

What you should know about

HOW FARMER COOPERATIVES CAN HELP YOU

A cooperative is a business owned and operated by the people who use the goods and services it supplies. It is one way that people can pool cash and some of their other resources to work together for a better life for each of them.

Most successful farm operators depend upon cooperatives. They get their electricity through their local rural electric cooperatives, and their seed, fertilizer, feed, and other supplies through purchasing co-ops; sell the products they grow through marketing co-ops; and borrow the money they need to carry on their operations through cooperative land banks and credit unions. Even the smallest farmer -- and the farm worker, too -- may find that cooperatives can help him save money in his farming and in supplying his family's needs.

An Example of a Need - Credit Unions

One of the easiest ways to save money is not to borrow it from the landlord, the supply merchant, the ginner, the loan shark. Yet almost all farmers and sharecroppers must borrow during the growing season, and farmworkers often must borrow during the off season. A study showed that Negro small farmers in St. Landry Parish, Louisiana, were really paying their landlords 11.7% and their supply merchants 14.8% interest (even though it was reported at a lower rate). Those who could borrow from the Production Credit Association or from a bank paid 6% to 6.8% interest (with no extra hidden charges). Most of the loans were from \$50 up to \$500.

A credit union is one kind of cooperative. It could have lent this money cheaper and might have worked out a better schedule for repayment. It might have been able to help those that the Production Credit Association and the banks would not help, including farmworkers and non-farmers.

How a cooperative operates

A cooperative is organized to save money for all its member-users and to bring them needed services, not to make a profit for just a few stockholders. Most cooperatives operate on these basic principles.

1. Open membership. Anyone can join who can use its services and pay its membership fee. (You have to be a farmer to belong to many-farmer co-ops. The fee depends upon the kind of business, usually ranging from \$5.00 to \$100.00)
2. Democratic control. The business is controlled by the members, every member can vote, and each member usually has only one vote no matter how much stock he owns.
3. Limited interest on capital invested. Members buy shares in the cooperative so that it will have enough money to operate, but it is set up to serve its members, not to make a profit, so the members limit the amount of interest they pay themselves on their invested capital.
4. Service at as near to cost as possible. After cooperatives have paid their operating expenses and put something in reserve for the future, they pay the interest owed to the members on their invested capital. The money left over is paid to the member-users as patronage refunds. This means that it is divided up on the basis of goods bought or services used during the year. The more you use your co-op the larger refund you will get.

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Types of cooperatives

There are almost as many kinds of cooperatives as there are needs for goods and services. Here are a few that have been most useful for rural people:

Purchasing co-ops - to buy at wholesale and to sell to their members such products as seed, fertilizers, machinery, gasoline, home appliances, and groceries.

Marketing co-ops - to gin, pack or prepare their members' products for market; and to sell them locally or ship them to market.

Credit unions - to lend money to its members at reasonable rates. Usually, all members must belong to the same organization, such as a church or civic group.

Other Service co-ops - to own and operate expensive machinery; to develop water, forestry, and conservation districts; to build and operate housing for older persons, and health clinics; to reduce insurance and funeral costs.

How to use a cooperative or start a new one

First, visit the cooperative nearest you. Get its literature on how it operates and how to join. If it can meet some of your needs, join it, take part in its meetings, vote in its elections, and use its services. If there is no co-op nearby, try to get the one that best meets your needs to open a branch in your area.

Many co-ops have failed. Before starting one, learn if a cooperative will meet your local needs and if you have the resources to make it successful. (This is called a feasibility study; experts on cooperatives can help you with this.)

Some of the causes of co-op failures have been: (1) Not enough persons in the area had enough need for it; (2) The members did not understand how cooperatives really operate; (3) There was no convenient source of supply for a purchasing co-op or a reasonable market for the products of a marketing one; (4) The manager was not qualified to run the business; (5) The members could not raise enough capital (although loans may have been available if the plans were really feasible).

No matter how big some cooperatives now are, most of them started with just a few persons sitting down and planning together how to get the things and services they need cheaper and better. But expert help is needed; get it from the start.

How to get help

Private organizations and the federal government are ready to help you learn about cooperatives, and to form one if a feasibility study shows you can use one successfully. For further information on cooperatives and the nearest cooperative association that may help you, write to: The Cooperative League of the USA, 59 East Van Buren Street, Chicago, Ill. 60605

For information and help on credit unions write to: Credit Union National Assn. 1617 Sherman Avenue, P.O. Box 431, Madison 1, Wisconsin.

The Farmers Cooperative Service of the U.S. Department of Agriculture (Washington, DC) is set up to advise and help farmers organize and operate cooperatives successfully. Write to it for information and help as you go along.