Elkton area where, until recently, the cooperative elevator operated on the one-vote-per-share method. Farmers in the Eau Clair area, when answering "one-vote-per-member" to the question asked, would frequently add, "that ain't the way they do it here, but they ought to do it that way." On the other hand, some farmers, when answering "one-vote-per-share", would comment with, "I guess that's the way they do it here, isn't it?", indicating their tendency to accept without thought the method practiced.

The oil and gasoline supply cooperatives also seem to be weak in their support of the democratic principle. This may not be typical for all of Michigan, however, any more than the opinions of members of one fruit cooperative could be representative for all fruit cooperatives in Michigan. A possible reason for the attitude discovered in this study is that 77.8 percent of the memberships in oil and gas cooperatives in this sample are members of the Berrien County Farm Bureau Oil Co., also located in Eau Claire. Many farmers in that area are members of both the fruit cooperative and the oil and gas cooperative, and therefore their opinions may be biased on account of their membership in the Fruit Exchange. Additional evidence should be sought, however, before this can be considered conclusive.

8. Officers versus non-officers

Twenty-nine of the "aware" members were found to be present officers in their respective cooperatives, or had at some time in the past been an officer. As a measure of the general understanding of the cooperative principles, it should be of interest to compare the opinions of those who have been officers with the opinions of those members who have never been an officer of a cooperative. For purposes of definition, an officer is one who has been either a manager or a member of the board of directors. In this study, several of the officers were not only members of the board of directors, but had also served as president, vice-president, or secretary of the board.

When comparing voting by membership with voting by shares, 4.4 percent more non-officers than officers favored the democratic principle. When comparing voting by membership with voting on the basis of patronage, the officers were slightly more favorable to the principle. In

Table 11. Percentage distribution of "aware" members by whether or not they had ever been an officer, by opinion on method of voting.

Questions and replies	Officers N=29	Non-officers N=323
Should voting be by membership or by number of shares owned?		
One vote per member	71.4	75.8
One vote per share	28.6	20.2
Don't know	... ---	4.0 ---
Total	100.0	100.0
Should voting be by membership or on basis of patronage?		
Basis of patronage	13.8	15.8
One vote per member	86.2	83.3
Don't know	... ---	.9 ---
Total	100.0	100.0

neither case is the percentage difference great enough to be significant. Apparently the factor of status as officer or non-officer does not affect the cooperator's opinion on the matter of democratic control.

9. Status as member of the Farm Bureau

Of the total sample, 233 farmers (or 46.7 percent) stated that they were present members of the Farm Bureau. In addition, 85 farmers said that they had been members of the Farm Bureau at some time in the past. One hundred eight-one had never been a member of the Farm Bureau. Table 12 compares the opinions of those who are present members with those who

Table 12. Percentage distribution of farmers by whether a member of the Farm Bureau or not, by opinion on method of voting.

Questions and replies	Farm Bureau	
	Member N=233	Non-member N=266
Should voting be by membership or by number of shares owned?		
One vote per member	77.6	73.3
One vote per share	20.7	19.5
Don't know	<u>1.7</u>	<u>7.2</u>
Total	100.0	100.0
Should voting be by membership or on the basis of patronage?		
Basis of patronage	14.2	13.9
One vote per member	85.0	83.8
Don't know	<u>0.8</u>	<u>2.3</u>
Total	100.0	100.0

are not present members. Farm Bureau members were slightly more favorable to the method of one-vote-per-member. However, due to the insignificance of the percentage differences, it cannot be said that membership in the Farm Bureau was a factor influencing the opinions of farmers regarding the democratic principle of voting.

10. Summary

Approximately three-fourths of the farmers in the sample favor the one-vote-per-member method of voting in preference to the one-vote-per-share method. Approximately 85 percent favor one-vote-per-member over voting on the basis of amount of patronage. The opinions of members of cooperatives and non-members were found to be virtually the same regarding the principle of democratic control. No significant differences of opinion were found to exist between different age groups, or between groupings on the basis of the amount of business done with the cooperative within the preceding year. Length of membership did not appreciably influence opinion responses. No significant differences were found between the replies of those who have been officers of cooperatives and those who have not been officers, or between those who are members of the Farm Bureau and those who are not members of the Farm Bureau.

Three factors were found to significantly affect the farmers' opinions, namely, education, attendance at meetings, and type of cooperative a member. It was discovered that the greater the number of years of formal education that farmers had, the less favorable they were toward the democratic principle. Those who never attend cooperative meetings do not support the democratic principle as well as those who attend some or most of the meetings. Lastly, it was found that those farmers in the sample who are members of oil and gas, and fruit and vegetable cooperatives were not as favorable to the one-vote-per-member principle as were those of the livestock marketing, elevator and supply, and milk and cream cooperatives.

Among the considerable number of studies of membership relations of farmers' cooperatives, the writer has discovered none which have attempted

to determine membership opinion regarding the principle of democratic control. Therefore it is not possible to compare the results obtained in this study with any other source which would permit comparison.

CHAPTER IV

FACTORS INFLUENCING OPINIONS REGARDING PRINCIPLES PERTAINING TO THE DISPOSITION OF EARNINGS

1. Are cooperative earnings "profits"?

Most cooperatives attempt to operate their businesses so that they may obtain a certain surplus of income over expenses. This surplus usually results from the practice of selling and buying at market prices, which allows cooperatives to obtain margins similar to other businesses. The accumulation of a surplus is desirable as a protection against unforeseen losses.

Can this surplus of income over expenses be called a profit? Opponents of cooperation answer in the affirmative. They say that it is as much a profit as is the surplus accruing from the operations of any other type of business. Proponents of cooperation, however, do not consider the surplus a profit. They say that the earnings of a cooperative are savings to the members and are incidental to the greater objectives of better marketing and purchasing services. Bakken and Schaars say that in a corporation:

. . . operations are designed primarily to earn profits and secondarily to provide only those goods and services which may bring profits. The cooperative is . . . interested in savings or gains, but these are secondary to the performance of efficient services.¹

If it were economically safe, a cooperative could just as well operate without showing earnings. It could pass on the price advantage immediately to the farmer in the form of higher prices for his saleable goods, or lower charges for his purchases. Refunds would then be

1. Bakken and Schaars, op. cit., p. 14.

dispensed with. In such a case, the cooperative would be performing an equally satisfactory service, yet would show no earnings. Other businesses could not continue without accumulating profits.

An attempt was made in this study to determine the opinions on, and the extent of understanding of, the question of whether the earnings of a cooperative should, or should not be called profits. The first question related to this problem was:

We take it for granted in this country that ordinary business is out to make a profit. Do you think of co-ops as typical profit-making businesses, or not?

Expressed in this form, the question does not define what is meant by the word "profit". A second question was asked, in which the meaning of "profit" was made more clear. A comparison of the results of the two questions gives some indication as to how well farmers understand what is meant when cooperatives are termed non-profit making. The second question was:

Many co-ops call themselves "non-profit organizations" because they say the amount left over at the end of the year is returned to purchasers similar to a discount. Do you feel that co-ops that operate in this manner are right in calling themselves "non-profit organizations"?

The following paragraphs give the responses to these questions on the basis of the factors which influenced the responses.

(a) Membership status. Table 13 shows the percentage differences between the responses of members and non-members. The table also shows that the responses within each group were remarkably different between the two questions. With respect to the total sample, 56.0 percent were of the opinion that cooperatives are typical profit-making businesses. When the meaning of "profit-making" was further explained in the second question, only 28.0 percent held to the same position. This indicates

Table 13. Percentage distribution of farmers by whether a member or not by opinion on whether cooperatives are profit-making or not.

Questions and replies	Members N=392	Non- members N=104	Total N=496
Are cooperatives typical profit-making businesses?			
Yes	53.8	64.4	56.0
No	42.6	28.9	39.8
Don't know	<u>3.6</u>	<u>6.7</u>	<u>4.2</u>
Total	100.0	100.0	100.0
Are cooperatives right in calling themselves "non-profit"?			
Yes	70.7	47.5	65.9
No	23.7	44.7	28.0
Don't know	<u>5.6</u>	<u>7.8</u>	<u>6.1</u>
Total	100.0	100.0	100.0

that to many farmers the concept of "non-profit", as applying to cooperatives, is not clear. Less than half (42.6 percent) of the members said cooperatives were non-profit businesses, but when the further explanation was made, the percentage agreeing with that opinion increased to 70.7. Twenty-three and seven-tenths of the members still retained the position that cooperatives are profit-making organizations.

The responses of non-members were found to be significantly different from that of members. Non-members were considerably less favorable to the idea that cooperatives are not profit-making businesses. Even after the meaning of "profit" was clarified, 44.7 retained the position that cooperatives cannot be termed "non-profit". Typical among the comments of those holding this position was, "Of course they make a profit; they couldn't stay in business if they didn't."

(b) Length of membership. Table 14 gives the opinions of the "aware" members concerning the question of whether or not cooperatives are profit-

Table 14. Percentage distribution of "aware" members by period in which first joined a cooperative of which now a member, by opinion on whether or not cooperatives are profit-making businesses.

Questions and replies	Before 1931 N=118	1931- 1940 N=109	Since 1940 N=125
Are cooperatives typical profit-making businesses?			
Yes	45.0	61.5	52.8
No	50.8	36.7	43.9
Don't know	<u>4.2</u>	<u>1.8</u>	<u>3.3</u>
Total	100.0	100.0	100.0
Are cooperatives right in calling themselves "non-profit"?			
Yes	73.5	68.8	72.8
No	20.5	26.6	21.6
Don't know	<u>6.0</u>	<u>4.6</u>	<u>5.6</u>
Total	100.0	100.0	100.0

making businesses, on the basis of length of membership. When asked the first question, those members who had first joined a cooperative in the period before 1931 differed significantly in their replies from those who joined more recently. The 1931-1940 group shows the least agreement with the idea that cooperatives are non-profit businesses. Of this group, 36.7 percent agreed with the idea, whereas 50.8 percent of the pre-1931 group felt that cooperatives were non-profit organizations. Those having joined most recently fell in between with a percentage of 43.9.

When the second question was asked, clarifying the meaning of "non-profit", all groups tended to agree substantially on the question. Apparently those who have been members the longest have the best understanding of what is meant by cooperatives being, or not being, ordinary profit-making businesses. There may be many factors contributing to this situation, and it would be difficult to determine which were most important. It may be that the experiences connected with the organizing

of numerous cooperatives in the late teens and early twenties were particularly educative to the non-profit idea among those who joined at that time. After "non-profit" was explained, however, the responses of all groups were substantially in agreement.

(c) Age. The preceding paragraphs dealt with the factors of membership status and length of membership as affecting the opinions on the question of whether cooperatives are profit-making businesses. The tables presented in both cases pointed out the wide variance between the responses to the two questions. The same variance appears within all the sample groupings that might be made, so it should not be important to continue to show the responses to both questions. It can be assumed from the data already shown that farmers are not clear in their understanding of the meaning of "non-profit". Therefore it will be well to proceed from this point, and use only the replies to the second question. Any variance between the responses of different groups to the second question can be considered as more accurately representing basic differences in viewpoint, and as resulting less from differences in the understanding of a particular word, or words.

The factor of age is shown to have some effects on responses to the question under consideration (Table 15). Approximately 73 percent of the younger groups feel cooperatives are right in calling themselves non-profit organizations. Only about 60 percent of the older groups are of the same mind. There is a significant difference between these two sample percentages. Therefore it can be concluded that the younger farmers tend to be more in harmony with the idea that cooperatives are non-profit organizations. Since there is some tendency for older farmers to have been members the longest, there may appear to be a contradiction between

Table 15. Percentage distribution of farmers by age groups by opinions as to whether cooperatives are profit-making businesses or not.

Questions and replies	Under 30 N=56	30-39 N=117	40-49 N=116	50-59 N=116	60 and over N=88
Are cooperatives right in calling themselves "non- profit"?					
Yes	73.3	73.5	65.5	60.4	60.2
No	19.6	24.8	27.6	35.3	27.3
Don't know	<u>7.1</u>	<u>1.7</u>	<u>6.9</u>	<u>4.3</u>	<u>12.5</u>
Total	100.0	100.0	100.0	100.0	100.0

the findings in this paragraph and that of the factor of length of membership treated in the previous paragraph. Length of membership was found to have no significant effect on the responses to this question. Apparently some factor other than length of membership is partially influencing the responses on basis of age. As noted in the following paragraph, education is probably the influencing factor affecting responses at different age levels.

(d) Education. The factor of education was found to significantly affect the opinions of farmers with respect to whether cooperatives are profit-making or not. Table 16 reveals that 61.8 percent of those farmers who had an eighth grade education or less agreed that cooperatives were non-profit. Seventy-three and seven-tenths percent of those who had some or all of high school, and 71.4 percent of those who went to college agreed. This indicates that those farmers with more schooling tend to believe in the non-profit idea to a greater extent than those with less schooling. Since there is an inverse correlation between schooling and age, it is logical that those with less schooling and those who are older should both reflect less favorableness to the non-profit idea.

Table 16. Percentage distribution of farmers by educational levels by opinion on whether cooperatives are profit-making businesses or not.

Question and replies	Years of schooling completed		
	Eight or less N=322	Nine to twelve N=141	More than twelve N=28
Are cooperatives right in calling themselves "non-profit"?			
Yes	61.8	73.7	71.4
No	31.1	21.3	28.6
Don't know	<u>7.1</u>	<u>5.0</u>	<u>...</u>
Total	100.0	100.0	100.0

A breakdown of age groups by levels of schooling reveals some interesting facts (data not presented in tabular form). Of those under the age of 40, the favorableness to the idea of cooperatives being non-profit businesses is essentially the same at all educational levels. For those farmers forty years of age and older, a significantly greater proportion of those having attended high school favor the idea than those who never went to high school. Seventy-three percent of those who went to high school and 74 percent of those who did not, in the below 40 age group, favor the idea. Seventy-six percent of those who went to high school and only 58 percent of those who did not, in the 40 years and over group, favor the idea of cooperatives being non-profit businesses.

(e) Attendance at meetings. It might be expected that those cooperative members who attend the meetings would be found to agree with the idea that cooperatives are non-profit organizations more frequently than would those who do not attend the meetings. The results of this survey indicate that this is true (Table 17). Seventy-four and seven-tenths percent of those who attend most of the meetings, and 78 percent of those who attend a few of the meetings agree that cooperatives are non-profit

Table 17. Percentage distribution of "aware" members by frequency of attendance at meetings by opinion as to whether cooperatives are profit-making businesses or not.

Question and replies	Most of them N=154	Few of them N=100	None of them N=97
Are cooperatives right in calling themselves "non-profit"?			
Yes	74.7	78.0	60.8
No	21.4	16.0	32.0
Don't know	<u>3.9</u>	<u>6.0</u>	<u>7.2</u>
Total	100.0	100.0	100.0

organizations. Only 60.8 percent of those who never attend meetings agreed. The factor of attendance at meetings may therefore be considered to have the desirable effect of increasing the understanding of members concerning the reasons why cooperatives should be considered non-profit organizations. However, whether members have greater understanding because they attend meetings, or whether they attend meetings because they have a greater understanding is a debatable question. No doubt both factors are partly responsible, but the former would seem to be of primary importance.

(f) Farm Bureau membership status. The fact that a farmer is a member of the Farm Bureau significantly affects the possibility that he will favor the "non-profit" idea. Of those farmers who were members of the Farm Bureau 71.4 percent believed that cooperatives were right in calling themselves "non-profit" organizations. Sixty-one percent of those who were not members agreed. The reason why Farm Bureau members tend to be more favorable to the idea is no doubt in part because of attendance at meetings, as discussed in the preceding paragraph. In addition, Farm Bureau members usually receive published materials from the Bureau, through which they may be reminded of the "non-profit" idea.

Table 18. Percentage distribution of farmers by whether a member of the Farm Bureau or not, by opinion as to whether cooperatives are profit-making businesses or not.

Question and replies	Member N=231	Non-member N=264
Are cooperatives right in calling themselves "non-profit"?		
Yes	71.4	61.0
No	25.1	30.7
Don't know	<u>3.5</u>	<u>8.3</u>
Total	100.0	100.0

(g) Summary. The factors of membership status, age, education, attendance at meetings, and Farm Bureau membership status were found to have significant effects on the opinions of farmers regarding the question of whether or not cooperatives should be called non-profit organizations. Members favored the idea that cooperatives were non-profit more frequently than non-members. Those farmers having joined cooperatives more recently favored the idea more than those who first joined more remotely in the past. Younger members, and members with more schooling, tended to favor the idea. These latter factors show consistency with each other, due to the fact that, in general, higher levels of education have been achieved in recent years. Those farmers who attend cooperative meetings and those who are members of the Farm Bureau tend to favor the idea more than those who do not attend meetings and those who do not belong to the Farm Bureau.

Although the data is not presented here, several factors were discovered not to affect significantly the responses to the question under consideration. These factors were: (1) amount of business done with cooperatives, (2) type of cooperative a member, (3) status as officer or non-officer, (4) size of farm operated, and (5) number of cooperatives

a member.

2. Who should receive the earnings?

The third cardinal principle of cooperation is the policy of returning to the patrons the earnings of the business. In theory the members and the patrons are the same persons. In practice this very frequently is not so. There frequently are members who own shares of stock, or certificates of indebtedness, but do not do business with the cooperative. On the other hand, there frequently are farmers who regularly patronize a cooperative but have never joined it. Many practices and policies have grown up around situations where these conditions exist. The ever recurring problem is how much of the earnings should go to the stockholders in the form of dividends on stock, and how much should go to the patrons in the form of dividends on patronage. As mentioned earlier, the Capper-Volstead Act limits to eight percent the dividend that may be paid on capital investment. A limit of eight percent, however, permits considerable variation in the amount that can be paid on stock. It is quite possible that more of the earnings may be paid to stockholders on the basis of shares owned than to patrons on the basis of patronage. As a rule, cooperatives state in their charters the interest rate which will be paid on capital investment. This rate is not subject to the fluctuations which characterize the periodic payment of dividends on the basis of patronage. This is a factor in eliminating the speculative buying and selling of cooperative shares.

In order to determine the farmers' opinions on the question of where the major portion of the earnings should go, the following question was asked:

When a co-op has a surplus at the end of the year, who do you think should get most of it: The stockholders through dividends on stock or the patrons through refunds on the business they did?

The responses to this question are presented below on the basis of the factors which were found to influence the responses.

(a) Membership status. Table 19 presents the replies of the total sample and of the groupings arranged according to whether or not the farmer belonged to a cooperative. A little over one-half of all the

Table 19. Percentage distribution of sample farmers and of farmers by whether a member or not, by opinion on who should receive most of the earnings.

Who should get most?	Total N=499	Members N=395	Non-members N=104
Stockholders	27.5	24.6	38.4
Patrons	57.1	61.2	41.4
About equal	14.0	13.4	16.3
Don't know	<u>1.4</u>	<u>0.8</u>	<u>3.9</u>
Total	100.0	100.0	100.0

farmers felt most of the earnings of a cooperative should be returned to the patrons. Slightly more than one-fourth felt that those who invested the capital should receive a major portion of the earnings. Fourteen percent volunteered the reply that the earnings should be distributed equally between the two groups.

The opinions of members are significantly different from that of non-members. Whereas 61.2 percent of the members think that patrons should receive most of the earnings, only 41.4 percent of the non-members agree. These results are rather striking. Some cooperatives pay patronage dividends to both members and non-members. In such a situation the non-members profit from patronage dividends, but not from

stock dividends. Where patronage dividends are not paid to non-members, the non-member gets none of the earnings. Thus it might be expected that non-members would be more favorable than members to distribution of earnings on the basis of patronage rather than on the basis of stock ownership. The results of this survey do not indicate this, however. Many non-members are probably not aware that in some cooperatives dividends are paid to non-members. Therefore this consideration would not enter, to any great extent, into the responses of the non-members. Non-members are frequently rugged individualists, are not cooperative minded, and are not acquainted with the principle involved, and consequently do not favor the cooperative principle of returning earnings to patrons rather than to stockholders. With respect to the members, it is important to note that one-fourth are not favorable to this principle.

(b) Amount of business done. As might be expected, the amount of business a farmer did with cooperatives quite significantly influenced his opinion on the question of who should receive the earnings. Table 20 shows the results when the farmers were broken down into groups according to various amounts of business done during the previous year. As the amount of business increases, the percentage in favor of patrons receiving the earnings also increases. In fact, as the groups are here arranged, the percentage increases at a constant rate of approximately four percent as one goes from the group doing the least business to the group doing the most business. The range is from 46.1 percent for those doing less than \$100 worth of business to 67.8 percent for those doing a business of \$3000 or more with cooperatives. It is interesting to note that 7.7 percent of those who did little business with cooperatives did not know which answer was best. This percentage is considerably

Table 20. Percentage distribution of farmers by amount of business done by opinion on who should receive most of the earnings.

	Less than \$100 N=65	\$100- \$499 N=81	\$500- \$999 N=89	\$1000- \$1999 N=111	\$2000- \$2999 N=57	\$3000 & over N=96
Who should get most?						
Stockholders	26.2	38.3	29.2	27.0	28.1	17.7
Patrons	46.1	49.4	54.0	59.5	63.1	67.8
About equal	20.0	12.3	15.7	13.5	8.8	13.5
Don't know	<u>7.7</u>	<u>...</u>	<u>1.1</u>	<u>...</u>	<u>...</u>	<u>1.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

larger than the total for all the other groups of those who replied "don't know".

A partial explanation of the percentage differences between groupings in Table 20 lies in the fact that a considerable correlation exists between membership status and amount of business done. Members were found to favor patrons' getting most of the earnings, in greater proportion than non-members. Since members do relatively more business, it would be expected that those farmers doing larger amounts of business would be revealed as most favorable to distributing most of the earnings on the basis of patronage rather than on the basis of shares owned.

(c) Age. The factor of age was found to significantly influence the opinions concerning the question under consideration (Table 21). As age increases, the percentage in favor of returning to patrons most of the earnings decreases. An exception is the "60 and over" group which shows a percentage slightly above the percentages for the "40-49" and "50-59" groups. Stated conversely, the older a farmer was, the more likely he was to favor having most of the earnings revert to the stockholders on the basis of shares. Since neither membership status nor amount of business done shows any correlation with age, these factors cannot be said

Table 21. Percentage distribution of farmers by age by opinion on who should receive most of the earnings.

Who should get most?	Under 30 N=56	30-39 N=116	40-49 N=117	50-59 N=117	60, over N=90
Stockholders	16.1	25.9	27.4	32.5	31.1
Patrons	71.4	60.3	53.8	51.3	54.5
About equal	10.7	13.8	17.1	14.5	12.2
Don't know	<u>1.8</u>	<u>...</u>	<u>1.7</u>	<u>1.7</u>	<u>2.2</u>
Total	100.0	100.0	100.0	100.0	100.0

to influence the percentages for age groups. Education was not found to significantly affect the responses to the question under consideration. Therefore it appears that, taken alone, the factor of age is important in determining farmers' attitudes concerning the disposition of earnings. The younger farmers apparently support the principle of patronage dividends to a greater extent than older farmers.

(d) Attendance at meetings. The factor of attendance at cooperative meetings is found to be a significant influence in determining who is in favor of returning most of the earnings to the patrons on the basis of patronage. Table 22 reveals that 69.7 percent of those who attend most of the meetings feel that patrons should receive most of the earnings.

Table 22. Percentage distribution of "aware" members by frequency of attendance at meetings by opinion on who should receive most of the earnings.

Who should get most?	Most of them N=155	A few of them N=101	None of them N=97
Stockholders	20.0	20.8	34.0
Patrons	69.7	61.4	50.6
About equal	9.7	16.8	14.4
Don't know	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>
Total	100.0	100.0	100.0

Sixty-one and four-tenths percent of those who attend a few of the meetings, and 50.6 percent of those who attend none of the meetings are of the same opinion. Thus it appears that attendance at meetings is a vital factor in helping farmers to understand and approve of the principle of patronage dividends. However, it is important to note that approximately one-third of those members who attend meetings most faithfully still disapprove of patrons receiving most of the earnings.

(e) Type of cooperative a member. Table 23 reveals that the members of different types of cooperatives differ in their support of the principle of patronage dividends. Milk and cream cooperatives make the best showing, with 72.3 percent of their members favoring the idea that the patrons should receive most of the earnings. Milk and cream cooperatives are followed, in order, by elevator and supply cooperatives, livestock cooperatives, oil and gas, and fruit marketing cooperatives. The latter shows only forty percent of its members favoring the patronage distribution of earnings. Caution should be used, however, in generalizing from the latter two types, since the cooperatives represented in these two types are too limited in number to be very representative.

Table 23. Percentage distribution of "aware" members by type of cooperative a member by opinion on who should receive most of the earnings.

Who should get most?	Live- stock mktg. N=95	Eleva- tor & supply N=292	Milk & cream N=83	Oil & gas N=36	Fruit mktg. & supply N=65
Stockholders	30.5	21.2	14.5	27.8	38.5
Patrons	53.7	67.5	72.3	44.5	40.0
About equal	15.8	11.0	13.2	19.4	16.9
Don't know	... <u>...</u>	0.3 <u>0.3</u>	... <u>...</u>	8.3 <u>8.3</u>	4.6 <u>4.6</u>
Total	100.0	100.0	100.0	100.0	100.0

It can be assumed, though, that the cooperatives of these two types, which are represented in the survey, evidence considerable laxity in educating their members to the importance of the principle of patronage dividends. The same might also be said for the livestock marketing cooperatives represented.

(f) Summary. The factors of membership status, amount of business done, age, attendance at meetings, and type of cooperative a member were found to significantly influence the replies to the question of who should get the most of the earnings, the patrons or the stockholders. Those more favorable to having the patrons receive the most of the earnings were the members, those doing a greater amount of business with cooperatives, the younger farmers, those who attend meetings most regularly, and the milk and cream, and elevator and supply types of cooperatives.

Other data not presented here indicate the following: Those operating larger farms are more favorable to the principle. This is understandable in the light of the results on the basis of amount of business done, since those who do more business tend to be those with larger farms. Officers were found to be somewhat more favorable to the principle than non-officers, although the percentage differences were not quite sufficient to indicate the desirable degree of reliability. Farm Bureau members were found to favor the principle in a significantly greater proportion than those who are not members of the Farm Bureau. The factors of education, length of membership, number of cooperatives a member, and tenure status were found not to influence significantly the replies given to this question.

3. Should earnings be withheld to increase capital?

If a cooperative is successful in its enterprise, it frequently desires to enlarge its facilities and scope of operation. Or if a cooperative is having financial difficulties, it frequently desires to obtain additional funds to enable it to get back on its feet. In either case it is necessary to add capital to the financial structure. Should the earnings (if there are any) of a cooperative be used to supply this needed capital?

If the earnings are withheld from patrons, the patrons are usually given additional shares of stock or certificates of indebtedness to cover the amount withheld. If the earnings are paid back to the patrons in the form of cash dividends, the additional capital must be secured from some other source. Two possibilities exist, namely, sell more shares of stock directly to patrons, or borrow money from a bank or other credit source.

Each of the farmers interviewed was asked to indicate which method of increasing capital he felt was best, borrowing from a bank or withholding the earnings. The question was asked in the following form:

Suppose a co-op needed to increase its capital. Which of these things do you think it should do: Borrow money from a bank or pay its patronage refunds in the form of shares of stock rather than cash?

(a) Membership status. As shown in Table 24, 79.9 percent of the farmers who responded to this question favored withholding the earnings and paying the refunds in the form of shares of stock. Only 12.5 percent favored borrowing from a bank, which indicates a considerable antipathy towards increasing capital by borrowing.

A significant difference exists between the opinions of members

Table 24. Percentage distribution of sample farmers, and farmers by membership status, by opinion on how to increase capital.

How increase capital?	Total N=497	Members N=393	Non- members N=104
Borrow from a bank	12.5	10.7	19.2
Pay stock dividends	79.9	83.4	66.4
Both	1.4	1.3	1.9
Don't know	<u>6.2</u>	<u>4.6</u>	<u>12.5</u>
Total	100.0	100.0	100.0

and non-members on this question. Only 66.4 percent of the non-members favored paying stock dividends, whereas 83.4 percent of the members favored such a procedure. Part of this difference is due to the fact that more of the non-members (19.2 percent as compared with 10.7 percent) favored borrowing, and part is a result of 12.5 percent of the non-members (as compared with 4.6 percent of the members) not being able to decide which would be best. One possible reason for the difference in opinions between members and non-members is that non-members may have a more selfish interest in preferring cash dividends rather than share dividends for their patronage.

(b) Amount of business done. Table 25 presents the opinion responses of the sample farmers, grouped according to the amount of business done with cooperatives, on the question of whether earnings should be retained in order to increase the capital investment. The \$100-\$499 and \$2000-\$2999 groups favored stock dividends over borrowing by percentages of 88.8 and 87.5 respectively. Only 67.7 percent of those who do little or no business with cooperatives favored paying stock dividends. Although these percentage extremes indicate significance, it is difficult to establish any generalities from the data. There seems to be no

Table 25. Percentage distribution of farmers by amount of business done with cooperatives by opinion on how to increase capital.

	Less than \$100-	\$100-\$499	\$500-\$999	\$1000-\$1999	\$2000-\$2999	\$3000 & over
How increase capital?	N=65	N=80	N=90	N=111	N=56	N=95
Borrow from a bank	13.8	7.5	18.9	16.2	7.1	8.4
Pay stock dividends	67.7	88.8	76.7	76.6	87.5	83.2
Both	3.1	...	2.2	0.9	...	2.1
Don't know	<u>15.4</u>	<u>3.7</u>	<u>2.2</u>	<u>6.3</u>	<u>5.4</u>	<u>6.3</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

general trend from the groups doing little business to the groups doing much business. It is probable that the low percentage of 67.7 for the "less than \$100" group is due to the relatively large proportion of non-members in that group.

(c) Age. Of the farmers aged 30 to 39 years, 87.9 percent were of the opinion that the best way to increase capital is to withhold the earnings and issue stock dividends. By way of contrast, 68.5 percent of those 60 years and older favored stock dividends. These percentage differences are statistically significant, and the general trend indicates that the younger farmers are more in favor of holding back the cash earnings than are the older farmers. Since most supporters of

Table 26. Percentage distribution of farmers by age by opinion on how capital should be increased.

	Under 30	30-39	40-49	50-59	60, over
How increase capital?	N=56	N=116	N=117	N=116	N=89
Borrow from a bank	10.7	10.3	8.5	13.8	19.1
Pay stock dividends	80.4	87.9	80.3	80.1	68.5
Both	...	0.9	0.9	0.9	4.5
Don't know	<u>8.9</u>	<u>0.9</u>	<u>10.3</u>	<u>5.2</u>	<u>7.9</u>
Total	100.0	100.0	100.0	100.0	100.0

cooperatives advocate retention of earnings when capital is needed, it appears that the older cooperative members will need to be most strongly influenced in order to increase the support of such a practice.

(d) Summary. The factors of membership status, amount of business done, and age were found to significantly affect the responses to the question of whether borrowing or retention of earnings is the better way of increasing capital. In addition, those who had more education, those who attended meetings most regularly, and those who were members of the Farm Bureau favored paying stock dividends rather than borrowing in proportions slightly greater than for those with less education, those who attended no meetings, and those who were not members of the Farm Bureau. The percentage differences for these latter, however, might be the result of chance. The factors of length of membership, tenure status, officer status, and number of cooperatives a member were found to have no apparent influence on the responses to this question. Although the percentage differences are not significant, it is interesting to note that the oil and gas, and fruit cooperatives were on top with respect to proportion of members favorable to paying stock dividends rather than cash. The percentages were 94.4 and 87.8 respectively. In general it can be said that few farmers favor borrowing as a policy, and, regardless of how the farmers are divided into groups, there is no wide divergence of opinion on this particular question.

CHAPTER V

FACTORS INFLUENCING OPINIONS REGARDING THE PRINCIPLE OF OPEN AND VOLUNTARY MEMBERSHIP

The principle of open and voluntary membership has been less strictly adhered to than most of the cooperative principles. The Rochdale pioneers proclaimed a society wherein no one should be denied membership on the basis of sex, color, or creed. The society was organized to sell to all who would qualify as consumers.

In the United States, however, where cooperation has been developed largely in the field of marketing agricultural products, many restrictions have been placed on open membership. In order to be successful, the membership of a marketing cooperative must usually be more homogeneous than is characteristic of the membership of a consumers' cooperative. The members usually are required to be producers, particularly producers of a certain product which is being marketed cooperatively. In addition, a successful marketing cooperative must avoid receiving as members those who are agitators, irresponsible persons, or chronic trouble-makers.¹

This chapter presents the opinions of the farmers interviewed on the questions of whether membership should be restricted, whether members should be bound by contracts, and how new members should be obtained.

1. Should membership be restricted?

Each farmer interviewed was asked to state his opinion in answer to

1. Bakken and Schaars, op. cit., p. 149.

the question, "Should cooperatives let anyone join who wants to?" Of those who responded "no" to the question, an additional question was asked: "What sort of persons shouldn't be allowed to join?" The analysis of the replies to these questions reveal that certain factors had an effect on the opinions given by the farmers.

(a) Membership status. The replies to both questions are combined and presented in Table 27. When asked if co-ops should let anyone join who wants to, 51.6 percent of the farmers interviewed replied "yes". Forty-seven and two-tenths percent of the farmers replied "no", and then indicated what types of persons should be excluded from membership in

Table 27. Percentage distribution of sample farmers, and by whether a member or not, by opinion on whether co-ops should restrict membership.

Question and replies	Total N=500	Members N=395	Non- members N=105
Should co-ops let anyone join who wants to?			
Yes	51.6	49.9	58.5
No, exclude non-farmers	26.0	26.6	23.8
No, exclude non-producers	5.6	6.8	1.0
No, exclude persons wanting only money, not interested in co-ops	4.0	3.6	5.7
No, exclude dishonest persons	4.8	4.8	4.8
No, exclude persons interested in competitive businesses	2.0	2.3	1.0
No, exclude Communists	0.8	1.0	...
No, exclude foreigners (including Jews)	0.4	0.5	...
No, miscellaneous reasons**	5.0	4.6	6.7
No, no reasons given	1.2	1.3	1.0
Don't know	<u>1.2</u>	<u>1.3</u>	<u>1.0</u>
Total	102.6*	102.7*	103.5*

*Totals exceed 100 due to some farmers excluding more than one group.

**Includes: trouble-makers, "ne'er-do-well" persons, persons with poor credit standing, persons opposed to the cooperative movement, etc.

farmers' cooperatives. Twenty-six percent of all the farmers would exclude non-farmers from membership, 5.6 percent would exclude non-producers of farm products, four percent would exclude persons not interested in cooperatives except for the money they get out of it, 4.8 percent would exclude dishonest persons, two percent would exclude persons interested in competitive businesses, 0.8 percent would exclude Communists, and 0.4 percent would exclude foreigners and Jews.

Considerable interpretation must be given to this set of data. In the first place the question may not have been too well interpreted by the farmers. It is certain that many farmers did not stop to think that "anyone" included city people as well as farmers. Occasionally after a farmer had answered "yes" he would reflect a few moments and then add, "any farmer". It is quite probable that the replies would frequently have been different if the word "anyone" would have been enlarged upon before the farmer gave his answer. Therefore the fact that one-half of the farmers interviewed did not indicate that farmers' cooperatives should limit their membership to producers of farm products should not be taken too seriously.

There was a definite purpose, however, in asking the question in the form used. The opinion which is expressed "on the spur of the moment" is frequently that which guides the farmer's action. Some people frequently do not stop to think. Therefore what a person thinks "on the spur of the moment" is important to know. It is an indication of his understanding of the issue involved--that is, it indicates his awareness of the issue in the absence of an explanation. In this sense, the replies to the question are quite enlightening. It probably can be said that one-half of the farmers were aware of the issue and favored

restriction of membership. The other one-half might be divided into three classes: (1) those who were aware of the issue, but opposed restriction of membership, (2) those who were unaware of the issue, and after further explanation would have favored restriction of membership, and (3) those who were unaware of the issue, and after further explanation would have opposed restriction of membership.

Members favored restriction of membership to a greater extent than non-members, although the difference is not great enough to be considered significant. Members and non-members differed little with respect to the types of persons which should be excluded from membership.

In further analysis of the factors affecting the responses to the question of restricting membership, no attempt will be made to differentiate between the types of persons to be excluded. The percentages for most of these groups are too small to permit significant differences for any factor that might be analyzed.

In the light of the discussion above, further analysis of the replies to the question under consideration will be regarded as revealing degrees of awareness of the issue of membership restriction, rather than as revealing differences or similarities of well-formulated opinions.

(b) Amount of business done. The factor of amount of business done with cooperatives appears to have a significant effect upon the opinions of farmers regarding the question of whether cooperatives should permit anyone to join who wants to. Table 28 reveals the \$100-499 and the \$2000-2999 groups to be the extremes, with percentages of 61.7 and 36.8, respectively, stating that anyone should be allowed to join. Although the trend is erratic, those who do a greater amount of business tend to favor restricting membership in greater proportions than those doing

Table 28. Percentage distribution of farmers by amount of business done by opinion on whether co-ops should let anyone join who wants to.

	Less than \$100	\$100- \$499	\$500- \$999	\$1000- \$1999	\$2000- \$2999	\$3000 & over
Should co-ops let anyone join?	N=65	N=81	N=90	N=111	N=57	N=96
Yes	50.8	61.7	55.6	56.8	36.8	42.7
No	46.1	35.8	43.3	42.3	63.2	57.3
Don't know	<u>3.1</u>	<u>2.5</u>	<u>1.1</u>	<u>0.9</u>	<u>...</u>	<u>...</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

smaller amounts of business. It can probably be assumed that those doing larger amounts of business are more aware of the problems involved when membership is not restricted.

(c) Age. On the basis of age groups, the farmers responded with considerable percentage differences, but the differences were not sufficiently large to be significant. The percentages in favor of restricting membership ranged from 57.1 for the "under 30" group to 43.3 for the "60 years and over" group. Thus the younger farmers were more favorable to restrictions on membership.

A breakdown of age groups by membership status revealed that members and non-members held very similar opinions within all age groups except the "60 and over" group. Of the members who were "60 and over", 50.8 percent favored restrictions on membership, whereas of the non-members who were "60 and over" only 24 percent favored restrictions.

(d) Education. The number of years of formal education that a farmer had was found to significantly affect his opinion on the question of whether cooperatives should restrict membership. Table 29 reveals that 40.2 percent of the farmers in the sample who had eight or less years

Table 29. Percentage distribution of farmers by educational levels by opinion on whether co-ops should let anyone join who wants to.

Should co-ops let anyone join?	<u>Years of schooling completed</u>		
	Eight or less N=324	Nine to twelve N=142	More than twelve N=28
Yes	58.3	37.3	42.9
No	40.2	62.0	57.1
Don't know	<u>1.5</u>	<u>0.7</u>	<u>...</u>
Total	100.0	100.0	100.0

of schooling favored restrictions on cooperative membership. Of those who had some or all of high school, 62.0 percent favored restricting membership. Of those who went to college, 57.1 percent favored restrictions. Those with more schooling are apparently more aware of the issue than are those who had an eighth grade education or less. Farmers with college training, however, were less in favor of restrictions than were those with only high school training.

Since education and age are inversely correlated, the percentage differences between education groups reflect the percentage differences between age groups. The younger, more educated groups favored restrictions to a greater extent than the older, less educated groups. In this case the education factor may be considered the more weighty on the grounds that the percentage differences were greater (21.8 percent) for education groups favoring restrictions than for age groups (13.8 percent).

(e) Attendance at meetings. Table 30 shows that those who attend meetings regularly significantly differ in their opinions from those who do not attend meetings. Of those who attend most of the meetings, 57.4 percent favor restrictions on membership. Forty-five and five-tenths percent of those who attend a few of the meetings, and 37.1 percent who

Table 30. Percentage distribution of "aware" members by attendance at meetings by opinion on whether co-ops should let anyone join who wants to.

Should co-ops let anyone join?	Most of them N=155	Few of them N=101	None of them N=97
Yes	42.6	53.5	59.8
No	57.4	45.5	37.1
Don't know	... <u> </u>	<u>1.0</u>	<u>3.1</u>
Total	100.0	100.0	100.0

attend no meetings, agree. Attendance at meetings indicates a much greater awareness of the problems involved in permitting anyone to join a cooperative who wants to.

(f) Summary. Approximately one-half of the farmers interviewed were of the opinion that cooperatives should let anyone join who wants. Members were more interested in restricting membership than non-members, although the difference was not significant. The factors of amount of business done, education, attendance at meetings, and membership in the Farm Bureau were found to significantly affect the opinions of farmers. Those more favorable to membership restriction were the farmers who did more business with cooperatives, who had more schooling, who attended meetings most frequently and who were members of the Farm Bureau. Also more favorable to restricting membership were the younger farmers as opposed to older farmers, the officers as against non-officers, those who were members of three or more cooperatives as opposed to those who were members of only one or two cooperatives, and members of elevator cooperatives as against other types. The differences found in these latter instances, however, may have been due to chance factors in sampling.

Due to the fact that some farmers apparently did not clearly understand that "anyone" included city people as well as farmers, it cannot be concluded that one-half of the farmers are really in favor of allowing non-producers to join. Rather it should be concluded that about one-half of the farmers are aware of the issues involved, and formulated their opinion against open membership on the basis of their awareness.

2. Should members be bound by contracts?

Approximately one out of every ten Michigan cooperatives require their members to sign contracts or marketing agreements.² These contracts or agreements bind the farmer to sell his produce (usually a single commodity) to the cooperative at whatever price the cooperative offers. Contracts usually cover a single marketing season.

Cooperatives which market perishable goods, such as fruit and fresh vegetables, find contracts particularly advantageous. It enables them to obtain good markets in the large cities, because they can guarantee delivery of specified amounts of produce to wholesalers and jobbers. But in order to be able to guarantee specified shipments, the cooperative must be assured of receiving the produce from the farmers. Contracts provide the assurance that farmers will not by-pass the cooperative at harvest time in order to sell to another bidder who might offer a temporary price or service advantage.

Obtaining contracts with farmers is not an easy task for cooperatives. Farmers are traditionally independent, and a system which binds them to a given course of action is anathema to their system of values. To be sure, not all cooperatives need to have contracts with their

2. Statistical Handbook, p. 63.

members. Some types do, however, and failures have sometimes resulted from a situation where the farmers were not sufficiently willing to bind themselves for the good of the cooperative cause.

Just how highly Michigan farmers regard the value of "freedom of action" is partially revealed by the following data obtained from the survey.

(a) Membership status. Each farmer interviewed was asked the following question:

In general, do you feel that a farmer should be allowed to join or drop out of a marketing co-op any time he pleases or should he be required to have a contract which runs for an agreed period of time?

If the farmer replied "any time", no further question was asked on the issue. If he replied that a contract should be required, or that it depends on the situation, he was further asked, "What kind of requirements for getting in and out do you think would work best?" Table 31 presents the combined responses to the two questions. A total of 84.6 percent of the farmers in the sample are opposed to signing contracts with cooperatives. Two and two-tenths percent did not know which was better. Approximately 12 percent thought that farmers should enter into contracts with their cooperatives, and gave various suggestions as to how contracts should be implemented.

Several conclusions might be drawn from these results. In the first place, the farmers seem to have a strong antipathy toward contracts or marketing agreements. Very frequently the farmers gave maximum emphasis to their reply of "any time". This situation points up very strongly what cooperative leaders must contend against when they put forth efforts to get their members to enter into written agreements to market their produce through the cooperative. A carefully planned and well executed

Table 31. Percentage distribution of farmers by membership status by opinion on whether members should be bound by contracts.

Questions and replies	Total N=500	Members N=395	Non- members N=105
Should members of marketing co-ops be allowed to join or drop out any time, or should they be re- quired to sign a contract?			
Any time	84.6	85.8	79.8
Contract, year basis	4.2	3.5	6.7
Contract, terminated for good reason	1.2	0.8	2.9
Contract, no qualifications given	1.8	1.8	1.9
Contract, miscellaneous*	5.4	6.1	2.9
Depends, miscellaneous**	0.6	0.5	1.0
Don't know	<u>2.2</u>	<u>1.5</u>	<u>4.8</u>
Total	100.0	100.0	100.0

*Includes: two to five year basis, loss of dividends due if member drops out, proper notification should be given before dropping out, etc.

**Includes: subject to approval by board of directors, no reasons given.

program of persuasion and education must precede the successful organization of cooperative marketing based on contracts. There is evidence to prove, however, that where a great need for contracts exists, farmers will usually sacrifice personal liberty in order to meet the pressing need.

It might also be observed that those few who favor contracts exhibit a wide variance of opinion regarding the bases for entering into and terminating contracts. Approximately one-third favor contracts on a year basis. The others held miscellaneous opinions as noted in the table.

It is interesting that a greater proportion (85.8 percent) of members than of non-members (79.8 percent) favor freedom in joining or dropping out of a cooperative. The percentage difference is not significant, however. The percentages in favor of the various types of

contractual relationships are so small as to virtually preclude any meaningful analysis. In the subsequent analyses, these items will be combined and presented in one item as opposed to complete freedom in joining or dropping out of cooperatives anytime.

(b) Type of cooperative a member. Members of different types of cooperatives were found to respond in significantly different proportions to the question of whether members should be required to enter into formal contracts with their cooperatives (Table 32). The extremes

Table 32. Percentage distribution of "aware" members* by type of cooperative a member by opinion on whether members should be bound by contracts.

Should cooperatives require contracts?	Live- stock mktg. N=95	Eleva- tor & supply N=292	Milk & cream N=83	Oil & gas N=36	Fruit mktg. & supply N=65
Yes	13.7	8.4	15.6	27.8	20.0
No	86.3	89.5	84.4	72.2	78.5
Don't know	... <u> </u>	<u>2.1</u>	<u> </u>	<u> </u>	<u>1.5</u>
Total	100.0	100.0	100.0	100.0	100.0

*Note: A member may have memberships in more than one type of cooperative.

are represented by the elevator and supply, and oil and gas cooperatives, with percentages of 89.5 and 72.2, respectively, favoring freedom to join or drop out of a cooperative anytime. Livestock marketing and milk and cream marketing cooperative members are relatively more favorable to freedom of joining or dropping out, while the fruit marketing cooperative members are relatively more in favor of contractual agreements.

As noted in Chapter 3, the members represented in the fruit marketing and supply type of cooperative are, with one exception, members of the Eau Clair Fruit Exchange. This fruit marketing cooperative makes

extensive use of contracts with its members. No doubt many of the members have come to see the advantages of this type of procedure, and have come to favor the use of contracts. However, over three-fourths of the members of this cooperative apparently prefer not being bound by contract.

The oil and gas cooperatives, not being marketing cooperatives, really should not be considered when dealing specifically with marketing cooperatives. The attitudes of the members of this type of cooperative are no doubt the reflection of the influence of the Eau Clair Fruit Exchange, since over three-fourths of the oil and gas cooperative members interviewed in this study are located in the Eau Clair area.

(c) Education. Table 33 shows that 88.1 percent of those farmers having eight or less grades of formal schooling prefer to be free to join or drop out of a cooperative anytime. Of those who went to high school but not beyond, 83.1 percent favor voluntary membership. Significance lies in the fact that only 57.1 percent of those who attended college favor voluntary membership. Conversely, nearly 40 percent of this group favor the use of contracts, as compared with 9.1 percent for

Table 33. Percentage distribution of farmers by number of years of schooling by opinion on whether members should be bound by contracts.

Should cooperatives require contracts?	Years of schooling completed		
	Eight or less N=324	Nine to twelve N=142	More than twelve N=28
Yes	9.1	16.2	39.3
No	88.1	83.1	57.1
Don't know	<u>2.8</u>	<u>0.7</u>	<u>3.6</u>
Total	100.0	100.0	100.0

the grade school group and 16.2 percent for the high school group. Apparently, cooperative leaders looking for support for a system of marketing by contract will find the greatest support among those who have college education. It can probably be concluded that the college group, through their possibly greater contacts with heterogeneous types of people, have come to a greater understanding of the problems which arise out of a situation where those persons not similar in mind and purpose with interests of the organization are included in the membership ranks.

(d) Amount of business done. Table 34 shows the opinions of all the farmers interviewed on the question of freedom to join or drop out, as

Table 34. Percentage distribution of farmers by amount of business done with cooperatives, by opinion on whether members should be bound by contracts.

	Less than \$100	\$100- \$499	\$500- \$999	\$1000- \$1999	\$2000- \$2999	\$3000 & over
Should cooperatives require contracts	N=65	N=81	N=90	N=111	N=57	N=96
Yes	20.0	12.4	13.3	9.0	14.0	13.5
No	75.4	83.9	82.3	90.1	86.0	86.3
Don't know	<u>4.6</u>	<u>3.7</u>	<u>4.4</u>	<u>0.9</u>	<u>...</u>	<u>...</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

broken down on the basis of amount of business done with cooperatives. Aside from the "less than \$100" and "\$1000-\$1999" groups which show a significant difference, the data permits no conclusive generalities. If a linear trend were forced upon the percentages favoring no contracts, it would show that those doing more business were less likely to favor contracts than those doing little business. This would suggest that possibly those who do more business, because they have more money at stake, are less apt to be willing to be bound to a contract. Because

they sell more produce, they are in a better position to bargain for themselves on the open market than is a farmer who sells only small amounts of produce. Consequently the farmer who produces on a large scale is not so dependent on formal agreements in order to be assured of a market. In years of bumper crops, the small fruit farmer frequently finds it difficult to find a profitable market, whereas if he has a contract with a cooperative he can be assured of being able to dispose of his produce at a fair price. Thus the small farmer will be more likely to favor contractual relations than the big farmer.

Data obtained in the survey showed that members tended to do more business than non-members. This relationship quite probably explains why the non-members tended to be more favorable to the use of contracts than members.

(e) Summary. Approximately eight out of ten farmers interviewed do not favor being bound to a marketing cooperative by a contract or marketing agreement. Non-members were slightly more favorable than members to the use of contracts. Those doing less business were more favorable to contracts than those doing greater amounts of business.

Significant differences were found between the opinions of the more educated and the less educated farmers, and between the members of the fruit marketing cooperative and the members of other marketing types. In both cases, the first mentioned group was the more favorable to the use of contracts.

No difference of opinion on the question was found to exist between different age groups of farmers. Likewise, no difference was found between those who attended meetings regularly and those who never attended meetings, between officers and non-officers, between members of

the Farm Bureau and non-members, nor between groups based on length of membership in cooperatives.

It is important to note specifically the opinions of the officers and the Farm Bureau members. Twenty-six (89.6 percent) of the 29 cooperative officers interviewed favored freedom to join or drop out anytime. This compares with 86.0 percent for the non-officer members. If officers are so strongly opposed to the use of contracts, it is highly probable that contracts will be used only in those cases where it is absolutely necessary. As compared with 84.2 percent of those not members of the Farm Bureau, 85.0 percent of the Farm Bureau members favored freedom to join or drop out any time. Apparently Farm Bureau members are as "freedom loving" as non-members, despite the arguments in favor of contracts.

Results of this survey seem to indicate that the farmers who are apt to be most favorable to the use of contracts are the small operators, more educated, members of fruit cooperatives. This is in line with the fact that a far greater proportion of fruit marketing cooperatives require member contracts than is true for all other types of cooperatives in the United States.³

3. Should new members be added by share dividends?

In each community there are usually certain farmers who deal with a local cooperative, but who do not wish to join the cooperative and assume the role of member. Depending on whether or not a cooperative pays patronage dividends to its non-member patrons, these non-members may be "forced" to become members of the cooperative through which they buy or

3. Statistical Handbook, p. 63.

sell.

Most cooperatives welcome the additional trade afforded by non-members. Cooperatives usually are interested in having the non-members become members, but quite frequently a cooperative may not wish to add new members. The Farmers' Cooperative Elevator located at Pigeon, Michigan, members of which are included in the survey sample, is an example of a cooperative not wishing to add new members. The cooperative is well situated financially and does not need additional capital. Consequently, no new shares are offered, and dividends are paid in cash to members and non-members alike.

More often, however, a cooperative is interested in building up its capital investment, and frequently uses the method of issuing stock dividends instead of cash dividends. In a case where dividends are paid to non-members, and the dividends are paid in shares of stock instead of cash, the non-member who wishes to trade with a cooperative is forced to become a member.

The point is often made that a farmer who wishes to receive the advantages offered by cooperation should be willing to give his support to the enterprise by joining. The point is a good one. However, not all farmers make good cooperators, and frequently these poor cooperators are added to the membership list of cooperatives using the stock dividend practice. This is particularly true in communities where the cooperative is the only business providing the service desired.

Is the practice of obtaining new members through paying dividends in shares of stock a good one? Are non-members being "forced" to become members by such a practice? Is this a violation of the principle of voluntary membership? The issue has been brought to the fore in

the last decade due to tax laws affecting cooperatives. Whether non-members are to receive a patronage dividend is left to the discretion of the directors. However, if a cooperative wishes to qualify for exemption from the payment of federal income taxes, it is necessary to treat members and non-members alike with regard to patronage dividends.⁴ Consequently, an increasing number of cooperatives are following the practice of paying dividends to non-members.

Each farmer interviewed in the survey was asked the following question:

When a co-op wants to get new members, which of these ways do you think it should use: Hold back the patronage refunds of new purchasers until they have enough to pay for their membership or go out and sell memberships directly to farmers?

The replies to this question provide interesting data on how farmers in the sample area regard this aspect of voluntary membership.

(a) Membership status. Table 35 gives the percentage distribution of the replies on the bases of the total sample and membership status. Of the total sample, 54.7 percent felt that it is better to get new members by selling shares directly to them. Thirty-five and one-tenth

Table 35. Percentage distribution of farmers by membership status by opinion on how new members should be obtained.

How obtain new members?	Total N=498	Members N=393	Non-members N=105
Hold back refunds	35.1	39.7	18.1
Sell memberships	54.7	51.6	65.7
Both	2.4	2.3	2.9
Don't know	<u>7.8</u>	<u>6.4</u>	<u>13.3</u>
Total	100.0	100.0	100.0

4. Bakken and Schaars, op. cit., p. 159.

percent were of the opinion that it is best to hold back the refunds. Several farmers (2.4 percent) volunteered the reply that both methods should be used. Seven and eight-tenths percent didn't know which method was best.

Members and non-members differed widely in their opinions on the question. Thirty-nine and seven-tenths percent of the members would hold back refunds, whereas only 18.1 percent of the non-members prefer this method. Conversely, more non-members (65.7 percent) than members (51.6 percent) favor selling memberships directly. This latter difference would be even greater if the "don't know" replies were omitted when making the percentage calculations.

There no doubt is a difference of viewpoints from which members and non-members look at this question. Members are no doubt apt to think that those who do business with a cooperative should become members. Holding back their refunds would automatically bring them into membership, and at the same time benefit the cooperative with increased capital. The non-members are more apt to be of an independent nature, and dislike being forced to choose between becoming members or ceasing to trade with the cooperative. This probably explains the difference in opinions between members and non-members. The significant fact, however, is that even of the members more than half feel it is better to sell memberships directly to the non-members. This indicates that there seems to be a strong feeling that a non-member should be allowed to trade at a cooperative, but should, at the same time, be allowed to make his own decision on whether to join or not.

(b) Age. The factor of age was found to affect the responses to the question of how new members should be obtained. Table 36 gives

the percentage distribution of the responses for the members and also for the non-members. The data indicates that non-members are more influenced by the factor of age than are members. The percentage range for the different member age groups is from 57.1 percent to 49.2 percent (a difference of 7.9 percent) in favor of selling memberships directly. The percentage range for non-members is from 78.6 percent

Table 36. Percentage distribution of farmers by membership status by age and by opinion on how new members should be obtained.

How obtain new members?	Years of age				
	Under 30	30-39	40-49	50-59	60, over
	<u>Members</u>				
	N=42	N=97	N=95	N=93	N=65
Hold back refunds	38.1	43.3	41.1	41.9	30.8
Sell memberships	57.1	53.6	50.5	49.5	49.2
Both	...	...	2.1	3.2	6.2
Don't know	<u>4.8</u>	<u>3.1</u>	<u>6.3</u>	<u>5.4</u>	<u>13.8</u>
Total	100.0	100.0	100.0	100.0	100.0
	<u>Non-members</u>				
	N=14	N=19	N=21	N=24	N=25
Hold back refunds	14.3	36.8	23.8	12.5	8.0
Sell memberships	78.6	57.9	52.4	75.0	64.0
Both	...	5.3	9.5	...	...
Don't know	<u>7.1</u>	<u>...</u>	<u>14.3</u>	<u>12.5</u>	<u>28.0</u>
Total	100.0	100.0	100.0	100.0	100.0

to 52.4 percent (a difference of 26.2 percent) in favor of selling directly. When comparing the responses of the "30-39" and "60 and over" groups, the chi-square test indicates significance for the non-members but not for the members. The "30-39" age group was most favorable to holding back the refunds. The "60 and over" group for both members and non-members had the smallest proportion in favor of holding back refunds. Only eight percent of the non-members in this group want their refunds held

back. This small percentage, however, is probably affected by the fact that as many as 28 percent of this age group were unable to decide which method was best.

The significance brought out by Table 36 is not so much due to variations between the responses of "hold back refunds" and "sell memberships" of different age groups (both for members and non-members) as it is to variations between farmers having a definite opinion one way or another and those having no opinion. If the "don't know" groups had been left out of the percentage computations, there would remain no significant trend from young to old. Consequently, we cannot conclude that there is any definite correlation between age and favorableness to the method of holding back refunds.

(c) Size of farm. Farmers operating the larger farms ("big" farmers) were found to be much more favorable to the use of the method of holding back refunds than were the farmers operating small farms ("small" farmers). As indicated in Table 37, 45.3 percent of the farmers operating farms of 200 acres and over favor this method. Only 19.4 percent of the farmers operating less than 50 acres favor having their refunds withheld. This relates to the findings on membership status, inasmuch as a greater proportion of the small farmers are non-members than is true for big farmers. This raises the question of which factor weighs heavier, membership status or size of farm operated. A separate breakdown of members and non-members on the basis of size of farms revealed that size of farm significantly affected both members and non-members, although non-members were affected somewhat more than members by this factor. These data, therefore, seem to indicate that a member is somewhat more likely to favor stock refunds because he is a bigger

farmer, rather than because of his membership status.

The factors of size of farm and amount of business done are highly correlated, and, as would be expected, it was discovered that those farmers doing more business were somewhat more favorable to the use of the method of holding back refunds than were farmers who do only

Table 37. Percentage distribution of farmers by size of farm operated by opinion on how new members should be obtained.

How obtain new members?	Acres operated			
	Less than 50 N=93	50-99 N=145	100-199 N=171	200 and over N=86
Hold back refunds	19.4	38.6	35.1	45.3
Sell memberships	61.3	53.8	53.8	51.2
Both	6.4	2.8	1.2	...
Don't know	<u>12.9</u>	<u>4.8</u>	<u>9.9</u>	<u>3.5</u>
Total	100.0	100.0	100.0	100.0

small amounts of business. Small farmers are more likely to need each little cash advantage, and therefore are more apt to prefer their refunds in cash.

(d) Type of cooperative a member. As shown in Table 38, considerable variations exist between different types of cooperatives in regards to members' favorableness toward the practice of withholding refunds from non-members. Of the elevator cooperatives, 44.3 percent of the memberships favored holding back the refunds, while 48.9 percent favored selling memberships directly to the non-members. At the other end of the extremes were the members of the livestock cooperatives, with 25.3 percent favoring holding back the refunds and 68.4 percent preferring the practice of selling shares directly. The proportions of members

Table 38. Percentage distribution of "aware" members* by type of cooperative a member by opinion on how new members should be obtained.

How obtain new members?	Live- stock mktg. N=95	Eleva- tor & supply N=291	Milk & cream N=83	Oil & gas N=35	Fruit mktg. & supply N=64
Hold back refunds	25.3	44.3	41.0	37.1	31.2
Sell memberships	68.4	48.9	55.4	48.6	54.7
Both	1.0	2.7	...	...	1.6
Don't know	<u>5.3</u>	<u>4.1</u>	<u>3.6</u>	<u>14.3</u>	<u>12.5</u>
Total	100.0	100.0	100.0	100.0	100.0

*Note: A member may have memberships in more than one type of cooperative.

responding similarly in the oil and gas, fruit, and milk and cream cooperatives fell in between these two extremes. In the case of the oil and gas, and fruit cooperatives, somewhat greater proportions (14.3 percent and 12.5 percent, respectively) were unable to decide which practice was best. The net effect of these groups was to reduce the percentages in favor of holding back refunds and selling memberships directly.

(e) Attendance at meetings. The frequency with which members attend the cooperative meetings appears to have a significant influence on the responses to the question of whether new members should be obtained through the practice of issuing share dividends. As indicated in Table 39, 49.1 percent of the members who attend most of the meetings believe that it is best to hold back the refunds. Of those who attend a few of the meetings, 37 percent agreed. Only 33.3 percent of those members who never attend meetings approve of holding back refunds. Most cooperative leaders advocate the use of the method of issuing share dividends to non-members, and have probably influenced members' opinions by having urged the acceptance of this method through the medium of

Table 39. Percentage distribution of "aware" members by frequency of attendance at cooperative meetings, by opinion on how new members should be obtained.

How obtain new members?	Most of them N=155	Few of them N=100	None of them N=96
Hold back refunds	49.1	37.0	33.3
Sell memberships	43.2	56.0	55.2
Both	1.9	2.0	4.2
Don't know	<u>5.8</u>	<u>5.0</u>	<u>7.3</u>
Total	100.0	100.0	100.0

meetings with the cooperative members.

(f) Reasons for joining. Each "aware" member was asked to indicate the reason he had for joining each cooperative of which he was a member. Some indicated reasons which can be classified under the general heading of "better financial returns". Some became members because they inherited shares of stock from a father or other relative. A substantial number automatically became members by receiving patronage dividends in the form of shares of stock. A few gave as their reason that they joined upon being asked directly. Others gave as reasons that they liked the idea of cooperation, thought it was a convenient place to trade, etc.

By dividing these members into groups according to their reasons for joining a cooperative, some pertinent results can be observed with respect to the question of how members should be obtained. Table 40 presents the responses to the question on this basis. It may be said of those who joined because of inheritance or share refunds that they did not join on their own initiative. If any farmers were "forced" to join, these were the ones. It is therefore important to note that these members were most favorable to the practice of holding back the

Table 40. Percentage distribution of "aware" members by reasons for joining by opinion on how new members should be obtained.

How obtain new members?	Inheri- tance N=25	Refunds in shares N=128	Better financial returns N=129	Was asked to join N=14	All others* N=142
Hold back refunds	52.0	50.8	42.6	28.6	35.2
Sell memberships	48.0	45.3	45.0	64.3	52.1
Both	...	1.6	3.1	...	4.2
Don't know	...	2.3	9.5	7.1	8.5
Total	100.0	100.0	100.0	100.0	100.0

*Good idea to cooperate, because others did, convenience, co-ops were honest, etc.

refunds. On the surface this may appear to be paradoxical. It might have been expected that those who were "forced" to join would most resent the practice which "forced" them to join. Apparently this is not true.

The explanation which seems most logical is this: It is quite probable that, when asked this question, the members immediately recalled to mind the method by which they became members. It is also probable that the opinions of many members on this question are not strongly held. That is, they are only mildly in favor, or opposed to, a given practice. Therefore, when an opinion is not strongly held, it is possible that a member may be more influenced by the psychological factor of thinking that "what turned out good for me should also turn out good for others." At any rate, the results of this survey would seem to disprove any idea that those who were "forced" to join are more likely to harbor resentment toward the cooperative, and specifically toward the practice through which they became members, than those who joined of their own free will.

The foregoing was designed to provide an explanation for the

differences between the various groups. It does not explain the fact that nearly one-half of those who were "forced" to join were unfavorable toward the practice by which they became members. This fact must not be lost sight of. The fact that 45.3 percent of those who became members through patronage refunds repudiate that method is, of itself, a judgment against the practice. This is strengthened by the fact that 64.3 percent of those who were asked to join favor the method of becoming members through direct selling.

It is also interesting to note that, of the 42 "unaware" members in the sample, 66.7 percent favored the method of selling memberships directly. Twenty-three and eight-tenths percent favored the method of holding back refunds. Although their reasons for joining were not obtained, it is probable that in most cases they became members through patronage refunds paid in shares of stock. This "unaware" group of members, therefore, present a relatively strong opposition to holding back cash refunds.

(g) Summary. Each farmer was asked for his opinion on which method of taking in new members is better, holding back the refunds and issuing shares of stock to non-members, or selling shares directly to non-members. Approximately one-third replied "hold back the refunds." Over one-half favored selling memberships directly. Members favored holding back refunds in significantly greater proportions than non-members. Those who attend meetings were more favorable to this practice than were those who never attend meetings. Elevator cooperative members were more in favor of holding back refunds than members of other types of cooperatives. The larger a man's farm the more apt he was to favor withholding refunds. Those who became members by receiving patronage

shares were more favorable to this practice, while those who were sold shares directly were most in favor of direct sales to non-members.

In addition, Farm Bureau members were found to favor holding back refunds in significantly greater proportions than those who were not members of the Farm Bureau. Officers were more favorable to this practice than non-officers, although the difference was not quite sufficient to be significant. Older farmers were found to differ significantly from younger farmers only from the standpoint that the older farmers much more frequently had no opinion on the question. The factors of education, length of membership, and tenure status were found to have no influence on the responses to the question.

The important fact brought out by the replies to this question is that a majority of the farmers do not favor the practice of withholding cash dividends from non-members and paying them in stock. This attitude runs counter to the beliefs and practice of many cooperative leaders. Two main reasons are usually given in favor of issuing stock dividends to non-members. In the first place, it increases the proportion of patrons who are members. Secondly, it facilitates building up membership without involving the time and expense which would be required in making personal calls on non-members to solicit their membership.

The main disadvantage in the practice is that frequently persons are brought into the association who do not make good cooperators. This may be particularly true of those who are independent by nature and do not wish to join. The case of Fulton Lewis, Jr. is of interest in this connection.⁵ By virtue of having traded at a Maryland cooperative,

5. Angus McDonald, "Fulton Lewis Jr. and the Coops", New Republic, Sept. 8, 1947, p. 32.

Lewis became a member of the Southern States Cooperative through share refunds. In several of his radio broadcasts during 1947, Lewis attacked cooperatives, using as one of his main points of argument the fact that he had been forced to join the cooperative by having cash refunds withheld from him.

Another case in point is that of the Cooperative Grange League Federation Exchange, Inc., of Ithaca, New York. At its annual meeting in October, 1947, this organization voted to abandon the practice of paying dividends to non-members. The main reasons given for this action was that membership should be voluntary, and that the practice of issuing share dividends to non-members had brought into the cooperative thousands of persons having no particular interest or desire to be classed as members. The action was taken even at the expense of losing exemption from federal income taxes.⁶

In view of the fact that a majority of farmers feel it is best to get new members by ⁵selling them shares directly, it may be better for cooperatives if they would spend the extra time and expense needed to contact non-members directly, and thereby encourage them to join of their own free will. Robotka comments on this point by saying that:

There is danger in automatically making members of all those who may happen to patronize the organization. Membership thrust upon patrons does not automatically make cooperators of them. Cooperative success depends upon intelligent, voluntary participation of members in the attainment of predetermined objectives. Patrons cannot be expected to rise to such a status without some discussion of such objectives and of the responsibilities which membership entails.⁷

6. James A. McConnell, "Three Long-Range G.L.F. Policies" American Agriculturist, November 15, 1947, p. 2.

7. Frank Robotka, Membership Problems and Relationships in Iowa Farmers' Elevators, p. 152.

CHAPTER VI

FACTORS INFLUENCING OPINIONS REGARDING THE PRINCIPLE OF BUYING AND SELLING AT MARKET PRICES

Throughout the years cooperatives have found it important to avoid price wars with non-cooperative enterprises which compete with them. As was pointed out in Chapter II, the history of cooperation is filled with instances where cooperative failures can be attributed, either in whole or in part, to the failure to observe the principle of buying and selling at market prices. Not only does this practice tend to avoid price wars but it also enables the cooperative to operate on a broader margin between income and expenses. A cooperative must have sufficient margin not only to cover costs, but also to build up reserves as a protection against unforeseen difficulties which might arise. Under normal conditions a cooperative will also earn an additional amount which may be returned to the patrons in the form of dividends.

Those who do not understand the importance of this principle frequently inquire why a cooperative should accrue these additional earnings which are returned to the patrons. Why not give the price advantage to the patrons immediately and incidentally avoid the extra bookkeeping which dividends require, they ask. Cooperative leaders frequently find it necessary to give farmers the answer to these questions.

1. Should cooperatives buy and sell at market prices?

Each farmer interviewed was asked this question in the following form:

Do you feel that farm supply co-ops should make it a general practice to sell at lower prices in the first place rather than give refunds later?

The replies to this question should provide a measure of the extent of understanding which farmers in the sample areas have of the principle under consideration.

(a) Membership status. Thirty-four and seven-tenths percent of the farmers interviewed replied to the question in the affirmative, 59.3 percent in the negative (Table 41). Six percent replied "don't know".

Table 41. Percentage distribution of farmers by membership status by opinion on whether cooperatives should sell at lower prices or give refunds.

Question and replies	Total N=499	Members N=394	Non-members N=105
Should co-ops sell at lower prices rather than give refunds?			
Yes	34.7	31.0	48.6
No	59.3	63.4	43.8
Don't know	<u>6.0</u>	<u>5.6</u>	<u>7.6</u>
Total	100.0	100.0	100.0

Apparently one-third of the farmers do not understand the importance of the principle of selling at market prices.

Members differ significantly from non-members in their opinions on this question. Sixty-three and four-tenths percent of the members agree with the principle, whereas only 43.8 percent of the non-members agree. There are understandable reasons for this marked difference. If a co-operative sells at market prices and does not pay patronage dividends to the non-member patrons, the non-members receive no price advantage through dealing with the cooperative. If a non-member patron does not receive patronage dividends, he is, of course, interested in getting his supplies at the lowest price possible. If he does not have the interest of the cooperative at heart he could not be expected to favor

the principle. On the other hand, members sooner or later will receive the price advantage regardless of whether prices are higher or lower in the first place. Apparently 31 percent of the members do not realize this, for they seem to see something desirable in getting an immediate price advantage. This feeling may be acquired by members who never receive cash dividends, and, possibly viewing their patronage shares as mere pieces of paper, tend to look for the price advantage wherever it is most likely to be had.

Owing to circumstances, self-interested members and self-interested non-members can both find monetary reasons for opposing the principle. It is likely, then, that the difference in responses between members and non-members is largely due to members' better understanding of the importance of the principle. This comes about through participation, attendance at meetings, and reading cooperative literature.

(b) Amount of business done. The factor of amount of business done with cooperatives was found to have a significant effect on the opinions of the farmers with respect to the question of lower prices versus refunds. Table 42 reveals a general trend from those groups doing less business to those groups doing greater amounts of business. Those doing more business registered greater proportions in favor of the principle of selling at market prices and giving refunds. The range of percentages in favor of the principle ran from 38.5 for the "less than \$100" group to 74.0 for the "\$3000 and over" group. Fifteen and four-tenths percent of the "less than \$100" group registered no opinion, a fact which tended to reduce the percentages of those having an opinion.

In general, the trend resulting from the factor of amount of business done reflects the trend found on the basis of membership status.

Table 42. Percentage distribution of farmers by amount of business done with cooperatives by opinion on whether cooperatives should sell at lower prices in the first place or give refunds later.

Question and replies	Less than	\$100-	\$500-	\$1000-	\$2000-	\$3000
	\$100	\$499	\$999	\$1999	\$2999	& over
	N=65	N=81	N=90	N=110	N=57	N=96
Should co-ops sell at lower prices rather than give refunds?						
Yes	46.1	39.5	41.1	32.7	26.3	23.9
No	38.5	53.1	52.3	61.8	73.7	74.0
Don't know	<u>15.4</u>	<u>7.4</u>	<u>6.6</u>	<u>5.5</u>	<u>...</u>	<u>2.1</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

The percentage variation is somewhat greater for the amount-of-business factor, which suggests that the factor of amount of business brings additional weight to the variation already present due to the factor of membership status.

(c) Age. Substantial variations were found to exist between the various age groups in regard to the opinions on the principle of selling at market prices. Table 43 gives the percentage distribution by age and by membership status. With respect to the members the oldest and youngest groups appear to give the principle the greatest support, with percentages of 69.2 and 66.7 respectively. The "40-49" age group was the least favorable to the principle, with a percentage of 58.9. Although these percentage differences are substantial, they are not sufficient to indicate significance.

The non-members reacted to the question in a considerably different manner. The young non-members favored the principle in significantly greater proportion than the older group. Less than one-third of the non-members aged 60 years and older support the principle.

Table 43. Percentage distribution of farmers by age by membership status and by opinion on whether cooperatives should sell at lower prices or give refunds.

	Age				
Question and replies	Under 30	30-39	40-49	50-59	60, over
Should co-ops sell at lower prices rather than give refunds?			<u>Members</u>		
	N=42	N=98	N=95	N=93	N=65
Yes	23.8	29.6	35.8	35.5	23.1
No	66.7	65.3	58.9	61.3	69.2
Don't know	<u>9.5</u>	<u>5.1</u>	<u>5.3</u>	<u>3.2</u>	<u>7.7</u>
Total	100.0	100.0	100.0	100.0	100.0
			<u>Non-members</u>		
	N=14	N=19	N=21	N=24	N=25
Yes	28.6	47.4	47.6	54.2	60.0
No	50.0	52.6	52.4	33.3	32.0
Don't know	<u>21.4</u>	<u>...</u>	<u>...</u>	<u>12.5</u>	<u>8.0</u>
Total	100.0	100.0	100.0	100.0	100.0

Why the middle-aged members are the "weakest links in the chain" is not clear. It may be that sampling error has somewhat distorted the picture. The non-member differences are more easily understood. The younger members tend to have more education and they do more business with cooperatives, both of which are shown to effect more favorable opinions toward the principle.

(d) Education. Presented in Table 44 is the percentage distribution for all the sample farmers on the basis of the number of years of schooling completed. With a percentage of 64.1, the high school group appears to be most favorable to the principle of selling at market prices. Only 50 percent of the college group favor the principle. Due to the lack of significance between these sample percentages, and the smallness of the college group, it would be inadvisable to make generalizations

Table 44. Percentage distribution of farmers by years of schooling completed by opinion on whether cooperatives should sell at lower prices or give refunds.

Question and replies	Years of schooling completed		
	Eight or less N=323	Nine to twelve N=142	More than twelve N=28
Should co-ops sell at lower prices rather than give refunds?			
Yes	35.9	31.0	42.9
No	57.6	64.1	50.0
Don't know	<u>6.5</u>	<u>4.9</u>	<u>7.1</u>
Total	100.0	100.0	100.0

from these data.

(e) Attendance at meetings. Favorableness toward the principle of selling at market prices was found to be related to attendance at cooperative meetings. Table 45 shows that 68.4 percent of those who attend most meetings, 66.3 percent of those who attend a few of the meetings, and 55.2 percent of those who attend no meetings favor the principle.

Although the percentage differences are not great enough to be significant, the sample drawn indicates that attendance at meetings did have a favorable effect upon the members. Those who attended most

Table 45. Percentage distribution of "aware" members by frequency of attendance at meetings by opinion on whether cooperatives should sell at lower prices or give refunds.

Questions and replies	Most of them N=155	Few of them N=101	None of them N=96
Should co-ops sell at lower prices rather than give refunds?			
Yes	29.0	28.7	36.5
No	68.4	66.3	55.2
Don't know	<u>2.6</u>	<u>5.0</u>	<u>8.3</u>
Total	100.0	100.0	100.0

regularly had the best understanding of the importance of the principle.

(f) Summary. The factors of membership status, amount of business done, and age were found to significantly affect the opinions of farmers regarding the principle of selling at market prices and giving the earnings back in the form of refunds. Members, farmers doing large amounts of business, and young non-members were found to favor the principle in greater proportions than non-members, farmers doing small amounts of business, and older non-members. Members grouped according to age were not found to differ greatly in opinions.

Although the differences were not significant, the high school group was found to favor the principle in greater proportion than the grade school and college groups. Members who attend meetings were more favorable to the principle than members who do not attend meetings. In addition, two other factors were discovered to affect the opinion responses, although not significantly. Officers were more favorable than non-officers, and Farm Bureau members, than those not members of the Farm Bureau. No significant difference was found between the responses of members of different types of cooperatives. Length of membership did not appreciably affect opinion responses.

The fact that nearly one-third of the members interviewed have not come to a full knowledge and understanding of the importance of this principle should be a concern to cooperative leaders. As long as these persons do not favor the principle they will be a constant source of harmful criticism. They will tend to berate the cooperative for not selling supplies at lower prices than other businesses. Or they may frequently patronize other businesses whenever they find they can

obtain a slightly greater immediate price advantage.

It should not be overlooked that the payment of dividends has a desirable effect upon the morale of the members, and non-members as well. Robotka shows in his study of Iowa elevators that the payment of patronage dividends tends to be associated with large patronage and large membership. He believes that a price advantage at the time of sale or purchase is soon forgotten by the member or is regarded by him as justly due him anyway, but the amount received as patronage dividends constitutes a tangible measure of the real benefit of the cooperative to the member.¹

1. Robotka, op. cit., p. 182

CHAPTER VII

FACTORS INFLUENCING OPINIONS ON MINOR POLICIES AND PRACTICES

1. Opinions regarding officers

Farmers, and farm groups, have frequently been found to exhibit a rather hostile attitude toward non-agricultural businesses. This may be, in part, a carry-over from the attitudes of the late nineteenth century when agriculture found itself crusading against the so-called "evils" of the "big" businesses. More recently, however, cooperatives themselves have experienced opposition from several corners. Associations of small businessmen have exerted pressure against cooperative enterprises. Chain stores have likewise opposed cooperatives.

As a result of this opposition from competing businesses, farmers frequently have assumed a position of isolation with respect to other businesses. Some farmers feel that the officers of cooperatives should not affiliate with a local Chamber of Commerce or businessmen's club. Others feel that such association would tend to better relations between cooperatives and non-cooperative businesses. Some farmers feel that a man without farm experience cannot fully appreciate the farmer's position and therefore should not become a manager or officer in a cooperative. Other farmers point to cases where cooperatives have been very successfully managed by men who had little or no farm experience.

Two questions were asked in an attempt to measure the "isolationist" feeling of farmers in the sample toward other businessmen. The first question asked of each farmer was: "In general, do you feel that the managers of co-ops should have farm backgrounds, or not?" The second

question was: "In general, do you feel that managers or officers of co-ops should belong to local business or service clubs, or not?" The opinion responses to these two questions are analyzed below.

(a) Membership status. Of the 499 farmers giving answers to the first question, 78.8 percent said that managers should have farm background (Table 46). Twenty and two-tenths percent would not require

Table 46. Percentage distribution of farmers by membership status and by opinion on policies regarding cooperative officers.

Questions and replies	Total N=499	Members N=395	Non- members N=104
Should managers have farm backgrounds?			
Yes	78.8	77.2	85.5
No	20.2	21.8	13.5
Don't know	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	100.0	100.0	100.0
Should managers and officers belong to business clubs?			
Yes	74.2	74.8	72.1
No	13.9	14.0	13.5
Don't know	<u>11.9</u>	<u>11.2</u>	<u>14.4</u>
Total	100.0	100.0	100.0

managers to have farm backgrounds, and one percent were undecided. Apparently there is a strong feeling that a farm background is a prime requisite for successful cooperative management. The twenty percent who differ would probably choose as manager one who had a farm background in preference to one who had not had a farm background, all other things being equal. All other things are usually not equal, however, and this twenty percent would probably choose the one with the non-farm background if he had the better personality and business acumen.

In reply to the second question, 74.2 percent of the farmers felt that managers and officers should belong to local businessmen's clubs. Thirteen and nine-tenths percent were opposed, and 11.9 percent were undecided. In general, the greatest difference in the replies to the two questions lies in the number who did not have a definite opinion one way or the other. Among the sample farmers, the feeling that cooperatives should isolate themselves from association with other businesses apparently is very limited.

Non-members were found to be more strongly in favor of requiring managers to have farm backgrounds than were members. Whereas only 77.2 percent of the members favored such a requirement, 85.5 percent of the non-members held that opinion. This no doubt reflects a more independent, less tolerant attitude on the part of non-members. A farmer who does not wish to cooperate with fellow farmers to the extent of joining a cooperative might also be expected to have a less cooperative attitude towards the non-farmer.

With respect to the question of whether officers should affiliate with businessmen's clubs, members and non-members were in essential agreement.

(b) Age. The factor of age was found to have a slight effect on the responses to these questions, as revealed in Table 47. Larger proportions of the 30-39 and 40-49 age groups (83.8 and 81.2 percents respectively) felt that managers should have farm backgrounds. In contrast, 71.4 percent of the "under 30" group and 74.5 percent of the "60 and over" group held the same opinion.

The proportions by age groups favoring cooperative officers being members of business clubs varied only slightly. The younger groups

Table 47. Percentage distribution of farmers by age by opinion on policies regarding cooperative officers.

Questions and replies	Under 30 N=56	30-39 N=117	40-49 N=117	50-59 N=116	60, over N=90
Should managers have farm backgrounds?					
Yes	71.4	83.8	81.2	79.3	74.5
No	26.8	16.2	17.9	20.7	22.2
Don't know	<u>1.8</u>	<u>...</u>	<u>0.9</u>	<u>...</u>	<u>3.3</u>
Total	100.0	100.0	100.0	100.0	100.0
Should managers and officers belong to business clubs?					
Yes	73.2	77.6	74.1	71.3	73.3
No	16.1	15.5	13.8	14.8	10.0
Don't know	<u>10.7</u>	<u>6.9</u>	<u>12.1</u>	<u>13.9</u>	<u>16.7</u>
Total	100.0	100.0	100.0	100.0	100.0

appear to have been a bit more opposed to officers affiliating with business clubs. In general, the factor of age had no significant effect on the responses given by the farmers in the sample.

(c) Education. The factor of education was found to have a significant effect on the responses to the second question but not to the first (Table 48). Although the farmers with college education, with a proportion of 71.4 percent, were less favorable to restricting managers to persons with farm experience, the difference was not significant. Farmers with college training were substantially more favorable to the idea that cooperative officers should belong to business clubs than were farmers with less years of schooling. Part of the difference, however, was due to the fact that 12.8 percent of the grade school level and 11.3 percent of the high school level groups expressed no opinion either way.

Table 48. Percentage distribution of farmers by number of years of schooling by opinion on policies regarding cooperative officers.

Questions and replies	Eight or less N=323	Nine to twelve N=142	More than twelve N=28
Should managers have farm backgrounds?			
Yes	79.6	78.9	71.4
No	19.5	20.4	25.0
Didn't know	<u>0.9</u>	<u>0.7</u>	<u>3.6</u>
Total	100.0	100.0	100.0
Should managers and officers belong to business clubs?			
Yes	70.9	78.1	89.3
No	16.3	10.6	7.1
Don't know	<u>12.8</u>	<u>11.3</u>	<u>3.6</u>
Total	100.0	100.0	100.0

(d) Amount of business done. Those farmers doing more than \$2000 worth of business annually were found to be somewhat more likely to accept as cooperative manager one who has not had a farm background. Table 49 reveals that 73.2 percent of the "\$2000-\$2999" group and 69.8 percent of the "\$3000 and over" group felt that managers should have farm backgrounds, whereas the percentages for the younger groups were 78.4, 85.2, 78.9, and 85.6. The factor of membership status had some effect on these percentages, since the groups doing a large amount of business contained very few non-members. It can be assumed that the members doing the most business were most likely to favorably receive a "non-farmer" as manager.

The factor of amount of business done had very little influence on the responses to the second question. The "less than \$100" group, containing a large proportion of non-members, had a smaller percentage in favor of officers affiliating with business clubs, but this difference

Table 49. Percentage distribution of farmers by amount of business done with cooperatives by opinion on policies regarding cooperative officers.

Questions and replies	Less than \$100 N=65	\$100-\$499 N=81	\$500-\$999 N=90	\$1000-\$1999 N=111	\$2000-\$2999 N=56	\$3000 & over N=96
Should managers have farm backgrounds?						
Yes	78.4	85.2	78.9	85.6	73.2	69.8
No	18.5	13.6	20.0	14.4	25.0	30.2
Don't know	<u>3.1</u>	<u>1.2</u>	<u>1.1</u>	<u>...</u>	<u>1.8</u>	<u>...</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0
Should officers belong to business clubs?						
Yes	65.6	76.6	76.7	70.9	80.0	76.0
No	15.6	8.6	12.2	15.5	12.7	17.7
Don't know	<u>18.8</u>	<u>14.8</u>	<u>11.1</u>	<u>13.6</u>	<u>7.3</u>	<u>6.3</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

is probably due to the increased percentage of those having no opinion.

(e) Summary. Approximately three out of four farmers in the sample thought that cooperative managers should have farm backgrounds. Although the difference was not significant, members were not as strongly in favor of this policy as were non-members. The factors of age and education were found not significantly to affect the responses to this question. Those farmers doing large amounts of business were less in favor of demanding that managers have farm backgrounds than were those doing small amounts of business. Data not presented herein indicated that the members of milk and cream and livestock marketing cooperatives were less in favor of restricting managerships to men with farm backgrounds than were members of the oil and gas and fruit marketing and supply cooperatives. The former were represented by percentages of 67.5 and 66.3 respectively, and the latter by percentages of 88.9 and 87.7

respectively. Members of elevator cooperatives fell in between with a percentage of 77.0.

Three out of four farmers were of the opinion that managers and officers should belong to local business clubs. Comments made by many farmers, however, indicated that they held no strong opinion on the question. Their position is best represented by the attitude of indifference concerning whether the manager or officer was, or was not, affiliated with a business club. Education was the only factor affecting significantly the responses to this question. Those with more years of schooling favored the policy of officers affiliating with business clubs in greater proportions than those with less schooling.

2. Should cooperative earnings be taxed?

The right of qualified associations to establish exemption from Federal income and other Federal taxes is an important right accorded cooperatives by Federal law. A Federal corporate tax law as early as 1898 stated that the tax did not apply to agricultural organizations operated only for the mutual benefit of members. The Income Tax law of 1916 also exempted farmer cooperatives. These exemptions have been continued and made clearer in the income tax laws which are in effect today.¹

The favorable position of cooperatives relative to the tax situation has long been the subject of controversy. Other forms of business enterprises feel they are discriminated against--that tax exemption gives to cooperatives an unfair competitive advantage. More recently the

1. T. G. Stitts and W. C. Welden, Agricultural Cooperation and National Legislation, Farm Credit Administration, Washington, D.C., p. 8.

National Tax Equality Association has conducted a coordinated campaign to have these exemptions removed.

Tax exemption for cooperatives is supported on the basis of the assumption that cooperative earnings are not profits, but represent balances due the patrons on the business they did with the cooperative. Except for the desirability of maintaining an operating margin of safety, these earnings might have been given to the patron as a price advantage at the time of each transaction. The farmer must realize this fundamental nature of the cooperative enterprise, or he will probably not understand the reasons for tax exemption. Not understanding the reasons, he will likely not support a tax exemption program for cooperatives except it be for selfish reasons alone.

Concerning the tax issue, two questions were asked each farmer interviewed. The first question asked was:

A business which pays out its earnings only to stockholders has to pay an income tax on these dividends to stockholders. If a co-op pays refunds to members on the basis of patronage do you think it should be required to pay an income tax on these refunds?

The second question asked was:

A business which holds back some of its earnings to build up the business has to pay an income tax on the money it holds back. Do you think that a co-op should be taxed on the earnings it holds back if each patron's share of it is recorded on the books?

The responses to these questions are given in the following paragraphs.

(a) Membership status. Of the total number of farmers answering the first question, 84.8 percent were of the opinion that cooperatives should not be taxed on the refunds paid to patrons (Table 50). Eleven percent thought refunds should be taxed, and 4.2 percent did not know which was best. Sixty-five and two-tenths percent of the farmers felt

Table 50. Percentage distribution of farmers by membership status by opinions on the tax issue.

Questions and replies	Total N=499	Members N=395	Non- members N=104
Should refunds be taxed?			
Yes	11.0	10.1	14.4
No	84.8	86.3	78.9
Don't know	<u>4.2</u>	<u>3.6</u>	<u>6.7</u>
Total	100.0	100.0	100.0
Should earnings withheld be taxed?			
Yes	23.8	22.8	27.6
No	65.2	67.3	58.1
Don't know	<u>10.8</u>	<u>9.9</u>	<u>14.3</u>
Total	100.0	100.0	100.0

that earnings withheld (hereafter referred to as "capital retains") should not be taxed. Nearly one fourth of the farmers would favor taxing capital retains, while 10.8 percent had not decided either way.

These replies indicate that the farmers are not as much opposed to taxing capital retains as to taxing refunds. One out of four would tax capital retains, whereas only one out of ten favor taxing refunds. A somewhat larger proportion of the farmers were not able to formulate an opinion on the question of taxing capital retains than was true for the question of taxing refunds. Apparently the issue of taxing refunds is more familiar with farmers than is the issue of taxing capital retains.

Members and non-members differed little on the issue of taxation. As compared with members, a greater proportion of non-members replied "don't know" to both questions. The percentage differences that do exist between members and non-members show that non-members were less favorable to tax exemption than were members.

(b) Amount of business done. Table 51 reveals some rather irregular

Table 51. Percentage distribution of farmers by amount of business done by opinions on the tax issue.

Questions and replies	Less than \$100-	\$100-\$499	\$500-\$999	\$1000-\$1999	\$2000-\$2999	\$3000 & over
	N=65	N=81	N=90	N=111	N=57	N=96
Should refunds be taxed?						
Yes	9.4	14.8	13.3	7.2	21.1	5.2
No	81.2	77.8	83.4	91.0	77.2	91.7
Don't know	<u>9.4</u>	<u>7.4</u>	<u>3.3</u>	<u>1.8</u>	<u>1.7</u>	<u>3.1</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0
Should capital retains be taxed?						
Yes	24.6	19.8	32.2	22.5	28.1	17.9
No	55.4	65.4	61.1	71.2	64.9	69.5
Don't know	<u>20.0</u>	<u>14.8</u>	<u>6.7</u>	<u>6.3</u>	<u>7.0</u>	<u>12.6</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

percentage differences between groups based on amount of business done with cooperatives the previous year. The "\$1000-\$1999" and "\$3000 and over" groups were the most opposed to taxes on refunds, with percentages of 91.0 and 91.7 respectively. These two groups were also most opposed to taxes on capital retains. By way of contrast, the "\$2000-\$2999" group was least opposed to taxing refunds, with a percentage of 77.2. The "less than \$100" group was least opposed to taxing capital retains, with a percentage of 55.4. This figure is lowered, however, by the effect of the large proportion (20.0 percent) of this group who replied "don't know".

There seems to be no direct relation between amount of business done and opinion on the tax issue. The groups doing the least business and the group doing the most business had the largest proportions replying "don't know". It is probable that those doing little business have no opinion because they are not enough aware of the issue. Those of the group doing the most business having no opinion may be well aware of the

issue, but possibly are confused as to whether cooperatives should ask for tax exemption. This viewpoint is, of course, hypothetical and not supported by evidence.

(c) Age. In general, the factor of age was found to have no significant influence on the responses to questions concerning the tax issue. Those farmers from 30 to 39 years of age were somewhat more favorable than other age groups to exemption from taxes on refunds.

Concerning the question of taxing capital retains, the youngest farmers and the oldest farmers were more favorable to tax exemption than were the middle-aged groups. The percentage differences were not great, however.

(d) Education. The factor of education was found to significantly affect the responses to the question of taxing refunds. Table 52 reveals that 83.3 percent of those with eight or less years of schooling believe that refunds should not be taxed. Eighty-five and nine-tenths percent

Table 52. Percentage distribution of farmers by years of schooling completed by opinions on the tax issue.

Questions and replies	Eight or less N=324	Nine to twelve N=142	More than twelve N=28
Should refunds be taxed?			
Yes	11.1	12.7	3.6
No	83.3	85.9	96.4
Don't know	<u>5.6</u>	<u>1.4</u>	<u>...</u>
Total	100.0	100.0	100.0
Should capital retains be taxed?			
Yes	21.9	28.9	28.6
No	65.1	62.7	71.4
Don't know	<u>13.0</u>	<u>8.4</u>	<u>...</u>
Total	100.0	100.0	100.0

of those in the high school group agreed. Of those who attended college, 96.4 percent were opposed to taxing refunds. These results suggest that farmers with college education will most strongly support tax exemption for cooperatives. They probably have a better understanding of the basis upon which tax exemption is founded. It was shown in Chapter IV that those with more education were most favorable to the idea that cooperatives are non-profit organizations.

With a percentage of 71.4, the college group were also most opposed to taxing capital retains. The percentage differences are not great enough, however, to be significant.

(e) Attendance at meetings. Those farmers who attended meetings regularly opposed taxation of refunds by a percentage of 87.1. Those who attended only a few of the meetings were slightly more opposed (92.0 percent). Of those who never attended meetings, only 77.3 percent believed refunds should not be taxed. Apparently attendance at meetings has had a favorable influence on members with respect to their attitude toward the tax question.

Concerning the question of whether capital retains should be taxed, a similar reaction was found. Although those who attended meetings were more opposed to taxation of capital retains than were those who never attend, the percentages differences were not quite great enough to render significance by the chi-square test.

(f) Officer status. Table 53 reveals the responses of officers and non-officers on the question of taxation. Eighty-six and two-tenths percent of the officers, and 85.8 percent of the non-officer members, are opposed to taxation of refunds. Six and nine-tenths percent of the

Table 53. Percentage distribution of "aware" members by whether ever an officer or not, by opinions on the tax issue.

Questions and replies	Officers N=28	Non-officers N=323
Should refunds be taxed?		
Yes	6.9	11.1
No	86.2	85.8
Don't know	<u>6.9</u>	<u>3.1</u>
Total	100.0	100.0
Should capital retains be taxed?		
Yes	35.7	21.7
No	60.7	68.7
Don't know	<u>3.6</u>	<u>9.6</u>
Total	100.0	100.0

officers, and 11.1 percent of the non-officers were of the opinion that refunds should be taxed. These data indicate that there is no substantial difference between the opinions of officers and non-officers relative to taxation of refunds. It should be borne in mind that "officers" includes not only those who are at present officers, but also those who have at some time in the past been officers.

On the question of taxing capital retains, officers were found to be more favorable to taxation than were non-officers, although the chi-square test does not indicate significance between the percentages for the two groups. It is of major importance that over one-third of the officers indicated that capital retains should be taxed. This fact will have a disturbing effect upon the present efforts of cooperative leaders to combat the legislative proposals to abolish the exemption privileges which cooperatives enjoy. Although these officers would hardly be expected to openly attack tax exemption, they cannot be looked to as sources of strength in the present struggle. Cooperative leaders will need to do some indoctrinating at the top of the local structures before they can

present a united front in the legislative tax battle.

(g) Summary. Nearly nine-tenths of the sample farmers were of the opinion that refunds should not be taxed. Approximately two-thirds felt that capital retains should not be taxed.² Members were slightly more favorable to tax exemption than were non-members.

The factors of age, education, amount of business done, and officer status were found to have no significant effects on opinions regarding the tax questions. Officers were somewhat more favorable to taxing capital retains than were non-officers. Farmers having some college education were somewhat more opposed to taxation of refunds and capital retains than were those with less education. Those who attend cooperative meetings were found to favor tax-free refunds in significantly greater proportions than those who attend no meetings. The opinions of Farm Bureau members on the tax question did not differ from the opinions of farmers not members of the Farm Bureau.

3. Does it cost too much to join?

The organization and maintenance of a cooperative enterprise requires a considerable outlay of cash. Some farmers, especially "small" farmers, may find it difficult to spare the money needed to join and support a cooperative venture. Although they may strongly favor the venture, their own financial position may force them to delay becoming

2. These results compare favorably with the results obtained in a study of the opinions of Indiana farm families toward retail farm supply stores. Replies to two questions on the tax issue, very similar to those used in this study, indicated in both instances approximately twenty percent less support for tax exemption for cooperatives than was found among Michigan farmers interviewed in this study, C. H. Sandage, The Opinion of Farm Families Toward Retail Farm Supply Stores in Indiana, Farm Research Institute, Urbana, Illinois, December 1947.

a member.

The cash outlay required to become a member is in most cooperatives quite small, but not in all cases. The Farm Credit Administration, in its survey of cooperatives in the United States in 1936, reports the amounts of the initial investment required for membership in cooperatives.³ In the state of Michigan 71 percent of the 254 cooperatives reporting required a minimum initial investment of \$10 or less. Fifteen percent required investments of between \$10 and \$100. Ten percent required investments of \$100 or over. Four percent required indefinite amounts of investment.

In this study an attempt was made to determine if there were farmers who felt that it cost them too much to join a cooperative. In order to determine this, the following question was asked each farmer in the sample:

Some farmers say they can't afford to belong to a co-op because they would have to have too much money tied up in it. Do you agree with that statement, or not?

(a) Membership status. As revealed in Table 54, 84.8 percent of the farmers did not agree that it took too much money to join a cooperative. Seven and eight-tenths percent felt that it did cost too much, and 7.4 percent didn't know. Non-members differed quite significantly from members in their replies to this question. Slightly over half of the non-members felt that it does not cost too much to join. Fifteen and two-tenths percent felt that it does cost too much, while 28.6 percent replied "don't know". The reason there is such a large proportion of "don't know's" is no doubt due to the fact that many non-members may not

3. Statistical Handbook, p. 65.

Table 54. Percentage distribution of farmers by membership status by opinion on whether it costs too much to join.

Questions and replies	Total N=500	Members N=395	Non- members N=105
Does it cost too much to join?			
Yes	7.8	5.8	15.2
No	84.8	92.4	56.8
Don't know	<u>7.4</u>	<u>1.8</u>	<u>28.6</u>
Total	100.0	100.0	100.0

actually know how much investment membership does require.

No data was obtained which would indicate whether the members and non-members who were of the opinion that it cost too much to join were located near cooperatives which require a large initial investment. Such may have frequently been the case. A cooperative which wishes to obtain new members, and which requires a large initial investment, might do well to consider lowering this requirement. On the other hand, additional educative effort might in some instances convince a non-member that it really does not cost him too much, but that he will actually save money by joining.

(b) Amount of business done. As would be expected, farmers reacted differently to this question according to the amount of business they did with cooperatives (Table 55). Of those doing less than \$100 worth of business 63.1 percent were of the opinion that joining does not cost too much. At the other extreme were the "\$3000 and over" group, 94.8 percent of which felt it does not cost too much. The other groups ranged in between. This, of course, reflects the percentage differences between members and non-members since a greater proportion of those doing small amounts of business are non-members.

Table 55. Percentage distribution of farmers by amount of business done with cooperatives by opinion on whether it costs too much to join.

Questions and replies	Less than \$100-	\$100-\$499	\$500-\$999	\$1000-\$1999	\$2000-\$2999	\$3000 & over
	N=65	N=81	N=90	N=111	N=57	N=96
Does it cost too much to join?						
Yes	20.0	6.2	12.2	5.4	1.8	3.1
No	63.1	81.5	80.0	90.1	94.7	94.8
Don't know	<u>16.9</u>	<u>12.3</u>	<u>7.8</u>	<u>4.5</u>	<u>3.5</u>	<u>2.1</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

A separate breakdown of members and non-members on the basis of amount of business done revealed that neither members nor non-members were significantly affected by the factor of amount of business done. Although both members and non-members were somewhat influenced by the factor of amount of business done, the factor of membership status appeared to have the greatest influence.

(c) Farm Bureau membership. On the question of whether it costs too much to join a cooperative, farmers were found to differ in replies according to whether or not they were members of the Farm Bureau. Table 56 reveals that 93.1 percent of the Farm Bureau members did not feel

Table 56. Percentage distribution of farmers by whether or not a member of the Farm Bureau, by opinion on whether it costs too much to join a cooperative.

Does it cost too much to join?	Farm Bureau	
	Member N=233	Non-member N=266
Yes	5.2	9.8
No	93.1	77.8
Don't know	<u>1.7</u>	<u>12.4</u>
Total	100.0	100.0

that it costs too much to join. Of those not members, 77.8 percent agreed. This significant difference is probably largely due to the fact that Farm Bureau membership is considerably correlated to total cooperative membership as determined in this study. A considerable difference does exist, however, due to the fact that many farmers are members of cooperatives but not members of the Farm Bureau. In general, it can be said that those who are members of the Farm Bureau are much more apt to realize that actually it does not cost too much to join, regardless of the initial investment required.

(d) Summary. Only about one out of twelve farmers were of the opinion that it costs too much to belong to a cooperative. An equal number had no opinion, possibly because they (being largely non-members) had no knowledge of the amount of investment required to belong to a cooperative.

Nearly all of the cooperative members opined that membership does not cost too much. Non-members reacted quite differently, only somewhat more than half believing that membership does not require too much initial investment. Over one-fourth of the non-members had no opinion on the question.

The factors of amount of business done and Farm Bureau membership status were found to significantly affect the opinion responses. Those doing large amounts of business (reflecting a larger proportion of members) were nearly all of the opinion that membership costs little. A greater proportion of Farm Bureau members than of non-members held the opinion that the initial investment was not too great.

The factors of age, education, attendance at meetings, length of membership, type of cooperative a member, size of farm, and tenure status

were found to have virtually no effect upon the responses to this question. Officers were 100 percent of the opinion that membership does not cost too much. Those members having never been officers held this opinion somewhat less strongly. In general, the variances of opinion on this question seem to lie almost solely within the factor of membership status.

CHAPTER VIII

FACTORS INFLUENCING FARMERS' LOYALTY TO COOPERATIVE ORGANIZATIONS

The foregoing chapters were designed to measure the general understanding and acceptance of the principles of cooperation. A study of the extent of understanding and acceptance of these principles, however, does not accurately indicate the degree of loyalty with which farmers attach themselves to the cooperatives in their communities. A member may have little understanding of the principles and yet may have a strong feeling of loyalty to the organization because he has benefitted economically through his dealings with it. On the other hand, a member may have considerable knowledge of the cooperative principles but may be disloyal to the extent that he would frequently buy from another supply house if he could get an immediate price advantage.

It is important therefore that a study of farmers' attitudes toward the cooperative principles be supplemented with a measure of farmers' loyalty to cooperative enterprises. This will facilitate arriving at more accurate conclusions regarding the strength of the cooperative associations represented in this study.

1. Questions indicating loyalty

Several different questions were asked each farmer interviewed in order to obtain his reactions to various aspects of loyalty. The first question asked was an attempt to measure his "dollar and cents" loyalty to supply cooperatives:

Do you think that a member should continue to buy from his farm supply co-op even though prices may sometimes be a little higher than at other businesses?

Somewhat later in the interview, each farmer was asked a similar question concerning marketing cooperatives:

Do you think that a member should continue to sell his products through his co-op even though prices may sometimes be a little lower than at other businesses?

In each case the attempt was made to get the farmer's reaction to a situation where only a minimum of price difference existed. It would not be expected that farmers would continue doing business with a cooperative if prices were greatly out of line. The replies to these two questions were very similar. It was discovered that in most cases a farmer would give the same answer to both questions. A calculation was made in order to determine the degree of correlation between the replies to the questions. The method used to determine correlation was the calculation of a Tetrachoric Correlation Coefficient.¹ This coefficient gives a value for qualitative distributions comparable to the Pearsonian "r". The calculation for the tetrachoric correlation coefficient yielded a value of .857, which indicates a high degree of correlation between the responses to the two questions. Consequently it will be valid to concern ourselves with only the first question, since in all cases the percentage distributions resulting from the responses to the first question were quite similar to the distributions resulting from the responses to the second question.

Another question designed to determine loyalty was asked as follows:

Suppose you belonged to a co-op and so many members dropped out that the co-op began to lose money. What do you think you would do?

In half of the interviews farmers were permitted to give free responses to this question. In the other half, categorized responses were

1. This method is given in Leone Chesire, Milton Saffir, and L. L. Thurstone, Computing Diagrams for the Tetrachoric Correlation Coefficient, University of Chicago, 1933.

used as follows: go out and help get new members, vote to continue the co-op but on a smaller scale, drop your own membership, or vote to dissolve the co-op. Many farmers, however, would not be forced into one of these four categories but gave free responses instead. The combined responses are presented in the tables in this chapter.

A final question was asked as follows:

If business were poor for a few years which do you think would be more likely to fail: a farmer-owned cooperative or a business which is not cooperative?

This question was designed more specifically to measure the farmers' faith in the enduring qualities of a cooperative. Loyalty to an organization is to a considerable extent dependent upon the amount of faith a person has in the organization's ability to weather the storms which beat upon it. The question was asked in alternate forms, the second form asking which "would be more likely to pull through". Alternate use of the two forms allowed positive and negative suggestion to offset each other in the total responses.

The responses to the above questions, as influenced by the various factors affecting them, are given below.²

(a) Membership status. Table 57 records the opinion responses to the three questions on the basis of membership status. With respect to the total sample, 61.9 percent of the farmers would continue doing business with their cooperatives if the prices were not quite right. Thirty-seven and one-tenth percent would go elsewhere to buy. Members and non-members differed somewhat, although not significantly, in their replies to this question. Members indicated a somewhat greater degree of loyalty.

2. For a somewhat different treatment of these questions, plus additional aspects of loyalty, see Walter E. Boek, op. cit., Chapter VII.

Table 57. Percentage distribution of sample farmers by membership status by replies to questions indicating loyalty to cooperatives.

Questions and replies	Total	Members	Non- members
Continue buying if prices are higher?	N=499	N=394	N=105
Yes	61.9	63.7	55.2
No	37.1	35.0	44.8
Don't know	<u>1.0</u>	<u>1.3</u>	<u>...</u>
Total	100.0	100.0	100.0
What would you do if co-ops began to lose?	N=497	N=392	N=105
Recruit members	28.8	29.3	26.7
Find out cause	20.0	20.7	18.1
Stick with them--invest more money	16.5	17.9	11.4
Drop membership	12.9	12.0	16.2
Vote to dissolve co-op	3.2	2.8	4.8
Vote to reduce operations	5.0	5.1	4.8
Get a new manager	8.9	8.7	9.5
Miscellaneous*	2.4	2.8	1.0
Don't know	<u>3.8</u>	<u>2.0</u>	<u>10.5</u>
Total**	101.5	101.3	103.0
Which would be more likely to fail?	N=500	N=395	N=105
Cooperative	8.6	8.4	9.5
Non-cooperative business	74.0	76.4	64.7
Either one	6.0	6.3	4.8
Don't know	<u>11.4</u>	<u>8.9</u>	<u>21.0</u>
Total	100.0	100.0	100.0

*Includes: reorganize, throw shares away, do nothing, etc.

**Totals exceed 100 due to multiple answers.

Twenty-eight and eight-tenths percent of the total number of farmers replying said they would help recruit new members if a cooperative began to lose money. Twenty percent said they would find out the cause of the trouble, 16.5 percent would stick with the cooperative to the extent of investing more money in it, 12.9 percent said they would drop their membership, and others gave various answers as noted in the table. This indicates that between one-half and two-thirds of the farmers stated that

they would take some aggressive action to get the cooperative back on its feet. There might be some question concerning the number that would actually follow such a course if the real test came. Probably a substantial number of farmers would do nothing at all. In spite of this possibility, the data indicates that most farmers feel the necessity of keeping the cooperative in operation, and they would not be disposed to let it drift to insolvency. The members' replies indicated a bit more loyalty than non-members, although the percentage differences were slight.

Approximately three out of four farmers believed that a cooperative would outlast a non-cooperative business in the event of poor business conditions. Six percent thought that either one might fail first, depending on other conditions. Eleven and four-tenths percent didn't know which would fail first, while 8.6 percent thought that a cooperative would be the weaker organization. Members had more faith in the cooperative than non-members, with percentages of 76.4 and 64.7, respectively, believing that non-cooperative businesses would fail first. Over one-fifth of the non-members had no opinion as to which would fail first.

These data suggest that probably about two-thirds of the farmers interviewed can be regarded as being loyal to their cooperatives. Non-members are apparently nearly as loyal as members. Although nearly all farmers think that cooperatives are a good thing, a substantial number would place their own particular interests above the welfare of the general cause.

(b) Age. The factor of age was found to have a significant effect upon farmers' loyalty to cooperative enterprises. As revealed in Table 58, smaller proportions of the younger age groups would continue buying at the cooperative if they could buy cheaper elsewhere. Older farmers

Table 58. Percentage distribution of sample farmers by age by replies to questions indicating loyalty to cooperatives.

Questions and replies	Under 30	30-39	40-49	50-59	60, over
	N=56	N=116	N=117	N=117	N=90
Continue buying if prices are higher?					
Yes	57.2	52.6	60.6	69.2	68.9
No	42.8	45.7	38.5	29.1	31.1
Don't know	<u>...</u>	<u>1.7</u>	<u>0.9</u>	<u>1.7</u>	<u>...</u>
Total	100.0	100.0	100.0	100.0	100.0
What would you do if co-ops began to lose?					
Recruit members	42.8	34.5	22.4	28.1	20.4
Find out cause	14.3	21.6	23.3	17.1	21.5
Stick with them--					
invest more money	14.3	13.8	17.2	17.1	19.4
Drop membership	12.5	9.5	10.3	12.0	21.5
Vote to dissolve co-op	...	...	6.9	2.6	5.4
Reduce operations	5.4	7.8	4.3	4.3	3.2
Get a new manager	7.1	9.5	8.6	12.8	3.2
Miscellaneous*	...	2.9	3.4	3.4	1.1
Don't know	<u>3.6</u>	<u>2.9</u>	<u>5.2</u>	<u>2.6</u>	<u>4.3</u>
Total**	100.0	102.5	101.6	100.0	100.0
Which would be more likely to fail?	N=56	N=117	N=117	N=117	N=90
Cooperative	5.4	4.3	8.5	10.3	13.3
Non-cooperative	83.9	86.3	75.3	62.4	65.6
Either one	1.8	5.1	3.4	11.1	6.7
Don't know	<u>8.9</u>	<u>4.3</u>	<u>12.8</u>	<u>16.2</u>	<u>14.4</u>
Total	100.0	100.0	100.0	100.0	100.0

*Includes: reorganize, throw shares away, do nothing, etc.

**Totals exceed 100 due to multiple answers.

apparently are more loyal. Younger farmers, in their efforts to "get ahead in the world", are probably less willing to sacrifice an immediate price advantage for the good of the general cause. If cooperatives are to maintain the loyalty of their patrons it will be necessary for them to avoid charging higher prices than at other businesses. It is probable that many farmers, when comparing prices between cooperatives and other businesses, fail to take into account the subsequent dividends they will

receive. Neither do they keep in mind the fact that the competition which cooperatives offer tends to keep prices in other stores in line.

In reply to the question of what should be done if a co-op began to lose money, 42.8 percent of the "under 30" age group indicated that they would help recruit more members, while 12.5 percent said they would drop out of the organization. In contrast, only 20.4 percent of the "60 and over" group would help recruit members, while 21.5 percent would drop out. This indicates a complete reversal of loyalty from the previous question. In this instance the younger farmers would lend the cooperative the most support.

In response to the third question, significantly greater proportions (83.9 and 86.3 percents) of the younger groups evidenced greater faith in the cooperative form of business, as compared with percentages of 62.4 and 65.6 of the two older groups. These differences are due partly to the fact that greater proportions of the older groups believed cooperatives would fail first, and partly because more of the older farmers replied "don't know".

In summarizing the effects of the factor of age, it might be said that the younger farmers have greater faith in the enduring qualities of the cooperative form of business, that they are more determined to keep the cooperative going, but they are less apt to tolerate disadvantageous prices. The older farmers are more willing to overlook price disadvantages in cooperatives, but, possibly due to cooperative failures in their experiences of the past, have less faith in the ability of cooperatives to weather financial storms.

(c) Education. The factor of education did not have sufficient influence on loyalty to indicate significance. Some variations, however,

did exist between the responses of different groups based on the number of years of schooling completed. Of those having not more than eight years of schooling, 65.4 percent would continue buying from a supply cooperative if the prices were a little higher. Of the high school and college level groups, only 56.3 and 57.1 percent, respectively, would continue.

Regarding the question of what to do if a cooperative began to lose money, a somewhat smaller proportion of the college group than of the other two groups would help recruit new members. The college group would be more apt to retain their memberships, however. The reply given most often by this group was "find out the cause". Apparently they regard this as the necessary first step before any other action is taken.

Seventy and three-tenths percent of the grade school group, 81.8 percent of the high school group, and 75 percent of the college group believe that cooperatives will outlast non-cooperatives in the event of a business depression. A substantially greater proportion of the college group (17.9 percent as compared with 9.3 and 5.6 for the grade school and high school groups) believe that cooperatives would be more likely to fail.

(d) Amount of business done. The amount of business which farmers did with cooperatives did not seem to consistently affect their loyalty to the associations. Percentage differences between groups based on the amount of business done were quite erratic, and no generalizations can be made. The big farmers indicated in substantially the same proportions as small farmers their unwillingness to continue buying from a cooperative if prices were higher. The small farmer is unwilling because each dollar means more to him. The big farmer is unwilling because greater

expenditures are involved.

All groups indicated relatively the same willingness to help a co-operative get back on its feet if it began to lose money. On the question of which type of enterprise would be more likely to fail, the group doing less than \$100 of business differed significantly from the other groups. This group had a smaller proportion believing that non-cooperatives would fail first, a larger proportion believing that cooperatives would fail first, and a larger proportion replying "don't know". This is partly a reflection of the less faithful attitude of the non-members.

(e) Attendance at meetings. Table 59 reveals that a member's willingness to forego a slight price advantage in order to support the cooperative may be influenced by his attendance at cooperative meetings. Seventy and four-tenths percent of those who attended most of the meetings, 61 percent of those who attended a few of the meetings, but only

Table 59. Percentage distribution of "aware" members by frequency of attendance at meetings by replies to questions indicating loyalty to cooperatives.

Questions and replies	Most of them N=155	Few of them N=101	None of them N=97
Continue buying if prices are higher?			
Yes	70.4	61.0	56.7
No	29.0	36.0	42.3
Don't know	<u>0.6</u>	<u>3.0</u>	<u>1.0</u>
Total	100.0	100.0	100.0
Which would be more likely to fail?			
Cooperative	6.5	6.9	13.4
Non-cooperative	78.7	79.3	70.1
Either one	7.7	6.9	3.1
Don't know	<u>7.1</u>	<u>6.9</u>	<u>13.4</u>
Total	100.0	100.0	100.0

56.7 percent of those who attended no meetings would continue buying if prices were higher. Either the more loyal members attended the meetings, or attendance made members more loyal.

Those who attended meetings were found to have more faith in the ability of a cooperative to endure a business depression. Although the percentage differences are not significant, those who never attend meetings had relatively more faith in the non-cooperative business.

On the question of what should be done if a cooperative began to lose money, those who did not attend meetings were found to be somewhat less loyal than those who did attend meetings, although the percentage differences could have been due to chance factors in sampling.

(f) Officer status. Those members who have held official positions in cooperatives were found to be significantly more loyal to cooperatives than non-officers, a condition which certainly should be expected. Table 60 reveals that 89.7 percent of those who have been officers would continue to purchase supplies from a cooperative even if prices were somewhat higher. This compares with only 61.5 percent for the non-officers. Ten and three-tenths percent of the officers might buy elsewhere if prices were not right, whereas 37 percent of the non-officers would do so.

If a cooperative began to lose money, the chances are greatest (by a proportion of 37.9 percent) that an officer would first of all try to determine the cause. Thirty-one percent would immediately invest more money or get more members. A total of 17.2 percent would drop out or vote to dissolve the cooperative. Thirteen and eight-tenths percent would fire the manager.

If farmers can be relied upon to do what they say they would, the

Table 60. Percentage distribution of "aware" members by whether ever an officer or not, by replies to questions indicating loyalty to cooperatives.

Questions and replies	Officers N=29	Non-officers N=323
Continue buying if prices are higher?		
Yes	89.7	61.5
No	10.3	37.0
Don't know	<u>...</u>	<u>1.5</u>
Total	100.0	100.0
What would you do if co-op began to lose money?		
Recruit members	13.8	30.0
Find out cause	37.9	20.0
Stick with them-- invest more money	17.2	18.1
Drop membership	10.3	10.6
Vote to dissolve co-op	6.9	2.8
Vote to reduce operations	...	5.9
Get a new manager	13.8	8.1
Miscellaneous*	3.4	3.1
Don't know	<u>...</u>	<u>2.2</u>
Total	100.0	100.0
Which would be more likely to fail?		
Cooperative	13.8	8.0
Non-cooperative business	55.2	78.6
Either one	20.7	5.0
Don't know	<u>10.3</u>	<u>8.4</u>
Total	100.0	100.0

*Includes: reorganize, throw shares away, do nothing, etc.

non-officers would be quicker to recruit new members. Only 20 percent volunteered the reply that first of all they would seek out the cause of the trouble. On the basis of the replies to this question, it must be assumed that officers and non-officers manifest relatively equal degrees of loyalty.

Non-officers expressed more faith in a cooperative's ability to weather unfavorable business conditions than did officers. Of the

non-officers, 78.6 percent were of the opinion that non-cooperative businesses would fail first. This compares with only 55.2 percent for the officers. It is no doubt true that the officers are much more aware of the difficulties which cooperatives experience in periods of adverse business conditions. Many have no doubt had their faith shaken in the past, and therefore are less apt to blithely place their trust in the cooperative form of business.

(g) Length of membership. Members who first joined a cooperative prior to 1931 were found to be more loyal on the matter of continuing to purchase from a cooperative if prices were a little higher. Of this group 74.6 percent would continue buying from cooperatives, whereas only approximately 59 percent of those having joined since 1931 would continue purchasing supplies from a cooperative if prices were higher. This is partially due to the influence of the factor of age, but is probably also due to a realization among those who have been members for a long time that certain individual sacrifices must be made sometimes in order to insure the continuance of the cooperative.

Those who have been members for the longest time are less positive that a non-cooperative business would fail first. This attitude of less faith parallels that of the officer group and the older farmers.

(h) Type of cooperative a member. Only 44.4 percent of the members of oil and gas cooperatives would continue to purchase supplies from the cooperative if prices were higher. This compares with 53.9 percent for the fruit cooperatives, 54.7 percent for livestock associations, 61.0 percent for milk and cream associations, and 66.3 percent for elevator cooperatives. Apparently the immediate price advantage is uppermost in

large proportions of the oil and gas, fruit, and livestock cooperative members.

On the other hand, the oil and gas cooperative members were found to be more loyal on the matter of helping out a losing cooperative. A greater proportion of these members would recruit members, and fewer would drop out of the cooperative. Cooperative elevator members were next in line for loyalty on this question, followed by the milk and cream, livestock, and fruit cooperative members.

The livestock, and oil and gas cooperative members had the least faith in the enduring qualities of cooperatives, while the milk and cream, elevator, and fruit cooperative members (in order of least to most faith in cooperatives) had relatively more faith that cooperatives would outlast non-cooperative businesses.

(1) Summary. Slightly more than one-third of the sample farmers would not continue to purchase supplies from a cooperative if they could get them for less somewhere else. This compares rather closely with the results obtained from a similar question used among cooperative members in New York, as reported by Anderson and Sanderson.³ Approximately one-half of the New York farmers reported that they would continue buying if prices were higher, one-fourth said it "depends", and the other one-fourth said they would not continue to buy if prices were higher. Smoker, in a study of a local supply cooperative in Indiana, found that only 32 percent of the farmers reporting would continue to buy from the cooperative

3. Report on Research Project No. I, "Audit of Farmers' Attitudes", for Grange League Federation Managers' Conference, July 12, 1944. Mimeographed.

if prices were higher than at other stores.⁴

Members were found to be somewhat more loyal to cooperatives than non-members, although the percentage differences were not great enough to be significant. The factor of age had a significant effect upon loyalty. Greater proportions of older farmers would continue buying if prices were higher, but older farmers had less faith in the ability of cooperatives to withstand a business depression. On the question of what to do if a cooperative began to lose money, the replies of the younger farmers indicated significantly greater loyalty. The factors of officer status and attendance at meetings were found to significantly affect loyalty. Officers were much more loyal on the question of continuing to buy if prices were higher, but they had less faith in the ability of a cooperative to weather poor business conditions. Those who attend meetings were found to be more loyal than those who do not attend meetings.

On the matter of continuing to buy if prices were higher, the milk and cream, and elevator cooperative members were found to be most loyal. When questioned concerning what they would do if their cooperative began to lose money, the members of the oil and gas, and elevator cooperatives indicated greatest loyalty. Those members who had joined a cooperative prior to 1931 were found to have greater loyalty on the question of continuing to purchase supplies if prices were higher, but they indicated less faith in the ability of a cooperative to weather a business depression.

The factors of education and amount of business done were found to have little effect on farmers' loyalty. Farm Bureau members manifested

4. Richard E. Smoker, The Elkhart County Farm Bureau Cooperative Association and the Attitude of Elkhart County Farmers Toward It, Unpublished Bachelor's Thesis, Purdue University, 1944.

the same degree of loyalty as did those who were not members of the Farm Bureau. Tenure status had no effect upon loyalty.

The data in this chapter reveals that there is still much to be desired by way of loyalty to the cooperative form of business unit. Many farmers have yet to grasp the greater import of agricultural cooperation. Until they do, their wider loyalties will continue to be undermined by various petty acts of disloyalty.

CHAPTER IX

SUMMARY AND CONCLUSIONS

The support which farmers give to a cooperative is directly associated with their opinions of, and attitudes toward, the organization. Cooperative leaders are constantly faced with the problem of creating and maintaining favorable attitudes toward their associations. An objective measurement of these opinions and attitudes is desirable as an aid to determining the degree of success or failure which has attended their efforts. Such measurement is also a guide to the planning of future programs.

In this study an attempt has been made to evaluate the opinions of 500 representative farmers in lower Michigan relative to certain cooperative policies and principles of operation. Special attention was given to four major cooperative principles: democratic control, patronage dividends, open and voluntary membership, and sales at market prices. The three-fold purpose of the study was: to determine the farmers' attitudes toward the cooperative principles; to measure the extent of understanding of the principles; to determine the degree of loyalty with which farmers attached themselves to their cooperatives. The data, gathered by personal interviews with the farmers, have been compiled and analyzed on the basis of various individual factors which influenced the opinions of the farmers. The following paragraphs briefly review the findings which were presented in the main body of the thesis.

1. Summary of findings.

Three out of four farmers interviewed support the principle of

democratic control. Approximately twenty percent favor the method of granting one vote for every share owned, a policy which is followed by ten percent of Michigan's cooperative associations. If forced to choose between one vote per member and voting on the basis of the amount of patronage, all but about 15 percent would favor the democratic principle. These data indicate that a sizable fraction of the farmers have not yet gained the proper understanding of the importance of the principle of democratic control.

When asked if cooperatives are profit-making businesses, only 40 percent of the farmers said "no". When further explanation was made of the meaning of "profit", one-third of the farmers retained the opinion that cooperatives are profit-making enterprises. This indicates considerable confusion concerning the meaning of "profit-making". There is an extensive lack of understanding of the non-profit ideal, which has been a motivating factor in cooperative effort in all lands.

Less than two-thirds of the farmers interviewed held the opinion that most of the earnings of a cooperative should be returned to the patrons. Slightly more than one-fourth thought stockholders should get most of the earnings. Fourteen percent would divide the earnings equally between the two groups. The principle of distributing earnings on the basis of patronage needs to be better understood and more widely accepted among farmers.

Cooperative earnings are frequently withheld in order to increase the capital investment. When this is done, stock dividends are issued to patrons instead of cash dividends. Four out of five indicated their acceptance of such a policy in preference to borrowing money from a bank, if additional capital is needed. Only one out of eight preferred bor-

rowing from a bank.

The principle of open membership is not usually followed among farmers' marketing cooperatives. In this respect marketing cooperatives differ from consumer cooperatives, which do not deem it necessary to maintain a strictly homogeneous patronage. When asked whether cooperatives should let anyone join who wants to, one-half of the farmers replied in the affirmative. The other one-half indicated their desire to exclude non-farmers, non-producers, dishonest persons, and miscellaneous types of persons.

The policy of requiring members to sign marketing contracts with a cooperative was strongly opposed by the farmers interviewed. Approximately 85 percent of the farmers apparently viewed such a practice as a violation of their individual rights. They strongly favored the principle of voluntary association, insofar as the right to join or drop out anytime is concerned.

In reply to the question of which method is best by which to obtain new members, slightly more than one-half favored selling shares directly to non-members. Slightly more than one-third were of the opinion that holding back cash refunds from non-member patrons is the better method. This rather small proportion favoring holding back refunds seems to indicate that most farmers would not want to be "forced" into membership by having their dividends withheld.

The principle of buying and selling at market prices is not understood by many farmers. Approximately one-third of the sample farmers held the opinion that it would be better for cooperatives to sell to patrons at lower prices in the first place rather than give refunds later. Apparently these farmers did not realize the dangers of price wars and of operating on too narrow a margin of safety.

Approximately three fourths of the farmers believe that managers of cooperatives should have farm backgrounds. The same number see no reasons why managers and officers should not belong to local business or service clubs. Five out of six farmers said there is no reason why a farmer cannot afford to belong to a cooperative. One in twelve, however, felt that they cannot afford to be a member.

The farmers interviewed were by no means in complete agreement on the tax issue. Five out of six were of the opinion that patronage refunds should not be taxed. Two-thirds believed that capital retains should not be taxed. These opinions cannot be said to be influenced by knowledge of the present tax policies. Sixty percent (in round numbers) of the farmers said that they didn't know whether or not cooperatives are required to pay taxes. Of the other 40 percent, one-half said cooperatives were taxable and the other half said cooperatives were not taxable. These results indicate that cooperative leaders may need to do some fence repairing in order to present a united front against the present pressures which desire to eliminate tax exemption for cooperatives.

Most farmers declare that cooperatives contribute greatly to their general welfare, and must be preserved at all costs. The loyalty of some farmers ceases, however, when they are no longer able to get an immediate price or service advantage. Over one-third of the farmers interviewed would not continue buying from a cooperative if they could get supplies at lower prices elsewhere. If a cooperative began to lose money, most of the farmers stated they would take an active part in helping to get it back on its feet. One out of eight would get out of the cooperative as soon as they could. Three-fourths of the farmers were of the opinion that, in the event of poor business conditions, a

cooperative would survive longer than a non-cooperative business.

In general, it can be said that a substantial majority of the farmers understood and accented the cooperative principles. Their general attitude may be said to be quite favorable toward the cooperative form of business enterprise. However, the presence of a sizable fraction of farmers who, in each case, did not approve of the principle or policy in question, is a certain threat to the continued strength of the cooperative enterprises.

The data applicable to each particular principle and practice have already been summarized on the basis of the influencing factors. This was done at the end of each chapter section, and will not be repeated here. However, it is of major interest to examine, in a general sense, the factors themselves. This permits the comparison of members with non-members, older farmers with younger farmers, officers with non-officers, etc., with respect to general knowledge and acceptance of the cooperative principles and practices.

Generally speaking, members were found to have significantly greater knowledge and understanding of the cooperative principles than non-members. This was not true in all cases, however. Members and non-members supported the principle of democratic control in equal proportions. Members supported the principles of distributing earnings on the basis of patronage, and selling at market prices, in significantly greater proportions than non-members. Members were slightly more in favor of restricting membership. They favored somewhat more strongly the privilege of joining or dropping out of a cooperative anytime. They were slightly more opposed to taxation of cooperative earnings, and indicated a slightly greater degree of loyalty.

Members were not as insistent as non-members that managers have

farm backgrounds. Significantly greater proportions of members believed it was better to hold back refunds rather than increase capital by borrowing. Greater proportions of members than non-members favored holding back refunds as a method of getting new members, rather than selling memberships directly. The idea that cooperatives are non-profit businesses was considerably better understood by members than by non-members.

Members seldom differed from non-members more than 20 percentage points. In addition, the factor of membership status was found not to have any appreciably greater effect upon opinions than did the factors of age, education, and amount of business done. These two facts seem to indicate that membership status did not have any unique role to play as a determinant of the degree of favorableness or unfavorableness toward cooperatives. It is merely one among a number of factors which influence the general attitudes of farmers toward cooperatives.

The factor of age frequently had a significant effect upon the opinions of the farmers interviewed. Significantly greater proportions of younger farmers believed most of the earnings should go to patrons, and that refunds should be withheld instead of borrowing to get more capital. Younger farmers were slightly more favorable to the principles of democratic control and selling at market prices. Younger farmers, in greater proportions than older farmers, preferred getting new members by selling them shares directly. They also were somewhat more favorable to limiting membership.

Older farmers were more loyal on the matter of continuing to buy if prices were higher, but younger members had more faith in the financial strength of cooperatives, and would be quicker to help a losing cooperative to get back on its feet. In general, the opinions of the

younger farmers appeared to be somewhat more favorable to the cooperative principles and practices. This differs somewhat from the findings of Anderson and Sanderson. In their report on the studies of the attitudes of New York farmers toward their cooperatives, they found no significant difference between age groups in general favorableness toward cooperatives.¹

It is difficult to generalize on the effects of education upon farmers' opinions concerning cooperative principles and practices. In some instances those with least education most strongly supported the cooperative principles. Those with less education supported the principle of one vote per member (as opposed to one vote per share) in significantly greater proportions than those with high school or college training. On the other hand, those with more years of schooling were slightly more in favor of giving patrons most of the cooperative earnings. They also had the greatest understanding of the non-profit ideal.

The college group was somewhat erratic. They were most favorable to limiting membership, but were weakest in support of the principle of selling at market prices. The college group most strongly opposed taxation of cooperatives. Those who completed a maximum of nine to twelve years of schooling (the high school group) seemed to be slightly more consistent than the other groups in their support of the accepted principles and practices. In the studies reported by Anderson and Sanderson no significant difference in attitude was found on the basis of schooling.²

1. Anderson and Sanderson, op. cit., p. 27.

2. Ibid, p. 27.

The amount of business which a farmer carried on with cooperatives was very likely to effect his general attitude toward the cooperative principles. In general, those who did the greatest amount of business were most favorable to the accepted principles and practices. Significantly greater proportions of those doing large amounts of business supported the principles of patronage dividends, voluntary membership, and selling at market prices. These "big" farmers were also more favorable to limiting membership, and to holding back the cash refunds and issuing share dividends instead.

The principle of democratic control was supported by equal proportions of big and small farmers. The big farmers indicated a slightly greater degree of loyalty, and were somewhat more opposed to taxation of cooperative earnings. Since membership tended to be associated with those doing the most business, the opinion differences observed on the basis of amount of business done are in part a reflection of the factor of membership status.

The attitudes of the members who attended cooperative meetings were found to be more favorable to the cooperative principles than those who never attended meetings. Significantly greater proportions of members who attend most of the meetings supported the principles of democratic control, patronage dividends, and freedom to join or drop out anytime. In addition, they had a greater understanding of the non-profit concept, and were somewhat more favorable to the principle of selling at market prices. Those who attend meetings were also found to be more loyal, and more opposed to taxation of cooperatives. These results prove the importance of urging members to attend cooperative meetings.

With respect to most of the cooperative principles, those members

who had at some time been an officer in a cooperative were found to be more favorable than those members who had never been officers. The percentage differences in most cases, however, were not sufficient to prove significant. Non-officers were slightly more in favor of the democratic principle, they have greater preference for managers with farm backgrounds, and they have more faith in the financial strength of cooperatives. Only two thirds of the officers believed that cooperatives could be called non-profit organizations. Only one in ten wished to be bound by a contract. Officers were more strongly in favor of limiting membership, and of following the procedure of withholding cash refunds. Officers were much more loyal than non-officers on the point of continuing to buy from cooperatives even if prices were somewhat higher. In general, the results of this study reveal a strikingly small variation between officers and non-officer members with respect to their understanding and acceptance of the cooperative principles.

Those farmers who were members of the Farm Bureau were found to support the cooperative principles in somewhat greater proportions than those who were not members of the Farm Bureau. Farm Bureau members were significantly more favorable to the "non-profit" ideal, to returning most of the earnings to patrons, and to limiting membership. They were slightly more favorable to the principle of selling at market prices. They did not differ from non-Farm Bureau members on the principle of democratic control, on contract versus freedom to join or drop out, on requiring managers to have farm backgrounds, and on taxation of cooperatives.

The factor of size of farm was associated with amount of business done. However, the opinions of farmers grouped according to the size

of farm operated did not usually vary significantly. This seems to indicate that the factor of amount of business done had a greater effect upon the farmers' opinions than did the factor of size of farm.

The factor of tenure status was found to have little effect upon the opinion responses. Apparently the knowledge and understanding of the cooperative principles was equally well diffused among tenants as among farm owners.

Length of membership seemed to have no appreciable effect upon the understanding and acceptance of the principles. In some cases those who joined prior to 1931 and more recently than 1940 evidenced greater understanding than those who joined during the 1930's. The differences, however, may have been due to chance factors in sampling.

The farmers in the sample who were members of the oil and gas, and fruit marketing cooperatives were found to be, in general, much less favorable to the cooperative principles than were the members of dairy, grain, and livestock associations. This was especially true regarding the principles of democratic control and patronage dividends. Members of these two types of cooperatives were much more desirous of the use of crop contracts.

The opinions of farmers representing oil and gas, and fruit cooperatives in this study cannot be considered representative for all such cooperatives. This is due to the fact that most of these members in the sample were located in the Eau Claire area where the principle of democratic control was not observed in the fruit marketing cooperative.

2. Conclusions

In the light of the purpose of this study, several general conclu-

sions can be drawn. In the first place, the general attitudes of farmers toward cooperatives was found to be very favorable. There was a strong undercurrent of feeling among farmers that cooperatives must be maintained at all costs, in order to keep competing businesses in line with fair prices. A major problem of cooperation is to determine how the cooperative form of business may best be operated and maintained. The opinions and attitudes of some farmers are not favorable to the time-proven principles of cooperation. To the extent that these unfavorable attitudes persist, cooperatives will continue to experience a constant threat to their way of doing business. In general, it can be said that unfavorable attitudes toward the principles of cooperation are the result of the unwillingness of individuals to sacrifice personal interests for the good of the common cause. Such individuals are unconsciously undermining the structure which they seek to preserve.

Secondly, it was found that among the farmers interviewed the extent of understanding of the cooperative principles is rather limited. Some farmers hold adverse opinions. Some have favorable opinions which are not strongly held. Others have no opinions at all. Presumably one could not expect to find a group of farmers who would be one hundred percent in favor of the principles. However, the results of this study seem to indicate that there is need for increased understanding and acceptance of the cooperative principles.

Thirdly, the study revealed that most farmers attach themselves to cooperatives with a fair degree of loyalty. They have faith that cooperatives can, and will, weather financial storms. A majority said they would not desert a cooperative if it began to have financial difficulties, or if its price offerings were not always advantageous.

Approximately one-third, however, said they would cease doing business with a cooperative if they could not get the immediate price advantage which they feel they must have.

The study also revealed that there was a remarkable diffusion of ideas and opinions among all types of farmers in the sample areas. The data seemed to indicate that in areas where a large proportion of the farmers are cooperative members one could expect to find no great variation of opinions, with the possible exception of a very few individuals who for some personal reason may have become embittered against cooperatives. Because a man happened to be a non-member, a big farmer, a renter, or a man with much schooling, did not reliably indicate his degree of favorableness or unfavorableness toward cooperatives. Regardless of the factor which was used to break up the total sample into groups, the variations in opinions were relatively small, usually not more than fifteen percentage points. Assimilation apparently proceeds at a great rate.

The fact that members did not differ greatly from non-members is significant in itself. This indicates that cooperative leaders cannot wash their hands of the attitudes of non-members by saying "they are none of ours." The strength of a cooperative depends not alone on the attitudes of the members, but on the attitudes of non-members as well. It seems that membership status is merely one among other factors influencing attitudes. There seems to be no good reason why all other factors should be considered in the light of the membership factor. In fact, the attitude of a farmer cannot be attributed to any one factor, but is a composite of many factors. To determine which factors exerted the greatest influence would become a major problem in multiple correlation.

The data obtained in this study by no means exhaust the field of investigation. A number of questions arose which could not be answered with the data at hand. Some such questions were: Do farmers feel that dividends should be paid to non-members? Should credit be extended to patrons? What is the attitude of farmers on the question of whether cooperatives should advertise? What rate of interest is a fair return on capital investment? These and other questions must be left to further investigations in the field of attitudes toward cooperative principles and practices. Much work could also be done on the determination of the intensity of the attitudes which the farmers hold. Whether the opinion of a farmer is strongly or only weakly held is not revealed by the "Yes-No" type of response.

The continuing need for cooperative education is a conclusion which seems to stand out above all other conclusions. This is by no means a unique discovery. Many previous studies of membership relations have concluded with this same observation. At the close of their study of cooperative discontinuances, Cochrane and Elsworth state that:

In the case of a large number of discontinuances the members failed to give full support to their cooperatives. They may have been uninformed as to their parts in the joint undertakings or perhaps they did not take seriously the responsibilities that were justly theirs. . . The remedy for the shortcomings of membership would seem to be more education, and then more.³

A cooperative enterprise does not have some inherent quality of self-preservation. Constant care and vigilance must be exercised to keep the enterprise from degenerating into a non-cooperative form. Many examples could be cited which illustrate the tendency for coopera-

3. W. W. Cochrane and R. H. Elsworth, Farmers' Cooperative Discontinuances, 1875-1939, Farm Credit Administration, Washington, D. C., Miscellaneous Report No. 65, June, 1943, p. 33.

tives to lose their identity. One such example is that of the Sodus Fruit Exchange in Berrien County, Michigan. Largely because the principle of one-vote-per-member was not observed, control was allowed to slip into the hands of a few who gradually converted the business into a stock company. The members themselves no longer identify the enterprise as a cooperative.

Cooperative education must start at the top. The fact that officers were found not to differ greatly from non-officers is ample proof of this. The managers and directors themselves must have a full understanding of the importance of the cooperative principles before they can properly discharge their duties as leaders. Whether it be by more cooperative meetings, more printed matter, encouragement of greater participation on the part of members, or other means, cooperative leaders must put forth every effort to disseminate information which will build for greater understanding among members of the principles upon which cooperatives stand.

As long as conditions are relatively stable and a cooperative continues to give its members the economic advantages they desire, membership relations will no doubt continue favorable. In times of crises, however, cooperatives are usually compelled to reexamine themselves. Weaknesses are often revealed, and any lack of careful building becomes apparent. In that sense, crises have beneficial effects upon the organizations. It is probable that the present struggle over the tax issue will result in the strengthening of cooperative forces. Wise cooperative leaders plan for the future in terms of all possible crises which may arise. A part of that planning consists in helping the members to better understand and accept the principles upon which coopera-

tives must be built if they are to endure. When this is accomplished, members will wholeheartedly and understandingly give their loyalty and support to their cooperatives, not in prosperity alone, but also in adversity. In the words of Anderson and Sanderson:

The problems of cooperative associations with regard to membership relations are not essentially different from those of any democratic movement. They will always be recurrent, but their solution will continue to be advanced only through effective methods of education of members, placing as much responsibility upon them as possible, and by a continual exchange of information between them and their chosen leaders so that there may be mutual confidence between them in their loyalty to common goals.⁴

4. Anderson and Sanderson, op. cit., p. 32.

BIBLIOGRAPHY

1. Books

- Albig, William, Public Opinion, McGraw-Hill, New York, 1939.
- Pakken, H. H., and Schaars, M. A., The Economics of Cooperative Marketing, McGraw-Hill, New York, 1937.
- Clark, F. E., and Clark, C. P., Principles of Marketing, Macmillan, New York, 1942.
- Clark, F. E., and Weld, L. D. H., Marketing Agricultural Products, Macmillan, New York, 1932.
- Converse, P. D., and Huegy, H. W., The Elements of Marketing, Prentice-Hall, New York, 1946.
- Cowling, Ellis, Cooperatives in America, Coward McCann, New York, 1938.
- Croxton, F. E., and Cowden, D. J., Applied General Statistics, Prentice-Hall, New York, 1946.
- Daniels, John, Cooperation: An American Way, Covici, Friede, New York, 1938.
- Farm Credit Administration, A Statistical Handbook of Farmers' Cooperatives, Washington, D. C., Bulletin No. 26, November, 1938.
- Mercher, L. C., Kebker, V. W., and Ieland, W. C., Consumers' Cooperatives in the North Central States, University of Minnesota Press, Minneapolis, 1941.
- Lundberg, George A., Social Research, Longmans, Green and Co., New York, 1942.
- May, Mark A., and Doob, Leonard W., Competition and Cooperation, Social Science Research Bulletin No. 25, Social Science Research Council, New York, 1937.
- Orne, Anders, Co-operative Ideals and Problems, Co-operative Union, Ltd., Manchester, 1937.
- Sanderson, Dwight, Rural Sociology and Rural Social Organization, John Wiley and Sons, New York, 1942.
- Warbasse, J. P., Problems of Cooperation, Island Press, New York, 1942.

2. Pamphlets

- Anderson, W. A., and Sanderson, Dwight, Membership Relations in Cooperative Organizations, Department of Rural Sociology, Cornell University Agricultural Experiment Station, Ithaca, Mimeograph Bulletin No. 9, April 1943.
- Chesire, Leone, Saffir, Milton, and Thurstone, L. L., Computing Diagrams for the Tetrachoric Correlation Coefficient, University of Chicago, 1933.
- Clayton, C. F., and Horner, J. T., Farmers' Cooperative Buying and Selling Organizations in Michigan, Agricultural Experiment Station, East Lansing, Special Bulletin 171, 1928.
- Clement, S. L., The Organization, Practices, and Membership Participation of Two North Carolina Farm Cooperatives, Agricultural Experiment Station, Raleigh, Bulletin 311, July 1937.
- Cochrane, W. W., and Elsworth, R. H., Farmers' Cooperative Discontinuances, 1875-1939, Farm Credit Administration, Washington, D. C., Miscellaneous Report No. 65, June, 1943.
- Dorsey, R. C., Farmer Co-ops in Michigan, St. Paul Bank for Cooperatives, St. Paul, 1939.
- Fetrow, Ward W., Three Principles of Agricultural Cooperation, Farm Credit Administration, Washington, D. C., Circular F-24, 1945.
- Hedrick, W. O., A Decade of Michigan Cooperative Elevators, Agricultural Experiment Station, East Lansing, Special Bulletin 291, May, 1938.
- Henning, George F., and Poling, Earl B., Attitudes of Farmers Toward Cooperative Marketing, Agricultural Experiment Station, Wooster, Ohio, Bulletin 606, September 1939.
- John, M. E., Factors Influencing Farmers' Attitudes Toward a Cooperative Marketing Organization, Agricultural Experiment Station, State College, Pa., Bulletin 457, November, 1943.
- Jones, J. W., Membership Relations of Cooperative Associations, Farm Credit Administration, Washington, D. C., Bulletin No. 9, October, 1936.
- Larzelere, H. E., Financial Management Analysis of Farmers' Cooperatives in Michigan, Agricultural Experiment Station, East Lansing, Special Bulletin 315, May, 1942.
- McConnell, James A., "Three Long-Range G. I. F. Policies", American Agriculturalist, November 15, 1947.
- McDonald, Angus, "Fulton Lewis Jr. and the Co-ops", New Republic, September, 1947.

- Michigan Association of Farmer Cooperatives, Annual Report, Lansing, August 31, 1947.
- Motts, G. N., Fruit and Vegetable Cooperatives in Michigan, Agricultural Experiment Station, East Lansing, Special Bulletin 317, June, 1942.
- Robotka, Frank, Membership Problems and Relationships in Iowa Farmers' Elevators, Iowa State College, Ames, Bulletin 321, July, 1934.
- Robotka, Frank, and Laughlin, Gordon C., Cooperative Organization of Iowa Farmers' Creameries, Farm Credit Administration, Washington, D.C., Bulletin No. 14, April, 1937.
- Stern, J. K., Membership Problems in a Milk Marketing Organization, Pennsylvania State College, State College, Bulletin 256, May, 1930.
- Stitts, Tom G., and Weldon, W. C., Agricultural Cooperation and National Legislation, Farm Credit Administration, Washington, D. C., Circular A-20, July, 1940.
- Stokdyk, E. A., Economic Objectives of Farmers' Cooperatives, Farm Credit Administration, Washington, D. C., Miscellaneous Report No. 90, October, 1945.
- Veatch, J. O., Agricultural Land Classification and Land Types of Michigan, Agricultural Experiment Station, East Lansing, Special Bulletin 231, October, 1941.
- Wanstell, Grace, Statistics of Farmers' Marketing and Purchasing Cooperatives, 1944-45, Farm Credit Administration, Washington, D. C., Miscellaneous Report No. 108, May, 1947.
- Weldon, W. C., and T. G. Stitts, Milk Cooperatives in Four Ohio Markets, Farm Credit Administration, Washington, D. C., Bulletin No. 16, April, 1937.

3. Unpublished Materials

- Boek, Walter E., Personal Attributes and Social Experience as Correlates of Participation in Farmers' Cooperatives in Michigan, Unpublished Master's Thesis, Michigan State College, 1948.
- Diehl, Wilbur W., Jr., The Use of Crop Contracts by Producers' Cooperative Associations, Unpublished Master's Thesis, Michigan State College, 1926.
- Gibson, Duane L., Membership Relations of Farmers' Milk Marketing Organizations in New York State, Unpublished Doctor's Thesis, Cornell University, 1940.
- Michigan Association of Farmer Cooperatives, Program Leaflet, Third Annual Meeting, October, 1947.

Sandage, C. H., The Opinion of Farm Families Toward Retail Farm Supply Stores in Indiana, Farm Research Institute, Urbana, Illinois, December, 1947.

Smoker, Richard E., The Elkhart County Farm Bureau Cooperative Association and the Attitude of Elkhart County Farmers Toward It, Unpublished Bachelor's Thesis, Purdue University, 1946.

APPENDICES

APPENDIX A

COOPERATIVES REPRESENTED IN THE SAMPLE

The following is a list of cooperatives, members of which were included in the sample. The cooperatives are listed according to the areas in which the members resided, with the exception of the four state-wide cooperatives listed separately. If a farmer was a member of more than one cooperative, his membership will, of course, appear more than once.

<u>Name of Cooperative</u>	<u>Number of Memberships</u>
<u>State-wide Cooperatives</u>	
Michigan Milk Producers' Association	65
Michigan Livestock Exchange	59
Detroit Packing Company	54
Rural Electrification Associations	27
 <u>Area 1: Berrien and Cass Counties</u>	
Eau Claire Fruit Exchange	62
Berrien County Farm Bureau Oil Company	28
Dowagiac Farmers Cooperative	16
Millburg Growers Exchange	6
Producers' Creamery, Benton Harbor	5
Berrien County Fruit Exchange, Stevensville	2
Farm Bureau Fertilizer Company	1
South Bend Farmers' Public Market Association	1
 <u>Area 2: Branch County</u>	
Coldwater Cooperative Co.	57
Batavia Cooperative Co.	27
Branch County Farm Bureau Oil Co.	6
Quincy Cooperative Co.	5
Burr Oak Cooperative Co.	5
Coldwater Dairy Company	3
Bronson Cooperative Co.	3
Litchfield Dairy Association	3
Constantine Cooperative Creamery	1
Tri-State Cooperative Co.	1

<u>Name of</u> <u>Cooperative</u>	<u>Number of</u> <u>Memberships</u>
--------------------------------------	--

Area 3: Lenawee and Monroe Counties

Blissfield Cooperative Co.	39
Deerfield Cooperative Co.	20
Lenawee County Farm Bureau Oil Co.	3
Ottawa Lake Cooperative Co.	2
Farm Bureau Fertilizer Company	2
Farmers Cooperative, Montpelier, Ohio	1

Area 4: Kent, Ottawa, and Allegan Counties

Hudsonville, Jamestown, Vriesland Farmers Cooperative Elevator Company	31
Salem Cooperative Co.	26
Pyron Center Cooperative Co.	17
Hamilton Farm Bureau Cooperative	10
Moline Cooperative Co.	9
Salem Cooperative Creamery	5
Zeeland Farmers Cooperative	2
Falmoth Cooperative Co.	1
Vriesland Growers Association	1
Otsego Sanitary Milk Company	1
Middleville Cooperative Creamery	1
Ottawa and Allegan Electric Company	1

Area 5: Huron County

Elkton Cooperative Farm Produce Company	36
Pigeon Cooperative Elevator Company	29
People's Oil and Gas Company	3
Bad Axe Farmers Elevator	1
Huron County Beef Producers Association	1

APPENDIX B

SCHEDULE OF QUESTIONS USED IN INTERVIEWS

(Following is a complete list of the questions asked each farmer interviewed. Question numbers were assigned for tabulation purposes and are not always sequential.)

4. First, have you had any kind of experience with co-ops?

1-Yes () 2-No ()

5. In general, do you think that co-ops are a good thing or a bad thing for farmers? 1-Good thing () 2-Bad thing () 3-Don't know ()

6. What would you say are the main advantages of co-ops for farmers?

7. What are your criticisms of co-ops?

8. In general, how would you say that farmer-owned co-ops compare with other businesses? Would you say that co-ops are doing a better job, a poorer job, or about an equal job of buying and selling for farmers?

1-Better job () 2-Poorer job () 3-Equal job () 4-Don't know()

9. I'd like to ask you a few questions about farm supply co-ops or purchasing co-ops; that is, the kind that farmers organize to buy supplies for its members, such as seeds, feeds, fertilizers, etc. In general, do you feel that the net costs of farm supplies to members of farm co-ops are higher, lower, or about the same as the net costs of purchases made at other businesses?

1-Higher() 2-Lower () 3-About the same () 4-Don't know ()

10. (If "higher" or "lower") How important do you feel these lower (higher) prices are as an advantage (disadvantage) of farm supply co-ops? Do you feel that they are very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

11. What do you think about the quality of the supplies which co-ops handle for farmers? Do you think it is better, poorer, or about the same as those handled by other businesses?

1-Better() 2-Poorer() 3-About the same() 4-Don't know()

12. (If "better" or "poorer") How important do you feel this better (poorer) quality is as an advantage (disadvantage) of farm supply co-ops? Do you feel that it is very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

13. Now I'd like to ask you about the service of farm supply co-ops as compared with other businesses. By service I mean deliveries of orders, special orders, courteous treatment by the managers and clerks, and things of that kind. In general, do you feel that the service of farm

supply co-ops is better, poorer, or about the same as other businesses?

1-Better() 2-Poorer() 3-About the same() 4-Don't know()

(If "better" or "poorer") In what way? _____

14. (If "better" or "poorer") How important do you feel this better (poorer) service is as an advantage (disadvantage) of farm supply co-ops? Do you feel that it is very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

15. Some farmers say that farm supply co-ops should provide better service than other kinds of business even though it might mean that the patronage refunds would have to be lower. Do you agree with that statement, or not? 1-Agree() 2-Disagree() 3-Don't know()

16. Some people say that one of the advantages of farm supply co-ops is that farmers can own and control the business which serves them. Would you say that this is very important, important, or not important as an advantage of farm supply co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

17. Some people say that farm supply co-ops help farmers because they are sort of a "measuring stick" with which farmers can compare the price, quality and service of other businesses. Would you say that this is very important, important, or not important as an advantage of farm supply co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

18. It is sometimes said that farm supply co-ops help farmers because they give to farmers a share in the business through patronage refunds. Would you say that this is very important, important, or not important as an advantage of farm supply co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

19. Do you feel that farm supply co-ops should make it a general practice to sell at lower prices in the first place rather than give refunds later?

1-Yes () 2-No () 3-Don't know ()

20. Do you think that a member should continue to buy from his farm supply co-op even though prices may sometimes be a little higher than at other businesses? 1-Should continue() 2-Should not continue() 3-Don't know ()

21. Are non-members allowed to trade at the farm supply co-ops you know about? 1-Yes () 2-No () 3-Don't know ()

22. (If "yes") Do you think that they get the same service as members?

1-Yes () 2-No () 3-Don't know ()

23. (If "yes") Do you know whether non-members get patronage refunds?

1-Yes () 2-No () 3-Don't know ()

24. Now I'd like to ask some of the same kinds of questions about marketing co-ops that I have just asked about farm supply co-ops. By marketing co-ops I mean co-ops which farmers organize to process and sell products

for them, such as milk, fruit, livestock, beans, etc. In general, would you say that marketing co-ops as compared with other businesses, net the farmer more money, less money or about the same amount of money for his products? 1-More() 2-Less() 3-About the same() 4-Don't know()

25. (If "more" or "less") How important do you feel these higher (lower) returns are as an advantage (disadvantage) of marketing co-ops? Do you feel that it is very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

26. How about the efficiency with which a marketing co-op operates as compared with other marketing businesses? Would you say that the marketing co-ops are more efficient, less efficient, or about the same as other businesses? 1-More() 2-Less() 3-About the same() 4-Don't know()

27. (If "more" or "less") How important do you feel this efficiency (inefficiency) is as an advantage (disadvantage) of marketing co-ops? Do you feel that it is very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

28. How about the services of marketing co-ops as compared with other marketing businesses on such things as grading, processing, testing, trucking, etc.? Would you say that the service of co-ops is better, poorer, or about the same as other businesses?

1-Better () 2-Poorer () 3-About the same () 4-Don't know ()

29. (If "better" or "poorer") How important do you feel this matter of better (poorer) service is as an advantage (disadvantage) of marketing co-ops? Do you feel that it is very important, important, or not important?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

30. Some people say that one of the advantages of marketing co-ops is that farmers can own and control the business which serves them. Do you feel that this is very important, important, or not important as an advantage of marketing co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

31. Some people say that marketing co-ops help farmers because they are a sort of "measuring stick" with which farmers can compare the price, efficiency, and service of other marketing businesses. Would you say that this is very important, important, or not important as an advantage of marketing co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

32. Some people say that marketing co-ops help farmers because they give farmers a share in the business through patronage refunds. Would you say that this is very important, important, or not important as an advantage of marketing co-ops?

1-Very important() 2-Important() 3-Not important() 4-Don't know()

33. Do you think that a member should continue to sell his products through his co-op even though prices may sometimes be a little lower than at other businesses? 1-Yes () 2-No () 3-Don't know ()

34. In general, do you feel that a farmer should be allowed to join or drop out of a marketing co-op any time he pleases or should he be required to have a contract which runs for an agreed period of time?

1-Any time() 2-Contract() 3-Depends() 4-Don't know()

(If "contract" or "depends") What kind of requirements for getting in and out do you think would work best? _____

35. I have asked you pretty much the same kinds of questions about farm supply co-ops and marketing co-ops separately. Now I'd like to have you compare those two types. Which of these two kinds of co-ops which we have been talking about do you think helps the farmer most; the farm supply co-op or the marketing co-op? 1-Farm supply() 2-Marketing()

3-Equal() 4-Neither() 5-Don't know()

36. (If "farm supply" or "marketing") Why do you feel that way? _____

37. How would you rate co-ops as to their value to the community in comparison with other businesses? Would you say that co-ops are a greater asset than other businesses to the community, not as much of an asset, or about the same? 1-Greater () 2-Less () 3-About the same ()

4-Don't know ()

38. Some people say that co-ops help farmers because they give out sounder information about new farming ideas than other kinds of businesses do. Would you say that co-ops do a better job, a poorer job, or about the same job as other businesses in giving out sound information about new farming ideas? 1-Better() 2-Poorer() 3-About the same() 4-Don't know()

39. Some people say that co-ops help the farmer because they aren't as likely to "syp" the farmer as other businesses are. Do you agree with this statement, or not? 1-Agree() 2-Disagree() 3-Don't know()

40. Do you feel that the employees of co-ops are more efficient, less efficient or about the same as the employees of other businesses?

1-More () 2-Less () 3-About the same () 4-Don't know()

41. In general, do you feel that the managers of co-ops should have farm backgrounds, or not? 1-Yes () 2-No () 3-Don't know ()

42. In general, do you feel that managers or officers of co-ops should belong to local business or service clubs, or not?

1-Yes () 2-No () 3-Don't know ()

43. Suppose you belonged to a co-op and so many members dropped out that the co-op began to lose money. Which of these things would you do: Go out and help get new members; vote to continue the co-op but on a smaller scale; drop your own membership; or vote to dissolve the co-op?

1-Recruit() 2-Reduce operations() 3-Drop out() 4-Dissolve()
5-Don't know()

(This question was asked in alternate form as follows: Suppose you belonged to a co-op and so many members dropped out that the co-op began to lose money. What would you do? _____)

44. Do you think that co-ops should let anyone join who wants to?

1-Yes () 2-No () 3-Don't know ()

(If "no") What sort of persons shouldn't be allowed to join? _____

45. Do you think that farmers who don't belong to co-ops get any benefit from them? 1-Yes () 2-No () 3-Don't know ()

(If "yes") In what way? _____

46. Some farmers say they can't afford to belong to a co-op because they would have to have too much money tied up in it. Do you agree with that statement, or not? 1-Agree () 2-Disagree () 3-Don't know ()

47. Which kind of farmer do you think gets the most benefit from belonging to a co-op; the man with a big farm, or the man with a small farm, or do you feel that there isn't much difference?

1-Big farmer() 2-Small farmer() 3-No difference() 4-Don't know()

(If "big" or "small") Why do you think so? _____

48. Do you think that the growth of city consumer co-ops which are organized by city people to handle food, clothing, services, etc., for their members is against the best interests of farmer co-ops, or not?

1-Yes () 2-No () 3-Don't know ()

49. When a vote is held at a co-op meeting do you think that each member should have just one vote or should each member have a vote for every share of stock he owns?

1-One vote per member() 2-One vote per share() 3-Don't know()

50. Do you think that co-ops should be set up so that the more business a man does with it the more votes he should be allowed to cast at meetings?

1-Yes () 2-No () 3-Don't know ()

51. Suppose a co-op needed to increase its capital. Which of these things do you think it should do: Borrow money from a bank or pay its patronage refunds in the form of shares of stock rather than cash?

1-Borrow from bank() 2-Pay refunds in stock() 3-Both() 4-Don't know()

53. When a co-op wants to get new members, which of these ways do you think it should use: Hold back the patronage refunds of new purchasers until they have enough to pay for their membership or go out and sell memberships directly to farmers?

1-Hold back refunds() 2-Sell memberships() 3-Don't know()

54. When a co-op has a surplus at the end of the year, who do you think should get most of it: The stockholders through dividends on stock or the patrons through refunds on the business they did?

1-Stockholders() 2-Patrons() 3-About equal() 4-Don't know()

55. We take it for granted in this country that ordinary business is out to make a profit. Do you think of co-ops as typical profit-making businesses, or not? 1-Yes () 2-No () 3-Don't know ()

(On alternate forms of the schedule, this question was asked immediately preceding question 59)

56. A business which pays out its earnings only to stockholders has to pay an income tax on these dividends to stockholders. If a co-op pays refunds to members on the basis of patronage do you think it should be required to pay an income tax on these refunds? 1-Yes () 2-No () 3-Don't know ()

57. A business which holds back some of its earnings to build up the business has to pay an income tax on the money it holds back. Do you think that a co-op should be taxed on the earnings it holds back if each patron's share of it is recorded on the books? 1-Yes () 2-No () 3-Don't know ()

58. Do you know whether most farmers' co-ops are required to pay income taxes, or not? 1-Required () 2-Not required () 3-Don't know ()

59. Many co-ops call themselves "non-profit" organizations because they say the amount left over at the end of the year is returned to purchasers similar to a discount. Do you feel that co-ops that operate in this manner are right in calling themselves "non-profit" organizations?

1-Yes () 2-No () 3-Don't know ()

61. Are you a member of a co-op now? 1-Yes () 2-No () 3-Don't know ()

(If "yes", fill in all of table below)

(If "no", but does business with co-ops, indicate name and amount of business)

Name of co-op	Year joined	Main reason for joining	Approx. Amt. of Bus. with Co-op last Yr.

68. Have you ever belonged to any co-ops and then dropped out?

1-Yes () 2-No () 3-Don't know ()

(If "yes", fill in table below)

Name of co-op	Year joined	Year dropped out	Reason for dropping out

75. Now I'd like to have you think back over your acquaintance with the cooperative method of doing business and try to remember what your first impressions were about co-ops. Would you say that your first impressions were favorable or unfavorable?

1-Favorable () 2-Unfavorable () 3-Don't know ()

76. Since that time have you become more favorable or less favorable toward co-ops, or haven't your feelings changed? 1-More favorable ()

2-Less favorable () 3-No change () 4-Don't know ()

77. (If "more" or "less") What kinds of experiences have you had with co-ops which have changed your first impressions? _____

78. Where do you get most of your information about co-ops? _____

(Questions 4 through 11 are for those who are co-op members. If the informant is not a co-op member, go to question 12 and continue)

(Card 2)

4. Have you ever been an officer or a director in a co-op? 6-Yes ()
7-No ()

(If "yes") What offices have you held? _____

5. I'd like to have some idea as to how often you attend meetings held by your co-op(s). Would you say you attend most of them, a few of them, or none of them? 6-Most () 7-Few () 8-None () 9-Don't know ()

6. Do you feel that you are a part owner of the co-op(s) you belong to?
6-Yes () 7-No () 8-Don't know ()

7. Do you feel that you have a "say" about the way your co-op is run?
6-Yes () 7-No () 8-Don't know ()

8. Do you do business with your co-op(s) mostly because it means more money to you or mostly because you believe in the idea of cooperation?
6-Means money() 7-Believe in idea() 8-Both() 9-Don't know()

10. Are your farmer friends and farmer relatives in this community all members of co-ops, or not? 6-Yes () 7-No () 8-Don't know ()

11. (If "no") Within the past year have you tried to interest any of your non-member friends in joining a co-op? 6-Yes() 7-No() 8-Don't know()

12. (To be asked of non-members) What changes would a co-op need to make in order to interest you in becoming a member? _____

13. If business were poor for a few years which do you think would be more likely to fail; a farmer-owned cooperative or a business which is not co-operative? 6-Farmer-owned co-op() 7-Non-co-op business() 8-Don't know()

(On alternate schedules this question was worded as follows: If business were poor for a few years which do you think would be more likely to pull through; etc.)

Now a few questions about you and your farm:

14. What is the total number of acres you operate? _____ acres
(Check here _____ if part-time farmer)

15. Are you owner or renter of this farm? 6-Owner() 7-Renter()
8-Part-owner()

16. (If "owner" or "part-owner") Is your farm paid for? 5-Entirely()
6-Over 75%() 7-50 to 75%() 8-25 to 50%() 9-Less than 25%()

17. What is your major farm enterprise? _____

18. How many years have you lived in this community? _____ years
19. How many years of farm experience have you had since you were 16? _____
20. How old are you? _____ years
21. How many years of school did you complete? _____ years
22. Do you belong to any mutual insurance companies, such as:
- Fire insurance? _____
 - Windstorm insurance? _____
 - Hail insurance? _____
 - Auto insurance? _____
 - Sickness & health insurance? _____
 - Accident insurance? _____
 - Life insurance? _____
 - Other mutual insurance? _____
23. Are you now, or have you been, a member of the following farm organizations: Farm Bureau? 6-Present member() 7-Past member()
8-Never member
24. Grange? 6-Present member() 7-Past member() 8-Never member()
25. Other farm organization? 6-Present member() 7-Past member()
8-Never member() Name of organizations _____
26. Are you a member, or have you ever been a member, of the Michigan Milk Producers' Association? 6-Present member() 7-Past member()
8-Never member() 9-Not applicable()
27. Do you market, or have you ever marketed, through the Michigan Livestock Exchange? 6-Now markets() 7-Once marketed() 8-Never marketed() 9-No answer()
28. Do you ship, or have you ever shipped, any crops to the _____ (Nearby co-op) Elevator? 6-Now ships() 7-Used to ship() 8-Never shipped() 9-No answer()
29. Are you now, or have you ever been, a member of any crop or livestock association? 6-Present member() 7-Past member() 8-Never member()
9-No answer()
30. (If "yes") Which ones? _____
31. Do you get your electricity from the _____ (Co-op) _____ Electric?
6-Yes () 7-No () 8-No answer()
32. Are you a member of a Farm Labor Services organization? 6-Yes ()
7-No () 8-No answer()
33. At what hours do you usually listen to farm programs over the radio?
_____.

34. Are these the best times for you to hear these programs? 6-Yes()

7-No () 8-Don't know ()

(If "no") What times would be better? _____

35. Are there times when you would like to hear a good farm program but there isn't one on the air? 6-Yes () 7-No () 8-Don't know ()

36. (If yes) What times are these? _____

37. Are you a member, or have you ever been a member of the Detroit Packing Company? 6-Present member() 7-Past member() 8-Never member() 9-No answer()

At 26 '51

ROOM USE ONLY

DE 22 '54

Nov 1 '56

Jul 16 '56

Jul 24 '58

~~FEB 19 1957~~
~~OCT 27 1957~~

ROOM USE ONLY

MICHIGAN STATE UNIV. LIBRARIES



31293105904621