

An
ALABAMA COOPERATIVE
--- As Farmers See and Use It

**A Study of Patrons' Attitudes, and
Use and Knowledge of a Selected
Purchasing Cooperative in Northern
Alabama in 1950**



**AGRICULTURAL EXPERIMENT STATION
of the ALABAMA POLYTECHNIC INSTITUTE**

M. J. Funchess, Director

Auburn, Alabama

C O N T E N T S

	<i>Page</i>
CHARACTERISTICS OF PATRONS AND THEIR FARMS.....	4
MEMBERSHIP STATUS AND LENGTH OF PATRONAGE.....	5
USE MADE OF THE COOPERATIVE.....	7
PATRONS' KNOWLEDGE OF THE COOPERATIVE.....	9
Ownership	9
Voting	9
Meetings	10
Differences from other businesses.....	10
Source and kind of information received about cooperative	11
ATTITUDES TOWARD THE COOPERATIVE AND ITS OPERATION.....	12
Prices	12
Quality	13
Patronage refunds	14
Directors	15
Management	16
Reaction of neighbors.....	16
ADVANTAGES, DISADVANTAGES, AND SUGGESTIONS FOR IMPROVEMENT	17
SUMMARY	19
PROBLEMS, CONCLUSIONS, AND SUGGESTIONS.....	21

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M. J. DANNER

Associate Agricultural Economist

THE PRESENT FARMERS' local purchasing cooperatives in Alabama are, for the most part, an outgrowth of a state-wide system of county exchanges originally started under sponsorship of the Alabama Farm Bureau Federation in the early 1920's. During that period, each county had an exchange. About half of the counties still have exchanges that provide some purchasing services; most of these, however, are no longer under sponsorship of the Farm Bureau.

A number of farmers' purchasing cooperatives in northern Alabama provide a wide variety of farm supplies needed by farmers; these include feeds, seeds, fertilizers, fuel, building materials, and miscellaneous supplies. In addition, some of these cooperatives provide markets for farm products, such as grains and seeds.

The cooperative selected for this study¹ is a farmers' county purchasing cooperative. It serves a large number of farmers in its home county, together with a few farmers in adjoining counties. The present cooperative is essentially the old county exchange completely reorganized and much enlarged. As is true of most northern Alabama purchasing associations, this cooperative is a member of and its supplies are obtained, for the most part, from the Tennessee Valley Cooperatives, Incorporated, of Decatur. Tennessee Valley Cooperatives is a regional, federated organization that was set up to serve the needs of a number of local purchasing associations in northern Alabama.

¹ Schedules on which this report is based were collected during June 1950 by the Department of Agricultural Economics, Alabama Agricultural Experiment Station, Auburn, Alabama. E. E. Mansfield was in charge of tabulating the data. Appreciation is expressed to officials of the local cooperative participating in the study and the regional cooperative at Decatur for their assistance in planning the study.

This study was made to determine the proportion of farmers that use their purchasing cooperatives, how much they use them, what farmers know and think of cooperatives as a form of business enterprise, and what they know and think of cooperation in general. The information presented in this report should be helpful to all local associations in Alabama in planning for more effective patron participation. It should enable patrons, as well as non-patrons, to gain a more thorough understanding of what a cooperative is and to learn how they can make more effective use of the cooperative.

CHARACTERISTICS of PATRONS and THEIR FARMS

Interviews were conducted with those farmers who lived in approximately 960-acre segments, selected at random, in each township of the county. In this manner, a representative county sample was obtained. In all, 146 farmers were interviewed² including 39 member patrons, 92 nonmember patrons, and 15 nonmember nonpatrons.³ Records of the cooperative were checked to determine the exact membership status of farmers interviewed. To be eligible for membership, patrons were obligated to sign a membership card. Each member was further obligated to buy at least \$20 worth of supplies from the cooperative and to abide by its by-laws. In becoming a member, the patron is granted a vote in the conduct of the association's affairs.

Size of farms, as indicated for all patrons, is shown in Table 1. In all respects, farms of member patrons were larger than those of nonmember patrons. Farms of member patrons averaged 41 acres larger and cropland per farm averaged about 5 acres larger than those of nonmember patrons. The average size of farms for all patrons totalled 200 acres, two-thirds of which was cropland.⁴

Most of the patrons interviewed were owners or part owners. About 4 out of 5 of the member patrons, however, were owners or part owners, as compared to roughly 2 out of 3 of the nonmember patrons.

² In all cases, the individual who did the buying for the farm was the person interviewed; therefore, sharecroppers and some tenants who lived in these areas but did not do the buying for the farm were not interviewed.

³ Since patron reaction was principally wanted in this study, very little information from nonpatrons is shown in this report.

⁴ Farms of nonpatrons interviewed had an average of 101 acres of farm land and 85 acres of cropland per farm.

TABLE I. AVERAGE SIZE OF FARM BY MAJOR LAND USE OF PATRONS

Land use	Member patrons	Nonmember patrons	All patrons
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
Cropland	137	132	133
Open pasture	35	21	25
Woodland	57	35	42
TOTAL FARM LAND.....	229	188	200

For both member and nonmember patrons, total farm acreage and total cropland were considerably larger than 1945 Census estimates for all farms in this particular county.⁵ Moreover, Census data indicate that smaller farms were generally operated by nonowners.

On the basis of this study, it appears that in 1950 this particular cooperative was not reaching a sizeable number of farmers who operated small farms as well as some who were not owners. The fact that farms of nonpatrons interviewed were, on the average, much smaller than the average reported for all patrons would seem to bear this out. The limited patronage from these farmers may result from their credit or other obligations to individuals or from free choice. Even though they might obtain proportional benefits from dealing with the cooperative, perhaps their smaller total business and resulting smaller total expected benefits results in less incentive to trade with the cooperative. In any case, the cooperative must weigh the question of whether or not it is good business to direct its efforts toward securing patronage and enlisting membership from more farmers in these groups.

Nearly 9 out of 10 patrons reported cotton as their major source of income. There were no important differences between members and nonmembers in this regard.

MEMBERSHIP STATUS and LENGTH of PATRONAGE

Seventy-three per cent of all patrons interviewed apparently knew whether they were members of the cooperative. However, only slightly more than half of those considered members by the cooperative

⁵ The 1945 Census reported an average of 72 acres of farm land and 52 acres of cropland per farm in this county in 1944. However, Census farms included sharecroppers and in this study sharecroppers were not interviewed unless they were doing the buying and selling.

reported that they were members. On the other hand, about four-fifths of those not considered members by the cooperative said they were not members. Regardless of the reasons for this lack of knowledge as to membership status on the part of members, it is apparent that, if they are to fully realize their responsibilities to the cooperative, there should be no doubt on the part of each individual regarding his membership status.

Nonmember patrons were asked why they had not joined the cooperative. Their reasons in the order of percentage of times mentioned are given below:

Have never been asked.....	23 per cent
Thought he was a member.....	15 per cent
No real advantage in joining.....	9 per cent
Do not want to be obligated.....	5 per cent
No choice in buying supplies.....	2 per cent
Other	2 per cent
Have no good reason.....	44 per cent

In light of these replies, and particularly since 4 out of 5 non-member patrons felt that they had benefited from the cooperative, no extreme difficulty should be experienced in attracting a sizeable proportion of the association's nonmember patrons to become members. Whether, or in what way, the cooperative should expand membership is a matter for this particular cooperative to decide. Increasing membership for the sole purpose of having a large membership should not be the principal objective. Members, however, are usually better informed about a cooperative and are more able to use it effectively than are nonmembers.

Of the patrons interviewed, 10 per cent had been doing business continuously with the cooperative since its beginning.⁶ This included 15 per cent of the members and 8 per cent of the nonmembers. Table 2 further accounts for patronage begun in later periods. Eleven per cent of the patrons did not remember when they began trading with the cooperative. Of those reporting, however, member patrons averaged doing business with the cooperative about 10 years, and nonmember patrons averaged doing business about 7 years. Evidently nonmember patrons felt there was no particular gain to be had from joining, yet the length of time traded is evidence that a degree of mutual satisfaction exists between nonmembers and the cooperative.

⁶ This association was reorganized into its present setup in 1933 from the old county exchange. Its beginning refers to this date.

TABLE 2. PERIOD THAT PRESENT PATRONS BEGAN DOING BUSINESS WITH THE COOPERATIVE

Reply	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Before 1934	15	8	10
1934-40	36	18	24
1941-47	39	38	38
Since 1947	0	25	17
Don't know	10	11	11
TOTAL	100	100	100
Average number of years of patronage	10	7	8

About 95 per cent of the farmers who were interviewed and who were considered patrons by the cooperative did some business with the cooperative in 1949-50.

USE MADE of the COOPERATIVE

On the basis of the sample collected, approximately 90 per cent of the farm operators in the county made some use of the cooperative in 1949-50. A greater proportion of patrons purchased seed from the cooperative than any other kind of supplies. Fertilizers, miscellaneous supplies⁷, feeds, petroleum products, and feed mixing followed in order, Table 3. There were no important differences between members and nonmembers in reported purchases of each kind of supplies.

In terms of gross value of sales, fertilizers, seeds, and feeds ranked in that order according to estimates of cooperative officials.

TABLE 3. PROPORTION OF ALL PATRONS REPORTING PURCHASES OF SUPPLIES, BY KINDS, FROM THE COOPERATIVE

Item	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Seeds	92	95	94
Fertilizers	64	73	70
Miscellaneous supplies	44	33	36
Feeds	33	29	31
Petroleum products	38	17	24
Feed mixing	0	2	2

⁷ Includes poisons, insecticides, tires, fencing, and similar products.

TABLE 4. NUMBER OF PATRONS PURCHASING VARIOUS SUPPLIES FROM THE COOPERATIVE AND PROPORTION OF THEIR TOTAL PURCHASES BOUGHT FROM THE COOPERATIVE

Item	Number patrons purchasing	Proportion of those purchasing who bought			
		1-25	26-50	51-75	76-100
	<i>Number</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Seeds	123	31	22	15	32
Fertilizers	92	39	17	7	37
Miscellaneous supplies.....	47	57	9	6	28
Feeds	40	55	10	7	28
Petroleum products	31	3	10	6	81
Feed mixing	2	50	0	0	50

About a third of all patrons purchasing seeds from the cooperative, bought the bulk of their seeds there. Somewhat more than a third of those purchasing fertilizers and about a fourth of those purchasing feeds and miscellaneous supplies from the cooperative bought the major part of these goods from the cooperative, Table 4. Patrons who purchased petroleum products or had feed mixed or ground relied heavily on the cooperative. A greater proportion of members than nonmembers made relatively heavier purchases of both seeds and feeds. There were no important differences otherwise.

The data shown in Tables 3 and 4 indicate that it is possible for this particular cooperative to materially increase sales. For example, more than half of the patrons who buy feeds buy less than 25 per cent of their total purchased feeds from the cooperative. More than a third of the patrons who buy fertilizers buy less than 25 per cent of their purchased fertilizers from the cooperative. Of course, sales in all lines could be increased by attracting patrons to make fuller use of the cooperative. This cooperative might, for example, use the seed business as a business "leader." In other words, seed "contacts" could be exploited to obtain more business in other lines.

How aggressively any sales program should be carried on is a question that must be determined by individual cooperatives. Any number of practical considerations may make such a program unwise. Size of business, inter-departmental relationships, and available facilities are but a few of these considerations.

TABLE 5. REPLIES TO THE QUESTION: "WHO OWNS THE COOPERATIVE?"

Reply	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Farmer-patrons	54	45	47
Manager or directors	0	3	2
Private	3	2	2
Other	2	1	2
Don't know	41	49	47
TOTAL	100	100	100

PATRONS' KNOWLEDGE of the COOPERATIVE

A distinctive feature of a farmer's cooperative is that patrons are or will become owners of the business. In contrast, also, with other types of businesses, is the feature that member patrons control the business. For these reasons, each farmer interviewed was questioned specifically about these features, and then was asked to give his opinion about differences between this cooperative and other businesses based on his own observations and general information.

OWNERSHIP. Fifty-four per cent of the member and 45 per cent of the nonmember patrons expressed a belief that the cooperative was farmer owned. Forty-one per cent of the members and 49 per cent of the nonmembers indicated that they did not know who owned the cooperative. A few patrons thought the cooperative was owned by the manager or its directors, Table 5. Other replies included "private," "stockholders," and a "bunch of men."

The fact that nonmember patrons generally were not fully aware as to who owned the cooperative may account partially for the fact that they had not become members. The large proportion of members, and of nonmembers, not knowing about ownership indicates that they may have had no good reason for knowing.

VOTING. According to Alabama cooperative laws, farmers' cooperatives must comply with the one-member one-vote principle. This provision is designed to assure democratic control. In a question asked only of members, 80 per cent did not know how many votes each had. The remaining 20 per cent correctly indicated that they had one vote each.

The replies received in this study indicate that most members of this cooperative were not aware of the voting privileges and obligations that they enjoy in an undertaking, presumably, their own. The principal opportunity for members to exercise their right to vote is at the annual meeting when their directors are elected and where cooperative policies are passed upon.

MEETINGS. Annual meetings have been held since 1947 as well as before World War II. Only 10 per cent of the patrons interviewed, however, (18 per cent of the member patrons) attended the 1949 annual meeting. A few local, or community, meetings were held in the county during 1949, but very few of the patrons interviewed said they had attended these local meetings. About half, however, said that they would like more meetings of this kind. Since numerous other farmer meetings were called and held in the county during the year, some farmers who had attended meetings sponsored by the cooperative may not have realized that they were attending such meetings. This may explain why more farmers did not report attending the cooperative's community meetings in 1949.

DIFFERENCES FROM OTHER BUSINESSES. As was pointed out earlier, cooperatives differ from other types of businesses in organization and in ownership. In addition, earnings of the cooperative belong to the patrons. Patrons, however, generally consider differences between this cooperative and other stores or sources of farm supplies from the standpoint of services rendered. This is not necessarily objectionable if the desire for superior services is accompanied by a knowledge of what a cooperative is and a recognition that it does differ in organization, ownership, and operation. Certainly, those cooperatives that cannot perform the same services more effectively than can competing businesses have little reason for existing.

The principal difference between this cooperative and other local businesses, as indicated by replies from both member and non-member patrons, was that supplies were usually cheaper at the cooperative. This difference was mentioned in 29 per cent of the replies. Better quality supplies was the next most important consideration by patrons as a group, though member patrons felt that farmer ownership and control was next in importance. Thirteen per cent of the member replies and 17 per cent of the nonmember replies reported "little or no difference," Table 6.

TABLE 6. REPLIES TO THE QUESTION: "HOW DOES YOUR CO-OP DIFFER FROM OTHER LOCAL BUSINESSES?"

Reply	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Supplies are cheaper	27	30	29
Farmer owned; farmer controlled....	19	12	14
Savings distributed to patrons.....	16	10	12
Little or no difference.....	13	17	16
Better quality	13	16	15
Reliable, courteous, better treatment	6	1	3
Better, more complete service.....	3	2	2
Benefits community	0	1	1
Don't know	3	11	8
TOTAL	100	100	100

SOURCE AND KIND OF INFORMATION RECEIVED ABOUT THE COOPERATIVE. The sources from which farmers received information about the cooperative according to the replies received from all patrons are given below in the order of percentage of times mentioned:

Neighbors	33 per cent
Manager or employees of the cooperative.....	26 per cent
Newspapers	16 per cent
Letters from the cooperative.....	4 per cent
Meetings	3 per cent
Radio	3 per cent
County agent or PMA administrator.....	2 per cent
Directors	2 per cent
Miscellaneous (includes landlord, other cooperatives, veterans' school, and country store).....	5 per cent
Do not get any	6 per cent

Neighbors of patrons were the most common source of information about the cooperative. The manager or employees of the cooperative were the principal source in about a fourth of the instances. Other than from the manager and cooperative employees, very little information was reported as having been received directly from the cooperative. A substantial number received letters from the cooperative or obtained information from the cooperative's directors, but there was no evidence in replies received from farmers to indicate that special educational efforts of the cooperative⁸ have been effective in giving patrons an adequate understanding of the cooperative.

* A full-time fieldman has been employed by Tennessee Valley Cooperatives, Inc., of Decatur since 1943 to promote membership education among its member county cooperatives in northern Alabama.

ATTITUDES TOWARD *the* COOPERATIVE and ITS OPERATION

A true farmers' cooperative operates on a cost basis, that is, any earnings that result from business operations belong to the patrons. For this reason, an efficient cooperative could sell products to its patrons at prices ranging from cost to usual or "going" retail store prices. Most local purchasing cooperatives sell at "going" retail prices and make cash refunds or give book credits to patrons in lieu of refunds.

While a cooperative must compete on a "price" basis, it is equally important for the cooperative to maintain quality standards as high as or higher than competing stores. These considerations, together with other operational phases, were subjects of questions asked of patrons and their opinions are reported in this section.

PRICES. Generally, patrons felt that cooperative prices were about the same as or lower than prices of supplies sold by competing businesses, Table 7. About 2 out of 5 patrons felt that the prices of seeds and fertilizers were lower, and almost half felt that the prices of feeds were lower. Prices for other kinds of supplies generally were thought to be about the same as at all other stores. Only a few patrons reported prices to be higher at the cooperative.

About half of the patrons felt that cooperative prices should be lower than those of other stores. Almost a third, however, expressed the idea that cooperative prices should be the same as those at other stores. Fifteen per cent of the patrons indicated that they did not know what relationship should exist.

TABLE 7. REPLIES TO THE QUESTION: "HOW DO PRICES OF SUPPLIES BOUGHT THROUGH THE COOPERATIVE COMPARE WITH PRICES OF SUPPLIES BOUGHT FROM OTHER STORES?"

Reply	Percentage of patrons reporting					
	Seeds	Ferti- lizers	Misc. supplies	Feeds	Petroleum products	Feed mixing ¹
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Lower	37	40	23	44	24	50
Same	58	51	73	56	73	0
Higher	2	6	0	0	0	0
Don't know	3	3	4	0	3	50
TOTAL	100	100	100	100	100	100

¹ Represents replies from only 2 patrons.

TABLE 8. REPLIES TO THE QUESTION: "WOULD PRICES RISE IN THE AREA IF THE COOPERATIVE WERE TO GO OUT OF BUSINESS?"

Reply	Percentage of patrons reporting		
	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Yes	72	66	68
No	18	15	16
Don't know	10	19	16
TOTAL	100	100	100

In the light of these expressions, patrons apparently had little complaint with this cooperative's method of pricing. Yet, 4 out of 5 patrons reported that they asked about prices at other stores before buying from the cooperative.

An estimate of what patrons thought of this cooperative is indicated in Table 8. More than two-thirds of all patrons felt that the prices of farm supplies would rise in the area if the cooperative were to go out of business. This feeling was about equally strong among both member and nonmember patrons. If the cooperative does hold down the local price level of supplies, its indirect value to patron and nonpatron farmers far exceeds the actual saving resulting from purchasing such supplies at slightly lower prices from the cooperative.

QUALITY. In general, the reactions of patrons toward quality were about the same as were their reactions to prices, Tables 7 and 9. Two out of five patrons felt that the quality of seeds and petroleum products bought from the cooperative was higher than that bought

TABLE 9. REPLIES TO THE QUESTION: "HOW DOES THE QUALITY OF THE SUPPLIES BOUGHT THROUGH THE COOPERATIVE COMPARE WITH THE QUALITY OF SUPPLIES BOUGHT FROM OTHER SOURCES?"

Reply	Percentage of patrons reporting					
	Seeds	Ferti- lizers	Misc. supplies	Feeds	Petroleum products	Feed mixing ¹
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Higher	39	20	17	19	39	50
Same	59	73	81	76	52	50
Lower	1	4	0	5	6	0
Don't know	1	3	2	0	3	0
TOTAL	100	100	100	100	100	100

¹ Represents replies from only 2 patrons.

from other sources. One out of five patrons thought that quality of fertilizers and feeds was comparably higher. Remaining replies indicated, for the most part, no differences in quality. Certainly, as was true of prices, patrons had no general complaint about quality of goods sold by this cooperative.

PATRONAGE REFUNDS. In most cooperatives, patronage refunds are made from savings or earnings usually in relation to the volume of business of each patron. Since member patrons are the rightful owners of a cooperative, they are entitled to share in its earnings. Nonmember patrons must also share in the earnings if the cooperative wishes to maintain its privilege of exemption from the payment of corporate income taxes.

Slightly more than half of the member and three-fourths of the nonmember patrons of this cooperative reported that they received no patronage refunds for 1949. About a fourth of the members reported receiving cash refunds and a substantial number, 18 per cent, reported receiving fuel tanks⁹, Table 10. One out of five of the nonmember patrons reported receiving a cash refund.

Cash refunds from this particular cooperative were made only on mixed fertilizer purchases and were paid from the regional cooperative at Decatur, though distributed through the local association. It has been necessary for this local association to retain most of its earnings to retire indebtedness incurred from its expansion. Book credits have been given to farmer patrons in proportion to business done.

TABLE 10. REPLIES TO THE QUESTION: "IN WHAT FORM DID YOU RECEIVE A PATRONAGE REFUND LAST YEAR?"

Reply	Percentage of patrons reporting		
	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Cash	26	21	22
Fuel tank supplied by cooperative..	18	1	6
Did not get any.....	54	77	70
Don't know	2	1	2
TOTAL	100	100	100

⁹Fuel tanks were to be paid for from earnings derived from purchases of petroleum products.

Almost three-fourths of the member patrons expressed satisfaction with present methods of handling savings. About a fourth of the members and over half of the nonmember patrons, however, said they did not know whether savings were being distributed satisfactorily. This indicates that there is a lack of knowledge and understanding of, or perhaps, an indifference on the part of a great number of patrons as to the real purpose of patronage refunds.

The policy with regard to the handling of savings is a matter for the cooperative membership, through its directors, to decide. If it is necessary that some or all of the savings be retained, patrons will be interested in that fact and in the purposes for which they are retained. They should be made aware of the portion of their savings that is retained. Yet, only 25 per cent of all patrons, including 44 per cent of the member patrons and 17 per cent of the nonmember patrons, indicated that they had an equity in this cooperative from retained savings. Increased support from patrons might be expected if this information were made available to them.

DIRECTORS. More than half of the member patrons and about four-fifths of the nonmember patrons interviewed stated that they knew none of the cooperative's directors, Table 11. One out of 5 member patrons, however, reported knowing 4 or more directors.

Patrons were asked about selected qualifications of those directors that were personally known to them. For the most part, directors were rated satisfactory with respect to their general ability, their general interest, and their handling of employees and finances, Table 12. About a fourth of the patrons were hesitant in rating directors concerning their handling of membership relations. About three-fourths of the patrons, however, reported that directors handled membership problems satisfactorily.

TABLE 11. REPLIES TO THE QUESTION: "HOW MANY DIRECTORS OF THE COOPERATIVE DO YOU KNOW?"

Number known ¹	Percentage of patrons reporting		
	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
4 or more	20	7	11
1 to 4	21	15	17
None	59	78	72

¹ The cooperative has 7 directors elected on a rotating plan.

TABLE 12. REPLIES TO THE QUESTION CONCERNING SELECTED QUALIFICATIONS OF DIRECTORS¹

Reply	Percentage reporting on various qualifications				
	General ability	Handling employees	Handling finances	Mem'ship relations	General interest
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Satisfactory	88	89	88	72	89
Unsatisfactory	8	7	7	4	7
Don't know	4	4	5	24	4
TOTAL	100	100	100	100	100

¹ Based on the number of instances patrons reported knowing a director.

In reply to a question about this cooperative's method of electing directors, only a few of the patrons had criticisms. This cooperative now has a rotating plan of electing directors, adopted during the past year.

MANAGEMENT. Only 7 per cent of the patrons suggested ways that management might be improved, Table 13. About a fifth of the patrons felt that management was satisfactory, while almost three-fourths indicated that they did not know.

TABLE 13. REPLIES TO THE QUESTION: "IN WHAT RESPECTS CAN MANAGEMENT BE IMPROVED?"

Reply	Percentage of patrons reporting		
	Member patrons	Nonmember patrons	All patrons
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
All right, at present	27	18	21
Use better judgment, better supervision	7	3	4
Give more attention to membership problems	7	1	3
Do not know	59	78	72
TOTAL	100	100	100

Probably no conclusions about management can be drawn from these replies. The number of "don't know" answers, in all likelihood, results from a genuine lack of information rather than from a reluctance to reply.

REACTION OF NEIGHBORS. Only 8 per cent of the patrons indicated that their neighbors thought unfavorably of the cooperative. A substantial number said that they did not know what their neighbors

thought, but for over two-thirds of the patrons, a favorable reaction was reported.

ADVANTAGES, DISADVANTAGES, and SUGGESTIONS for IMPROVEMENT

The principal advantages reported by patrons for belonging to or trading with this cooperative are listed below in the order of percentage of total answers.

Supplies are cheaper.....	27 per cent
Better quality of products.....	17 per cent
Better, more complete service.....	12 per cent
Patronage refund	11 per cent
Reliable, courteous, better treatment.....	8 per cent
Convenient location	6 per cent
Services not otherwise available.....	4 per cent
Belongs to farmers.....	3 per cent
No advantages	12 per cent

Twelve per cent of the replies indicated no advantages. Most replies stressed either cheaper supplies or better quality. A sizeable number, however, reported that a better and more complete service was obtained. Next in importance was the advantage of receiving patronage refunds. Several member patrons reported as an advantage the fact that the business belonged to farmers, but for all patrons, these latter replies represented only 3 per cent of the total.

In replies received from all patrons giving reasons for dissatisfaction, it is significant that 61 per cent reported having had no dissatisfaction. The principal points or disadvantages are shown below in the order of percentage of all replies:

Poor quality of products.....	6 per cent
Poor location	5 per cent
Unsatisfactory services, supplies.....	5 per cent
Policy of directors	4 per cent
Prices too high	3 per cent
Lack of information, secretive.....	3 per cent
Management	3 per cent
No credit given	3 per cent
Too far away	2 per cent
Shows preference, favoritism.....	2 per cent
Has unfair advantages	2 per cent
No longer a farmers' business.....	1 per cent
No dissatisfaction	61 per cent

These points are important primarily because they indicate how some patrons are thinking. More than likely, all of these patrons will continue to do business with the cooperative. By recognizing their complaints, however, the cooperative should be in a better position to reduce patron criticism to a minimum.

Patrons were asked to suggest methods of improving services of this cooperative. Their suggestions are listed below according to the percentage of replies given:

Expand, improve present services.....	10 per cent
New developments suggested	6 per cent
Lower prices or larger refunds.....	3 per cent
Treat all patrons alike.....	3 per cent
Patrons more adequately represented.....	2 per cent
Improve information methods	2 per cent
Provide marketing activities	2 per cent
Extend credit	2 per cent
Provide fieldmen	1 per cent
None, don't know	69 per cent

More than two-thirds of the replies indicated no suggestions; however, 10 per cent thought that more emphasis should be given to expanding and improving present services. New developments were suggested in only 6 per cent of the replies.

Chief among the new developments suggested was selling and servicing of farm machinery. A number of new functions were indicated as being needed, but they represented in practically all cases only a few replies. Marketing activities were suggested in only 2 per cent of the replies. These included cotton ginning and markets for seeds and potatoes.¹⁰ To attempt some of these new functions undoubtedly would prove unwise, but the suggestions reported represent how patrons are thinking. It is as important for the cooperative to know what patrons think as it is for patrons to know about the cooperative.

Almost three-fourths of all patrons, members and nonmembers alike, would like more information about the cooperative. Their suggestions for improving information methods and services are given below in the order of percentage of answers reported:

¹⁰ This cooperative now purchases a limited quantity of seeds grown in the county, although a wider market is available through the regional cooperative at Decatur.

Regular newsletter or publication.....	34 per cent
Put out more news about the business; prices, purchases, and the like	25 per cent
More meetings and more publicity about meetings.....	6 per cent
More advertising, including circulars.....	3 per cent
News in the county paper.....	3 per cent
Distribute bulletins on better farming methods, insect control, and the like.....	2 per cent
Radio reports	2 per cent
Information on cooperation, explaining refunds, equity, etc....	2 per cent
Annual report	1 per cent
Give good service	1 per cent
None, don't know	21 per cent

Some of these suggestions may have real merit and should warrant serious consideration by the cooperative. An information program need not be particularly elaborate to be effective.

SUMMARY

A number of farmers' local purchasing cooperatives provide production supplies for farmers in Alabama. Patrons and nonpatrons of one of these cooperatives in northern Alabama were interviewed in 1950 in order to find out how much farmers were using such cooperatives, and what farmers thought of cooperatives and cooperation in general. The association studied was selected because it was thought to be doing an outstanding job of making supplies available to farmers. Interviews were conducted with farmers chosen impartially from all sections of the county in which the cooperative is located.

For the most part, farmers who were patronizing the cooperative were owners or part owners of their farms. Generally, their farms were larger than the county average and they depended on cotton as their major source of income although there was considerable diversity in sources of farm income.

Thirty per cent of the cooperative's patrons were members. Many of the member patrons did not know that they were members, yet most nonmember patrons correctly reported their membership status. A large number of nonmembers indicated that they had no particular reason for not having joined; these patrons probably could be attracted to membership. In 1949, patrons had traded with the cooperative an average of about 8 years. Member patrons averaged

trading with the cooperative about 3 years longer than did non-members.

More patrons bought seeds and fertilizers from the cooperative than any other kind of supplies. Only a third of the patrons who bought seeds from the cooperative, however, bought the major part of their purchased seeds there. Slightly more than a third bought the major part of their purchased fertilizers from the cooperative.

Less than half of the patrons expressed the belief that the cooperative was owned by farmers. Very few members had any knowledge as to their voting privileges or as to the number of votes to which they were entitled. Patrons considered the differences between this cooperative and other sources of supplies in terms of lower prices and better quality.

Prices at this cooperative were reported to be lower than or about the same as those at other sources of supplies. Patrons had no complaint, for the most part, about prices, although practically all of them checked prices at other stores before buying from the cooperative. A large majority of patrons felt that the cooperative was instrumental in keeping prices of other stores in line. In general, reactions of patrons toward quality were about the same as were their reactions to prices.

Less than a third of the patrons received cash refunds, but most of them were apparently satisfied with the way the cooperative was handling savings. Few patrons indicated that they had any information about or evidence of an equity or share in the savings of the association from having done business with it.

Less than half of the members and about a fifth of the nonmember patrons knew one or more directors. Patrons who knew directors felt that they were doing a satisfactory job. Only 10 per cent of the patrons interviewed attended the association's 1949 annual meeting. Neighbors, for the most part, were favorable in their attitudes toward the cooperative.

Except for neighbors, patrons relied heavily on the manager or other employees of the cooperative as their principal source of information about the association. Other than through its manager or from neighbors, very little information about the cooperative was received by patrons. Patrons wanted more information, however,

principally about the business. They suggested a regular newsletter from the cooperative as a means of accomplishing this.

Lower prices and better quality of supplies were given as the main advantages of trading with the cooperative. Among the disadvantages most frequently mentioned were poor quality supplies and poor location. Better quality was mentioned as an advantage far more frequently than was poor quality mentioned as a disadvantage.

Generally, patrons had few ideas as to how the cooperative's services could be improved and only a few indicated a need for new developments.

PROBLEMS, CONCLUSIONS, and SUGGESTIONS

This report has brought out certain problems confronting this cooperative, which, in all probability confront other cooperative associations. It indicates the need for a better understanding and more adequate knowledge on the part of farmer patrons and nonpatrons alike with regard to cooperatives, cooperative principles, and cooperative ideas. The general conclusions and suggestions that follow should aid in accomplishing this objective. These statements will apply not only to the particular cooperative described in this report but to cooperatives in general.

Any program planned to create better patron understanding is primarily the direct responsibility of the cooperative's manager, and its success will depend to a great extent on the manager. If member and patron relationships are to be materially strengthened in local Alabama cooperatives, however, the help of all who have an interest in the cooperative, including members and directors, will be required.

1. The first problem brought to light concerned whether to direct efforts toward obtaining more business from small operators, including nonowners. The answer would seem to be that if it were possible to carry on such business without lowering efficiency of the cooperative, efforts of this kind might well be encouraged.

2. An additional problem involves a decision on the part of the cooperative as to whom and, perhaps, how many should be encouraged to join the cooperative. *The cooperative should set up eligibility*

requirements and all interested patrons who can qualify should be asked to join. All of these may not be attracted to membership, yet they can be given the opportunity. A formal membership campaign is not always advisable; patrons' visits to a cooperative ordinarily will furnish all the contacts that are needed. Everyone concerned with a cooperative, including its members, employees, directors, and the manager, however, should utilize every opportunity to encourage qualified patrons to become members. Patrons should always recognize that membership in a cooperative carries a considerably greater obligation than simply that of signing a membership card. They should recognize that a cooperative has the right to select its members and should regard membership as a privilege.

3. Another problem is that patrons, principally member patrons, frequently did not know their membership status. *Every patron should know whether he is or is not a member.* For example, would it not be logical to expect greater membership interest and support if such knowledge were had? To produce membership awareness, some outside contact should be made with patrons, at least once a year. Nothing elaborate need be undertaken in promoting these contacts and each cooperative may need to approach the problem differently. A monthly or quarterly letter can often be used effectively. It might include comparisons on volume and earnings, plans, and outlook information. It might report news items of particular interest about patrons. It might pass along farm hints, fertilizer recommendations, seeding rates, and the like. At appropriate times, it might consist of an annual financial statement or of a statement as to each patron's equity. Occasionally, suggestions might be invited from patrons as to the adequacy of services or as to needed changes in policy.

4. Greater membership interest and support might also be expected if local cooperatives were to give *more emphasis to holding community meetings.* While the cooperative's management faces a problem in getting attendance and in arranging a program of interest to patrons, such meetings are highly suited for familiarizing farmers with what constitutes good cooperative and business principles. Community meetings should be conducted informally and all who attend should be encouraged to participate. In addition, farmers should know that the meeting was called and conducted by their cooperative and not another agency. An annual meeting of all members and

possibly prospective members of the cooperative should be continued, of course.

5. There appears to be a lack of understanding as to patronage refunds and patron's equity. *Savings should be returned or credited to patrons in relation to the amount of business that is done with the cooperative*, particularly if the cooperative wishes to retain exemption from the payment of corporate income taxes. If capital is needed, retaining savings is entirely proper. The amount retained, however, should be carefully allocated to each patron's account and the patron should be given proper written notice of his share or equity in the association, both annually and cumulatively for previous years. This will enable patrons to realize more fully to whom the business belongs and thus strengthen their loyalty. Individual cooperatives may wish to redirect attention toward a definite plan of handling savings, giving patrons full knowledge of such a plan. Community meetings would be suitable for explaining such a plan.

Cooperatives should recognize that success will depend greatly on what farmers think about them. If the association can learn from its patrons and nonpatrons why they think as they do, it will be in a position to strengthen farmer-cooperative relationships and thus obtain greater membership interest and support.

