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• *Farmer Cooperatives*  
• *in Texas--*

*Some Organizational Aspects*

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## PREFACE

The farmer cooperatives of Texas perform valuable services to their 550,000 farmer patrons.

These cooperatives, as economic agencies for the exchange of goods and services, are much talked about today but little understood. They are a working part of our economic system. As such they should be studied and evaluated.

This publication—one of a series—presents facts about the agricultural cooperatives of Texas. Only organizations owned and controlled by agricultural operators are considered in the analyses. The first phase of this study is descriptive. Later phases will be analytical.

Generally, in research concerned with economic matters, the numbers, the dollars-and-cents and the volume or quantity figures may change each year. However, the principles underlying the changes do not vary appreciably within periods of several years.

It is hoped that a critical examination of this publication will help the reader toward an understanding of the place of cooperatives in the overall economic picture of Texas.

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# *Farmer Cooperatives in Texas ... Some Organizational Aspects*

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THIS STUDY IS DESIGNED TO GIVE the general public a clear and accurate picture of Texas agricultural cooperatives as they exist today, in order that their relationships to other segments of the economy may be better understood and appraised. Information also is given which the Texas A&M College System might use in its never-ending search for helpful educational programs, and information useful to the Farm Credit Administration and other lending agencies in shaping lending programs to the requirements of Texas farmers and ranchmen. Most important of all, it provides information that should be of assistance to farmers and ranchmen in their appraisal of the value of cooperatives.

## **ROLE OF TEXAS COOPERATIVES IN THE MARKET PLACE**

Since production and marketing costs of farm and ranch products directly influence the costs of goods to consumers, and since agricultural cooperatives are a factor in the market places, an objective study and analysis of Texas cooperatives should be valuable in determining the justification for their existence. Such an analysis also should be helpful in discovering and effecting ways and means of bringing about more orderly and efficient marketing practices. The establishment of such practices, in turn, would be worth much to those engaged in agriculture and to consumers, since more efficient marketing could bring about lower prices to the consumer while increasing the net income of the farmer and ranchman. Finally, this study should prove of value to other types of marketing agencies. The practices and operations of cooperatives are similar in many respects to competing business organizations; factors of efficiency in marketing are equally important to one as well as the other type of agency.

The aspects of Texas agricultural cooperatives which are examined in this publication are:

1. How does the present performance of Texas agricultural cooperatives compare with that of the past?

2. How many agricultural cooperatives are operating in Texas?

3. Where are these cooperatives located?

4. What are the kinds of agricultural cooperatives and what functions do they perform?

5. How many members do they have?

6. How many of these members are active or inactive?

7. How many non-member patrons do they have?

8. What relationships exist between the total number of farmers in Texas, and those who are members or patrons of cooperatives?

9. How do Texas agricultural cooperatives compare with those of other areas?

Many questions still will remain unanswered. Later publications will deal with such factors as volume, costs and efficiency.

This study is state-wide, and all types of agricultural cooperative associations are included. It covers marketing associations, purchasing associations and organizations rendering essential business services such as ginning, warehousing and the like. It also covers such rural service cooperatives as national farm loan associations, production credit associations, rural electric cooperatives and cold storage locker plants.

Modern times have seen wave after wave of agricultural cooperative organizations. As a partial explanation of cooperative activity, a search was made for fundamental conditions in agriculture which caused farmers to set up their own agencies for marketing, purchasing, supply and service.

## **AGRICULTURAL PRODUCERS IN A FREE ENTERPRISE ECONOMY**

Farmers and ranchmen are indispensable members of a free enterprise economy. As a matter of fact, agriculture is a basic economy within itself, as well as an integral part of the overall complex economy—free or otherwise. But, it is in the United States that the greatest meaning is attached to a free agriculture in a

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free economy. (The term free economy is used in the sense that this nation values free enterprise as an ideal.)

In Texas, as in all the United States, agricultural producers are industrialists who use land, labor, materials, capital and management. They employ these tools of production to convert raw materials into semi-finished and finished commodities for sale to the highest bidders in the open market. This concept is fundamental to a free enterprise system, but has not been given enough attention.

Many factors work against agricultural producers in their economic efforts. Singly, the producer has little bargaining power in the market place. This is a natural consequence of his individual output, which is too small—in relation to the total output of other similar producers—to have any effect on the market.

Agricultural production, once started, continues at a relatively fixed rate; i.e. it cannot be stepped up, slowed down, stopped, or regulated in short periods as can be done in many industries. Once committed to a season's production, agricultural producers must follow it through to completion. Automobile manufacturers, for example, can and do regulate their output to meet the demand. This has a decided effect upon ultimate profits in an industry.

#### **SURVIVAL OF AGRICULTURAL PRODUCERS IN A FREE ENTERPRISE ECONOMY**

Farmers and ranchmen must be efficient producers in a modern, complex and technological free enterprise economy. The products of the farms and ranches must flow smoothly through the market channels. Thus, agricultural producers have a direct and vital interest in the marketing of their commodities.

Returns to agricultural producers should reflect equality with other segments of the economy, commensurate with the services rendered and functions performed. This equality is difficult for the producers since they have little or no control over their markets. Because of a need for bargaining power in the market place equivalent to that of other industries, agricultural producers have set up economic organizations which give them this bargaining power.

#### **COOPERATIVES AS AN ECONOMIC IMPLEMENT OF AGRICULTURAL PRODUCERS**

Cooperatives offer a workable method of meeting the economic requirements of farmers and ranchmen in a free economy. The combined weight of their patronage and volume to business organizations of their own enables them to achieve bargaining power for the group, and thus for each individual within the group.

This is an age of "bigness," a natural accompaniment of a complex, mechanized civilization.

The typical small-scale, family-size units in agriculture gain the stature of large-scale enterprises when they join in obtaining their production needs and in marketing their commodities through cooperatives.

A cooperative is a means of integrating farm and ranch business. Instead of restricting themselves solely to production, agricultural operators—through their cooperatives—extend their activities to several other fields which enable them to carry their products nearer the ultimate consumer.

Presumably these are all economic measures designed to protect the interests of agricultural producers. There are, however, savings to pass on to consumers as a result of lowered production and marketing costs. Efficiency has increased with resulting lower costs, in many cases in which producers have cooperatively entered the channels of processing and marketing. One outstanding example of economies that can be effected in this manner is the cotton ginning business.

Texas cooperative cotton gins, in a recent season, handled an average volume of 4,854 bales against an average of 2,586 for gins under other types of ownership. Cooperatives, with 16 percent of all gins in Texas, handled 26 percent of the total crop ginned. The savings are immediately apparent when it is realized that fixed costs per bale ginned decrease inversely as volume increases. With an average volume almost double that of other gins, the cooperative had much lower costs.

Cooperatives are not a "way of life" nor "movement," any more than modern agriculture is a "way of life" or a "movement." Agricultural cooperatives are competitive agencies in a competitive economy, and they stand or fall on their ability to compete. They provide employment for thousands of persons, with sizable payrolls. They pay all local, county and state taxes, and where liable pay the federal income tax. In some cases, cooperatives rank among the largest taxpayers in the community.

Cooperatives do not replace the "middleman." As an integration of farm and ranch business, cooperatives are little different from other integrated business organizations. There are many examples of business concerns bridging the gap from the production of raw materials to the processing and distribution of finished goods to the ultimate consumers. This is the pattern in rubber, petroleum and other industries. The principle of integration increases in importance in agriculture, as this industry becomes more complex and commercialized.

An objective of doing business cooperatively is to provide service at cost. This is accomplished in many ways, and might best be illustrated by examples and comparisons between methods employed by investor and cooperative organiza-



tions.<sup>1</sup> First, there is the operation of the merchant who pays the going market price for the goods, takes title to the commodity, and then resells it at a markup which gives him a margin to cover expenses and leave a profit. The profit is his, to do with as he chooses. Thus, a cooperative elevator which receives grain from a member, and actually takes title to the commodity and mixes it with grain accepted from other members is similar in nature to the merchant. The steps in handling the commodity are essentially the same up to a point. The margin remaining after the cooperative has paid all its expenses is not a profit to the organization, but instead, by prior contractual agreement, is a profit to the patron of the cooperative and as such is returnable to him.

Next, there is the commission merchant who controls the physical commodity for resale for a certain commission. He does not take legal title to the goods, but sells them for the owner. The cooperative set up in this manner functions along the same lines. The final margin, which is a profit to the investor-type commission merchant, is the property of the cooperative patron whose transaction made it possible.

A third example is the broker who brings buyers and sellers together for a fee, usually chargeable to the seller. The broker does not take actual physical possession of the commodity. Rice growers' cooperatives in Texas operate as brokers, buying and selling from samples of each member's rice. A fee is charged, per barrel, which covers the cost of operating the sales office. If funds remain after expenses, these go back to the growers.

A fourth example, which has no exact counterpart in the investor-type business organization is the bargaining agent. In this instance, the cooperative may or may not physically handle the commodity. Another point of distinction between bargaining agents is in volume per sale. That is, the cooperative may bargain for each member, individually, as in the case of livestock associations. Or, the cooperative may bargain for the entire output of all the members, as is done by milk bargaining associations. The auction is a variation of this method. As in the previous examples, the margins remaining from the fees charged, after expenses, belong to the members in proportion to the amount of the commodity they delivered.

There are minor variations within the preceding plans. One, generally not successful over a long period, is to charge actual cost for the

services rendered, at the time of the transaction. This practice has several inherent disadvantages. It definitely disturbs the competitive pattern of the community and leads to price wars which can prove disastrous to all, especially a weak, under-financed cooperative. Also, it is very difficult for any business organization to calculate its expenses, either in advance or as each transaction is completed.

Accurate records must be kept of the commodities delivered and purchases made by the members. This is necessary so that the proper *pro rata* returns may be made to members and patrons. Thus, the principle of service at cost becomes a reality.

At this point, other fundamental differences between the cooperatives and investor-type business come to light. The average investor corporation is financed by individuals from all walks of life who place their funds in the business for the express purpose of monetary gain from their investment as such. There is no necessary relation between the individual's financing the organization (investment) and their use of its facilities. Returns to the investors are measured by dividends based on the amount of stock they hold. There also may be a capital appreciation, wherein the stock of the organization attains a value well above par.

The cooperative corporation, on the other hand, is more like a tractor from the investment standpoint. The producer finances his cooperative for the same purpose that he purchases a tractor—to make a profit from his use of the implement. Returns to cooperative members bear no relation to investment any more than the mere ownership of a tractor means a profit. The use made of the cooperative—patronage—the same as the use made of the tractor, determines the amount of benefit to be derived. The cooperative exists for the use of the producer-patrons, and usually may not do business for non-agricultural producers. Finally, there can be no capital appreciation in a true cooperative. Stock can never rise above par value, because all margins must be allocated to the producer-patrons, either in cash or in some evidence of equity.

It can be seen from the foregoing that patronage by the member-owners is the very lifeblood of any agricultural cooperative. This is vastly different from the situation faced by the average investor-type enterprise which is free to do business with anyone it desires. It can be understood readily that the average automobile manufacturing corporation, for example, would not be nearly so large if it had to depend upon its stockholders as the sole users of its services and products.

Agricultural cooperatives in Texas can and do take any one of several legal forms. Some are set up under special cooperative laws of the State, some are organized under the general corporation

<sup>1</sup>Terminology used in attempts to distinguish cooperatives from other types of business is most confusing. For the sake of clarity and consistency the following terminology is suggested. Corporations and business enterprises other than cooperatives should be designated as investor enterprises. Cooperative corporations or businesses should be designated as patronage enterprises. This terminology is based on the fundamental differences between the two methods of doing business.

laws; others are legal partnerships, while still others are organized under specific charters granted by the United States Government. There are, however, certain common elements which distinguish any of these associations from invest-or-type businesses, regardless of legal origins. Although some of these characteristics have been recited in previous paragraphs, the major ones are presented, in the following, as the principal features of cooperative operation:

1. Patron control (Only producers may be voting members)
2. Business at cost
3. Limited interest on capital
4. Business for cash at the market price
5. Promotion of economic education

Agricultural cooperatives place no restrictions on their members insofar as production is concerned. The member is free to plant or produce as much or as little as he desires. Members may not, however, buy the commodities of other producers and offer them for sale through the cooperative.

The U. S. Congress and the legislatures of most of the states—Texas among them—recognized the peculiar economic position of agricultural producers, and passed laws which enable them to compete with other segments of the economy on equal terms. This was, in effect, an establishment of public policy.

### HISTORICAL BACKGROUND

Several excellent works have been published on the early farmer movements in Texas. Several of these are cited from time to time in these pages. Therefore, it is not proposed in this bulletin to give anything like a complete history of farmer cooperatives. A few highlights of the beginnings, the grandiose plans and the almost inevitable failures of the pioneer efforts are presented to appreciate better the size and scope of cooperative activity in Texas today.

Texas agricultural cooperatives developed along with the early farm organizations of the State. The Texas State Grange was first set up at Salado in Bell county in 1873.<sup>2</sup> The Alliance apparently came into being in Lampasas county either in 1874 or 1875.<sup>3</sup> Although both these organizations were founded with the idea of curing the general ailments of agriculture, specific economic panaceas soon were sought in the form of business ventures. Enterprises were established by these farm groups to sell the produce of pasture and field for the members, and also to purchase all the supplies needed by farm families—household as well as production items.

<sup>2</sup>Hunt, R. L., A HISTORY OF FARMER MOVEMENTS IN THE SOUTHWEST, 1873-1925, p. 7, Texas Agricultural & Mechanical College, (Out of Print) (Privately Printed by Author).

Cooperative buying and selling were major functions of the Alliance from the very beginning.<sup>4</sup> It was not until 1878 that cooperatives were launched by the Grange as a semi-official adjunct of the general farm organization. The Grange, as early as 1875 reluctantly recognized the inevitably close relationship between farm organizations of a general nature and cooperatives set up to perform specific economic functions.<sup>5</sup> A committee of the Texas Grange cautiously recommended "that the Patrons form their own Trade Associations on simple plans, free from the control of the Grange, State, National or Subordinate."<sup>6</sup> This idea was followed to a certain extent, but it is difficult to determine where Grange sponsorship and participation began and ended, as concerns these associations supposedly set up outside its official sphere.

These two organizations are mentioned specifically because they represent the earliest known attempts at farmer cooperative business in Texas. Throughout the years, as new groups were organized by agricultural people, each was accompanied, and in some cases motivated by pressure to set up marketing, buying and processing facilities. This was true of the Grange, the Alliance, the Agricultural Wheel, the National Farmers' Alliance and Cooperative Union of America, the Farmers Educational and Cooperative Union of America, the Farm-Labor Union and the Texas Farm Bureau Federation. Almost all the early cooperative ventures died, and the farm organizations to which these cooperatives were tied either passed out of existence or were greatly reduced in effectiveness.

Not all of the earlier Texas cooperatives were tied to general farm organizations. Independent starts were made over the years in various sections of the State. Much the same fate befell these single ventures. An insight into the rise and fall of cooperative vegetable marketing efforts in the Lower Rio Grande Valley over a 28-year period beginning in 1905 can be gained from a publication of the Texas Agricultural Experiment Station.<sup>7</sup>

The minutes of the annual meetings of some of the first cooperative associations in Texas provide many clues to reasons for the early failures, and also provide much the same impression that is gained from attending a present day cooperative meeting. The weaknesses of today's cooperatives are in many ways no different from

<sup>3</sup>Hunt, R. L., *opus cit.*, p. 28.

Weist, Edward, AGRICULTURAL ORGANIZATION IN THE UNITED STATES, pp. 446-450, University of Kentucky, April 1923.

<sup>4</sup>Weist, E., *opus cit.*, p. 448.

<sup>5</sup>Hunt, R. L., *opus cit.*, p. 20-24.

<sup>6</sup>Ibid., p. 21.

<sup>7</sup>Paulson, W. E., COOPERATIVE VEGETABLE MARKETING ASSOCIATIONS OF THE LOWER RIO GRANDE VALLEY, Texas Agricultural Experiment Station Circular No. 74, January, 1935.



those of 70 years ago. Some of the common failings are:

#### Financial

Farmers wanted cooperatives but seldom invested enough to provide them with adequate capital. They wanted cash refunds on their transactions even if such refunds bled the association dry.

#### Patronage

Farmers held membership in cooperatives, but on the slightest provocation took their business elsewhere.

#### Management

Cooperative managers were usually underpaid, and often were mishandled by directors. Hence, good managers often left. Good judgement seemed lacking in the selection of management in many cases.

#### Economic Understanding

Nothing in the average farmer's background of education or experience fitted him to cope with or to understand the workings of a complex marketing system, or to operate a corporate business.

#### Control

A lack of limitation on ownership of stock and voting rights soon gave control of the organizations to a small group, often composed chiefly of non-producers.

All the farm groups mentioned were beset by these difficulties. A few men with faith, vision and ability would attempt to carry the whole load on their shoulders for a time. Eventually even they tired, and when they did the business collapsed. Perhaps the historical aspects of Texas cooperative ventures might best be illustrated by two quotations. A. J. Rose, secretary of the Texas Cooperative Association (Patrons of Husbandry) in July 1894 made the following statement:<sup>8</sup>

"There are very few to be found who will claim they have lost more in cooperation than they have gained in knowledge and saved in reduction in prices, and also in securing better prices for their produce, and their neighbors sharing in the benefits. . . There are certainly very few interested in the Texas Cooperative Association that have not received full value of their investment. The truth is there is not more than 17 percent of the total capital stock that cash was paid for it, the balance is dividends, and in addition to this there has been near one hundred thousand dollars dividends paid to stockholders and customers. . . We have had some experience which I trust will enable us to avoid . . . trouble . . . I feel that the reader wants to ask: if business cooperation is such a good thing why so many failures? I will answer that in every instance they departed from the plan, by purchasing and selling on time, for this cooperation should not be held responsible. It is claimed that 90 percent or more merchants fail in business. If you will look

into the cause you will find that nearly all resulted from the credit system, for which those that pay are the greatest sufferers. I insist that farmers and every other interested person investigate the plan of business that the National Grange has recommended. Farmers and their families can be of mutual help by associating themselves together, being governed by the fundamental principles of the order of Patrons of Husbandry."

Four years later, Mr. Rose again summarized causes of cooperative failures:<sup>9</sup>

"The Secretary presents to the Association some points worthy of due consideration:

"First. He calls attention to the fact that in the lack of support on the part of stockholders, the business has been nearly smothered.

"Second. That some of them have not only become indifferent, but had turned their efforts to the destruction of the business, and at the same time were complaining that no dividends were being received.

"Third. He says: 'It remains to be established that American farmers will cooperate to promote their interests in a business way.'

"Shall such an undeniable charge remain at our doors, or will we be induced by the higher manhood of patriots to turn and stand irrevocably upon grounds for the defense and propagation of our best interest, by mutually cooperating in every way to profitable and worthy ends?"

Each succeeding generation of cooperators learned far too little from the trials and errors of those who went before. However, there gradually evolved a body of cooperative principles which are proving sound. These, when properly applied, provide safeguards against the pitfalls which endangered the earlier groups. It is important to students of agricultural marketing, to read the history of what has taken place in the field of cooperatives.

It took many years of experimenting to learn that the "farmers stock company," in which both large and small agricultural operators participated, was not a satisfactory business form for farm groups. The concept of limiting membership and voting privileges to bonafide farmers and ranchmen only was a long time in developing. Even the laws of the nation raised barriers to successful cooperative action for many years.

It was not until the Clayton Act was passed by the U. S. Congress in 1914, that agricultural marketing associations were safe from prosecution for the mere act of organization. Even then the cooperatives apparently were limited to non-stock forms until the passage of the Capper-Volstead Act in 1922.

Texas' first law recognizing the unique character of agriculture's needs in business organization was the "Society Act" of 1917. This piece of legislation was developed by Walton Peteet, who was at that time a member of the staff of the Texas Agricultural Extension Service. The Society Act gave legal status to local non-stock associations of farmers and ranchmen set

<sup>8</sup>MINUTES of Texas Cooperative Association, 1894, pp. 14, 15.

<sup>9</sup>MINUTES, 1898, p. 12.



up to market or process agricultural commodities. The idea behind the law was sound at the time, and several hundred cooperatives were born under its sanction. However, at present there are only 35 Texas cooperatives which are operating with Society Act charters. Increasing complexity of business methods, changes in federal income tax regulations, inflexibility of procedures and other factors caused the Society Act to lose popularity.

The basic law under which most Texas cooperatives operate today is the "Texas Cooperative Marketing Act of 1921" which has been amended several times. This act, which went into effect March 1, 1921, was one of the first "Sapiro Acts," receiving its name from Aaron Sapiro, a California lawyer who had become interested in giving legal foundation to farmer cooperatives. The purpose and intent of farmer cooperatives are clearly outlined in the opening paragraph of the Texas law. This paragraph (Art. 5737. Declaration of Policy) reads:

"In order to promote, foster and encourage the intelligent and orderly marketing of agricultural products through cooperation and to eliminate speculation and waste; and to make the distribution of agricultural products as direct as can be efficiently done between producer and consumer; and to stabilize the marketing problems of agricultural products, this law is passed."

Texas agricultural cooperatives show much evidence of progress since the days of the "farmers' cooperative stores" of the 1870's and 1880's. They still have far to go if they are to fulfill completely the mandates set forth for them by law and by the economic requirements of agriculture.

The following pages of this bulletin show, in part, the status of these organizations in Texas, today.

#### FARMER COOPERATIVES BY MAJOR GROUPS

Farmers and ranchmen in Texas operated 959 agricultural cooperatives of all kinds during the 1950 season. Their activities varied from those of a small irrigation cooperative to a large cottonseed oil mill and cotton marketing association; from an informal feed and fertilizer buying group to a wholesale farm supply cooperative handling thousands of different items for member associations; and, from a tiny fruit and vegetable marketing group, using rented facilities, to a vast and complex processing and sales organization whose members had a 2 $\frac{1}{3}$  million dollar investment.

For analytical purposes, these cooperatives have been classified into nine major groups, according to the types of activities in which they are engaged. Table 1 shows 577, or 60 percent of all associations, in the local marketing, supply and processing group, with individual farmers as members and patrons. This type of cooperative

Table 1. Number and distribution of agricultural cooperatives by major groups, Texas, 1950

Kinds of cooperatives	Number of associations	Percent of total
Marketing, supply and processing (local)	577	60.2
Federated (regional)	15	1.6
Large scale and centralized	11	1.2
National farm loan	142	14.8
Production credit	36	3.8
Rural electric (local)	76	7.9
Farmers mutual insurance	34	3.5
Artificial breeding	34	3.5
Dairy herd improvement	34	3.5
Total	959	100.0

usually limits its operations to the immediate trade area of the community in which it is located.

The next group in Table 1 is the regional or federated type of association. The membership of this group is composed of the local cooperatives mentioned above, and has no individual farm and ranch operator members. These regional groups also differ greatly from the local associations in area covered. Not only do some of them extend over all of Texas, but a few also reach into neighboring states.

The activities of the regional or federated cooperatives are diverse. Six of them process cotton seed into oil and other products. One cooperative breeds and distributes certified cotton and corn planting seed. When these data were gathered, two of the associations marketed large quantities of grain and operated feed mills, and one of them also acted as a large wholesale farm supply house. Two of the federated cooperatives function in the citrus belt of Texas, one as a processing and sales organization, the other as a source of supply for boxes, packing materials, fertilizers and production items. Two others operate in the field of rural electric distribution. One operates a cotton compress, and another was set up to provide machinery and equipment for cotton gins.

The third group is comprised of 11 centralized and large-scale cooperatives. These cooperatives have memberships of individual farmers, but in much larger numbers than the locals. They usually reach out over much greater territory than the strictly local operations, and the centralized associations have several branch operations, controlled from a major headquarters.

These centralized and large-scale associations offer a wide range of services. Four of them market cotton and cottonseed products; three market milk and dairy products; of the remaining four, one markets peanuts; one, livestock; one, wool and mohair; and one, grain and feed.

The next two groups, taken together, are the agricultural credit cooperatives. Almost 19 percent of all cooperatives are in these groups. The national farm loan group, with 142 associations, supplies long-term land loans, while the 36 production credit associations are set up to provide short and intermediate term credit to

farmer and ranchmen members for crop and livestock production purposes.

Local rural electric cooperatives, which constitute the next group, account for 8 percent of the 959 associations. There are 76 of these organizations supplying electricity directly to farm and ranch people.

Farmers' mutual insurance companies, the next group, are the oldest group of cooperatives in Texas, and number 34 associations. These provide insurance at cost against loss by fire, hail, windstorm and like hazards.

In the last group are 34 each of artificial breeding associations and dairy herd improve-

ment associations. For the most part, these two groups are so loosely organized that information on their operations was very difficult to obtain.

### FARMER COOPERATIVES BY FUNCTION

As the 577 local marketing, supply and processing associations constitute 60 percent of all cooperatives in Texas, and, since their activities are so diverse, a closer examination was made of their functions.

Table 2 enables the reader to gain a comprehensive picture of the local marketing, supply and processing groups by function. The items appearing in the column headed "Types of opera-

Table 2. Number and type of Texas local agricultural marketing, supply and processing cooperatives, by functions, 1950

Type of operation	No. of assns.	Gin-ning	Grain handling & mktg.	Supply	Locker	Cotton mktg.	Dairy mktg.	Veg. mktg.	Fruit mktg.	Rose mktg.	Lvstk. mktg.	Seed mktg.	Rice mktg.	Poultry & egg mktg.	Pea-nut mktg.	Misc.	Wool & mo-hair
One function																	
Ginning	70	70															
Marketing	66		14				6	10	12	1	5	1	15	2			
Supply	67			67													
Locker	13				13												
Service	11															11	
Two functions																	
Gin & grain	6	6	6														
Gin & supply	78	78		78													
Gin & cotton mktg.	25	25				25											
Grain & supply	41		41	41													
Supply & locker	15			15	15												
Supply & misc.	2			2													2
Cotton mktg. & misc.	1					1											1
Veg. & fruit	5							5	5								
Fruit & supply	15			15					15								
Poultry & supply	5			5										5			
Poultry & dairy	1						1							1			
Peanut & supply	1			1											1		
Supply & cotton mktg.	1			1		1											
Three functions																	
Gin, grain & supply	12	12	12	12													
Gin, grain & cotton mktg.	4	4	4			4											
Gin, supply & cotton mktg.	105	105		105		105											
Gin, supply & locker	1	1		1	1												
Gin, supply & misc.	1	1		1													1
Grain, supply & locker	1		1	1	1												
Grain, supply & misc.	1		1	1													1
Dairy, poultry & supply	2			2			2							2			
Poultry, locker & supply	3			3	3									3			
Four functions																	
Gin, grain, supply, cotton marketing	11	11	11	11		11											
Gin, supply, cotton mktg., locker	1	1		1	1	1											
Gin, supply, cotton mktg., poultry	4	4		4		4								4			
Peanut, fruit, veg., & supply	1			1				1	1						1		
Gin, supply, grain & locker	1	1	1	1	1												
Supply, grain, wool & mohair, & poultry	3		3	3										3			3
Supply, locker, poultry & dairy	2			2	2		2							2			
Veg, fruit, supply & grain	1		1	1				1	1								
Total marketing, supply & processing cooperatives	577																
Number of cooperatives performing a particular function		319	95	375	37	152	11	17	34	1	5	1	15	22	2	16	3

### SUMMARY BY FUNCTIONS

Type of operation	No. of assns. (577)	Gin-ning	Grain handling & mktg.	Supply	Locker	Cotton mktg.	Dairy mktg.	Veg. mktg.	Fruit mktg.	Rose mktg.	Lvstk. mktg.	Seed mktg.	Rice mktg.	Poultry & egg mktg.	Pea-nut mktg.	Misc.	Wool & mo-hair
One function	227	70	14	67	13		6	10	12	1	5	1	15	2			11
Two functions	196	109	47	158	15	27	1	5	20					6	1		3
Three functions	130	123	18	126	5	109	2							5			2
Four functions	24	17	16	24	4	16	2	2	2					9	1		3
Number of cooperatives performing a particular function		319	95	375	37	152	11	17	34	1	5	1	15	22	2	16	3

tions" describe all the functions performed. For example, the two-function associations, listed as "Gin and grain" do two things for their patrons. They gin cotton and they market or handle grain. Because the word "Gin" appears first, does not mean that the gin is the major enterprise. The same is true in all other cooperatives with more than one function. No attempt has been made to indicate major functions.

Diversification is strikingly evident among Texas marketing, supply and processing cooperatives. Of the 577 associations, 350, or 61 percent, engage in more than one type of business activity. Only 227, or 39 percent, are single-function organizations. The 350 multi-function cooperatives are engaged in a total of 878 enterprises, an average of 2.5 per association.

Of the multi-function cooperatives, 196 offer two services. The three-function associations account for 130 cooperatives, while the four-function cooperatives number only 24.

Cooperatives handling supplies lead in number with 375. This is 65 percent of the 577 marketing, supply and processing associations. Although volume will be handled in more detail in a later publication, a few statements are made in this section concerning volume in connection with supply associations.

Potentially, any agricultural cooperative might handle supplies. Some would handle large quantities, others would limit themselves, or be limited, to small volumes. For the purposes of this study, all cooperatives which handled any sort of agricultural supplies with a value of at least \$1,000 also were classified as being in the supply business. This brought into the group many associations which are primarily cotton gins, and which handled, perhaps, only cottonseed meal and planting seed for their patrons. They were included because they supplied their patrons with production items which otherwise would have been purchased elsewhere. As the record shows, many of the largest agricultural supply cooperatives got their start in just such a manner—exchanging cotton seed, for cottonseed meal, then taking the next step of ordering planting seed for some of the patrons. Obtaining insecticides at wholesale prices was another logical step, as was the gradual addition of other farm supply items. One day the manager and board of directors discovered they were in the supply business in a large way, with inventories and accounts receivable.

Thus, it becomes clearer why such a large percentage of the 577 local marketing, supply and processing cooperatives are listed in the supply bracket. The range of items handled is as broad as the variety in production requirements. Some of the more common commodities in this field are feed, seed, petroleum products, farm machinery, hardware, tires, insecticides, fertilizers, automo-

bile and tractor accessories, lumber, poult, bal ve ing  
chicks and home appliances.

Cooperatives which handle supplies also perform other functions in four out of five cases. Three hundred and eight, or 82 percent, of the supply associations fall into this category. But just 67 of the 375 supply associations are set up to handle farm supplies exclusively. The most usual combination of associations handling supplies with other types of enterprises is that of cotton gin and supply. Two hundred and fourteen, or 57 percent, of all supply associations feature this combination. Grain marketing occurs in combination with supply business in 71 cases or 19 percent of all supply cooperatives.

Cooperatives which gin cotton are the next most numerous of the 577 local marketing, supply and processing associations. There are 319 cotton gins, of which 70, or 22 percent, are single-function gins. The other 249 associations are found in combinations with various activities. As stated above, supply handling and cotton ginning appear in combination in 214 cooperatives. Another way of saying it is that 67 percent of all cotton gins are also engaged in supply activities, and 57 percent of all supply associations also operate cotton gins. Only 34 cooperatives which gin cotton (11 percent of all gins) also market grain.

A seemingly logical combination is in the 15 cotton ginning and cotton marketing cooperatives. Almost half of the ginning associations, 47 percent, include cotton marketing as a service of the cooperative. Most of these gins would like to cease their cotton marketing function. However, they believe that they are forced to continue to "buy cotton" to maintain the ginning business. Competition for ginning often is so keen that buying members' cotton appears to be mandatory, even though it is done with the knowledge that a loss will be sustained.

Grain marketing cooperatives are the third most numerous in the local marketing, supply and processing group. As shown in Table 2, 95 associations market or handle some grain or grains, exclusive of rice. Only 14 of these are single-function cooperatives. Eighty-one of them also perform one or more additional services. The 71 combinations of supply business and grain handling are by far the most popular in the grain field. Eighty-eight percent of all multi-function grain associations handle supplies.

Forty-four cooperatives handle fruits and vegetables. This is 8 percent of the 577 marketing, supply and processing cooperatives. Seventeen handle vegetables and 34 process and market fruits. However, 10 or more than half of all cooperatives marketing vegetables, are single-function associations, while only 12, or about one-third of those handling fruit, do it as their sole function. Only 7 handle both fruits and



vegetables. In other combinations, fruit marketing and supply appear most often.

Cooperative frozen food locker plants number 37. Of these, 13, or 35 percent, are single-function associations. The remaining 24 handle supplies, which in many cases consist of locker supplies, meats and frozen foods.

Poultry and egg marketing are carried on by 22 cooperatives. Two are single-function associations. Of the other 20, 19 poultry and egg associations also are in the supply business.

There are 15 cooperatives in Texas concerned with processing and marketing rice. Five are marketing associations with no storage or drying facilities. The members have their rice dried and stored wherever they see fit, and then sell by sample through the marketing cooperative. Four of these associations dry and store rice for their members, but do no marketing. The remaining 6 cooperatives extend their operations from receiving the members' wet rice to drying, storing and selling the dried rough rice.

Eleven associations handle dairy products. Six do nothing else, while the other 5 include various combinations. Two of the 11 dairy cooperatives cover almost the entire eastern one-third of Texas, from the Gulf of Mexico to Red River. The remaining 9 are relatively small, both in area covered and volume handled.

Twenty-three cooperatives render miscellaneous services. Among these, 1 markets rose bushes, 1 handles certified seed, 1 supplies water for irrigation to 18 members, 3 sell wool and mohair and 5 sell livestock.

### LOCATION OF TEXAS FARMER COOPERATIVES

Texas agricultural cooperatives are found from Beaumont and Texarkana in the east, to Canutillo, northwest of El Paso in the west; from Brownsville in the south to Texline, Kerrick and Texhoma in the north. The most southerly and westerly associations are cotton gins, the most northerly is a grain marketing association and

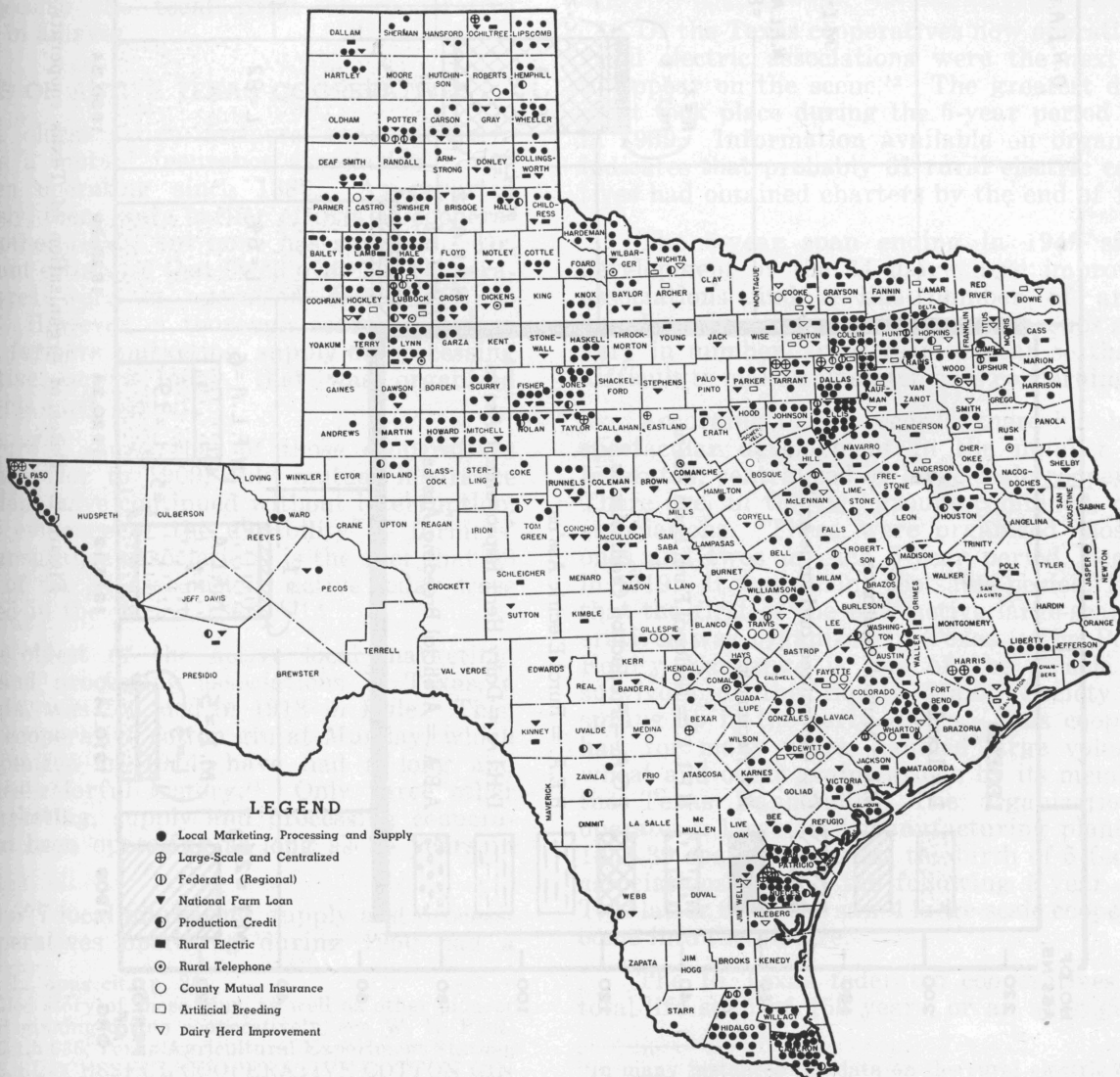


Figure 1. Location of all cooperatives in Texas.

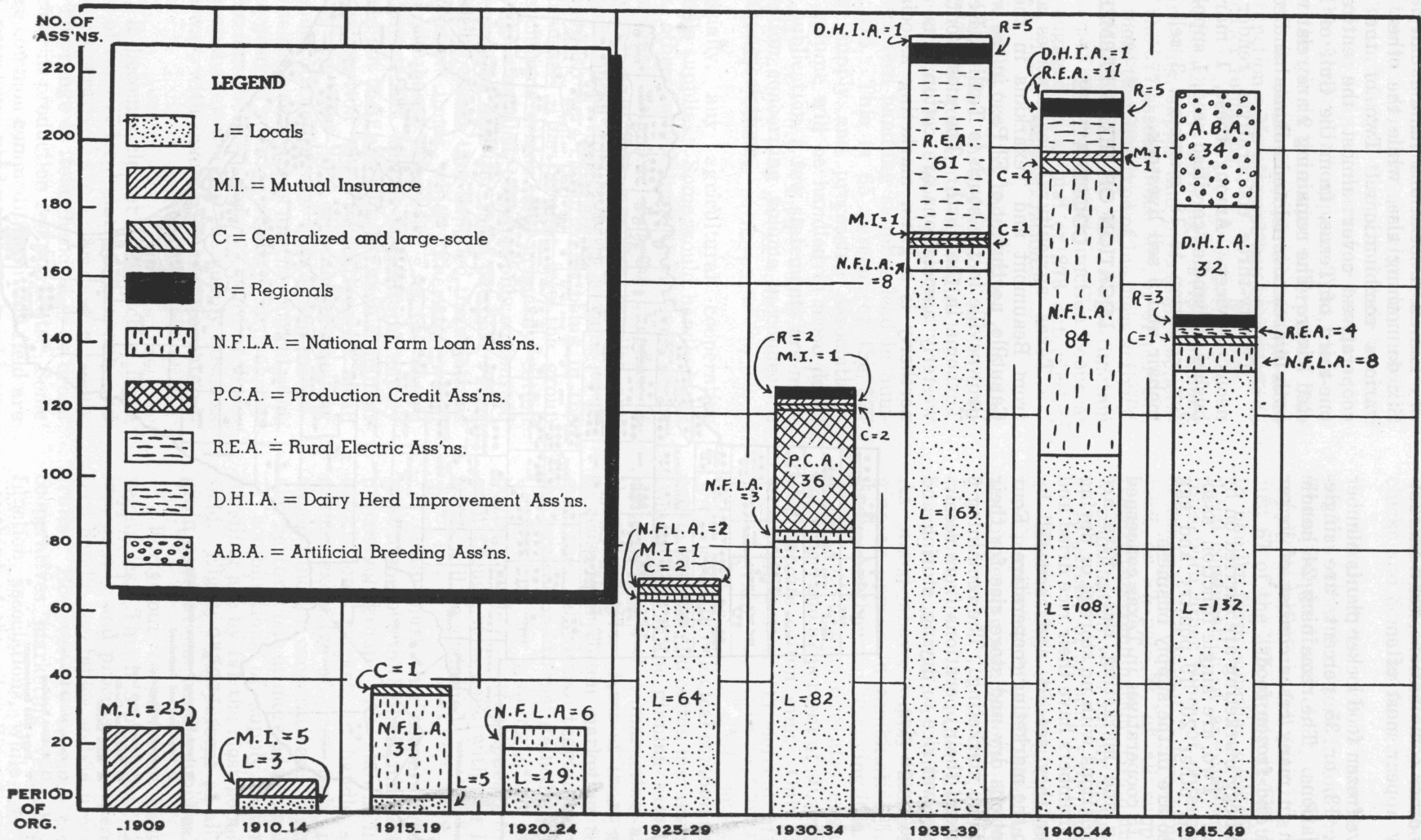


Figure 2. Dates of organization of Texas cooperatives active in 1950

the most easterly is a dairy herd improvement association.

The 959 cooperatives are located in 205 of Texas' 254 counties. Only 49 counties, or 19 percent, have no farmers' or ranchmen's cooperative headquarters within their borders. Undoubtedly, many agricultural operators in the 49 counties are members of cooperatives located in other counties. Figure 1 presents a picture of the wide distribution of agricultural cooperatives in Texas. Cooperatives usually are found in greatest numbers in areas of intensive agricultural production.

Ellis county leads with 24 cooperatives. Cameron has 23; Hidalgo, 21; and Nueces, 20. Twenty-one counties contain 10 or more cooperatives, the total number of associations in these counties being 310. Thus, 8 percent of the Texas counties contain 32 percent of all the cooperatives.

Figure 1 also shows the location of the regional and centralized or large-scale types of agricultural cooperatives. These associations often become the focal point of cooperative activity in an area.

#### AGES OF ACTIVE TEXAS COOPERATIVES

The oldest active farmers' cooperative in Texas is a mutual insurance association which has been operating since 1886. As reported previously, there were earlier efforts at cooperation in other fields, but none has survived. Dr. R. L. Hunt estimated that "well over 100 cooperative stores were in operation from 1880 to 1886."<sup>10</sup> However, a thorough search failed to reveal a farmers marketing, supply or processing cooperative, active today, that was organized during this early period.

Figure 2 shows that of those cooperatives organized prior to 1909, only mutual insurance associations have continued without interruption. Further evidence of the durability of farmers' mutual insurance associations is the fact that 88 percent of the 34 associations active today were organized in the period 1886-1914.

The oldest of the active local marketing, supply and processing associations in Texas, a cotton gin, was founded in 1913 in Rule. This, and the cooperative cotton gin at Munday, which was organized in 1914, have had a long and sometimes colorful history.<sup>11</sup> Only three other local marketing, supply and processing cooperatives had been operating as long as 35 years in 1950.

The 577 local marketing, supply and processing cooperatives operating during 1950 had a

combined total of 7,461 years of business life. This was an average of 13 years per association. Figure 2 shows that 163 of these, or 28 percent, were organized during the period 1935-39, and had an average age of 13 years. One hundred and thirty-two of the 577, or 23 percent, were organized during the post World War II period. These had an average age of 3 years.

One of the oldest groups of agricultural cooperatives active in Texas today is the national farm loan associations. Thirty-one, or 22 percent, were in operation 32 years at the time these data were gathered. More than this number had been organized at one time or other, but some dropped by the wayside, while another large group reorganized and consolidated in 1940.

The 36 Texas production credit associations were all the same age, 15 years, during 1950. They were organized in 1933 in response to a pressing need for short and intermediate term agricultural credit. The nation was in a depression and the Farm Credit Administration was organized that year for just such a purpose.

Of the Texas cooperatives now operating, the rural electric associations were the next group to appear on the scene.<sup>12</sup> The greatest development took place during the 5-year period ending in 1939. Information available on organization indicates that probably 61 rural electric cooperatives had obtained charters by the end of 1939.

The 5-year span ending in 1949 saw the development of the 34 dairy herd improvement associations and a like number of artificial breeding associations. These two groups seem to vary in number, from year to year so that it is difficult to make any statements concerning them.

According to the records, there has been no spectacular development in the number of the federated, centralized or large-scale cooperatives. There are, in the two groups combined, only 26 associations. These were organized mostly by ones and twos in each 5-year period, beginning in 1919. It was during the same period, 1919-24, that the first of the now active large-scale cooperatives was organized in Texas. The Perryton Equity Exchange is one of the 2 sole Texas survivors of the Equity Union Society which sprang up in the early 1900's. This cooperative has, for many years, handled large volumes of wheat and other grains grown by its members in the Texas Panhandle. The organization also operates a large feed manufacturing plant. The 1935-39 span did witness the birth of 5 federated associations, as did the following 5-year period. This latter time also saw 4 large-scale cooperatives come into the picture.

The 15 Texas federated cooperatives had a total life span of 155 years, or an average of 10

<sup>10</sup>Hunt, R. L., *opus cit.*, p. 24.

<sup>11</sup>For detailed story of these gins, as well as other pioneer efforts at ginning cotton cooperatively, see W. E. Paulson's Bulletin 636, Texas Agricultural Experiment Station, July 1943, SUCCESSFUL COOPERATIVE COTTON GIN ASSOCIATIONS IN TEXAS.

<sup>12</sup>In many instances the data on the rural electric cooperatives in Texas are scanty.



Table 3. Members in Texas cooperatives, originally and in 1950

Cooperative group	Number of associations		Number of members		Average membership per association		Percent of total members in 1950
	Original	1950	Original	1950	Original	1950	
Local marketing, supply and processing	577	577	59,360	132,249	103	229	23.0
Centralized and large-scale	11	11	13,456	66,846	1,223	6,077	11.6
National farm loan <sup>1</sup>	138	138	4,232	31,606	31	229	5.5
Production credit	36	36	8,174	32,332	227	898	5.6
Mutual insurance	2	34	2	61,250	2	1,801	10.6
Rural electric (local)	76	76	23,357	251,744	307	3,312	43.7
Total or average	838	872	108,579	576,027	130	661	100.0

<sup>1</sup> No data available on 4 national farm loan associations.

<sup>2</sup> No data available on original membership.

years of operation during 1950. The 11 centralized associations have a total span of 173 years, or an average age of 16 years.

### MEMBERSHIP AND PATRONAGE OF TEXAS COOPERATIVES

Memberships in 872<sup>13</sup> Texas agricultural cooperatives in 1950 totaled 576,027, an average of 661. The original membership in 838 associations was 108,579, or an average of 130. This averages a fivefold increase over the original membership (Table 3).

Table 3 shows the following breakdown by major groups: for every 100 memberships, the rural electric cooperatives account for 44; local marketing, supply and processing, 23; centralized and large-scale cooperatives, 11; mutual insurance, 10; and production credit and national farm loan associations, 6 each.

The column in Table 3 headed "Average membership per association" shows that the centralized and large-scale cooperatives lead with an average total membership of 6,077. Next in order are rural electric associations with 3,312, mutual insurance organizations with 1,801, production credit associations with 898 and local cooperatives and national farm loan associations each with 229.

Not all members of cooperatives are active (Table 4). In the rural electric, mutual insurance and national farm loan groups, there are no inactive members because of organizational

<sup>13</sup>Fifteen large-scale federated associations and 68 artificial breeding associations and dairy herd improvement associations are not included in the section on membership and patronage. The former deal only with other cooperatives. The data on the artificial breeding associations and dairy herd improvement associations were considered insufficient.

restrictions. Of the 231,427 members in the remaining three groups, 79,675 are inactive. This means that 34 percent of the members of the three groups do not patronize their cooperatives. One of the centralized cooperatives is carrying 35,000 inactive members on its rolls and only 15,000 active members. By removing just this 1 association, the percentage of inactive members drops from 34 to 25 percent.

The percentage of active members in the three groups which permit inactive members to remain on the rolls, shows that the local associations are highest, with 80 percent of all members active. The production credit group comes next, with 61 percent active members. The centralized and large-scale cooperatives are lowest with only 39 percent of their members doing business with their associations.

The part played by the non-member patron is shown in Table 5. Only two groups permit non-member patronage—the local marketing, supply and processing cooperatives, and the centralized and large-scale associations. The total number of patrons using these two groups was 187,354. Of these, 55,209 are not members. This means that 30 percent of the patrons are non-members.

A point worthy of mention is the excess of total members over total patrons, understanding that the term patrons includes non-members as well as members. While there were 576,027 members in all Texas cooperatives, there were only 551,561 patrons, or 24,466 less patrons than there were members. As has been stated before, the great number of inactive members as against active members in the centralized and large-scale group is largely responsible for this condition. Reduced to an average per association, and removing the centralized cooperative with the large

Table 4. Active and inactive cooperative members, by groups, Texas 1950

Cooperative group	Number of associations with		Number of members		Average number members		Percent of members	
	Active members	Inactive members	Active	Inactive	Active	Inactive	Active	Inactive
Local marketing, supply and processing	577	388	106,048	26,201	184	67	80.2	19.8
Centralized and large-scale	11	5	26,097	40,749	2,373	8,150	39.0	61.0
National farm loan <sup>1</sup>	138	-0-	31,606	-0-	229	-0-	100.0	-0-
Production credit	36	36	19,607	12,725	545	353	60.6	39.4
Mutual insurance	34	-0-	61,250	-0-	1,801	-0-	100.0	-0-
Rural electric	76	-0-	251,744	-0-	3,312	-0-	100.0	-0-
Total or average	872	429	496,352	79,675	569	186	86.2	13.8

<sup>1</sup> No data available on 4 national farm loan associations.

Table 5. Member and non-member patrons of cooperatives, by groups, Texas, 1950

Cooperative group	Number of associations which had patrons who were		Total and average number of patrons		Number of patrons who were		Average number of patrons who were		Percent of patrons who were	
	Members	Members and non-members	Total	Average	Members	Non-members	Members	Non-members	Members	Non-members
Local marketing, supply and processing	577	546	151,242	262	106,048	45,194	184	83	70.1	29.9
Centralized and large-scale	11	6	36,112	3,283	26,097	10,015	2,373	1,669	72.3	27.7
National farm loan	138	-0-	31,606	229	31,606	-0-	229	-0-	100.0	-0-
Production credit	36	-0-	19,607	545	19,607	-0-	545	-0-	100.0	-0-
Mutual insurance	34	-0-	61,250	1,801	61,250	-0-	1,801	-0-	100.0	-0-
Rural electric	76	-0-	251,744	3,312	251,744	-0-	3,312	-0-	100.0	-0-
Total or average	872	552	551,561	633	496,352	55,209	569	100	90.0	10.0

active membership, the following is obtained: average total members per association, 591; average total patronage, 599.

As stated in previous publications,<sup>14</sup> an important index of growth or decline of agricultural cooperatives is the ratio of members gained to members lost. Table 6 shows that this gain-

Table 6. Membership gain-loss in cooperatives, Texas, 1950

Cooperative group	Number of associations which		Number of members	
	Gained members	Lost members	Gained	Lost
Local marketing, supply and processing	440	268	11,961	3,947
Centralized and large-scale	6	7	6,148	4,038
National farm loan	134	137	2,537	3,366
Production credit	36	36	3,208	3,023
Mutual insurance	16	13	4,960	366
Rural electric	76	59	45,458	17,440
Total	708	520	74,272	32,180

loss ratio for all cooperatives in Texas, taken as a whole, for 1950 was about 2.3 to 1, or for every 23 new members acquired, 10 old members dropped out.

The greatest influence on this ratio was brought to bear by the rural electric cooperatives which gained 45,458 members, an average of 598, and lost 17,440, an average of 296. The gain-loss figures for the rural electric cooperatives do not necessarily represent this many actual farmers coming in and going out. The net change is somewhat less because the gross

AGRICULTURAL COOPERATIVES IN COASTAL BEND AREA OF TEXAS, Progress Report 1378, Texas Agricultural Experiment Station, June 11, 1951, p. 3. LOCAL COOPERATIVES IN THE HIGH PLAINS-PANHANDLE AREA OF TEXAS, Progress Report 1411, Texas Agricultural Experiment Station, October 28, 1951, p. 5.

change is affected by tenants and renters shifting on the land, both within and between rural electric cooperatives. Exact analysis of this point is difficult since the electric associations carry the changes in their records only as new connections and disconnects.

A question is sometimes raised concerning the relationship between the total numbers of farmers and ranchmen who patronize cooperatives and the total number of farmers in Texas. According to the 1950 Census, there are 331,567 farm operators in Texas. Table 7 presents some pertinent comparisons among the total numbers of members, active members, non-member patrons and total patrons, and the total number of farmers in Texas.<sup>15</sup>

Table 7 rests on the assumption that farmers rarely belong to two or more cooperatives of the same type—that is, the same operator seldom belongs to two cooperative gins or two cooperative elevators. The effect of any duplicate memberships held by the same persons in two single-function associations are more than offset by the farmers who hold memberships in multi-function associations, which are counted only once. Because such assumptions are fully warranted, certain comparisons can be made for the separate types of cooperatives.

Texas farmers and ranchmen hold 576,027 memberships in cooperatives, which are 73 percent more memberships than there are farm operators in the State (Table 7, "Total members" column). Thus, on the average, if spread across

<sup>15</sup>F. A. Harper, in his COOPERATIVE PURCHASING AND MARKETING ORGANIZATIONS IN NEW YORK STATE, published by the Cornell University Agricultural Experiment Station in 1931, made effective use of comparative relationships between members of cooperatives and the total number of farmers in New York State.

Table 7. Relation of number of members and patrons of cooperatives to total number of farmers in Texas, 1950<sup>1</sup>

Cooperative group	Total members		Total active members		Total non-member patrons		Total patrons	
	Number	Percent of total farmers in Texas	Number	Percent of total farmers in Texas	Number	Percent of total farmers in Texas	Number	Percent of total farmers in Texas
Local marketing, supply and processing	132,249	39.9	106,048	32.0	45,194	13.6	151,242	45.6
Centralized and large-scale	66,846	20.2	26,097	7.9	10,015	3.0	36,112	10.9
National farm loan	31,606	9.5	31,606	9.5	-0-	-0-	31,606	9.5
Production credit	32,332	9.7	19,607	5.9	-0-	-0-	19,607	5.9
Mutual insurance	61,250	18.5	61,250	18.5	-0-	-0-	61,250	18.5
Rural electric	251,744	75.9	251,744	75.9	-0-	-0-	251,744	75.9
Total	576,027	173.2	496,352	149.7	55,209	16.6	551,561	166.3

<sup>1</sup>Based on 331,567 farm operators in Texas from Vol. 1, pt. 26, Texas, 1950 Census of Agriculture, Bureau of the Census.

all operators, each agricultural operator would hold membership in slightly less than 2 associations. Actually, the range is from membership in no cooperatives for some farmers to membership in perhaps as many as 4 cooperatives for others.

Furthermore, this column of Table 7 reveals the details of membership distribution among farmers and ranchmen in Texas cooperatives. The rural electric cooperatives are the largest factor for exposure to cooperative membership in Texas, with 76 out of every 100 farmers belonging to such associations. The local marketing, supply and processing associations are next, claiming, on the average, membership from 40 out of every 100 Texas farmers and ranchmen. The next two groups, in descending order of importance in this connection, are the centralized and large-scale group, and the mutual insurance group with 20 and 19 percent, respectively, of Texas farmers and ranchmen as members. Apparently, the opportunities for exposure to cooperative membership are least accepted in the cases of the production credit and national farm loan associations, inasmuch as each group contains only 10 percent of the total number of agricultural operators in Texas.

Table 7, in the column headed "Total non-member patrons," shows that 17 out of every 100 Texas farmers and ranchmen do business with cooperatives as non-members. In this case, only the two groups which permit non-member business are represented—locals with 14 percent, and centralized and large-scale with 3 percent of the total.

The last column in Table 7—"Total patrons"—shows the percent of all Texas farmers doing business with each cooperative group. For every 100 farmers, there are 166 actual exposures to cooperative activity, an average of 1.66 exposures per farmer. Again the heavy influence of the rural electric cooperatives stands out. With this group removed, the percentage of cooperative patrons to total farmers in Texas drops to 90. In other words, without the rural electric associations, 100 Texas farmers would produce only 90 exposures to cooperative business.

### SUMMARY

Organizational aspects of Texas agricultural cooperatives were examined to provide a basis for evaluating their efficiency as marketing and service agencies. All types of farm cooperative organizations were included: local marketing, supply and processing; federated or regional; large-scale and centralized; national farm loan; production credit; mutual insurance; rural electric; dairy herd improvement; and artificial breeding associations.

Farmers and ranchmen are industrialists in the sense that they use land, labor, capital and management to convert raw materials into semi-

finished and finished commodities. However, the unique character of the agricultural industry prevents the same degree of control over output that other industries are able to maintain. The individual farm or ranch operator, with his relatively small output, is at a distinct disadvantage in bargaining power. Over the years, agricultural people, through cooperatives, have developed a business form adapted to their needs in procuring marketing, supply, processing and service facilities.

Cooperatives represent both vertical and horizontal integration of farm and ranch business. They permit the individual to carry his agricultural commodities nearer the ultimate consumer while at the same time giving him the bargaining power that goes with the combined volume of a number of producers.

Cooperatives, a patron type of business, differ from the investor type of business in several respects. Profits accrue to the members and patrons of cooperatives in direct proportion to the use made of them; profits accrue to the stockholders of investor enterprises in proportion to the amounts of stock held; patronage may be a factor.

A major objective of cooperatives is to provide efficient service. This is accomplished in several ways, the differences arising from the mode of operation selected by particular organizations.

Texas agricultural cooperatives first came into being along with general farm organizations in the 1870's. Of the many early ventures in several fields, only farmers mutual insurance associations have been continually in operation. The oldest association active today dates back to 1886. There are several reasons for the failures of the pioneer groups.

There are approximately 959 agricultural cooperatives in Texas. The exact number changes almost daily because of new charters and charter cancellations.

For analytical purposes, the associations of Texas have been segregated into nine major groups. The 577 local marketing, supply and processing cooperatives constitute 60 percent of all farmer cooperatives in Texas. These work directly with farmers in local areas and usually deal only in the primary markets. Multi-function local associations number 350, or 61 percent. 227, or 39 percent, are single-function organizations. The multi-function cooperatives are engaged in 878 enterprises, an average of 2.5 per association. The actual number of functions performed by Texas local associations ranges from one to four.

The supply function appears in 375, or 66 percent, of the locals. However, only 67 of these are single-function supply associations. Supply



and cotton ginning, the most usual combination, is present in 217 associations.

Cooperatives which gin cotton are the next most numerous of the locals, with 319 associations. Seventy, or 22 percent of all cooperatives which gin cotton are single function. The remainder of the ginning organizations appear in various combinations with other functions.

Ninety-five Texas cooperatives market or handle grains, exclusive of rice. Only 14 of these are single-function organizations, the remainder being multi-function. The most common combination is grain marketing and supply, being present in 71 cooperatives.

Fruit or vegetable marketing functions appear in 44 cooperatives, or 8 percent of all locals. Of these, 17 handle vegetables and 34 market or process fruits. Only 7 handle both fruits and vegetables.

There are 37 frozen food locker cooperatives. Thirteen are single function, while the rest also handle supplies of various sorts.

Poultry and egg marketing functions are carried on by 22 Texas cooperatives, but in only 2 cases as a single function. Supply functions appear in 19 of the remaining 20 associations dealing in poultry and eggs.

Rice is handled in some form by 15 Texas cooperatives. Five associations are solely marketing agencies with no storage or other facilities. Four rice associations dry and store rice for their members but do no marketing. The remaining 6 rice cooperatives receive, dry, store and market their members' rice.

Milk and milk products are handled by 11 Texas cooperatives. Six of these are engaged in no other activities. Two of the 11 associations serve an area equal to almost one-third of the State.

Miscellaneous types of local cooperatives number 23. These perform various services, such as seed growing, nursery stock marketing, irrigation, wool and mohair marketing and live-stock sales.

Agricultural cooperatives operate in all parts of Texas. Only 49 counties, or 19 percent of all counties, have no cooperative headquarters within their boundaries. As a rule, cooperatives are more general in areas of intensive agricultural production.

Ellis county leads in the number of cooperatives with 24. Eight percent of the counties of Texas contain 32 percent of all cooperatives.

The oldest of the active local marketing, supply and processing organizations is a cotton gin which began operations in 1913. Only three local associations had been functioning as long as 35 years in 1950. The 577 local marketing,

supply and processing cooperatives had an average age of 13 years in 1950. Three hundred and thirty-six of these, or 58 percent, have been in business 10 years or more, the average age being 19 years. The greatest number of active locals—163—came into being during the 5-year period 1935-39. This was double the number which started business during the preceding period, 1930-35. The next greatest period in terms of numbers organized was the post-war time, 1945-49, when 132 locals were organized.

Thirty-one of the presently active national farm loan associations were organized in 1917. Eighty-four national farm loan associations were organized during the period 1940-44. In many cases, the new organizations resulted from consolidations of 2 or more associations which had been operating for a number of years previously.

The 36 Texas production credit associations came into existence shortly after the passage of federal legislation establishing the Farm Credit Administration. In 1950, they had been in existence 15 years.

The greatest number of rural electric cooperatives were established in the period 1935-39, when about 61 associations came into being. Exact data were not available on this point.

The federated and the large-scale and centralized cooperatives developed by ones and twos. Apparently they came into being in response to the need for extension of purely local facilities to reach broader markets. The average age of the federated cooperatives in 1950 was 10 years, and the average age of the centralized and large-scale was 16 years.

Membership in all Texas cooperatives in 1950 totaled 576,027, an average of 661. This was a fivefold increase from the average original membership of 130.

In terms of total membership, the rural electric cooperatives account for 44 out of every 100 cooperative members in Texas. This is almost double that of the next highest group, the local associations which account for 23.

Not all cooperative members are active. Organizational restrictions prevent the rural electric, mutual insurance and national farm loan associations from retaining inactive members on their rolls. The remaining three groups, with 231,427 members, indicated 79,675 inactive members, or 34 percent of the members not using the cooperatives. The picture is somewhat distorted by the fact that one large association showed 35,000 inactive as against only 15,000 active members. Removing this association from the data reduces the percentage of inactive members from 32 to 25.

Of those cooperatives which permit inactive members, the local marketing, supply and processing cooperatives had the best record for active

members with 80 percent. The production credit associations were next with 60 percent of their members active, and the large-scale and centralized cooperatives were lowest with only 39 percent of their members active, on the average.

Non-member business is allowed by only two of the major groups—the local associations and the centralized and large-scale. Of a total of 187,354 patrons, the two groups had 55,209, or 3 out of 10 patrons who were not members.

The ratio of members gained to members lost in any 1 year is an index of growth or decline. In Texas, this ratio for all cooperatives as a whole was 2.3 to 1, or 23 new members gained for every 10 members lost.

The rural electric cooperatives heavily influenced the totals for the State with 45,458 gained and 17,440 lost. Removing the rural electric associations, the gain-loss ratio as a whole became 1.95 to 1.

An index of the acceptance of cooperatives is the proportion of farmers using these organizations to the total number of farmers in Texas. According to the 1950 Census of Agriculture, there were 331,567 farmers and ranchmen in Texas. Total membership in Texas cooperatives, at that time, numbered 576,027, which means that, if memberships were evenly divided, as an average, every farmer in Texas held membership in slightly less than 2 cooperatives. Actually, the range in memberships held by individuals is from none to perhaps four or five.

Rural electric cooperatives take the highest proportion of Texas farmers and ranchmen as members, with 76 out of every 100.

An analysis of non-member patrons, in relation to total farmers indicates that 17 out of every 100 farmers are non-member patrons of cooperatives. Finally, in the case of total patrons of cooperatives—active members plus non-members—there are approximately 166 actual exposures to cooperatives on the average for every 100 farmers. As an average, every farmer and ranchman in Texas would patronize 1.7 cooperatives.

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