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DRAFT INTERIM REPORTS

OF THE

ECONOMIC AND DEVELOPMENT COMMISSION

see index

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TABLE OF CONTENTS.

	PAGE
Covering Report.....	3
Trade.....	7
Immigration and Colonization.....	8
Agriculture.....	10
Duty of the Government.....	13
Board of Agriculture, proposed general range of activities by.....	14
Bureau of Industrial and Scientific Research, suggestions for organization of..	16
Land Settlement for Soldiers—proposed scheme.....	18
Management of Districts.....	19
Payment for Work Done, and Training of Inexperienced.....	19
Winter Employment.....	20
Special Instruction.....	20
Advances in Equipment.....	20
Granting of Title.....	20
Land Already Occupied.....	20
Supervision of Settlers.....	21
Advantages of the Scheme.....	21

DRAFT INTERIM REPORTS
OF THE
ECONOMIC AND DEVELOPMENT COMMISSION

COVERING 1940-1941.

The Economic and Development Commission is authorized by the Order in Council, under which it acts, to make interim reports from time to time, as the Commission shall determine. In pursuance of this authority we therefore desire to make an interim report growing out of the inquiry which the Commission is now making.

One of the principal reasons advanced in the Report of the Committee of the Privy Council, for calling into existence this Commission, is based upon the extraordinary conditions arising out of the war, and for which every preparation should be made. It is almost needless to observe that not only are extraordinary preparations being made by the different countries on this Continent, and those on the Continent of Europe, but also by the other Overseas Dominions, to meet the new and almost unprecedented conditions that will have to be dealt with after the war by the Governments of the different nations. The Commission would, therefore, desire that the Government of Canada, in considering the recommendations embodied in this report, should view them from this particular standpoint and not as recommendations made upon a situation based on normal conditions. If, therefore, our recommendations are considered to be of an unexpectedly advanced character, they are to be attributed to the extraordinary conditions for which the Government of Canada must naturally prepare. Furthermore, the creation of this Commission by the Government presumes that there obviously is a necessity for the work assigned to the Commission to be done, and also that the duty falls upon the Commission to give a free expression of the results of their inquiry as to the best means to be adopted to meet the situation therein stated.

With a view to dealing with the problems which confront us, we naturally have to first consider the system of business organization the Government of Canada has for transacting the public business, and meeting the new and extraordinary conditions to which we have referred. We, therefore, must necessarily make a survey of that national business organization to ascertain if it is equal to the national responsibilities we are called upon to discharge. Canada is comparatively a new country with its enormous resources largely undeveloped and its possibilities of national importance, equal to, if not in excess of any part of the Empire. This is an age of efficient and scientific organization where not only large business interests but national Governments vie with each other in perfecting the most competent organizations for the promotion and transaction of their affairs. This competition is world-wide, and to-day the progress of a nation depends largely upon the efficiency of the human organization charged with the promotion of the duties which may be assigned to it. Probably no country in the great list of national competitors should be so much interested in the question of efficient organization charged with the development of its internal growth as ourselves, owing to the illimitable national resources of which we are possessed and the possibilities which may be achieved through aggressive action.

The business of Canada is at present transacted through the various departments of the public service. It is unnecessary to review at length the constitution of

these various departments. Suffice it to say that the Minister of each Department is a political head, only temporarily occupying the position, being in the very nature of things, expected to keep his Department largely in touch with the political fortunes of his party. The Deputy Minister and Departmental staff must necessarily reflect more or less the many general restrictions which also in the very nature of things surround and control Departmental Service.

A close analysis of Departmental conditions must inevitably lead to the conclusion that, on the part of the officials, no matter how capable they may be, initiative is not encouraged, constructive ability is not given free play, aggressive methods are at variance with the traditions of the Department and on the whole, each Department is simply administrative in contrast to being constructive, aggressive and responsible for the development of our national growth.

Our Departmental machinery is not calculated to adapt itself as would a business organization to new and advanced methods of developing our resources in those subjects where promotive and aggressive methods are the essentials to success. The question, therefore, arises whether Canada must necessarily rely upon the methods which we have used for the transaction in the past of our national business, or whether we shall awake to the national opportunities we are sacrificing and adopt new systems, both modern and efficient.

Of the fifteen Departments of Government with portfolios, upon three of those departments particularly devolves the work of aggressive development and increased production. The Department of Interior is charged with the duties of Immigration and Colonization and likewise the development of our natural resources. The Department of Agriculture is charged with the duty of promoting by the most progressive means the agricultural interests of Canada, and the Department of Trade and Commerce, the duty of building up and expanding both the foreign and domestic trade of Canada. The duties falling upon these three Departments are not merely Departmental or administrative. They are peculiarly constructive and national. They demand the exercise of the highest order of enterprise of energy and vision. An immediate departure from restrictive methods and departmental traditions is necessary. In proportion to the advanced and progressive policy of these three Branches of the public service will largely, if not altogether, depend the increase and expansion of the national interests of Canada.

The Department of Railways and Canals occupies a sphere of duty and action scarcely analogous to the other Departments. While the scope of the Commission embraces an inquiry into transportation questions, we recognize that the very important transportation problems, with which this Department is charged, are now commanding the attention of the Government in such a way as to ensure the highest available talent being secured to suggest the most desirable action that should be pursued by the Government in dealing with these problems. The Commission, therefore, considered it unnecessary to deal with the question of transportation for reasons already stated.

The remaining eleven Departments of the Government are very largely administrative in their nature. Upon them do not devolve the same responsibilities and obligations of initiative and constructive policy as upon the others to which we have referred. With all deference, we would suggest that it is the duty of the Government to at once give recognition to the substantial distinction between the three Departments mentioned and the other Departments of the Government. We do not by this criticism imply that the Minister or staff of any Department is in any way responsible for the departmental system to which we have referred. The system is one that has become engrafted on our public service and has been the product and growth of years. Governmental systems through time, become cumbersome and inefficient. Nevertheless it becomes the duty of the Government of the day, even though tradition may hallow a system, to so reform it as to make it conform to modern methods and requirements. It, therefore, becomes desirable that the Government, under the conditions to which we have referred, should not only give special consideration but give

its immediate attention to the adoption of such a special and expert organization as would result in an advanced and expanded policy by the three Departments upon which so largely rest the development and progress of our national growth.

This work cannot be done as ordinary departmental work. It is work demanding initiative, creative, constructive and aggressive ability, and therefore must be carried out through machinery particularly selected and adapted for this purpose.

There have been occasions in recent years when it was found that the ordinary departmental machinery was incapable of grappling with important subjects that agitated the public mind. The Government of the day immediately recognized the necessity of abandoning the ordinary departmental organization and of calling into existence new methods for the purpose of dealing with these subjects. Reference might be made to the organization of the Railway Commission to meet conditions with which the Railway Department had been grappling since Confederation, with dissatisfaction to the public and loss and inconvenience to the public interests of the country and railways alike. The Railway Commission was accordingly organized and thus an extraordinary situation was most adequately met to the satisfaction of all the interests involved.

The same might be said of the Grain Commission. Few questions agitated, particularly the people of the Northwest, more than the conflict between the transportation, elevator and agricultural interests. The Departments were admittedly unable to grapple with the subject and Parliament called into existence the Grain Commission. This Commission has solved the many problems which formerly agitated the public mind and has vindicated, through its creation, the wisdom of the Government and Parliament.

It may be said that these Commissions are regulative, and this may be correct as to their chief duties, yet in many respects they are constructive. They are largely independent of the departmental machinery. They are sufficiently elastic to meet conditions as they arise and without being handicapped by departmental traditions, it is inherent in their constitution and make-up to adapt themselves to the public demands, no matter whether those demands may require regulative initiative or constructive action.

It appears to the Economic Development Commission that to pursue their inquiries along the lines of the Order in Council, specifying the scope of their investigation, that no substantial headway can be made except through the adoption by the Government of such machinery as will ensure satisfactory results. The Commission has given a substantial portion of its time to the accumulation of information both of a general and special character, the application of which it is hoped will be of value to the promotion of the objects in view. This Commission, however, regards it as fundamental that the Government should at once give expression to its willingness to adopt special organization through which there will be efficiently carried out the objects which the Commission has in view. It is not information or data that Canada at the present time requires but organization and action. We regard it as absolutely indispensable that the final working out of the principal subjects with which the Commission has been charged to make inquiry, should be placed in the hands of active and permanent Boards specially organized for that purpose.

Returning to the principal subjects toward which our inquiry has been directed, viz.:

1. Immigration and Colonization.
2. Agriculture.
3. Trade.
4. The Development of our Natural Resources.

We are fully convinced that the promotion and working out of these subjects should be placed in the hands of permanent Boards. We would suggest the appointment of four Boards. The number on each Board should not exceed three. They should be appointed for say, ten years. Their salaries should be commensurate with the importance of the duties assigned to them and as large as would be paid them

by business organizations. The constitution of each Board should be defined by Act of Parliament. Each could be attached to the Department cognate with the subject so assigned to it and report to the Minister of that Department. They should be given such independence and freedom of action, as to fully meet the requirements for which they have been brought into existence, or in other words, they should be charged with the same responsibility and given the same freedom of action that a business organization would feel it incumbent to apply in analogous cases to its machinery. Results should be the standard by which their usefulness would be adjudged, and the responsibility should be placed upon each Board of making a distinct success of the obligations attached to its office. The Civil Service Act should in no way apply to them.

We would suggest, as to the Commission on the development of our natural resources, that the Conservation Commission should be converted into a Bureau of Industrial and Scientific Research, and that this Commission should be attached to this Bureau. That there should be brought within this Bureau, all our scientific and technical experts in the employ of the Government, whose duties may be cognate with such a branch, so that in the matter of the development of any of our natural resources, or in the event of the different manufactures which might be established in the Dominion, and for which expert knowledge and advice would be needed, the public would have access to this Bureau for all information and data relative to Scientific and Industrial Research.

These boards might with advantage form a central committee, made up of their respective chairmen, and presided over by a Minister of the Crown, designated by the Governor in Council as the chairman thereof, who should meet together at short intervals with a view toward promoting co-ordination, co-operation as well as aggressive and promotive work and advising the Government accordingly.

We feel confident that the adoption of these suggestions would result in the greatest advantage to the development of our resources, in the increase of our volume of immigration, in the settlement of our lands, in the expansion of our trade and the vastly increased production of our agricultural and other natural resources.

The necessity of such an advisory committee with access to the best engineering and expert talent available in Canada, from whom the Government from time to time could secure most reliable information and assistance on all important questions of public undertakings, has been peculiarly emphasized in recent years.

Notwithstanding the enormous expenditures to which the Government of Canada has been committed in entering upon their great public undertakings, we have not within our system of government any advisory council of experts on whom the Government might absolutely rely for accurate and dependable information on the many problems involving the vast expenditures to which the Government has committed the country. There is good reason for saying that Canada since Confederation has entered upon many schemes involving hundreds of millions of dollars without the Government of the day having had before it that expert and disinterested information which should be furnished by the highest order of specialists before committal by the Government to the carrying out of any of the many undertakings upon which it has entered. We are warranted in saying that had Canada possessed such an organization within its public service, charged with scientifically examining and reporting and advising upon many of the greater undertakings upon which we have entered, certain undertakings would not have been entered upon, which admittedly were of a mistaken character and which unnecessarily involved the country in enormous expenditures.

One of the great problems of to-day is our attempt to extricate ourselves from mistakes made by Canada in entering upon these undertakings, much to the embarrassment of our public finance and confusion of our business interests. Our duty therefore is imperative in profiting by the mistakes we manifestly have made and bringing our best thought to bear upon the question, how in the future we may escape a repetition of the many errors into which we have fallen in entering upon public undertakings, without having secured intelligent advice and given proper consideration to the results that would flow therefrom.

The Bureau of Industrial and Scientific Research with an advisory committee attached thereto, as suggested should result in assembling within the sphere of its many duties the best scientific and most specialized talent available within the Dominion. Its advice and usefulness to the Government would be immeasurable.

The Commission with a view to impressing upon the Government the necessity of giving effect to the recommendations embodied in this covering report, has attached thereto, five interim reports upon the subjects mentioned herein, namely, Trade, Immigration and Colonization, Agriculture, Industrial and Scientific Research, and a scheme for the settlement of returned soldiers (which may be classified under Immigration and Colonization), all of which is respectfully submitted.

We, furthermore, with all deference, submit that in our judgment until a more advanced policy of organization is adopted by the Government for the carrying out of the many suggestions for promoting a more progressive programme touching the different subjects to which we have referred, we consider that we cannot, with any well defined advantage, proceed further with the inquiry or investigations, with which we are charged, inasmuch as we are convinced that it is not information that is so much needed, as action, and we therefore will await with very great interest the views of the Government upon the suggestions embodied herein.

OTTAWA, July 11, 1915.

TRADE.

As to the question of Trade, in observing the instructions given to the Commission under the Report of the Privy Council, on the question of "widening and extending our markets to the advantage not only of Canada but of the countries and communities with which trade may thus be created or extended," we have made inquiry from the most authoritative source from which to obtain information that would represent the trade interests of the Dominion.

We had a conference with the members of the Manufacturers' Association as well as representatives of other trade organizations. They fully appreciated the importance of the inquiry which we were conducting not only in regard to Canada itself, but as to the interests of all those engaged in trade throughout the Dominion. They were equally interested with the Commission in discussing the most advantageous means that could be adopted to bring about this desirable end. They were most emphatic in their views in saying that this means could only be reached by putting into practice analogous methods to those which the trade interests of the Dominion would put into operation in promoting their own interests along similar lines. That for progressive and intelligent work to be accomplished on a large scale in the opening up of both foreign and home markets and in promoting trade generally, men with a highly specialized knowledge of trade in its various aspects must be secured to give effect to this purpose.

The members of the different trade interests with whom we consulted had no hesitation in saying that this could only be brought about through the organization of a Trade Bureau, consisting of two or three experts upon trade questions whose knowledge and ability would be of the highest order, and who would give their exclusive time and attention to the working out of all the important questions which must necessarily arise in the adoption of a progressive trade policy. It was pointed out by them that the selection of such a Bureau by the Government would at once bring into close contact the trade interests of the Dominion with the Government Bureau in such a way as to mutually acquaint each other with the requirements that would arise from time to time not only on the part of the trade interests of the Dominion, but those requirements of home and foreign markets, which must necessarily be consulted in building up a successful policy of national trade.

The main essential to be gained in establishing an organization lies in the fact that the Government places in the hands of most highly specialized experts, the working out of a great national problem which can not be expected to be advan-

tageously handled through Departmental channels, and at the same time satisfy the trade interests of the Dominion that nothing has been left undone in consulting those interests in thus furnishing the best machinery obtainable for the promotion of the objects in view.

Another important consideration not to be overlooked is, that anterior to the war most of the countries in America and in Europe, being impressed with the intense competition between different nations in building up their trade, had perfected highly specialized and aggressive trade bureaus for the purpose of building up and promoting both their home and foreign trade. These organizations, on the part of the different Governments, will immediately after the war become further strengthened to meet the new and intensified conditions that will have to be confronted by each nation in the expansion of its trade and in securing a foothold in the new as well as established markets. Inasmuch as Canada is very much in its infancy in comparison with other great countries, who have built up world trade connections, it is therefore the more obvious that one of Canada's paramount duties should be to see that nothing is left undone in the perfecting of its trade organization through the retention of the most highly specialized trade experts we can secure, and properly organized as a bureau for the purpose of Canada entering effectively into the great list of national competitors which immediately after the war will seek to enter all the markets of the world in the promotion of their trade interests.

The Commission feels that it is no reflection upon our present trade organization to say that these new conditions which we have pointed out will more than warrant the Government in taking even extraordinary steps to ensure Canadian interests, that the Government will not be behind other Governments and leave anything undone to place Canada in the front rank of all competitors in reaching the various markets of the world.

IMMIGRATION AND COLONIZATION.

The Economic and Development Commission have given their best consideration to the very important subject of Immigration and Colonization. We have considered the subject at all the angles from which it might be viewed. This would include Immigration as distinct from Colonization, and also the one coupled with the other.

In this connection we have considered the question of organization in its widest sense, the different policies of Immigration and Colonization that might and could be pursued by the Government, the co-ordination on this subject of those provinces in which are vested public lands, the co-operation of the provinces which have no control of their lands, the co-operation that should be given by transportation companies, land companies, loan and financial organizations, all of which would profit greatly by and through the promotion of the important subjects of Immigration and Colonization.

After giving serious consideration to those individual subjects we have been forced to the conclusion that the adoption by the Government of a strong and efficient system of organization is a pre-essential to our pursuing our inquiry further upon any of the foregoing branches of the subject. The success of an Immigration and Colonization policy under conditions in Canada, will depend solely upon the character of the organization established by the Government and charged with the carrying out of this policy. We, therefore, consider it most necessary to first report upon the question of organization and to ascertain the attitude of the Government upon this question before dealing with the other branches which pertain to this general subject.

The question of Immigration and Colonization is one of the largest and most important questions with which we have to do in Canada. Greater national interests depend upon it than upon the discharge of any public duty with which the Government is charged. It should be regarded, at this time, as Canada's most important business. From the reports upon the public expenditures of the Government made over a period of years to build up in Canada an increase of volume of population,

and looking also at the returns, which will appear in the Government reports, our failure to increase our population commensurate with our expenditures, and to settle up our vacant lands throughout the Dominion, will become apparent and that, in this, our most important business, namely, the building up of population through Immigration, we have signally failed.

In the first place, to have a nation we must have population, and in the second place, the importance or greatness of that nation depends upon the numerical and moral strength of its population. If we look at the nations of this and other continents, the fact is patent of the correctness of the general proposition laid down, viz., that in proportion to the increase and quality of population will be found the sum of the greatness of that nation and of its national importance and security. In proportion to the increase and quality of population will be found a corresponding increase of all those elements which go to constitute national greatness. In proportion to the increase of population, cities will grow and lands will be tilled, production will be increased, trade expand, industries will spring up, capital will vie with capital in opening up our national resources, and the nation will become prosperous.

Fundamentally involved in the working out of this most important of all national subjects to us in Canada, is the all-important economic question of our thus determining the ethical and national character of Canada's future people. Questions such as the proper selection of immigrants with a view to the national assimilation of different peoples to our conditions and systems of Government, may be regarded as equally important with the other question with which we have dealt, namely, that of settling up our country by an increased population.

Questions of far-reaching importance and most diverse in variety, have thus to be dealt with. It therefore becomes obvious that to successfully work out to a satisfactory conclusion the many questions that present themselves under the head of this subject, will require one of the most capable organizations that the Government can establish. As Immigration and Colonization for some years to come, should be the chief business of Canada, and particularly at this critical time in the history of the Empire, when an almost revolutionary process of reconstruction in Europe must take place, too much importance cannot be attached to laying down the proper foundations for the handling of this question. Up to the present time Canada has not seriously given attention to the question of Colonization. We had concentrated to some extent upon the subject of Immigration. We have been too indiscriminate in accepting all classes of the immigrants that during recent years have been brought into Canada. No comprehensively organized step has been taken toward colonizing our public lands in an intelligent and effective way with the various immigrants who have reached our shores. We apparently considered our duty ended upon their reaching the different points in Canada to which they were destined, without any policy of Colonization being assumed and carried out by the Government. The consequence is that, notwithstanding the efforts and expenditures we have made in this direction our public lands remain unoccupied to an extent entirely incompatible with their vast areas and the expenditures made in the development of our resources.

While we have a fairly elaborate organization throughout the United States and Europe, in the way of offices and agents, costing the Government of Canada a substantial amount annually, and while the various officers charged with the particular duties of Immigration have doubtless not been wanting in following out their instructions, yet it cannot be overlooked that the subject has been regarded as one only of secondary importance and has not occupied that commanding position in our national work of Government which the subject merits and demands.

In our judgment the machinery to which we have referred should be made use of in a reorganization of this branch of the public service. We are fully convinced that there should be appointed a Board of Immigration and Colonization. The all-essential consideration being that this Board should be men of the greatest possible capacity. They should be charged with the responsibilities and obligations of carrying out this work on the largest possible scale. They should be paid liberally and their

value should be determined by the results which they bring about. They should be made independent of all the restrictions of departmental service which tend to destroy initiative, constructive and aggressive work, due regard of course being had to the responsibility to Parliament of the Minister under whom they may act.

It must not be overlooked that in the carrying out of any policy of Immigration and Colonization we enter into most active competition with the different countries of this Continent and as against the other Overseas Dominions, as well as the efforts which will be made in Europe immediately after the war, to retain their own people within their own boundaries. The inducements that will be made by other nations, particularly on this continent, as well as by the other Overseas Dominions, to secure immigrants with a view to colonizing their lands, will be of the most attractive and aggressive character. To meet these conditions Canada will have to establish an organization even more constructive and aggressive than those established by the many nations against which we will have to compete. It will thus be seen that antecedent to any system or policy of Immigration and Colonization being adopted, the all-important question now to be determined is the building up of an organization that in our judgment should be superior to any of the organizations that may be built up by the other countries to which we have referred.

In our judgment Canada of all countries has the most to offer and the most to gain through the adoption of an organization capable of taking advantage of this most psychological moment in our history for the carrying out of this great national duty and purpose.

AGRICULTURE.

The Commission, in the course of the inquiry, has given careful study and consideration to the progress which agriculture in Canada has made in recent years and to the present status of the industry.

Statements of views on various branches of the subject have been secured from a number of Farmers' Associations and many leading citizens engaged in promoting agricultural education, and in stock raising, grain growing, dairying, fruit and vegetable growing and the marketing business throughout the Dominion. From the information which has been gathered from all these sources the Commission is convinced that the time has come when it is desirable, in the public interest, that an improvement be effected in the Government organization which now exists for the purpose of developing agriculture and advancing agricultural interests throughout the Dominion.

Inquiry shows clearly that the chief considerations affecting the progress of agriculture at the present time are:—

- (1) The need for a great increase in the number of farmers in order that our vast areas of fertile land yet unsettled may become productive.
- (2) The need for the employment of better methods in leading farmers to adopt more effective systems of management.
- (3) The need for a thorough organization of the business of marketing farm produce, and the establishment of such Government control in the various stages as will prevent an undue proportion of the value of products being required to cover the cost of transference from the producer to the consumer.
- (4) The necessity for a supply of reasonably efficient labour, male and female, when most needed on the farm.
- (5) The need for improvement in transportation conditions, including highways, in order that the cost of conveying produce from farms to consuming centres may be reduced.
- (6) The need for more adequate and suitable organization that money may be obtainable for long and short term loans at rates which the farming industry can afford to pay.

(7) The need for an organized influence that will promote the improvement of social conditions in the country in order that farm life may become more congenial and attractive.

A survey has been made of the work which has been and is now being carried on by the Federal and Provincial Departments of Agriculture throughout the Dominion. A great amount of valuable assistance undoubtedly is being offered for the purpose of helping the farmer. In the year 1915 the Federal Government's appropriation for this purpose amounted to \$4,550,000, while the various Provincial Governments contributed the sum of \$2,850,000, making a total in one year of \$7,400,000. It is, however, evident on every hand that conditions are not improving anything like so fast as the best interests of the country require and mainly for the reason that Departments of Agriculture have not produced the proper organization to reach the farmer effectively.

There are in Canada 750,000 farmers, every one of whom should be reached and the majority brought into close touch with the Federal Department of Agriculture. Yet it has been stated on the highest authority that less than thirty per cent of that number are to-day receiving assistance or guidance from this department of public service organized for, and devoted exclusively to the interests of the farming people. In the report of the Dominion Experimental Farms System for the year 1915 the Director states:—

"Many thousands of reports and bulletins are sent out every year, and farmers have been invited to correspond with us and attend agricultural meetings. Still, much remains to be done—in fact, comparatively little has been done so far as reaching the average farmer is concerned, since the average farmer, to a certain extent, and the poor farmer very positively, does not take any interest in publications and seldom attends agricultural meetings, and so remains in ignorance of the progress that is being made in agricultural science and investigation."

In a statement to this Commission the same official said: "If an up-to-date system of crop-rotation were practised by the farmers of Canada the productivity of our cultivated lands would be at least doubled." In order to appreciate what this means it is necessary only to know that in 1914, a normal year, the field crops of Canada were valued at \$638,590,300.

There are, therefore, vast possibilities of improvement through the adoption of better methods. But before very material advancement is made it will be necessary for the Department of Agriculture to approach the indifferent farmer on his own farm instead of longer expecting him to make the necessary advances. Every other human activity is guarded and directed to-day by specialists whose services are regarded as indispensable and without which success cannot be achieved. Yet in agriculture, one of the most complex of all pursuits, seventy per cent of our productive units (farms) are operated without practically any recognition of the teachings of science or the findings of investigators in the fields of plant and animal production.

Lest it might appear that the general standard of efficiency in farming is lowered mainly through the influence of new settlers lacking experience in farming, the results of a survey made by the Conservation Commission in 1915 in four representative counties, long settled, in the Province of Ontario, may be cited. This survey took into consideration all the chief matters affecting efficiency, recognized by expert observers in Agriculture. It was found, for example, that only one per cent were treating grain to prevent smut although, according to an estimate carefully prepared by the Dominion Botanist, this plant disease is responsible for reducing the revenue from farming more than twelve million dollars every year in Canada. At the same time all our Departments of Agriculture have been sending out freely, literature describing clearly how this loss might be effectively prevented at little expense with no more result than that just stated.

Fifty per cent of the farmers reported upon did not know the names of the varieties of the particular classes of grain being grown. In one district of 100 farms, 28 varieties of oats were seen growing, although the results of experiments conducted by both Federal and Provincial authorities in the same Province had been sent broadcast showing that not more than two or three of these varieties were well suited to the locality and could be expected to yield abundantly.

In many of the newer districts of the country, failure to follow modern methods of agriculture or to make use of facilities available in connection with the Department of Agriculture are even more pronounced.

In other important matters affecting the progress of farming comparatively little has been done to help. In the marketing of the productions of the farm an organization has been established under the Grain Commission which has regulated the marketing of grains in a manner acceptable to the people but in regard to other productions there exists no effective machinery for meeting the needs of producers under present conditions. This is especially true in respect to the live stock industry. Every one who understands the situation will bear witness that a permanent agriculture cannot be built up without stock raising as the chief corner stone. Farming without stock, is merely soil-mining and can mean nothing but ruin in the end. Yet we find that the stock-raising business has not kept pace with developments in other respects. Instead of being an exporting country of finished stock and meats on a large scale, previous to the war under normal conditions, we scarcely produced enough of these supplies to meet our own requirements. The value of meat and butter imports into Canada for five years preceding 1915 were as follows:—

	Meats.	Butter.
	\$	\$
1910.....	2,427,901	92,934
1911.....	2,581,119	296,363
1912.....	3,627,064	1,616,418
1913.....	5,338,673	2,081,989
1914.....	5,267,853	1,823,894
	19,311,610	5,311,638

When a country like Canada possessing, as few other countries do, all the conditions required to rear and finish meat-producing animals satisfactorily, is unable to develop materially its exports in these products, radical measures seem called for. In the Western Provinces there is an extensive area of abundant pasture left untouched every year because stock are comparatively scarce, and increasing but slowly. There are, also, produced annually great quantities of rough grains just what are required to finish stock for market, yet thousands of animals are shipped to the United States every fall to be finished at a profit to the dealers and farmers of that country. In the year 1915 there were shipped South from the city of Winnipeg alone over 60,000 head of feeder cattle the value of which could have been increased at least \$40 each—a total of \$2,400,000 had they been fed to maturity within our own borders.

A careful examination of the situation locally has revealed the fact that farmers lack confidence in the stability of the industry. Wide fluctuations in market prices, without apparent good reason, have led to a common belief that there is manipulation of the market. The difference in the price paid for stock at the farm, and on city markets, often seems unjustifiable to the producer from the information he has available, and a comparison of prices with those received by farmers in other countries leads to discouragement.

It is clear that a more permanent market ensuring equitable returns to the producer must be assured before the raising of live stock will become so general as the interests of Canadian Agriculture demand.

Another phase of the situation which is fraught with grave results is the tendency for towns and cities to increase much more rapidly in population than rural districts. An examination of the census returns for the last ten years for which there is a record shows the increases in urban and rural populations to have been as follows:—

Population.	1901.	1911.	Increase.	
			Amount.	Per cent.
Urban.....	2,021,799	2,751,161	1,253,342	62.29
Rural.....	3,349,818	2,925,602	574,986	17.20

It will be noticed that the urban increase of 62.29 per cent is more than three and a half times as great as the increase in the country. In the aforementioned decade the country seemed to enjoy a measure of prosperity unprecedented, and yet there were parts of Eastern Canada where agriculture has been the chief industry of the people for many years, that showed a most surprising decrease in population. Huron county, in Ontario, in which a careful survey of rural conditions has been made, for example, shows a decline during this period of 8,492 country people.

If Canada, an agricultural country, is ever to attain to the measure of its possibilities, means must be found to stem the flow of population from the country to the city. The report of the Statistics Branch, Federal Government, for the year 1911 shows that in all Canada only 109,948,988 acres were then occupied as farm lands and that 248,213,202 acres suitable for cultivation were not being made use of. Of 120,000,000 acres in the Prairie Provinces, stated on the best authority as being eminently fitted for successful farming, only 20,000,000 are as yet utilized in producing farm crops of any kind. To double the area now under cultivation in Canada would mean an increase in the national wealth of one and a quarter billion dollars annually. To adequately improve the methods of farming now being employed would again double the value of farm produce, making a grand total of five billion dollars, all of which in time will be achieved. The possibilities of agricultural development are, therefore, so enormous and the responsibility of the Government to encourage and direct agriculture so great that they constitute a problem demanding vigorous and prompt action.

The Duty of Government.

In regard to the measures which should be adopted to adequately meet the situation outlined, it is manifestly the duty of the Federal Government to take the initiative and assume the chief responsibility. Farming being Canada's basic industry and the chief source of national revenue, all other interests of the country are largely dependent upon it. As the need for increased revenue to carry on the development of the country continues to grow it is clearly the duty of the Federal Administration to make certain that the business of utilizing and conserving the chief of our natural resources—soil fertility—be assisted to the fullest extent possible.

The British North America Act of 1867 defines in section (95) the powers which the provinces are enabled to exercise in regard to agriculture. These powers they have made use of from time to time without always taking cognizance of Federal responsibilities. Little or no attempt has been made to designate the respective spheres of the dual authorities. It has been, therefore, inevitable that duplication and overlapping in the work of Federal and Provincial Departments should occur. There would not appear to be, for example, any justification for Provincial and Federal Governments each operating demonstration or illustration stations within the same territory. Yet such is the case. Examples of duplication in various ways are not uncommon. As the activities of Departments of Agriculture increase (as they neces-

sarily must) needless spending of public money in this way if not arrested will become more apparent. This in time will lead to a general want of confidence by the public in institutions intended to render valuable service.

Having deliberated carefully upon all phases of the situation, the Economic and Development Commission is convinced that the time has come when the machinery of the Department of Agriculture should be rearranged and extended and the business of assisting, instructing and advising farmers in all phases placed upon a business basis and managed as nearly as possible according to those principles which are found necessary in the management of successful concerns controlled by private interests. For this purpose it is recommended that a Board consisting of three members to be known as the Board of Agriculture for Canada, be appointed, each having a thorough knowledge of agriculture and possessed of undoubted business ability. This Board should be related to the Minister of Agriculture as the Grain Commission is now to the Minister of Trade and Commerce. Powers should be given it to initiate and set in motion such measures as may be deemed advisable for placing the farming industry on a proper basis. For carrying out this purpose it would have at its disposal the present Departmental machinery which it would use as far as possible.

A board so constituted would possess possibilities which could not be realized by existing departmental machinery. In the following respects especially it would be very effective:—

(1) In negotiating with Provincial Governments for the purpose of defining limitations of authority and in promoting measures for co-operation in instruction and demonstration work.

(2) Where the political complexion of the Federal and Provincial Governments differ, misunderstandings as to motives of policy would be much less likely to arise.

(3) It would enjoy greater freedom of action, being free from the inevitable delays unavoidable in the operation of a regular department of Government.

(4) Being a permanent Board of the Department of Agriculture, the policy in the performance of definite lines of work would be less liable to interruption in the event of a change of a departmental head.

(5) The organizing and directing of the marketing business, especially that section relating to live stock, would be quite impossible of accomplishment unless by a board as it has been found necessary to have the grain business directed.

The following General Range of Activities by the Board of Agriculture is Proposed.

(1) It should be one of the duties of the board to visit the various parts of the Dominion from time to time as might be arranged by published itinerary, to inspect systems of agriculture, to receive complaints, to hear all questions affecting agriculture, and to generally keep in touch with the agricultural interests of the country.

The results of visits of the Railway and Grain Commissions to different parts of the country to hear and determine questions of public interests are proof of the utility of public bodies of similar nature keeping in active touch with the people throughout the Dominion.

(2) It should have a properly organized means of communication established between the various branches of the Federal and Provincial Departments of Agriculture and the people on the land in order that the activities of these departmental institutions may become of more direct practical value to those whom they are intended to serve. This purpose to be carried out in the following manner:—

(a) Preferably, with the co-operation of provincial authorities in each case, the provinces to be divided by counties or districts having interests more or less in common. In each such division, an organization to be created with local branches

for the purpose of promoting the welfare of the people therein from the standpoint of production, marketing, and a wholesome rural life in all its aspects.

NOTE.—Where organizations already exist that will agree to assume these functions satisfactorily, they may be utilized for the purpose and become affiliated with the Dominion organization.

(b) Each organized district to have at its disposal the services of at least one trained agriculturist, whose duty it should be to promote in every way consistent with the functions of the Dominion organization the well-being of the people of the community. It should be his duty to keep in close touch with the farmers within the district assigned him, advising those who might need advice and direction, and in every way effective, bring to bear upon the practice of agriculture and the conditions of living in the district the latest and most valuable information obtainable from Departments of Agriculture, Agricultural Colleges, Agricultural Experiment Stations and institutions of research in general. He should endeavour to have on as many farms as possible demonstrations in good farming, in order that the standard of efficiency in farming may be speedily raised. It should be his duty further, to hold short courses in agriculture at seasons when the men of the district could find it most convenient to give attention to such matters. Through his initiative, lecturers from extension staffs of Departments of Agriculture would be secured, and all publications of interest and value to the country people brought to their attention.

(c) Each district to have placed at its disposal, as soon as possible, the services of a trained instructor or adviser in home economics, on the same basis as district representatives or county agents in agriculture now operate. These trained women to give attention, first, to teaching household science, household art, and home nursing, by means of short courses, in the schools or at other convenient centres, and in every way possible to contribute to the development of a vigorous and wholesome social environment from the standpoint of women and girls, and young people in general, of the community.

(d) It should have the policy of establishing illustration or demonstration farms now pursued by the Dominion Experimental Farms Branch extended, and consideration given to establishing such farms or stations in all new districts where there are few or no settlers who have had wide experience in farming. These farms or stations to demonstrate mainly the crops and varieties most suitable for the district, the value of good seed, rotation of crops, and thorough cultivation.

(e) It should assume responsibility for organizing the channels through which all farm produce is required to pass from the producer to consumer. Special attention to be given immediately to the needs of better marketing conditions as affecting the live stock industry in particular, by having effected all those measures stated by the Honourable Minister of Agriculture in his report to the commission in December, 1915, as being under consideration.

It is further recommended that this marketing organization assume the functions now performed by the marketing divisions of the Live Stock, Dairy and Cold Storage, and Fruit Branches of the Department of Agriculture, thus consolidating all efforts of the department to improve marketing.

It is recommended also that, according as Provincial Governments organize marketing branches, arrangements be made to co-operate with them, and that the local or community associations heretofore recommended be used as the units in this Dominion marketing organization. Local members would thus be able to co-operate advantageously in marketing their produce, and would benefit by having direct connection with provincial and Dominion organizations.

(4) It should see to it that the Federal funds provided for instructional work in the provinces, due regard being had to the statute in that regard, be utilized mainly for the purpose of—

(a) Providing trained agriculturists and specialists in home economics required as district advisers, according to the scheme of organization heretofore set forth, thus

meeting the need for instructors and at the same time providing an opportunity for the young men and young women of Canada to fit themselves, through the study of science in relation to agriculture and home-making, to perform a constructive work of great service in the development of their own country. In the training of these young people for the service indicated it will be necessary for Canadian Agricultural Colleges to place more emphasis upon those subjects, the study of which is calculated to fit men and women best to solve in a practical and thorough manner the every-day problems of country life.

(b) For the carrying on of such phases of extension work as would tend to encourage and induce young people brought up in the country to remain on the land.

It would be desirable that the expenditure of this special grant to the provinces be so directed by the Federal Government that the federal officials of the Department of Agriculture might be brought into closer touch with the progress of the people in country districts, and in such a manner also as to induce provincial and federal authorities to co-operate more fully, and thereby prevent duplication of effort in the same field.

SUGGESTIONS FOR THE ORGANIZATION OF A BUREAU OF INDUSTRIAL AND SCIENTIFIC RESEARCH.

Reference is to be made to pages 7, 8 and 9 of the covering report as to the general character of this bureau and the general plan of organization which might be followed out.

The following report embodies in it suggestions as to its constitution and scope of action.

There would be three divisions of the bureau.

- (1) Division for Organization of Research.
- (2) Division of Publicity.
- (3) Division of Industrial Research.

Division (1) would attempt to co-ordinate all the various agencies of the Dominion for carrying on research in applied chemistry and other branches of science and engineering as related to industry.

These agencies include:—

- (a) Scientific departments of the universities.
- (b) Research organizations of public bodies such as the Bureau of Scientific and Industrial Research of the Royal Canadian Institute.
- (c) Private corporations or firms for carrying on research for profit.
- (d) The research departments of business concerns.
- (e) Private investigators, research chemists, chemical and metallurgical engineers, etc.

All of these are instruments for solving manufacturers' problems. They all must work under different conditions. The country needs them all, but even more, it needs a central Bureau such as is proposed here, which will keep track of what these various organizations are doing, place manufacturers in touch with just the right body to solve their problems, aid these bodies with financial and other support at times when their investigations are of such a nature to serve the whole country, etc. This Division would keep a record of all research work done in the Dominion, and elsewhere if in any way touching work being carried on in Canada.

Division (2) would engage in activities as follows:—

- (a) Increasing popular knowledge of the importance of industrial research by such agencies as—

1. A national scientific news-bureau that would supply newspapers, etc., with usable printed matter relating to industrial science, just as the United States Geological Survey now does.

2. One or more employees whose business it would be to address Boards of Trade, Manufacturers' Associations, etc., along lines calculated to interest them in the application of science to industry, the further and more efficient development of natural resources, the prevention of industrial waste, etc.

3. The preparation of exhibits showing the possibilities of Canada for the establishment of new industries, the recovery of by-products, the development of new uses for minerals, etc., to be used at expositions, conventions of scientific and industrial societies, etc.

4. The publication of bulletins calculated to interest domestic and foreign capital in the possibilities outlined above, and calculated to interest chemists and engineering investigators in the solution of Canadian problems.

(b) Increasing the supply of Canadian citizens capable of carrying on industrial research by co-operating with the various Provincial educational systems that science shall be taught in a way calculated to make it seem more real and important to the child, in a way more closely showing the dependence of Canadian industry in the future on scientific research and in a way calculated to make a larger number of young men look to industrial chemistry, etc., as a life-work.

(c) Bringing home to manufacturers the value of research as an investment; the folly of attempting to build up our industries apart from utilizing the services of the scientific researcher.

(d) Counteracting sensational ideas as to what research can be accomplished, and preventing manufacturers from spending money and time on visionary problems when a myriad materials abound in Canada waiting uses.

Division (3).—The work of this Division would need to be divided up among a number of scientific and economic experts.

This would be chiefly as follows:—

(a) To study the consular reports, etc., of all nations, especially United States and Great Britain, and prepare special reports on industries which could be attracted to Canada, markets for Canadian products, new and improved methods of carrying on industries not now practiced in Canada, etc. To confer with Canadian manufacturers about these matters and distribute the information thus gained "where it would do the most good."

(b) To make exhaustive technical studies of Canadian industries similar in scope to the splendid report on the brass industry in the United States, prepared by the Mineral Technology Department of the United States Bureau of Mines in order that the best methods in use may be made known and inefficient methods laid open to criticism.

(c) The study of Canadian industries with a view to finding possibilities for saving by-products, utilizing cheaper raw materials, utilizing better processes, etc. It is futile to expect the man in charge of industries to find their problems and bring them to the institutions capable of solving them by research. In not one case in a hundred are those in charge of industries capable of realizing what their problems are. In some cases their eyes are closed through conceit. They think their factory or mill or mine is run as well as it possibly could be. In other cases they are unable to see them through lack of technical knowledge. In other cases they are prejudiced against research through having employed a "pseudo-scientist" to solve a problem. There are lots of such men who will blithely attempt the solution of any problem (possible or otherwise) provided the retainer is big enough. Division (1) will prevent this injury to the cause of industrial research by promptly and accurately putting the man with the problem in touch with exactly the right institution, firm or individual to solve it, if it is solvable, and by telling him that the consensus of scientific opinion is that he would be foolish to spend money on it if it is incapable of solution. In other cases the amount of money required to solve a problem seems large. Expert chemists charge large fees and expert chemists alone can solve problems. The work

of Division (3) here would be to prepare a report showing that the return from the research would justify it (or not) as the case might be.

(d) The sending of technical experts to foreign countries to study methods in use there with a view to improving Canadian practice.

(e) The control of all the Dominion Government laboratories now under the various Departments, such as the Department of Mines, Geological Survey, &c., in such a manner as to prevent overlapping of work, etc.

LAND SETTLEMENT FOR SOLDIERS.—PROPOSED SCHEME.

In considering the question of assisting soldiers to take their places in the activities of civilian life when they return to Canada at the end of the war, three facts of great importance should be kept in mind:—

- (1) That the undeveloped natural resources of Canada are mainly agricultural.
- (2) That there has been in recent years an alarming tendency for Canadian towns and cities to increase in population much more rapidly than country districts.
- (3) That there is greater probability of settlers establishing new homes being able to make comfortable and satisfactory livings if engaged on the land than if employed in towns and cities.

According to the census returns for the ten-year period following 1901, the population of Canada increased as follows:—

Population.	1901.	1911.	Increase.	
			Amount.	Per cent.
Urban	2,021,799	3,281,141	1,259,342	62.29
Rural	3,313,516	3,423,502	573,986	17.20

It will be noticed that the urban increase of 62.29 per cent is more than three and a half times as great as the increase in the country. During the same period the production of foodstuffs did not increase in proportion to population. Although in the ten-year period above cited the population of Canada increased 34.01 per cent there was, for example, an increase of only 17.01 per cent in the number of cattle produced. To make the ratio in total number of cattle for 1911 equivalent to that for 1901 would require 907,547 additional animals of this class.

The second feature brought out in the census returns is that only one-third of the land suitable for farming purposes in Canada has as yet been brought under cultivation. There were in the Dominion in 1911 only 109,948,968 acres under cultivation out of a total of 338,163,190 acres declared on the highest authority as being fit for farming purposes. Of 120,000,000 acres in the Prairie Provinces which have passed from the Crown to private ownership and known to be eminently fitted for successful farming, only 20,000,000 acres are as yet utilized in producing farm crops of any kind.

It will be, therefore, apparent that any scheme of land settlement for soldiers that in a large measure would meet the needs of Canadian development at the present time must be attractive and such as to encourage as large a percentage as possible to engage in farming pursuits. It also should remove as far as it may be feasible to do so, the chief prejudices as well as disadvantages to be met with in rural life. If new settlers were provided from the start with educational, social and other advantages such as are enjoyed in villages and towns, and at the same time opportunities provided for assuming control of farms under conditions that would ensure a reasonable degree of success to the thrifty, it is presumed that a fair percentage of the men who now constitute our forces so gallantly fighting overseas would prefer to establish homes in the country and engage in the business of farming.

In proposing a scheme which the Government, in the public interest, would be justified in adopting in order to meet the situation thus indicated, the main factors to be considered are as follows:—

(1) The necessity of the Government making proper provision for all returned soldiers who desire to engage in farming.

(2) The desirability of furnishing employment under conditions advantageous to the State, until the men and their families may be able to rely on their own efforts.

(3) The employment to be of such a character as to constitute an elementary training in agriculture with a view to ascertaining the adaptability of the several men to farming.

Such a scheme must necessarily involve compactness, and on the part of the Government, organization, supervision in the carrying of it out, and financial assistance.

To meet these requirements the following plan is proposed:—

The Government to reserve district units of land consisting of approximately one township (36,000 acres), each in different parts of the Prairie Provinces, wherever suitable government land may be available within access of a railway. This would furnish 144 quarter-sections. Steps to be taken to establish settlement on at least one hundred of these and to place a fair proportion of all quarter-sections under cultivation as soon as possible. In doing this the Government to maintain complete control of farming operations on all the land for at least one year. Farms of one quarter-section to be assigned to settlers on terms to be stated hereafter, according as they show themselves capable of doing the work necessary to make a success of farming. Meanwhile the cultivating of the land and the developing of the farms to continue as a government work.

In laying out the district one section (640 acres) of land to be held at or near the centre, about 340 acres of it being used as a central farm, until the settlement becomes well established, and the balance for village lots on which the settlers during, at least the early years of settlement, would have their homes. Lots of from one to two acres to be set apart for each holding on which would be erected cheap dwellings and such necessary farm buildings, moderate in character, as might be required to house stock and equipment.

Ample space to be provided for the erection of necessary stores, shops, churches and schools. The latter being so constructed that they could be used as meeting places for social as well as educational purposes. Sufficient land to be connected with each school to provide recreation grounds for both old and young, a portion being devoted to the development of a village park.

Management of Districts.

Each township unit to be placed in charge of a man of business ability who understands farming both in practice and theory and who has previously demonstrated his ability as a farm manager. Assisting him there should be a limited number of men as working foremen, chosen preferably from the ranks of returned soldiers but men known to be skilled in the practice of farming and having ability to push farm work.

Enough farm implements and other equipment to be purchased to enable the management to break and back-set approximately one-quarter of the area of the township the first year. Such of this equipment as settlers individually might require to be turned over to them as soon as they may be in a position to make use of it.

Payment for Work Done and Training of Inexperienced.

In opening up a township, the individuals chosen for consideration should include a fair proportion of men experienced, as well as inexperienced in farming, both being employed from the beginning. Married men would leave their families behind only

until suitable dwellings could be erected. Construction of these buildings, however, would constitute one of the first undertakings.

This programme would warrant the advantageous employment of at least one hundred men in each township and for a large number of women, in such employment as dairying, all of whom would be paid the wages that their services would warrant.

Winter Employment.

During the winter months which would elapse from the time the settlement would be undertaken until each man had a farm assigned to him, ample employment would be available for the men, of such a character as would justify their being paid fair wages. This work would consist of teaming; preparation of materials for construction of necessary buildings, fences and other farm improvements; and in the care and management of live stock, in dairying, and in making preparation generally so that summer work could be carried on most expeditiously.

Special Instruction.

At periods throughout the year when it could be so arranged that the regular employment of the men would not be disturbed, lecturers and other special forms of instruction in farming subjects to be provided with the aid of Provincial Departments of Agriculture or otherwise. The object of this instruction being to cultivate a broader outlook for settlers in the field of agriculture and to provide training in such matters of practical importance as care and management of live stock, stock judging, grain judging, principles of soil cultivation, crop growing, dairying and marketing of farm produce.

Instruction in household science, household art and home nursing for the benefit of the women of the community to be provided in like manner and for similar reasons.

Advances in Equipment.

Each settler found worthy of consideration through his interest in farming and ability to pursue it, to be given a loan in the form of buildings, implements and stock to an amount not exceeding \$1,500 plus the cost of breaking the land and preparing it for crop growing. This indebtedness to constitute a liability secured on both land and equipment. Repayment of the sum to be made on the amortization plan, covering a period of ten or more years at such rate of interest as the Government may be obliged to pay in securing it.

Granting of Title.

Title to the land to be issued after a period of ten years from occupation on condition that payments have been satisfactorily met and the farm cultivated in accordance with the general regulations laid down by the management for the guidance of the community. Each settler to be given the privilege, under arrangement with the Government, of assigning his interest in the land at any time to an incoming occupant who would be satisfactory to the manager of the district.

Land Already Occupied.

In setting aside a township as a district unit for settlement, arrangements to be made so that lands previously set apart as school lands, or held by Hudson's Bay Company or other corporate or private interests, within the same area, would become available immediately for settlement under regulations of the Government Settlement Scheme for Returned Soldiers. This step would be necessary in order that all lands within the district might be brought under cultivation and the settlement made as compact and uniform as possible. No doubt arrangements could be made with parties holding or occupying lands within these districts to accept in exchange equally valuable property elsewhere.

Supervision of Settlers.

When a sufficient number of settlers are qualified to take over all land in a specified district there should be retained as district supervisor, a man thoroughly familiar with a knowledge of practical and technical agriculture who would continue to advise and direct farmers, more especially those of limited experience. All farmers should be required by agreement to accept the advice of such supervisors subject to reasonable limits in all matters of importance relating to farm practice.

Provision should be made, also from the beginning either by co-operation with the Provincial Department of Agriculture in which district may be located, or otherwise, for the securing of a woman capable of giving instruction to the women and girls of the settlement, in household science, household art and home nursing. Instruction of this class will be just as necessary and lead to results just as desirable as any assistance of similar character extended on behalf of the men in farm practice.

Advantages of the Scheme.

(1) It provides an opportunity for the Government to place returned soldiers on the land and make them self-supporting under conditions mutually satisfactory without in the end incurring any liability to the country.

It can be easily established that by organizing and directing farming operations on a large tract according to the methods heretofore indicated, the cost of the operation not only can be paid but a satisfactory dividend declared on the capital invested.

It may be pointed out also that the moment the settlement is established the value of land will be increased thereby to the extent of at least \$10 per acre and the security on loans made by the Government to settlers correspondingly enhanced. This increase in the value of the land immediately becomes an asset to the credit of the settler amounting to approximately two thousand dollars for each.

(2) It provides an opportunity for the inexperienced in farming to gain a practical knowledge of the subject under conditions identical with those under which they will be required to live and operate their own farms.

(3) It overcomes entirely the disability of isolation, so serious in its effects in relation to education and social intercourse in a new country.

(4) The closeness of the settlement makes it possible for the settlers to co-operate in matters relating to labour, credit and the marketing of farm produce.

At the beginning, such expensive machinery as heavy engines and grain separators necessary in farming would be held for the use of settlers by the Government, at a reasonable rate. Later, equipment of this kind would be controlled co-operatively by the community.

(5) Under this system of organization, community ideals in farming could be established with profit. For example, pure seed of special varieties of grains could be grown for sale by the carload, co-operative dairying carried on, and the raising of breeds of stock well adapted to the locality specialized in, all with great profit.

(6) It at once furnishes the prospect of the settler securing a producing farm of 160 acres and establishing a home under most desirable conditions, and thus creates an incentive to each worker to prove his worth while working the first year or more, as the case may be, under the Government manager in the farming operations of the entire unit.

(7) It furnishes an opportunity of rejecting during the first year those found unsuited for farming and more likely to get on well in another occupation.

2 copies

70

AGRICULTURAL COOPERATION.

CONTENTS.

Theory of Co-Operation; Agricultural Co-operation in Various Countries: Denmark; Ireland; Great Britain; Germany; France; Belgium; Italy; Other European Countries, including Austria-Hungary, Russia, Holland and Switzerland; Industrial Co-operation; United States; Canada.

In this Report the Commission describe the methods adopted in various countries of the world for the co-operative purchase and sale of commodities, especially those of agriculture.

Copy to Agriculture
12 Nov 1915

THEORY OF COOPERATION.

At the outset it is necessary to have a clear understanding of the meaning attached to the word "co-operation". It is plain that this word has, to most people, an absolutely general significance, meaning simply that two or more persons are "working together" for some common object. But since the new movement has taken root among English-speaking people, the word has been used in a technical sense, as the name of what must now be admitted to be a distinct and scientific method of conducting business. From this double use of the word - first in a general and afterwards in a technical sense - considerable confusion has arisen. This is more noticeable, perhaps in North America than in the British Isles, for the loose employment of the word has unfortunately received the sanction of official bodies, both in the United States and in Canada. Agricultural Colleges for example speak of "co-operative work" where all they mean is that they have given selected seeds to a farmer, who has promised to make experiments with them. But even in the British Isles there is no prohibition against the use of the word "co-operative" by any body of persons who feel that they have any advantage to gain thereby. A good example is the Army and Navy Co-operative Stores in London, which at present is paying a dividend on its shares of 800 percent, but remains for many people a typical instance of a successful co-operative society. X

If any great development of co-operation is to take place in Canada, a beginning must be made by legally defining the meaning of the word in such a way as to prevent this movement from being discredited by people who avail themselves of the name, while not working on the proper lines.

The form of association by means of a Joint Stock Company with limited liability is already familiar and successful in all civilized countries. The questions therefore arise, why should a new form of association be introduced? What distinctive feature does the new form offer which was lacking in the old? The answer lies in one sentence, which is perhaps the best and shortest definition that can be given of a co-operative society, namely, that such a society represents a union of persons and not a union of capital.

The co-operative society differs from the Joint Stock Company, in the fact that the management and the profits are in the hands of the people who contribute the raw material, the labour and incidently, the capital which go to make the society successful, whereby in a joint stock company the control and profits are in the hands of those who provide only the capital, and perhaps the skilled intelligence necessary. These people will, as a rule, have interests diametrically opposed to the interests of the producers of the raw material and the providers of the labour. In a co-operative society on the other hand, there is only one interest involved, except that of the employees, which is to be dealt with subsequently. al/

This account of the difference between a joint stock company and a co-operative society will at once suggest that each has its own peculiar sphere. In the case of large-scale manufacturing enterprises or industrial undertakings, it will be many years before the time comes when it will be practicable to remove the control from the capitalist or the skilled manager, for the reason that capital and management play an overwhelming part in such enterprises. But in the case of smaller undertakings, where large amounts of capital are not required, but the interests of small producers are vitally involved, the co-operative system has obvious advantages, of both a material and a social kind. This applies particularly to the case of the farmer who is himself a manufacturer and should not entrust the final stages of the manufacturing process on which he depends for his income to a union of capitalists, whose interests are opposed to his own.

These reasons suggest that it is in the sphere of agriculture particularly that the co-operative method of business may be successful; and in fact, this has been largely demonstrated in European experience. The only form of co-operation for other than agricultural purposes which has taken a strong position in Europe is what is generally known as "distributive" or less correctly as "industrial" co-operation; namely, the setting-up of stores for the provision of household requirements among the artisans of large towns.

American experience in attempting to reproduce this part of the movement suggests that Transatlantic conditions are not at present favourable to such development. In what follows therefore, attention will be directed mainly to agricultural co-operation, reserving one chapter for a separate discussion of the industrial movement in Europe.

It is generally admitted that the principles adopted by the original Rochdale "Pioneers" contain all the fundamental requisites of co-operation. They are as follows:-

- 1.- Every member in good standing shall have one vote and no more, irrespective of the number of shares he holds in the society.
- 2.- The amount of shares to be held by any one member shall be limited. (The limit fixed by the law of most European Countries is £200. or \$1,000).
- 3.- Interest on share capital shall be limited to an amount not exceeding the reasonable rate of interest prevailing in the country. (This is usually 5 percent in Europe and about 8 percent in America).
- 4.- The net profits, after allowing for depreciation and placing not less than a certain percentage to reserve fund, shall be distributed among the members in direct proportion to the amount of trade which they have done with the society. In some cases a bonus is also paid to the employees in proportion to their wages.
- 5.- In the case of societies selling goods to their members, such sale should take place at the current market rates, and savings should be effected not by attempting to undercut the trade, but by returning profits in the form of bonus or dividend.
- 6.- Membership in the society should be unrestricted within the district chosen for its operations. (The capital of a co-operative society, unless that of a joint stock company, is not limited to a fixed amount).

Muller

It may be safely assumed that any society which obeys these conditions is conforming to the requirements of the co-operative movement in the fullest degree. On the other hand, it cannot be definitely stated that any society which does not do so is necessarily unco-operative in its spirit; and it is frequently claimed for societies of a hybrid form that, although they are not strictly co-operative in a technical sense, they are so in spirit, and therefore deserve the use of the name. If this claim be once admitted, it obviously becomes extremely difficult to draw the line between a co-operative and a non-co-operative society. The best way of avoiding this difficulty is to put into force a proper co-operative law, which will give a wide, but absolutely definite description of the nature of a co-operative society, and will prohibit all bodies which do not conform to this description from representing themselves to be co-operative. It is probable that the co-operative movement has suffered

more from the absence of such laws, and of a controlling body definitely appointed for the purpose of supervision than from any other cause.

Assuming that the definition now established of a co-operative society be accepted, what are the advantages a farmer might expect to gain by joining such a society, and the purposes for which incorporation under a co-operative law, wherever such a law existed, would be most useful

The practical benefits brought to farmers will be best illustrated by consideration of the history of the movement in a few European countries, as described later. It will suffice here to give a very general description of the objects of agricultural co-operation.

The whole theory of this movement is based, as already suggested, on the assumption that the farmer is himself a manufacturer, and the further assumption that combined or large scale manufacturing is invariably more economical than small scale enterprise. If it be admitted that the farmer be a manufacturer, it will be admitted that in his unorganized state he differs from all other manufacturers, in the fact that he buys the raw materials which he requires at retail prices, and sells his completed product at wholesale prices. Any man, or any body of men, in any other line of business who proceeded in this way would be considered more or less insane. The reason why the unorganized farmer is under the necessity of doing so, is because he has not either the business experience or the facilities for getting into direct touch on the other hand with the sources of supply, and on the other with his markets. Consequently he has to employ a series of middlemen to bring him the raw materials he requires, and another series of middlemen to convey his produce to its ultimate destination. It must be evident that if he can undertake for himself the functions of any one or more of these middle men, he is, to that extent, effecting an economy, always supposing that he undertakes them in a business-like manner.

But it is apparent that the cases in which an individual farmer is able to perform the functions of some middlemen, as well as to conduct the operations of his own farm, and to do this as effectively as it was done by the professional middlemen, must be very rare. The remedy surely lies in the combination of a number of farmers, who will be able to provide themselves with the services of men whose business intelligence will equal that of the middleman, while they will work in the interests of the farmers, and not against them. Such a combination should take the form of a co-operative society, rather than that of a joint stock company, for reasons given above. In many cases, where no co-operative law or knowledge has existed, associations have been formed on a voluntary basis but have been broken down, owing to the natural disabilities connected with such a form of organisation. In other cases, joint stock companies have been established, and these have almost always ended by falling into the hands of two or three people, who were frequently more interested in hindering than in helping the farmers.

Co-operative societies, therefore, are desirable, in order to put the farmer-manufacturer in a position where he can carry out in his own interest certain economies in the manufacturing process, out of which he has to make his living. The next step is to determine what economies may most easily be effected in this way by the farmer.

These economies fall into three classes, viz; (1) in the purchase of raw material; (2) in the actual manufacture; (3) in the ultimate distribution of the finished article; (The easiest form of co-operation has proved in Europe to be the collective purchase of raw material, usually in the shape of fertilisers, seeds, feeds and agricultural machinery. The unorganized farmer has suffered in two ways in making these purchases. In the first place, he has paid the tax demanded by the wholesaler; and also that which goes to make the living of the retailer; and in the second place, he has had little or no guarantee as to the quality of the goods which he was purchasing. The establishment of a local

74

co-operative society for collective purchase will eliminate a large part of the retailers' charges, and will also create an agency which is in a stronger position than an individual farmer for demanding redress in case the quality of the goods is found to be defective. The federation of any local societies of this kind into one wholesale agency will obviously carry the matter very much further and will enable a direct guarantee to be given to the farmer. Great economies can also be effected in the matter of freights and similar costs of handling. It must be noted, however, that one reason for the excessive profits demanded from the farmer when he purchases his raw materials is that he expects and usually receives a considerable amount of credit. When dealing with a co-operative society, it will be to his interest that this system should not continue. But it may be that he is so situated that he is quite unable to pay for his fertilizer before he has got some results from its use. In such cases it may be found necessary and practicable to establish co-operative credit societies, side by side with the purchasing societies, to take care of the financial side of the farmers' business. In some countries one society will undertake both trading and banking for its members. ~~Whether~~ ^{Whether} this should be done or not will depend on the legal situation and on the local expediency.

Reference has been made only to the most elementary form of purchasing society, because it illustrates the way in which economies can be effected on this side of the business. The developments which are likely to spring out of such a society will suggest themselves to readers, and will be fully illustrated later on, by accounts of what has actually happened in practice.

The second line of development for co-operation lies in the effecting of economies in the actual process of manufacture; and in this direction the most successful societies in Europe have undoubtedly been ~~progressive~~. In this case the farmer, instead of selling his milk for whatever price a manufacturer of butter or cheese likes to give him, and then washing his hands of the whole affair, becomes, through a manager, his own manufacturer of butter ~~and~~ cheese, thus not only assuring himself that he will receive the full value for manufacturing purposes of his produce, but also making it far more likely that the consumer will receive good value for his money in the long run.

Cheese-makers!

Other forms of manufacture in which the farmer may, and does indulge, are represented by bacon-curing factories, packing-houses, canneries, etc.

The third division of the movement may be said to have developed more strikingly in the United States than in most European countries. It consists in the effecting of economies in the actual process of distribution - or, in other words, in collective sale of farm produce. This is probably the most difficult and the most dangerous enterprise on which organized farmers can embark. It demands skilled business knowledge, a considerable investment of capital, and absolute loyalty on the part of the co-operators, as well as the establishment of a more or less uniform standard of production, among those joining the society. This last reason, however, is a powerful argument in favour of attempting it, for it will bring the farmer to realize that he does not really reap any advantage by getting a little more for his produce than his neighbor, but that he has much more to gain by establishing a standard throughout the neighborhood, which will enable him to sell under a brand, commanding wide recognition. The most prominent instance of success in this way is probably the California Fruit Growers Exchange, where an Organization entirely controlled by growers has made the "Sunkist Orange" famous throughout the world, and has succeeded in marketing nearly 65 percent of the whole citrus crop of California.

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is comparatively restricted, and also that there is not very much competition between different localities producing different types or grades of fruit. California oranges, if grown with any sort of care, are more or less uniform in quality. Furthermore, except in the rare event of an unexpected frost, the crop is not subject to sudden variations, and, finally, the produce is not of a very perishable nature. More difficulty has been found in the marketing of grain, which requires more capital to handle it, and which brings a far larger area into competition; while in the matter of apples and peaches, it has proved almost impossible to create a strong central Organization, owing to the jealousies created by rivalry between various local brands. The considerations will suggest the great difficulty which confronts any body of farmers who propose to undertake collective selling; and it may be laid down as desirable that they should be thoroughly instructed in the co-operative method of working, by serving an apprenticeship to one of the easier forms of co-operation, before they undertake this particular enterprise.

The chief difficulty which confronts those who are anxious to introduce the principle of co-operation in any neighborhood, usually lies in the attitude of the farmers themselves. It is a well-known fact that the farmer tends to exhibit three qualities which make it extremely difficult to organize his business. These are, first, independence, secondly, suspicion, and thirdly, a reluctance to risk money in any new enterprise. It is usually claimed in America that co-operation is less likely to succeed there than in Europe, owing to the remarkable spirit of independence which is found among American farmers. The same spirit, has however, probably existed among farmers of every nation before they were organized; and it is combined with an attitude of suspicion towards any outside person who presumes to give them advice or encouragement. The farmer does not like his neighbor to know more about him and his private affairs than is absolutely necessary, and he does not believe that anyone is likely to come to his assistance from any other motive than that of personal profit. There has been a great deal in past history to justify this attitude on the part of the farmers. Undoubtedly they have frequently been led into unprofitable enterprises by people who had something to gain by it; undoubtedly, also, the farmer has had the worst of the deal in the most of the business ventures in which he has been engaged. As a consequence of this attitude, it is very seldom that a co-operative movement has successfully taken root in a country, except as a result of absolute necessity. It is only when he feels the pinch of actual hardship that the farmer will consent to try an experiment which means surrendering to some extent his personal independence, and submitting to the advice of outside individuals. It is undesirable, however, to postpone all efforts to organize the farmer's business until he is on the point of starvation, and it will usually be found that there is some point at which he realizes that he stands in need of help.

These remarks are made in order to emphasize the fact that great care must be taken, only to establish co-operative societies for the purpose for which they are definitely needed, and in localities where there is at least some demand for business reform. Any attempt made by well-meaning philanthropists to advocate co-operation at large as a general remedy for all evils is not the least likely to meet with success. It must be introduced for business reasons, to meet a definite need which is felt by the farmers.

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The unwillingness of farmers to invest money in such enterprises has often

been a serious obstacle to the development of the co-operative movement. Many societies have failed for want of capital; but still more have come to disaster owing to the absolute refusal of their members to pay adequate wages for skilled management. The farmer who has been accustomed himself to make a meagre livelihood from his land cannot understand why he should be expected to spend what he considers a huge sum of money in a salary to a man whom he does not regard as his own superior. Yet obviously, a society cannot expect to succeed unless its manager is at least as competent as the manager of any private corporation with which it is brought into competition.

The lack of business experience on the part of the farmers themselves constitutes a serious difficulty when they enter into big business undertakings; and this difficulty can only be avoided if they will consent to hire at a proper price the ability which they require.

Furthermore, difficulties are thrown in the way of young co-operative societies by the violent opposition which they almost always provoke on the part of private traders. In most countries traders have not yet realized that the increased efficiency of the farmer means increased business for themselves; and even those whose interests are not directly threatened by a co-operative attempt to drive the presumptuous farmers out of business. As a rule, when these attacks are openly conducted they only result in rousing the spirit of the co-operators and stimulating them to greater efforts. A far greater danger arises when the traders professing friendliness to individual members of a co-operative society, try to tempt them from their allegiance to the society, by offering more favourable terms. For this reason, the loyalty of individual members to a society is the most absolutely necessary requisite for its success. A common practice is to attach penalties in the by-laws to any breach of this loyalty. But, unless the proper spirit prevails, no penalty will finally save the society from destruction.

Another difficulty arises from the attitude of caution taken up by many farmers at the start of an enterprise. They do not join until they are sure that the society is going to be a success.

The natural result is that it frequently is not a success; but if it is, the old members who have borne the risks of starting it are frequently loath to admit these who stood aside until all was comparatively safe. This feeling may result in a restriction of membership, which is a serious departure from the co-operative spirit.

It need hardly be pointed out that a stable and settled population is absolutely necessary for the success of co-operative enterprises, as a society can scarcely be kept alive in a district whose population is constantly shifting. Furthermore, the small farmer is naturally a better subject for organization than the larger proprietor, as he feels the necessity of small economies more keenly, and also he is not in such a good position for dealing with the middle man as is he who does business for himself on a large scale. For these reasons, a district of established small proprietors is the best field for co-operative organization; and the chances are even greater if these proprietors are growing more or less the same kind of crops. Districts where farms vary very much in size and prosperity, and where very different methods of farming are in operation, present an unfavourable field for organization.

Two technical difficulties are particularly noticeable in the development of American co-operative societies. The first of these concerns the book-keeping. It must be apparent that the business stability of a society is largely affected by the manner in which its accounts are kept; but in a very large number of farmers' societies the keeping of the books is absolutely elementary, and sometimes non-existent.

In Europe, this difficulty has largely been got over by insistence upon frequent audits, conducted either under Government supervision, or by some properly authorized Central Body and in all cases by duly qualified persons. In America, no such system exists at present. Such auditing as is done is usually done by some member of the society in his spare time, and very little attention is paid to it by the members in general. The result of such a system may be seen in the frequent and unexpected failure of the societies. It is absolutely necessary that some Central Body should have power to supervise the auditing of farmers' co-operative societies.

Second

The present difficulty is the legal one. As a rule, those who are desirous of founding a society do not know exactly how to do it in such a way as to conform to the existing law and at the same time to carry out their co-operative intentions.

If they have recourse to a country lawyer the result frequently is that they are incorporated under the ordinary jointstock plan, besides paying a considerable amount of legal fees. Even in places where a co-operative law exists, it is very common to find that the majority of lawyers do not know anything about it. But the legal difficulties of a co-operative society do not end there. In many parts of the United States two co-operative societies may exist in the same state within a comparatively short distance of one another, with perfectly different ideas as to the powers which the law allows them. Some of them are binding their members to loyalty by means of clauses in their rules, or by means of contracts while others maintain that this is absolutely illegal. In one state where the law is said to not allow the distribution of dividends on a patronage basis, co-operative societies are distributing such dividends without being interfered with at all. It follows that societies with inadequate knowledge are always at the mercy of their enemies, if they grow sufficiently powerful to make it worth anyone's while to attack them on legal grounds. The questions connected with the infringement of the Sherman law are a further case in point.

Legal
Legal

This discussion of the difficulties which beset co-operation societies both before and after they are organized points to the absolute necessity of two things; first, efficient leadership, and secondly adequate control. A question of vital importance is how this leadership and control may be supplied in a way which will be acceptable to the farmers and likely to produce lasting results.

It is remarkable that leadership of the kind which is required for a successful co-operative movement has practically never sprung up in the first instance from among the ranks of the farmers themselves. At the present moment, the leaders of the co-operative movement in most countries where it has been thoroughly successful are men who could not be described as practical farmers. The successful movement in Ireland was organized by Sir Edward Plunkett, and that in Germany began on the initiative of two men, Raiffeisen and Schulze-Delitzsch, none of whom were themselves farmers. Yet, as stated above, it is difficult to persuade farmers to listen to the advice of any outside person. Thus we have two apparently irreconcilable facts; first, that farmers themselves are not successful as organizers, and secondly, that they will not allow other people to organize them. The only solution lies in the appearance of an exceptional man who will be able to persuade the farmers of his integrity and goodwill. It is evidently desirable that such a man should not be engaged in any occupation which would lead the farmers to suppose that he was likely to profit by organizing them. The fact that there are fewer in this position in America than there are in Europe has been a considerable obstacle to co-operative development.

Schulze

If such a man comes forward, the question then arises, What steps has he to take to forward the movement? In every case it has been found that the creation of a voluntary body which will both organize and control co-operative societies, has distinct advantages over any other methods. Such bodies exist, either as

78

purely propagandist organizations, or as central associations for the local co-operative societies, in practically every country in Europe. They perform the necessary functions of issuing standard by-laws, giving business advice, publishing papers, keeping up the co-operative spirit, and above all, auditing the books and watching over the legal interests of the local societies. It must depend largely on local conditions whether such a body arises as a result of a federation of local-co-operative societies, or whether it is created first, and then creates the other societies. There is a good deal to be said for both methods; but the latter is perhaps, the more likely to succeed in a new country.

As against this voluntary method of organization, there are many who advocate that the work of such a society should be done by Government - or at least, by an official agency. This view is particularly popular in North America, and has resulted in the establishment of various state or Provincial Offices for the organization and control of co-operative societies. The arguments for and against Government action are voluminous; but practical experience has shown that, as a rule, the co-operative movement is most satisfactory in these countries where the greater part of the work has been done by voluntary bodies. The first reason which may be suggested for this is, that co-operation is essentially founded on self-help, through mutual help, and the spirit of self-help must be considerably weakened by reliance on Government. Committees are apt to be less *vigilant* ~~vigilant~~, if they feel that they are supported by some form of Government guarantee.

Government organization of co-operative societies is moreover subject to objection from a totally different point of view. Traders and interested parties in general who consider themselves likely to be injured by the rise of these societies will not fail to point out that the taxpayer's money is being used to benefit one class of the population at the expense of another. Even if this general argument does not produce much effect, they will probably find it possible to exercise sufficient political pressure to interfere considerably with the work of the department in question. This is constantly happening in actual practice. ~~When the original Office of Rural Organization began its work at Washington, D.C. by issuing an account of the working of a co-operative society, such an outcry arose from certain interests that the Department was obliged to publish in the papers a statement which amounted to a declaration that it had no intention of teaching the farmers how to do business for themselves.~~

For these reasons there are decided limitations to the extent to which Government can hope to take part in the organization of a co-operative movement. It will be found that the line is drawn, as a rule, at the point where education ends, and actual business organization begins. The scope of a Government organization is probably wider in America than in Europe, and might be extended to matters of legal assistance and auditing. Hostility on the part of Government to the co-operative movement has been common in all countries at the beginning of the movement, but it has died everywhere, except in Ireland, where the continued refusal of the Government to assist the co-operative movement in any way has considerably damaged the usefulness of both parties.

79

This is the more regrettable as it was in Ireland ~~Ireland~~ that the ideal policy for the working together of a state Department and a voluntary body in the interests of the organized farmer was first formulated. The Report of the "Recess Committee" published in 1896, advocated the setting up of a Department of Agriculture for Ireland, side by side with the Irish Agricultural Organization Society, which is a voluntary body for the organization of co-operative societies among the farmers.

The function of the State Department in so far as it dealt with the voluntary body was defined by Sir Horace Plunkett as "to evoke and supplement but not provide a substitute for organized self help." A full statement of this policy will be found in Sir Horace Plunkett's book "Ireland in the New Century", and in the Report of the "Recess Committee", which is perhaps one of the most important sources existing for the student of co-operation.

One other point needs to be considered in this preliminary section. As has been pointed out, there are two definite sides to the co-operative movement, which may be described as ~~the~~ the "agricultural" and "industrial" movements respectively. Generally speaking, the agricultural movement aims at organizing producers for their material and social benefit; while the industrial movement does the same for consumers. It is obvious that the individual producer and the individual consumer have, up to a certain point, interests diametrically opposed to one another. Taking a pound of butter as an example, it is the farmer's object to get as high a price as possible for it, while the consumer's is to buy it as cheaply as he can. The only common interest they have is that the butter should be of a high and uniform quality, and that the market should be regular and well supplied. The question then arises whether this divergence of interest is in any way done away with by the organization of co-operative societies. If it is not, it follows that co-operation only benefits the particular class to which it happens to be applied.

The theory of co-operation can never be said to be thoroughly worked out until producer and consumer are equally benefited by organization. In order that this should be done, it is necessary that organized producers should sell direct to organized consumers. In practice, however, stores among the artisans of large towns are quite as suspicious of the co-operating producer as individual artisans are of individual farmers; and there is often good reason for this attitude. This failure to bridge over the gap between the producer and the consumer is really the great weakness at present of the co-operative movement. The distributive co-operators in England have attempted to solve the problem by buying and operating farms and creameries for themselves; but this plan, far from extending the benefits of co-operation to the producer, simply introduces another powerful competitor in his own sphere. So much is this the case, that when the co-operative Wholesale Society of England began to operate creameries in Ireland, the Irish Agricultural Organization Society found these creameries quite as undesirable as the original proprietary ones, and a very unfortunate civil war was waged for some time between the two branches of the co-operative movement, which finally ended in the withdrawal of the wholesale Society from this particular sphere.

A better solution of the difficulty - in fact, the only one which holds out any great promise for the future - is now being attempted in Ireland, Denmark, Hungary and Switzerland. This is the establishment of a joint co-operative wholesale for both sides of the movement. By this means, the organized producer and the organized consumer will each deal with a co-operative wholesale

Society able to hold the balance between them, and will have no particular interest in favouring one side rather than the other. A successful working-out of such a policy must be regarded as the greatest advance which can be made by the movement; and it seems most desirable that at the birth of a new co-operative system in any country, great care should be taken to secure development along these lines, and to prevent agricultural and industrial interests being separately organized and separately advised from the beginning.

CO-OPERATION IN VARIOUS COUNTRIES.

DENMARK.

Probably the two countries in Europe which have attracted most attention from the co-operative point of view are Denmark and Ireland. But the nature of the movement in the two countries, although in both cases it is largely devoted to the improvement of breakfast table produce, is very different.

The Irish movement has largely gained its reputation owing to the great contribution to co-operative theory which has been made by Sir Horace Plunkett; and it has been largely commended for its social successes. The Danish movement, on the other hand is purely a business one, and extremely little propagandist work has been done by its leaders. So much is this the case, that it is quite difficult to get up-to-date statistics, or detailed information as to the co-operative societies in Denmark.

Stated briefly the following are the causes which led to the introduction of agricultural co-operation in Denmark.

Up till the year 1865, Denmark was a country of large-scale cultivation, depending mainly on the export of grain for its foreign trade. In this year, however, as the result of an unsuccessful war with Prussia, the Danes lost the large mainland province of Schleswig-Holstein, and found themselves confronted by a tariff barrier which effectually cut them off from the German markets in which they had been accustomed to sell the greater part of their produce.

These facts led to a considerable change in the method of agriculture prevailing in the country, and farmers began to turn their attention to the production of poultry, eggs, bacon and butter, as the chief source of revenue. This process was finally completed by the agricultural depression of the "eighties", during which period the competition of the New Worlds began to be seriously felt in Europe. Farmers everywhere were in distress, and the position in Denmark was rendered worse by a banking crisis.

In these circumstances, it became absolutely necessary for Denmark, if it was to remain an agricultural country, and to attain any prosperity, to introduce a business-like system into the production of the commodities mentioned above. The Danes, being an intelligent and business-like people, were not slow to realise this fact; and the history of the country since 1880 is the history of a determined and successful effort to supply the English market with standardized breakfast table produce, up to the limit of its requirements.

This result has been achieved almost entirely by means of the co-operative system. The Danes early grasped the fact (which is still not appreciated in Ireland - Denmark's chief competitor) that the chief factor in establishing produce on the market was uniformity, both of quality, and, as far as possible, of quantity. They realized also, that such uniformity could not be brought about by individual farmers working without organization. They therefore sought, not only to organize individual farmers into local co-operative societies, but to federate these societies both for the purposes of purchasing supplies and of marketing their produce. In addition to this, they set up numerous committees, whose business it is to keep every society in the movement fully informed of the prices and opportunities offered by foreign markets, and also to give any other advice considered necessary for the most efficient carrying-on of their business.

82

DENMARK.

It cannot be too strongly emphasized that the co-operative movement in Denmark is above all things a business movement. At the same time, the excellent system of advanced rural education which is given to the Danish people in the schools, and particularly in the people's high schools, should be thoroughly studied by all who are trying to improve rural conditions in other countries.

The first modern co-operative dairy in Denmark was established in 1881. In 1914 (which is the latest year for which there are official statistics) there were 1,168 of these dairies, with 166,000 members. There were also at this date 338 private dairies; so that the total number of dairies in Denmark in 1914 was 1,503. The increase which this co-operative movement has brought about in the output of butter is illustrated by the fact that Denmark's export of butter in 1896 was valued at 22½ million dollars, in 1901 at more than 40 million dollars, and in 1914 at more than 54 million dollars, of which it is safe to say that about 80 per cent was produced by co-operative dairies.

These creameries differ from those in operation in most other countries in that they have no share capital. At the foundation of a society, the money required for the erection and equipment of buildings is raised by means of an overdraft from a bank. This overdraft is secured by joint and several guarantees on the part of the members, and is gradually paid off out of the annual profits, within a certain number of years, at the end of which time a new overdraft is raised on the strength of a new guarantee. Working capital is provided by means of entrance fees, fines, etc., and also by the small charge which is made to members for the skim-milk and butter-milk which is returned to them by the society. The details of the financial arrangements of such a society are necessarily somewhat complicated; but they can be understood by reference to the Model Rules of a creamery.

The local creameries are aided in their operations by various central societies and committees, of which the following is a brief description:-

1. The Danish Creamery Managers' Association, which covers the whole of the country, with 23 branches, and a Central Committee in Copenhagen, has been formed for the instruction of employees in creameries, and also for the purpose of keeping the managers of the different societies in constant touch with one another. The local committees draft their own by-laws; but these must be approved by the Central Committee, to which each district sends 10 delegates. The subscription to the central association is one dollar a year and that to the country branch rather less. In addition to its other work, the association holds three large butter exhibitions each year, and a number of small ones in different localities.

2. The District Creamery Associations cover 15 districts. Their objects are as follows:-

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- (1) Improvement of the quality of butter by scientific research.
- (2) Butter competition, and circulation of information.
- (3) Lectures and discussions, personal visits to creameries, and advice to farmers as to the
- (4) Preparation of comparative returns dealing with cost of production, price realized, etc. in various creameries.

Treatment of cows.

D E N M A R K .

- (5) Work in connection with cow-testing associations.
 (6) Carrying out the recommendations of the various central associations.

These Associations have a Central Committee in Copenhagen, which issues bulletins and circulars, and gives advice to affiliated creameries.

3. This Central Committee also has two members on the Co-operative Union Committee, which connects the creameries with the other branches of the movement.

4. In 1901 a society for the encouragement of cheese production was established, which had in 1902 123 creameries as members. The Danish Government voted a small subsidy to this society.

5. The employees of the creameries have a friendly society which is practically managed by the committee of the Creamery Managers' Association, and whose object is to provide funds for cases of illness, and for the maintenance of widows and orphans.

6. There is also an Accident Insurance Association, managed in the same way.

7. An association was founded in 1898 to analyse, compare and publish the statements of accounts of the different creameries, in order to throw light on such questions as cost of production and working expenses. The creameries send returns to this committee, but their names are not given in the tables issued by it. A subsidy of £330 a year is given to this committee by the State.

8. A committee of three members from different sections of the country is maintained by the local creameries, for the purpose of effecting improvements in the book-keeping of the societies, and also in the methods of carrying out butter and cheese exhibitions. This committee meets once a month in Odense, and considers reports and suggestions made to it, both by local societies and by the central association).

9. There is at Copenhagen a committee known as the Wholesale Butter Quotation Committee, consisting of 12 members, 10 of whom are elected for one year, and are mainly engaged in the butter trade, while the other 2 are elected by the Co-operative Union every two years. This committee meets once a week, and fixes the butter quotation for the current week; and the marketing of butter by the creameries is largely based on this quotation.

10. There is also a society subsidized by the Government for the collection of statistics in connection with butter prices; and there is) The Danish Creameries' Fire and Accident Insurance Association, whose name is self-explanatory.

These Organizations may be said to make up the advisory and social side of the creamery movement. In addition to them, there are 8 Federations, which exist for the purpose of marketing butter manufactured in the creameries. The societies affiliated to these Federations give a joint guarantee for all capital which may be required, and also bind themselves to supply to their Federation the whole of their butter, for a fixed period of years. They work in conjunction, and not in competition with one another, and base their prices on the Copenhagen quotation, after carefully classifying the butter in a grading station. The creameries are paid by the Federation on the basis of their classification at Copenhagen rates;

DENMARK.

and surplus profits are distributed in proportion to trade, at the end of the year.

Another important Federation is that which has been established in Copenhagen for the purpose of purchasing creamery requirements. Every affiliated creamery undertakes a liability of a little more than 25 dollars and binds itself not to purchase elsewhere. It is possible for the work to be carried on with a very limited capital, as all business is done on a strictly cash basis. Finally, there is the Danish Creameries Trade-mark Association, which maintains and protects a national brand for Danish butter. This brand may be said to have established a commanding position on the English market. For the purposes of this association, Denmark is divided into 20 districts, each with its own committee, and these 20 branches elect the Central Committee. Each creamery contributes in proportion to its trade, with a minimum of \$1.25 per year. The association employs a staff of inspectors all the year round, both in England and in Denmark.

This brief description will suffice to show how thoroughly every branch of the dairying business has been dealt with by Danish Co-operators; and it will be easily understood that their energy in this respect has resulted in a very high standard of butter production, and first-class reputation on the English market. The co-operative Bacon-curing industry is of almost equal importance with co-operative Dairying, for the prosperity of Denmark. As the main features of organization are more or less the same in this industry as in the creameries, they need not be described here. It will be sufficient to say that there were in 1909 34 co-operative abattoirs in Denmark, which handled between them 1,362,500 pigs and 25,700 cattle. Considerably more pigs are dealt with in the co-operative abattoir than in those which are privately owned.

The third important branch of the Danish co-operative movement is that of Collective Purchase. Almost every parish in Denmark is provided with facilities for placing the best possible quality of agricultural requirements within the reach of farmers, at the lowest possible price. A large number of small societies were originally established in different districts, which began to form federations; and of those there are now 21. As is usual with all Danish societies, the members bind themselves to be jointly and severally responsible for the financial obligations of the society; and also to do all their business with it, for a period of years. The reason for the large number of central societies appears to lie in the geographical conditions of Denmark, which has a tremendous coast-line, and is spread over several islands. There is not, however, any overlapping or competition between them, as the managers keep in constant touch with one another, through the central committees in Copenhagen.

One of these federations, however, namely, the Co-operative Wholesale Society of Denmark, requires some further description. This society acts as a wholesale for the distributive stores, which are widely spread in Denmark, It deals largely in household necessities, and is therefore similar to the Co-operative Wholesale in Manchester, rather than to the central federations of agricultural societies. There is this difference, however, that owing to the

DENMARK.

agricultural nature of Denmark, 86 per cent of the members of these distributive societies are, in fact, farmers. For this reason, the societies require to be supplied with agricultural as well as with ordinary household goods. There is, therefore, a possibility of some overlapping between the wholesale society and the various agricultural federations. It appears, in fact, that a few years ago some friction arose as to the question of the supply of seeds. Some of the federations grow seeds, in order to supply their members; and they protested against the Wholesale Society going into the same business. The matter, however, was amicably adjusted by an agreement made between seed-growers and the Wholesale, the text of which will be found in the Report of the American Commission, 1913. The trade of the Wholesale amounted in 1913 to about \$14,000,000, and it had a share capital of about \$200,000 with a large reserve fund. The membership consists of 133 distributive societies, which take one 5 dollar share for every 20 members. The societies buy practically everything they require from the Wholesale, although they are not under any compulsion to do so. The Wholesale owns several manufacturing establishments, including sugar and chocolate works, a tobacco factory, soap works, and rope factory. It also manufactures bicycles and other forms of hardware, and turns out yearly about 70,000,000 lb. of margarine, which is largely eaten in Denmark, owing to the great export of butter. A more detailed description of this federation will be found in the Report of the American Commission on page 545.

Another important branch of the co-operative movement in Denmark is the Collective Sale, first, of live stock, and secondly, of eggs. In 1909 there were 84,000 members of the Cattle Exporting Societies, and these societies sold between them cattle to the value of about \$1,000,000 or one-sixth of the total export of the country.

The egg business is of considerably greater importance in the co-operative movement. In 1909 the value of eggs exported from Denmark reached about \$5,000,000; and of this, about one-third was sold by co-operative societies. The most important of these is the Danish Co-operative Egg Export Society, which in 1909 had a membership of 550 egg-circles, with 43,000 individual members, and was doing a turnover of nearly 1,000,000 dollars.

The following description of this society is given by the manager:-

(Small) "The eggs are sent in here from our different stations; and upon arrival are sorted, after which they are taken into a chamber and candled. The bad eggs are rejected, and the good ones are stamped with the trade stamp of the Export Society, which is registered in Germany, Norway, Denmark and Sweden. The eggs are stamped with two small numbers - the first indicating the station from which the egg came, and the second the farmer who produced it. By reference to the books, it is easy to ascertain whence all eggs come. Defective eggs are charged up to the account of the farmer who sends them in. If it occurs that bad eggs come from the same person several times, he is first warned, and then fined; and if the offence continues, he may be expelled from the society. We accept eggs only from our members."

Most of these eggs are shipped to the English market, and sold fresh; but a large number are also kept in pickle. In addition to the Egg-Export Society, a large trade is done in eggs by the Butter Packing Company of Esbjerg, and also by seven of the

DENMARK.

86

co-operative abattoirs.

In addition to the co-operative trading societies above dealt with, there are in Denmark numerous associations for the improvement of the breed of various kinds of live stock and poultry. These associations are more or less co-operative in character, but receive subsidies from the Government, and do not indulge in trade. There are also many cow-testing associations worked by experts in conjunction with the creamery committees, which have been very useful in improving the yield of dairy cows. Finally, there are a large number of agricultural associations and labourers' associations which watch over the interests of their members, and seek to improve the general standard of agricultural life.

It will be seen that the Danish agriculturist is thoroughly organized for the most efficient carrying-on of his business; and the results of the organization have been to make a thoroughly prosperous and contented country out of a few islands in the North Sea, which have very few natural advantages, either in respect of soil or climate. Certain factors may be set down as having aided this favourable development. They are, first, the fact that the Government has been largely administered by person familiar with agriculture and sympathetic to the interests of the farmer; secondly, the successful division of the country through Government aid into economic small holdings - (the average Danish farmer has from two to five cows) third, the high standard of education among the people; fourth, the unremitting energy and good business intelligence of the farmers themselves.

In conclusion, it may be well to note that co-operative credit societies are conspicuous by their absence in Denmark alone of European countries. A discussion of co-operative credit is outside the scope of this Report; but it is interesting that the case of Denmark affords a complete answer to those who believe that the establishment of credit societies must be the first step in the development of any co-operative movement.

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~~IRELAND~~

87

IRELAND.

Apart from a few isolated experiments, the co-operative movement in Ireland made its first appearance in the year 1889 when Sir Horace Plunkett returned from ten years ranching in America, and made up his mind to do something to improve the conditions of his own country.

These conditions were particularly bad. Throughout the greater part of the country districts of Ireland the population were almost entirely in the hands of a bad type of combined tradesmen, publican and money-lender known locally as the "gombeen" man. It was his practice to supply the peasants with their requirements on a credit basis, and also to take their produce from them by way of exchange. As many of the persons concerned could not read or write properly, and were absolutely unacquainted with book-keeping, it can readily be seen that they were entirely in the hands of the middleman. There is no doubt that some of these gombeen men were the only thing that kept the peasantry alive in times of stress; but, on the other hand, a large number of them grew rich on extortion. In any case, whether the gombeen man in a particular district was good or bad, it is obvious that no sound economic conditions can exist under such a system.

Nor was this the only hardship which the Irish farmer suffered. The land reform of the British Government was at that time only in its infancy, and a great part of the land of Ireland was used for grazing ranches in the hands of absentee landlords.

Furthermore, there was no separate Department for Agriculture for Ireland, and the technical instruction provided for the people was of the scantiest possible nature.

Sir Horace Plunkett set himself to work to fight against these conditions. He formulated a policy which has been persisted in ever since and has had most beneficial results.

Briefly stated, this policy consisted in the creation of two bodies- a State Department of Agriculture for the giving of technical instruction in the production of crops, and a voluntary organization whose business it would be, working hand in hand with the State Department, to instruct the farmers in the principles of combination for business purposes. Sir Horace Plunkett was the first man to state clearly the limitations of Government action in the organizing of farmers, and to formulate a policy for co-ordination between a State Department and a voluntary agency. For this reason the Irish movement, which has always maintained its original theory, although the practice has been subject to many difficulties, has been the subject of much study on the part of inquirers from other countries.

After five years of effort, a voluntary body was founded in 1894 under the name of the Irish Agricultural Organization Society. Two more years culminated in the calling together of the "Recess Committee", so called because it met during the Parliamentary recess. This was a non-official body under the chairmanship of Sir Horace Plunkett, and included well-known Irishmen of all political parties, which met for the purpose of formulating an agricultural policy for Ireland. 87

Inquirers were sent to many foreign countries, and a Report was produced which still ranks as a classic among those interested in such questions.

IRELAND.

88

As a result of this Committee's work, a separate Department of Agriculture and Technical Instruction was given to Ireland in the year 1900, and Sir Horace Plunkett was appointed its first executive head.

No one familiar with the conditions of Ireland twenty-five years ago, as compared with those of the present day, could honestly deny the great improvement which has been brought about by the land reform on the one hand, and the co-operative movement on the other. Excellent work has also been done in such matters as the improvement of live stock, poultry, etc., by the Department of Agriculture. Yet the fact remains that at the present time of crisis, when we should naturally look to Ireland to produce a large part of the necessary food supplies of the British Isles, we find that there is still less than 15 per cent of the available land under the plough, and that Ireland is still a long way from being able to compete with Denmark as an agricultural country.

erw/ The chief interest of the Irish movement for foreign inquiries lies in the fact that it was the result of a definitely thought-out intention on the part of Sir Horace Plunkett and the small band of men whom he attracted to his work in the early years of the movement. In the beginning, co-operative societies in Ireland were undoubtedly organized from the top downwards, and the Organization Society preceded the local societies which are now affiliated to it. But it must be clearly understood that the constitution of this parent body is thoroughly democratic. At the present moment, when over 1,000 societies with more than 100,000 members have been organized, the members of the committee, and even the president and vice-president of the Irish Agricultural Organization Society, are elected annually by the direct vote of the delegates of all the affiliated societies. This is a fact worth emphasizing, as there are many people still, even in Ireland, who believe that the Organization Society is a sort of self-elected body which goes about teaching the farmers, without consulting them as to their wishes. This view is absolutely unfounded, as every member of every affiliated society has a direct voice in the control of the central-body.

The practical achievement of the society is more remarkable in quality than in quantity. There are at the present moment 350 co-operative creameries, with a turnover of \$12,500,000; 222 agricultural societies, with a turnover of \$980,000; and 233 credit societies, whose loan capital amounts to \$275,000. In addition to those, there are 18 poultry keepers' societies, 10 flax societies, 27 miscellaneous, including bacon-curing and bee-keepers; 50 pig and cattle supply societies, which act as feeders for a co-operative packing-house in Wexford, and 2 federations. The total turnover of the movement is estimated at about \$20,000,000 of which, as will be seen, the greater part is accounted for by the creameries. A brief description follows of the method of working and organizing of the chief types of society found in Ireland.

Creameries.

The creameries were the first and most successful of Irish co-operative societies. They are organized on a plan similar rather to the German than to the Danish method, having share capital which is allotted to members in proportion to the number of cows kept by them. They do not, however, obtain anything like the amount of capital they require from these shares, as the usual practice is to demand only one \$5 share for each cow, and

I R E L A N D.

to have only 50 cents paid up. The remainder of the capital is raised by means of an overdraft from a bank on the joint and several guarantees of the members of the committee, who have as their protection in case of failure, the uncalled balance of the members' shares. By an arrangement with the Irish Agricultural Organization Society, the joint stock banks in Ireland have agreed to make loans on overdraft to co-operative societies at a uniform rate of 4 per cent. Whether this arrangement will stand the strain of war conditions remains to be seen. It is often claimed that this method of capitalizing societies is unsatisfactory; and it is certainly to some extent unco-operative, as the members of the committee must remain in office so long as they are responsible for the financial obligations of the society. At present, however, appeals to farmers to increase the amount of their share holdings have, as a rule, fallen on deaf ears. There seems to be no real reason why members should not be required to pay up their share capital in full within three or four years. At any rate it would put these societies on a much sounder basis.

Most of the creameries enforce a binding rule, by which the members contract to bring to the society all the milk which is not required for their own domestic consumption. The validity of this rule has been tested several times in the law Courts, and at first with varying success; but it seems to be now thoroughly established. Some such rule is, of course, of the greatest importance in ensuring continued prosperity for the creamery. It is to be regretted, however, that many creameries in Ireland have a large number of suppliers who are not share-holders in the society. This practice arises occasionally from the action of the original members who wished to limit the benefits of the society to themselves; but more often from the fact that farmers are anxious to get the good prices offered by the creamery, but do not care to bind themselves permanently to it. It is, of course, discouraged by the society, and there is a great deal to be said for prohibiting it by rule.

Although no hard-and-fast rule can be laid down, the usual advice of the organizers of the society is that a creamery should not be started unless the supply of from 500 to 1200 cows can be guaranteed within the radius of not more than 5 or 6 miles. In places, however, where dairying is carried on by a scattered population over a large area, the difficulty has been got over by the establishment of auxiliary creameries, which merely separate the members' milk, and forward the cream to a central society within easy hauling distance of each of them. These auxiliaries are of two classes. In some cases they are separately managed and registered societies, working in conjunction with the central; and in others they are merely branch establishments entirely owned by the members of the central creameries, and are, of course, not separately registered on the registrar's list. The auxiliary may be successfully established, provided that it can count on the supply from 500 to 600 cows.

The cost of erection of a creamery naturally varies considerably. An up-to-date central creamery building may be roughly estimated to cost from about \$10,000 to \$12,000, fully equipped, and an auxiliary about \$5,000.

IRELAND.

The method of obtaining this initial capital has been explained above, and the balance sheets year by year provide for writing off the cost of buildings and equipment in the usual way.

The creameries make their payments for the members' milk as a rule once a month, the rate of payment being fixed by the managing committee in accordance with the price of butter during the month, and with the general requirements of the society. Each member is paid in proportion to the amount of butter fat delivered by him during the month, samples being taken of the milk at the time of delivery, and subjected to a proper analysis. The skim milk is returned to the members, and is highly valued by them for use in the feeding of pigs and calves. This is one of the great advantages which the farmers find in a co-operative creamery as opposed to a proprietary concern. At the end of the year any surplus profits after interest on shares (limited to 5 per cent) depreciation and reserves are met, are distributed to the members on a pro rata basis.

Many of the creameries carry out other functions as well as that of making butter. The most common of these is the purchasing of agricultural requirements for the members, and in some cases, the hiring out of agricultural machinery. Other creameries have general stores attached to them; and recently there has been a great increase in the number of societies which use the power of their engines to work various forms of crushing and grinding mills for their members. This development should be of great importance to Irish farmers, who at present are frequently deterred from growing wheat and other grain crops, owing to the great difficulty of milling them on reasonable terms. Some creameries also make a practice of lending money to their members on the security of their supplies; but this procedure, although in many cases extremely valuable to the members, is liable to lead to abuses, and is not officially sanctioned.

The marketing of butter by the creameries has not yet been brought to a satisfactory point, either from a co-operative or a strictly commercial point of view. A body known as the Irish Co-operative Agency Society, Limited, with headquarters in Limerick, has been in existence since the beginning of the movement, having been formed for the purpose of marketing the supplies of the co-operative creameries. Although it still does enough business to justify its continued existence, it cannot be said to have taken that place in the movement which was originally hoped for, and it markets at present only a small percentage of the creamery butter. The reason for this is that the society in question, although in itself it is co-operative, is not controlled in any way by the creameries who deal with it, and therefore, represents to them merely an outside trading concern. As it is only able to sell on commission, and has to meet considerable working expenses, it frequently does not obtain as good terms for its clients as they expect. The consequence is that there is a tendency among creamery managers to make their own bargains as long as the market is good, and only to report to the agency when there is considerable difficulty in selling. This naturally makes it much harder for the agency to carry on its business on profitable lines.

The Irish Agricultural Wholesale Society, which will be described later, has recently developed a considerable trade in the marketing of butter and other agricultural produce on a

I R E L A N D.

commission basis; and this may have a great effect in improving the position of Irish creameries, when the initial difficulties of this kind of business have been overcome. At present, however, the great majority of creamery managers do their own marketing in Glasgow, London and other large centres in England and Scotland. As a consequence of this system their produce is frequently in competition, and also, there is no regularly established Irish brand. Owing to the further fact that dairying ceases in Ireland almost entirely during the winter as a result of the small amount of tillage farming, Irish butter is unable to command a strong position of its own on the British market by comparison with the Danish product, which is produced in uniform quality throughout the year and is marketed through strong central agencies.

To meet these difficulties, great efforts are being made by the Irish Agricultural Organization Society to popularize what is known as the "butter control scheme", on the lines of what is done so successfully both in Denmark and Holland. The essence of this scheme is that all the creameries affiliated to the control should be enabled to produce butter up to a certain guaranteed standard, and to sell it under a brand, which will be well known on the British market. With regard to its practical working, it may be said that great difficulty is found in persuading the creameries that it is worth while to take so much trouble; but there are signs that within the next two or three years it will become more popular, and if so, it cannot fail to bring about a marked improvement in the conditions of the Irish butter trade.

The work of the creameries, however, can never be thoroughly satisfactory, until a system of farming is adopted throughout the country which will ensure an even production of butter during the winter as well as the summer months. For this purpose the Organization Society has been urging the adoption of a system of continuous cropping suggested by an agricultural expert in their employment. The *System* affords a good example of the necessity for closer harmony between the State Department and the voluntary body, as it shows the difficulty of drawing the line between technical agricultural advice and co-operative organization.

Agricultural Societies

The most important trading societies after the creameries in Ireland are those which go by the name of Agricultural Societies. The primary object of those societies, of which there are at present 225, is to purchase in bulk the seeds, fertilizers, food-stuffs and other agricultural requirements of their members, thus effecting a considerable saving, not only by buying at wholesale rates on favourable terms, but also by assuring themselves of a good quality of materials.

Considerable economy in distribution, freights, etc., is also effected by those societies. An objection to many of this type is that they meet only once or twice in the year, and practically go out of existence in the interval, when their members are not in need of such purchases. It is consequently difficult to get the members to take an interest in the affairs of the society beyond the actual purchasing operations; and occasionally societies decay for this reason. They also find it difficult to get payment from their members until the article

92

I R E L A N D.

which has been purchased has given some use. Thus, a man who buys fertilizer expects not to have to pay until the crop comes up. Consequently, it is hard for the societies to pay promptly their debts to the wholesale agency with which they deal.

For these reasons, it would be desirable to combine some other occupation with this original function of the agricultural societies. There has been considerable discussion as to whether they should be encouraged to take up the functions of a credit society; but in the present state of the law, there are difficulties in the way of carrying out this plan. Authorities are not agreed as to whether it would be desirable to try and combine credit and trading operations.

Another opportunity of development for these societies is to combine with their agricultural business the ordinary business of a country store, providing their members with tea, sugar and all other ordinary household requirements. In the struggle for deliverance from the gombeen man, the smaller farmers felt the need of such stores very keenly, and in places where they have been established in conjunction with an agricultural society, considerable success has usually attended the experiment. At present, however, it is a condition of the grant given by the Development Commissioners to the Irish Agricultural Organization Society, that the latter body should not take part in promoting or advising societies for other than purely agricultural business. This restriction has undoubtedly curtailed the usefulness of the agricultural societies in many districts; but many of them, after having been organized for agricultural purposes, have added stores to their business, without calling upon the Organization Society for assistance. They are able in these cases to get advice and guidance from the Irish section of the Co-Operative Union, the body which performs for industrial societies services similar to those rendered by the Irish Agricultural Organization Society to the agricultural ones. The agricultural societies are similar in the details of their working to the creameries. They have as a rule even less capital of their own, but, of course, they do not require expensive buildings.

With the recent movement for the increased tillage which the Irish Agricultural Organization Society has promoted, has come the demand for up-to-date machinery, and a new form of agricultural society has been introduced in some districts, under the name of co-operative implement societies. These societies obtain an overdraft from the bank, and purchase expensive machinery which is beyond the reach of the members as individuals. The society then hires out the machines to the members at a fixed rate, which suffices in the course of two or three years at the most to pay off the original cost price of the machinery. The member who has the most tilled land has the first claim on the machines he requires, and must pass them on to the next man at the end of a certain period. In some of the poorer districts of Ireland, the introduction of these societies has already resulted in a very marked increase in the area under tillage. In many places the functions of an implement society have been taken up by an existing agricultural society, thus getting over the difficulty mentioned above. In other cases the work is being done by a creamery.

I R E L A N D.

93

Poultry-Keepers' Societies.

There are now in Ireland 18 poultry-keepers' societies, which exist solely for the purpose of marketing eggs and poultry for their members. Their turnover in 1914 reached \$300,000. and their trade has increased considerably in the last few years. There has, however, been a larger percentage of failure among these co-operative societies than in any other branch of the movement. This is due partly to the fact that it has been very difficult to persuade the farmers to introduce any form of standardisation into their poultry and egg trade, and partly to the fact that the women of the household regard the eggs as their natural perquisite, and prefer to barter them for various articles offered by travelling pedlars rather than to hand them over to a co-operative society managed by a man. Efforts are being made to organize the women themselves by means of the United Irishwomen's Society, which acts as a feminine adjunct to the Irish Agricultural Organization Society, but it is probable that the solution will rather be found in the increasing of the scope of agricultural societies and stores to include this business. Meanwhile, many creameries undertake the sale of their members' eggs.

Bacon-curing Societies and Packing Houses.

Of these societies there is one extremely successful example at Wexford, which has a turnover amounting to \$575,000 for the year 1914. This society handles the cattle and hogs of the members of 50 small societies in the surrounding country, and has placed the members of this district in an absolutely independent position in regard to the sale of their fat stock. The bulk of the business so far has been with cattle owing to the bad conditions of the bacon trade; but preparations are being made for opening a large business in bacon-curing.

In the by-products department the society is producing fertilizers, beef, suet, oleo oil, stearine, soap, etc. It also manufactures pork pies, sausages, tongues, etc.

A bacon factory in Tipperary is also conducting a successful business after several years of very severe struggles, and is now in a position where it is able, in addition to its regular business, to supply the whole of the neighbouring town with electric light.

There are four or five other societies doing the same business on a much smaller scale, but successfully supplying their members with bacon for home consumption and thereby counteracting the uneconomic habit which has prevailed in the country of exporting Irish bacon and substituting for it a cheaper article from Chicago.

Flax Societies.

A certain number of these societies has been established in Ireland for many years; but difficulties in regard to labour and the provision of seed, as well as the extremely uncertain profits of the crop in Ireland have made it inadvisable to attempt any expansion in this direction.

I R E L A N D .

94

Irish Agricultural Wholesale Society.

In 1889 the Irish Agricultural Wholesale Society was established in Dublin, and began business for the benefit of the local societies, on a very small scale. Its object was similar to that of practically all co-operative trading federations, namely, to supply affiliated societies with the goods which they retailed to their members at rates as low as possible, and of guaranteed quality. Its business has expanded rapidly, with the addition of a grocery department, a banking department and various new trade departments; so that it is now in a position to supply its members with practically everything that they can require, and also to market on a commission basis such agricultural produce as butter, eggs, honey, etc. The Wholesale has been successful, among other things, in insuring to the farmers a reduction of 50 per cent in the price of guaranteed manures, which at the time of its foundation were handled by a ring. It was the first body in Ireland to give a guarantee of purity and germination of its seed; and by this means it brought about something like a revolution in the seed trade of this country. It gives the lowest rates for reliable feeding-stuffs, and also for up-to-date machinery, and carries a full stock of hardware, both agricultural and domestic. Its advent in the trade of dairy machinery was accompanied by a reduction in prices of nearly 10 per cent, which proved of the greatest possible value to the co-operative creameries. By its grocery department it broke through a boycott which threatened to extinguish the poorer societies doing this trade.

Finally, it performs the very useful function of marketing produce for the societies on a very low commission, with a guarantee against bad debts; and for this purpose it has representatives in the chief distributive centres of Great Britain.

Through its banking department it offers facilities for depositing money, either on deposit or current account, at reasonable rates, and also advances a certain amount of money on overdraft and on good security to its members.

These activities suggest that the Wholesale deserves the support of the movement, and that it should fill a very important place in Irish agricultural economy.

It has developed from a turnover of \$250,000 in 1905 to one of more than \$2,500,000 in 1914, which must be considered a very satisfactory accomplishment. During the whole of this time it has been making a reasonable profit each year, and paying a dividend of 5 per cent on all its share capital; it has built up a reserve fund of \$25,000, while depreciating its buildings and plant on a conservative basis.

The members of the Wholesale are of two kinds - registered societies which are eligible for ordinary membership and must take one \$5 share for each member on their books, and preference shareholders who have to subscribe for ten fully paid \$25 shares in order to obtain membership. In the case of the shares held by the societies, 25 cents only is payable on admission, and the balance cannot be called up except in the case of the Wholesale going into liquidation. Preference shares are fully paid up, and both kinds receive 5 per cent dividend. The society is managed by ten directors, of whom six are elected by the ordinary members and four by the preference shareholders. The Wholesale

IRELAND.

does business only with societies and not with individuals, although the preference shareholders may deal with it if they are able to buy sufficient quantities to justify the transaction. The membership of the Wholesale in 1915 consisted of about 400 societies and 120 preference shareholders; its paid-up capital was \$60,000, of which \$25,000 was subscribed by the societies. The turnover during the year was \$1,750,000.

The greatest difficulty with which this society has been faced is that of obtaining a capital commensurate with its operations. At present it is compelled to obtain a considerable sum of money on the guarantee of some of its more wealthy directors. Various schemes are now being thought out with the intention of remedying this defect. One of the chief reasons for the necessity for more capital lies in the fact that the affiliated societies are extremely slow, as a rule, in making their payments to the Wholesale, and the amount appearing on successive balance sheets under the heading of "outstanding accounts" is out of proportion to the turnover of the society. This must be considered to show a low standard of co-operative loyalty on the part of local societies, which can only be got over by a strenuous educational campaign; and considerable work is now being done in this direction.

Irish Agricultural Organization Society.

As has been stated, the Irish Agricultural Organization Society is practically a central committee for the local co-operative societies, providing them with advice, inspection and auditing, as well as organizing new societies wherever there is a demand for them. The committee and officers are subject to annual election by delegates of affiliated societies and by those individuals who subscribe to the Irish Agricultural Organization Society.

The funds of the society are derived from the following sources:-

- (Small print)
1. The affiliation fees of local societies, which are calculated roughly on the basis of 10/- for every £1,000 turnover; ①
 2. Special subscription from said societies which are of a voluntary nature, and are frequently raised by withholding a very small sum from the amount paid to members of creameries for their milk during certain months of the year. ②
 3. The subscriptions of individuals interested in the movement, who become nominal shareholders in the Irish Agricultural Organization Society. ③
 4. A Government grant from the Development Commission which is based on the amount voluntarily subscribed, but cannot exceed £4,000 in any one year. ④
 5. The fees paid to the auditing department for services rendered in auditing the books of local societies. This department, which employs six or seven chartered *ant* accounts, and does its work at reasonable rates and very thoroughly, is practically self-supporting.

The funds derived from all these sources do not, as a rule,

IRELAND.

amount to more than \$35,000 in a year; and this amount is at present scarcely adequate to keep pace with the demands for service from affiliated societies, and from new districts where societies are badly needed. It is considered regrettable that the services which the Irish Agricultural Organization Society has rendered to the co-operative movement in Ireland do not meet with more reward at the hands of the farmers who have profited by them. It has been calculated that the average contribution made by co-operative farmers to the Irish Agricultural Organization Society does not exceed 4 cents per head. This is a very small return, when it is considered that probably \$625,000 have been voluntarily expended in the education and organization work done during the last 25 years.

The history of the many struggles through which the Society has passed, and of its controversies both with trading interests and with political parties, as well as its recent battles with the State Department of Agriculture must form a fascinating study for any one interested in such questions, but cannot be described here.

The collective marketing of produce, except in respect to the creameries and a certain number of packing-houses, plays a very small part in the Irish movement. The chief reason for this is that there are very few crops to be marketed in Ireland, as most of the farming produces either milk or cattle. It is also felt that collective marketing cannot be undertaken with success until all the other branches of the movement are thoroughly well established in the country.

GREAT BRITAIN

97

Agricultural cooperation in Great Britain is of comparatively recent development, and owes much to the successful example of Ireland. Great Britain, however, being a country of larger farms, it has made most progress in localities where the smaller holders predominate. Agricultural Cooperative Societies were formed at Aspatria in 1870, at North Seaton in 1873 and at Assington in 1883. Another early example was in connection with rural credit, the pioneer society of this character having been established at Scoby in Lincolnshire in 1894 by the Agricultural Banks Association founded in the same year. This Association subsequently became known as the Cooperative Banks Association.

In 1896 a scheme of cooperation for the sale of farm produce direct by the producers to the public in London was promoted by the National Agricultural Union - a body founded by the 13th Earl of Winchelsea and Nottingham to promote the political interests of land-owners, tenant farmers and agricultural labourers, under the name of the British Produce Supply Association, which started with a capital of \$250,000. It failed after fifteen months' operation owing to the want of organization amongst farmers for the purpose of securing regular supplies. Two years later (1898) the National Poultry Organization Society was formed, one of its objects being to promote cooperative methods in connection with the poultry industry.

The British Agricultural Organization Society was formed in April 1901, to carry on in England propagandist work similar to that of the Irish Agricultural Organization Society in Ireland. In the following year the new Society amalgamated with the National Agricultural Union under the name of the Agricultural Organization Society. In 1904 this Society absorbed the Cooperative Banks Association, and under its auspices the number of agricultural credit societies in England and Wales continued to increase. The total is now 48. They are registered under the Friendly Societies Act 1896, and under the special authority granted by the Treasury in accordance with Section 8 (5) of the Act. In 1909 the Agricultural Organization Society took over from the National Poultry Organization Society the work of organizing egg and poultry societies in England and Wales, the National Poultry Organization Society (which has now ceased to exist) continuing to give technical advice on poultry keeping and to assist local Societies in the marketing of their eggs and poultry. The Agricultural Organization Society, now in active operation, is a voluntary association consisting of members who subscribe annually to its funds. It is not a trading body and it gives its services gratuitously except that it sometimes asks for the payment of the travelling expenses of its lecturers who explain how to form local cooperative societies and that the societies, when formed, pay a small annual contribution. At first Scotland was included within the scope of operation of the Agricultural Organization Society, but few agricultural cooperative societies were formed in Scotland until after the establishment in 1905 of the Scottish Agricultural Organization Society on the initiative of the English Agricultural Organization Society who found the work in England extending so rapidly as to absorb all its energies, whilst the increasing demands from Scotland rendered desirable a separate national organization in that country.

The Small Holdings and Allotments Act of 1907 gave power to the County Councils to acquire land and sell or let it to applicants for small holdings. Under this Act the Department of the Government known as the Board of Agriculture and Fisheries was empowered to

GREAT BRITAIN. 98

make grants to societies formed for the promotion of cooperation in connection with the cultivation of small holdings or allotments. The Board has accordingly, since April 1909, made to the Agricultural Organization Society an annual grant based on the amount received by the Society from voluntary subscriptions, affiliation fees from societies or donations. For the year 1915-16 the amount of this grant was about £2,000 (\$10,000). Further grants in the nature of state aid have since become available under the Development and Roads Improvement Funds Act of 1909, and the Society now receives about £8,000 (\$40,000) per annum from this source.

The grants from both the ^{Small} ~~Single~~ Holdings Account and the Development Fund are subject to conditions and limitation of maximum amount. From the Development Fund there is a block grant of £500, and for every £1 received by the Society in voluntary subscriptions, £1 is received from the Fund, subject to the proviso that the expenditure does not exceed £12,000. The Board of Agriculture and Fisheries nominates 18 of the governors of the society.

The most numerous agricultural cooperative societies in Great Britain are the societies for the supply of agricultural requirements, such as feeding-stuffs, artificial manures, seeds, implements, etc. These societies have enabled their members not only to effect considerable savings in price, but to secure goods of better quality. The societies of this class vary greatly in size. Some confine their operations to a small area and do a business amounting to a few thousand (or even a few hundred) pounds sterling per annum, while others embrace a county or a group of counties in their scope and do a very large business. The scope is partly determined by the character of the farming in different districts. Not so much has been done in Great Britain in the districts of cooperation for the sale of produce which, as is generally recognized, is a more difficult problem than cooperation for the purchase of supplies have undertaken to sell live stock, grain, hay, seeds, etc., on behalf of the members. There are 38 cooperative dairy societies in England; but as the English farmer usually finds it more profitable to sell whole milk in the towns, cooperation for the manufacture of butter is little practised. In other directions cooperative societies exist for the mutual insurance of live stock and for the acquisition and subletting of land for small holdings and allotments. The latter which are otherwise known as Land-Renting Societies, have become a specially interesting feature of the Society's work, and in general cooperative importance they come close to the societies formed for the purchase of requirements. On December 31, 1915, they numbered 177, had a total membership of 15,975 and held land to the total acreage of 14,646.

A recent development has been the organization by the society in England and Wales of Women's Institutes on the model of those which have proved so successful in Canada. To organize these Institutes the Society engaged the services of a Canadian lady, Mrs. Alfred Watt, M.A. and the first Women's Institute in the Mother Country was started at Llanfairpwll, Anglesey in September, 1915. After about 18 months' work upwards of 90 Women's Institutes have been formed and the movement shows great promise as a means for the improvement of rural social conditions in England and Wales.

It is stated that so far from the war having hindered the development of agricultural cooperation in England, it has been an

requirements. Some of the societies formed for the purchase of

GREAT BRITAIN.

99

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extraordinary stimulus, upwards of 40 additional societies having been registered during the first four months of 1917 as against the same number for the whole of the 12 months ended March 31, 1916. The total number of agricultural cooperative societies formed by or affiliated to the Agricultural Organization Society in England and Wales and registered under the Industrial and Provident Societies Acts was on December 31, 1916, 550, with a total membership of 55,831, and an estimated aggregate turn-over in 1915-16 of £3,428,960 (\$16,687,605). The total of 550 societies include 213 societies for the supply of agricultural requirements or sale of produce, 38 dairy societies, 29 egg and poultry societies, 27 auction and produce societies, 177 small holdings and allotment or land-renting societies, 18 miscellaneous societies and 48 credit societies.

The Report of the Scottish Agricultural Organization Society, Ltd., for the year 1916 contains a list of 143 affiliated societies, of which 113 were agricultural cooperative societies, 13 were dairy societies, 11 were stock or horse-breeding societies, five were poultry and egg collection societies and one was a Credit Society.

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100

GERMANY.

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In 1913 the population of Germany was over 66,000,000 while her area is very considerably less than that of the State of Texas. Nevertheless, in that year Germany raised within her own borders 95 per cent of the food-stuffs required for the maintenance of her population, and her experts confidently expected that in a few years more the country would be entirely self-supporting. The experience gained during the present war shows to how large an extent they were justified in taking this view. It must not be supposed, however, that Germany has arrived at this position because of any great natural advantages with which she is endowed. The greater part of the soil of the country is notoriously poor, and more than 5,000,000 acres are covered by swamps and bogs. The great food production is due, therefore, to other causes.

It may be said at once that these results have been brought about by the experience of the outstanding characteristics of the German people, namely, the thorough and painstaking practical application of scientific methods to every detail of the industry. German authorities themselves claim that the rapid development of agriculture in their country has been due to the scientific use of up-to-date methods of cultivation, including the application of great quantities of chemical fertilizers, and to a thorough organization of the agricultural population for business purposes.

Although grain, potatoes, and sugar beets are the most important crops grown in Germany, it is predominantly a country of small holdings. In 1913 there were more than 5,000,000 holdings varying in size from one to forty-five acres, while those which exceeded forty-five acres in area only totalled about 286,000. In the whole of Germany there were only 369 estates which contained more than 2,5000 acres. Moreover, of these holdings 85 per cent are cultivated by their owners.

These circumstances render the organization of co-operative societies very suitable; and in 1913 there were in Germany no less than 25,000 of such associations, (without counting the industrial societies) of which 16,000 were credit associations, 2,500 purchase and sale societies, 3,500 creameries and 3,000 for miscellaneous purposes.

It is impossible to describe the German co-operative system without touching upon Credit Societies to some extent, as these were the first to be organized, and form the backbone of the whole system in Germany. The name of Raiffeisen will always be associated with co-operation. It was he who first organized a rural co-operative credit society in the little village of Anhausen in 1862. Before this time, however, while Raiffeisen had been making various rather misguided experiments, an official called Schulze in the small town of Delitzsch, had introduced a somewhat different system of co-operative credit, which was spreading rapidly among the artisans of the small towns.

These two systems, known now as the "Raiffeisen" and the "Schulze-Delitzsch" methods respectively, have continued the same with somewhat slight modifications till the present time; and the vast majority of credit societies in Germany come under one head or the other, while both systems have found imitators in various other European countries. The Raiffeisen system has made most progress among the rural population, to which it is particularly suited, while the Schulze-Delitzsch banks have been more successful in the towns.

GERMANY.

Many of these Credit Societies do a considerable business in the purchase of their members' requirements, and sometimes in the sale of their produce; and they have impressed their form and methods of organization upon the co-operative societies for other purposes which were founded after them, and which have been affiliated to the same Federations.

The organization of German co-operative societies is extremely complex, owing to the great number of such societies and also to the fact that Germany, like the United States, is a federation of various self-governing units which have different local conditions.

After the credit societies, the most important groups in the German movement are the Purchase and Sale Societies and the Creameries.

Purchase and Sale Societies.

Most of these societies (of which in 1912 there were nearly 2,500) deal only in agricultural requirements and coal; although in exceptional cases they may sell groceries, provisions etc., they do on the whole very little sale of produce on behalf of their members.

Two thousand one hundred and twenty of these societies furnished returns in 1910 from which it appears that they had a turnover of nearly \$30,000,000. Mr. Cahill estimates that the total collective purchase of the farmers in this year amounted to more than \$65,000,000, the remainder being done through credit societies and other agencies.

Most of the "supply societies" as we may call them, do not maintain stores, ordering goods only in accordance with the needs of their members. Thus, the overhead expenses of maintaining buildings and carrying stock are eliminated from the price of the goods. Furthermore, the societies do not aim at making a large profit, but merely to allow sufficient to cover a small dividend on their capital. For these reasons goods can be supplied through the agency of these societies at a much lower price than through the private trader.

The German law makes it obligatory on all co-operative societies to have share capital. In the case of many of the societies, however, the amount of the shares is extremely small. Thus, in 36 per cent of the supply societies shares are of the value of one dollar each, and 66 per cent have shares of less than five dollars. The Model Rules issued by the federation, however, recommend that shares should be as high as possible, and in no case less than twenty-five dollars, full payment being made in the course of ten years. In many cases members are obliged to take a number of shares in proportion either to the amount of their cultivated land, or to their trade with the society. The average share capital paid

FOOT NOTE (1) * The description of German Co-operative Societies in this Report is taken largely from the Report prepared by Cahill for the English Board of Agriculture and Fisheries and published (1913) [Ca. 6626]

J.R.

GERMANY.

up per member in these societies in the year 1910 was slightly less than five dollars.

Out of a total of 1841 societies in 1908, 816 had limited liability, and 1,023 unlimited. The tendency to limited liability is increasing in recent years. The federation recommends grading the liability of members in accordance with the extent of their holdings.

In limited liability societies the amount of liability ^{seen} attached to each share varies considerably, as will be ^{seen} from the following table which deals with 816 limited liability societies existing in 1908:-

No. of Societies.	Liability	Average Liability	Average Value of Shares
366 (44.8 per cent)	1-10 fold	4.78 fold	\$15
180 (22.1 per cent)	10-50 fold	20.83 "	\$ 3
270 (33.1 per cent)	over 50 fold	123 "	50c.

The membership of the societies averages about 100, and the amount of business done by them averages about \$12,000 per year, of which 80 per cent is represented by manure, feeding-stuffs and seeds.

Many of the societies have a rule compelling their members to purchase all their requirements in certain lines from the society, but this is by no means universal. The practice of selling to non-members is not encouraged, although it is quite legal. The committee of management fix the prices to be charged, which are usually based on cost, plus a small percentage for management expenses and reserve fund. Many societies, however, follow the safer plan of charging the current prices, and paying a dividend on custom at the end of the business year.

Many of the societies stipulate for payment within 30 days from delivery; others allow a credit of 3 months, after which 8 per cent interest is charged. Most of them insist on full payment within 9 months. The Federation strongly urges dealing on a cash basis, but this has not been found practicable in most cases. In cases where a person is a member both of a supply and of a credit society, the credit society pays his bills and debits his account with the amount, thus ensuring cash payment to the supply society, and reasonable terms for the borrowing member.

Most of the societies are affiliated both to the Central Supply Association, and to a Central Bank, and usually settle their accounts with their wholesale agency by means of an order on the bank, which allows them an overdraft on favourable terms. Full statistics as to the development of these societies will be found in Mr. Cahill's Report, together with a description of individual societies which he personally visited.

Wholesale Societies.

Federation has been thoroughly worked out in Germany. Every Province or State has one or more Central Organizations, and these in their turn are affiliated to bodies extending over the whole of

GERMANY.

Germany. For example, in one year the "Supply Association" of German Farmers purchased 620,000 tons of basic slag; and in 1914 the "Potash Supply Company" made a five years contract with the "Producing Syndicate" and purchased 120,000 tons of purified potash salts on most advantageous terms. In some parts of Prussia and Bavaria there is a good deal of overlapping. In the Rhine Province there are no less than four central organizations.

Up till 1909 the Central Office of the Raiffeisen Federation did a large wholesale business all over Germany; but in that year the Congress of the Federation voted to establish wholesale societies in each Union area; and in 1911 seven bodies were in existence. There were also various other provincial wholesale societies affiliated to one or other of the national Federations.

The Societies dealing with the whole Empire are the Imperial Co-operative Bank (Haas Federation), the Agrarian League, (which is not strictly co-operative), the Supply Association, Potash Supply Company, and Central Machinery Purchase Office. The last three societies include the Imperial, or Haas Federation among their shareholders, and are largely controlled by it.

The tables given in Mr. Cahill's Report, pages 174 to 178, give in convenient form practically all the details required to show the usual methods by which the various wholesale societies work.

Most of these societies have not any rules in force compelling the affiliated local societies to deal with them, except occasionally in certain classes of goods, such as basic slag and potash. It seems that they suffer to a large extent from lack of loyalty on the part of their members, which considerably weakens their position. It may be noted from the tables referred to that the central institutions require prompt settlement from their customers; and furthermore, that most of them oblige their members to pay up in full all the shares which they take. In spite of this, however, although they have built up considerable reserve funds, their borrowed capital still amounts to nearly 2½ times their owned capital. This money is usually borrowed from the Central Co-operative Banks, which allow them a fixed credit, based as a rule upon the amount of collective liability of their members. Some central societies also accept deposits from members. Both the periods of credit and the rates charged on overdue accounts correspond closely with those of ordinary business firms.

Dairying.

Although co-operative creameries do not play as prominent a part in the German co-operative movement as they do in Denmark, they have nevertheless developed very rapidly. In 1912 there were about 3,500 of these societies, with a membership of over 300,000 persons, in addition to a considerable number of unregistered societies. The value of the produce sold by 1,525 societies reporting in 1910 amounted to over \$1,000,000.

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These dairies are of three kinds, the most numerous being the usual type, which make butter and return the separated milk to suppliers; in the second type the separated milk is made into cheese, and also used for pig fattening, while in some districts the dairies only separate the cream and forward it either to a central dairy or to a town.

GERMANY.

104

These societies differ from the Danish ones in that the capital required is partly raised by means of shares, the usual provision being that members should take a number of shares in proportion to the number of cows by them. The initial capital required for a large creamery is estimated at from \$7500 to \$12,000. This money is frequently borrowed from the Central Bank of the Provincial Union, on the basis of the liability undertaken by members. There has been a tendency of recent years to adopt limited rather than unlimited liability; but notwithstanding this, in June 1912, 66 per cent of the existing creameries still had unlimited liability.

The Imperial Federation recommends in its Model Articles that shares should be fixed at no less than \$25, and that the full amount should be paid up within ten years. In actual practice, however, this principle is hardly ever carried out; and in 1909 there were very few societies whose shares exceeded \$25 in nominal value. Most societies make their members give from 18 months to 2 years' notice of withdrawal of share-capital particularly in the period before there has been time to accumulate large reserves. Reserve funds are of the greatest importance to a creamery, which may easily be crippled by the withdrawal of a number of its suppliers; and most of these have both special and working reserve funds, the former being built up from entrance fees which are frequently as high as from \$15 to \$125 after the first few years. The Imperial Federation recommends the placing to reserve of at least 10 per cent of the net profits, until the total amounts to 20 per cent of the total working capital.

Many unions refuse to take part in organizing a society while less than 300 cows are available. In all cases, members are bound under penalty of fine to deliver to the dairy all their milk, except that required for domestic use. Collection of milk is undertaken in some cases by the society; in others, it is delivered by the members themselves at stated times. The milk is paid for in proportion to the fat content, and is regularly tested. Most dairies pay their members once a month, but in many cases payment takes place once a fortnight.

These societies often add many other forms of business to their original functions. In districts where there is no Supply Society they usually sell farm requisites; and in 1911 there were 393 dairies affiliated to Central Supply Associations. In addition to this, in 1910, 179 dairies had grist mills attached to them and others had bakeries and similar establishments. A considerable exemption from taxation is allowed to those dairies which deal only with their members; and details as to this will be found in Mr. Cahill's Report; which should also be consulted for statistics of share capital, liability, etc..

Centralization of dairy societies has not developed as rapidly as might be expected in Germany. There are a few Unions notably one in Pomerania - which carry on auditing and advisory business, and also organize the purchase of dairy requisites, and the sale of produce. Very little, however, has been done on the whole in the direction of centralized selling of butter. Far the largest agency doing this business is the North German Butter Selling Union, with head-quarters in Berlin. In 1910 the sales of this Union totalled more than \$40,000 and the average price paid for butter was ~~25~~ 27.6 cents per pound, as against the average Berlin quotation for No. 1 butter of ~~25~~ cents per pound. The official figures for 1910, however, show that less than 5 per cent of all registered dairy societies were affiliated to central organizations of this kind.

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27

OTHER FORMS OF CO-OPERATIVE SOCIETIES.

Corn-Selling and Granary Societies. These Societies have been largely promoted by the State in various parts of Germany, with the obvious intention of creating depots from which Government might draw supplies in case of emergency. A sum of \$750,000 was voted for this purpose in 1896 by the Prussian Parliament, and a further \$500,000 in 1897. With this money granaries were built and leased to co-operative societies, but the results were very unsatisfactory; and at the present moment these granaries are not, as a whole, in a flourishing condition. Mr. Cahill summarizes the defects as follows: technical defects in the machinery equipment; unnecessarily large silos; bad choice of sites; too large areas for societies; failure to insist upon compulsory delivery; and failure to combine the grain business with other branches, such as the sale of agricultural requirements.

The Bavarian Government has also given great assistance to these societies, especially by giving them preferential terms in doing business with State Departments. One hundred and sixty-six granaries have been built in Bavaria at an average cost of \$5,000. They have several points of superiority to the Prussian ones. In the first place, they serve much smaller areas; and in the second place, they are managed by co-operative societies which have other functions.

Steps have been taken also to centralize the sale of grain as far as possible. In Bavaria there is a Union of 36 granaries, and in other provinces the provincial central trading organizations are usually willing to undertake the sale of grain in bulk. The three outstanding examples of this are the societies at Stettin, Danzig and Posen in Eastern Prussia, whose turnover in grain exceeds that of practically all private firms in Germany. On the whole, however, it may be said that the organization of co-operative granaries has not proved a conspicuous success from the State point of view, and still less is it to be recommended from the co-operative standpoint.

Cattle-selling Societies. It is claimed by German farmers that the organization of the cattle markets in Germany does not allow them to obtain the proper price for their animals; and attempts have been made to establish co-operative slaughter-houses on the Danish model, but these have not met with success, owing probably to the amount of capital and business liability required to conduct this business. At present efforts are confined to despatch of cattle direct to the markets, by organizations. Central depots have been established by various Chambers of Agriculture and Co-operative Organizations at large markets, particularly in Berlin, where the Central Co-operative Cattle-selling Society has a large market of its own. In 1910 there were 145 local shipping societies with a membership of more than 33,000. The principle on which they work is similar to that of the Live Stock Shipping Associations in America, and is sufficiently obvious not to require detailed explanation. The success of the movement can be estimated by the value of cattle sold through co-operative agencies in Prussia which increased from \$6,000,000 in 1906 to over \$15,000,000 in 1911.

Egg-selling Societies. These societies are not as numerous in Germany as might be expected; but it is probable that a large number of eggs are sold through the agency of co-operative societies, which do not exist specially for this purpose. The registered egg societies, in addition to selling their members' egg, also give considerable attention to the improvement of the breeds and the care of poultry.

GERMANY.

Electricity Societies. These are a very remarkable recent development in the German co-operative movement. In 1907 there were only 16 of them, and at the present time there are probably more than 700. Most of these societies represent combinations of persons to obtain electrical supplies by guaranteeing a minimum purchase of current. Some, however, erect their own conductors; and a few even go so far as to produce and distribute their own current. They seem to have been extremely successful in reducing the cost of power in rural districts; and Mr. Cahill states that electric light and power for the driving of various forms of machinery are common even in the small villages in some parts of Prussia, where this development has acted as a useful corrective to the shortage of farm labour. He cites an instance of one farmer, whose electric installation saved him the labour of one man and one horse, while costing him only ~~12/6~~ a month. In some parts of the country the public authorities have joined forces with co-operative societies in order to make the use of electricity both possible and popular. \$3/70

Co-Operative Machinery Societies. Of these there were 571 in 1910, most of which were formed for the purpose of purchasing threshing machines and steam ploughs for use in common. In addition to these special societies, a large business in agricultural machinery is done by the Supply and Dairy Societies.

There are also in Germany a certain number of Vine-Growers' Societies, distilleries manufacturing spirit from potatoes, breeding societies and land-purchase societies.

In spite of considerable differences in their objects and in the details of their organization, all German co-operative societies have some common features, which are imposed upon them either by law or by tradition. In the first place, the law lays down as essential that every co-operative society should have share capital, but no minimum amount is specified for the shares. For this reason the societies which follow the original tradition of Raiffeisen (who believed in no share capital, but unlimited liability) have still very small shares - in some cases not more than one shilling each. The influence of the Haas Federation has been directed to trying to increase the size of the shares very largely, and to have them fully paid up; but at the present it does not seem that this advice has met with much success, and even in cases where the shares are of a large nominal value, only a small part of them is usually paid up, the remaining portion constituting the reserved liability.

Something of the same kind has taken place with regard to the form of liability adopted by the co-operative societies. Since 1889 it has been legal for them to have either limited or unlimited liability, or a third form called "unlimited contributory liability", which is not sufficiently common to need discussion. The early tradition was entirely in favour of unlimited liability, but recently the weight of opinion is favourable to limited liability, particularly in the case of dairying and trading societies. In spite of this, however, the earlier form of society still preponderates.

With regard to auditing and supervision, the law lays down that societies must submit to a complete outside audit at least.

GERMANY. 107

once every two years. This audit is usually conducted by one of the Unions of the co-operative societies, which have full legal powers for the purpose and is, as a matter of fact, carried out at least once a year. If it is not undertaken by such a Union, application may be made to the local Courts to appoint an official auditor; but it is found that the service of these officials is not nearly so satisfactory or so sympathetic as that of trained co-operative auditors.

The Unions referred to are federations of co-operative societies which exist in every province purely for the purpose of auditing, supervising, advising and organizing co-operative societies. They are forbidden to combine these functions with any trade, and should not be confused with the trading federations previously referred to. The audit given by the Unions is much more than a mere technical accounting, and includes a thorough examination of the position of the society, together with the giving of all necessary advice.

The attitude of the state in Germany has been favourable to the movement for the past 25 years. There is no doubt that the Government, particularly in Prussia, has wished to use the societies as a means of organization which will provide them with machinery in times of crisis like the present. Particular attention has been paid to the provision of capital for the credit societies by means of State-controlled Central Banks; and in general it may be said that the Government has tried, partly by direct, but still more by indirect means to gain a good deal of control over the whole movement. The attitude of the Central Co-operative Federations towards this development has varied considerable, and of recent years the leaders of co-operative thought have shown signs of wishing to free themselves as far as possible from Government interference, which has undoubtedly fettered the liberty of the movement. It should be noted, however, that the Government has never directly taken part in the organizing or management of local societies. It is also interesting to observe that there has always been an attitude of hostility on the part of the Government to industrial societies particularly to the consumers' stores, which are thought to have a socialistic tendency. In spite of this the German industrial movement has grown so rapidly that it bids fair to rival the much earlier movement in England.

In general, it may be said that the modern German movement could not be imitated as a whole in Canada, partly because it is based on a system of credit societies which would not find favour among Canadian farmers, and partly because the attitude of the Government is very different to any which would be likely to be adopted in the New World.

The beginnings of the German movement were largely based upon social and ethical motives which seem to have died out to a considerable extent, and there is some reason to think that the future will not show as healthy a development as has taken place in the past.

Finally, it should be noted that the temperament of the German agriculturist responds to organization under discipline in a way which could certainly not be expected in Canada.

~~MINUTES~~

108

FRANCE.

Co-operation in France, Belgium and Italy, is carried out by an entirely new type of organization. In France there is no outstanding person to whom can be described the credit of having introduced a new movement, nor is there at present any such well-known central body as is found in the countries hitherto described. A certain amount of association in agricultural work has existed in France from the very earliest times; and it is possible to trace back to these beginnings some of the existing co-operative dairies and cheese-factories in the more remote parts of the country. But the real movement as it now stands dates definitely from the year 1884, and owes its origin largely to a more or less accidental piece of legislation. In that year the industrial workers of various trades had at last succeeded in making effective their demand to be allowed to form associations for the defence and furtherance of their own interests, such associations having hitherto been strictly forbidden by law.

A Bill was accordingly introduced to allow what were known as "professional associations" for the furtherance of the economic interests of members of various trades. When this Bill was being read in the Senate, a member from an agricultural district, entering late and hearing the words "trading and industrial" called out from the back of the House "and agricultural!", and the amendment was at once accepted. It seems, however, that none of the legislators concerned had any idea of the results which would follow. Within a few years from the passing of this Bill, the whole of France was covered with a net-work of what are known as agricultural syndicates, which conform to the description of professional associations given in the Bill.

These syndicates admit to membership all persons directly interested in agriculture, including land-owners; but no other classes of persons are eligible. They are not in themselves trading bodies, but they are able to buy agricultural requirements in bulk, and distribute them among their members, as this is not considered to be trading in the commercial sense of the word.

The syndicate differs from the kind of co-operative societies hitherto described and also in the fact that they have not share capital, but merely take subscriptions from their members year by year. They vary greatly in size and also in the scope of their activities. In most cases the area covered by a modern syndicate is comparatively small, but they are affiliated to regional unions corresponding to some extent to the provincial unions of Germany. Most of these regional unions are again affiliated to a central union in Paris, but the importance of this body is not nearly as great as that of the Irish Agricultural Organization Society in Ireland, or of the Great Imperial federations in Germany.

The strictly commercial part of the movement is handled by co-operative societies of the familiar type which are organized side by side with, and in most cases under the control of the syndicates. The majority of these societies exist for the purpose of purchasing their members' requirements in the usual way; there are also a large number of co-operative dairies and cheese-factories, and a certain number of wine-making syndicates; but on the whole it may be said that the looser form of organization for the general protection of agricultural interests suits the French method better than the more commercial and highly specialized type of society which obtains in Denmark and Germany. The objects of a typical syndicate are stated as follows:-

- (Small type.) | 1. To examine and point out all legislative and other

FRANCE.

109

- Smaller*
1. To reform and improve methods; to uphold their cause before the governing authorities; to claim their realization, especially as regards the charges that weigh on land, the tariffs of the railways, commercial treaties, customs and "octroi" duties, the rights on stalls at fairs and markets, etc.
 2. To spread agricultural teaching and knowledge of farming by courses of instruction, lectures, distribution of leaflets, establishment of libraries;
 3. To urge and encourage essays on cultivation, on manures, on machines, on perfected implements and everything which facilitates work, reduces cost and increases production.
 4. To start and support institutions for agricultural credit, for production and sale, for assurance against fire and accidents, offices for information as to supply and demand, produce, fertilizers, cattle, seeds and agricultural machines.
 5. To become agents for the sale of produce, for the purchase of fertilizers, seeds, implements, live stock and all raw or manufactured materials, so as to profit its members.
 6. To supervise the deliveries made by or to members, so as to ensure honesty and repress fraud.
 7. To give advice and assistance on agricultural matters, to furnish arbiters and experts on all local agricultural questions.

The chief improvements which the syndicates have effected have been in the cheapening of chemical fertilizers and other agricultural requirements, the popularizing and provision on hire to their members of up-to-date machinery and the breeding of improved live stock. Much has also been done in the direction of insurance of live stock and crops; and joint working between the syndicates and the Government has produced a network of co-operative credit societies - which, however, are considerably marred from the co-operative point of view by their reliance on State aid.

With regard to collective sale, experience has shown that the syndicates are not particularly well adapted for this purpose, as they are unable to buy firm, and find it difficult to handle the goods between the farmer and the purchaser. A considerable amount, however, has been done through sale from one syndicate to another, and also in finding a market for certain special crops, such as, for instance, beet sugar, of which it is claimed that practically the whole out-put is handled by the syndicates.

It should be noted, in conclusion, that when the law of 1884 was passed, French agriculturists were struggling with increasing depression, which seemed likely to bring wide-spread ruin within the next few years. Mr. E. A. Stopford of the Irish Agricultural Organization Society, in a pamphlet on agricultural co-operation in France, sums up the outstanding points of the movement as follows:-

(Small print)

1. It arose from dire distress and imminent ruin, and spread with rapidity over the whole country, until then obtuse and sunk in easy-going routine.
2. It was without financial assistance from Government, except in the case of pensions, insurance (which were supplemented by subsidies on strict lines), and the loan without interest from the Bank of France to land banks.

FRANCE.

3. Self reliance was carried to such an extent that the very idea of State help disappeared.
4. They drew up and presented their requirements to an always friendly Government with such wisdom and judgment that they never failed to obtain legislation, for the Syndicates had no politics, and had well-wishers in every party.

The system of co-operative organization in Belgium is largely similar to that of France, but even more loose and unspecialized. The law controlling recognized professional associations and co-operative societies passed in Belgium in 1898 was undoubtedly inspired by that of France. It has not, however, had so great an effect owing to the fact that the Belgian Constitution of 1831 already allowed the right of free association for professional purposes. The consequence of this was that syndicates, or as they are called in Belgium, "ligues" were already flourishing before the law of 1898 was passed, and as this law only offered very slight advantages, such as grants in aid of legal assistance in return for increased Government supervision, which is the result of registration, it is natural that many - in fact the majority of existing societies - did not care to register under it. Those associations which merely rely on the Constitution are known as free or non-recognized, while those which are registered under the law of 1898 are called recognized societies. The Government statistics recognize three divisions, first, the agricultural ligues or syndicates; secondly, the trading offices, most of which are attached to the ligues and thirdly, the co-operative dairies and cheese-factories, which, as in France, are organized as independent co-operative societies.

The ligues are divided into various classes, some being economical associations concerned purely with agricultural interests, and others called "guilds", having definite religious purposes in addition. They are also divided into recognized and non-recognized. These ligues, like the French syndicates, are non-trading associations; but for the purposes of their co-operative work they either establish special purchasing departments or open a district co-operative society under the law of 1873, which governs the dairies, or else they simply bring a number of their members together in a voluntary association which is not recognized by the official statistics.

All the syndicates and also the co-operative societies are federated into large ligues, of which there are six covering the whole country. Of these, far the most powerful is the Boerenbond Belge, with headquarters at Louvain, which is entirely in the hands of Catholic priests.

Each federation has various branches for dealing with purchase and sale, credit, insurance, etc., and most of them have established what are practically wholesale co-operative societies - though in the Boerenbond the wholesale agency is a part of the ligue and deals only with members of affiliated syndicates.

The extent of the dairies is not very great. In 1910 there were 556 of them, with 57,000 members owning 163,000 cows and with an output valued at \$8,000,000. They receive milk only from their members and pay for it fortnightly in accordance with the butter-fat test. The dairies have a federation which inspects and advises them; and some of them sell their butter through marketing agencies which are not strictly co-operative, in form. The organization of the creamery is similar to that prevailing in Ireland, the capital being raised partly by shares and partly from a rural bank. But it will be noticed that the creameries are smaller and less expensive, averaging only about 300 cows and a cost of \$2,000. It was stated that a great improvement has taken place as a result of these dairies, and that although the price has not risen appreciably, the small farmer is now able to get cash for his produce, which previously he was in the habit of bartering. Large farmers have not been found to join these societies.

BELGIUM.

112

The purchasing associations deal mainly with seeds, fertilizers, farm machinery and food-stuffs. In 1910 there were 1,237 of these associations, with 74,000 members, making purchases to the value of \$3,500,000 of which about \$2,250,000 represent food-stuffs.

In addition to these societies there are a large number of credit societies on the Raiffeisen model.

The chief point to be noted about Belgian co-operation is that it largely owes its strength to the conflict between the two forces which have for a long time been struggling for mastery in the country, namely, the Socialist party and the Catholic Church. The workers of the industrial towns, and did so with so much success as to cause great alarm to the Catholic priests. They in their turn determined to avail themselves of the same weapon, and were immediately successful among the rural population, which had remained untouched by the socialist propaganda. As a consequence we find that all the members of the large industrial stores are bound to acknowledge openly their adherence to the socialist party, while all the members of the *Bosrenbond* are compelled to perform certain religious duties, such as attending church monthly, and observing the festival of St. Isidore.

Such a system as this is obviously not desirable for a country contemplating the introduction of business methods into agriculture; but it must be admitted that in the peculiar circumstances of Belgium, the power of these two parties has probably resulted in bringing very considerable benefits to the people, by increasing the strength of organized effort.

Socialists used co-operation as a method of organizing the

I T A L Y.

The conditions of co-operation in Italy are even more confusing and difficult to describe than those in any of the countries described so far. The characteristic form of association is the *Consorzio Agrario*, which is to be found all over Italy, and corresponds largely to the French syndicate. These societies however, are not limited by law as to their functions, and are, therefore, able to undertake trading as well as organizing work. Mr. Fay, writing in 1908, estimates the number of these consorzi at 366. In addition to these, there are some 200 *Unione Rurale* (or rural unions) which are pledged to uphold the doctrines of the Catholic Church.

Finally, there are a number of older organizations known as *Comizi Agrari*, formed originally purely for advisory purposes, which are tending to amalgamate with the business societies.

The work of these societies consists mainly in the purchase of agricultural requirements for their members. Their size and power differ enormously according to the neighbourhood in which they work. Some of them undertake the sale of produce for their members, and the more powerful ones have now gone so far as to manufacture their own fertilizers and sell them at cost price against a guarantee of a certain demand. A Wholesale Society was founded in 1892, and has a steadily increasing trade, although it does not bind its members to purchase from it.

Mr. Fay also records a number of co-operative vineries and about 600 dairies as well as a few silk-growing societies, and about 40 societies for the sale of fruit, vegetables and eggs. The Report of the American Commission reveals the extreme variety both of object and organization, among Italian societies, and should be studied by those who wish to acquaint themselves with the details. There is, however, no very special feature about Italian co-operation, with the exception of the tremendous place played in it by the People's Banks organized by Luzzatti on the *Schulze-Delitzsch* model. These banks work very closely with the consorzi agrari and enable them to do business on a cash basis with great success, as well as supplying them with loans for further development. The banks, which are to be found in almost every small town in Italy, usually have fine buildings and directors of great intelligence and public spirit.

In Italy, as in Belgium, political and religious questions have entered largely into the co-operative movement; and here they have undoubtedly retarded it to a considerable extent. Societies are divided into catholic, liberal and neutral, and frequently examples of all three kinds, with perhaps a socialist one as well, are to be found overlapping in the same small town. This may probably account for the extreme number of co-operative societies which have sprung up in Italy in a comparatively short time, many of which, it is to be feared, are not organized on a thoroughly sound basis.

There is one other form of society which is to be found flourishing in Italy, Rumania and Serbia, and has recently attracted a considerable amount of notice. This is the co-operative farming, or co-operative labour society. In Italy these societies originally sprang from associations of agricultural labourers in the northern provinces, who organized for protection against the methods of landlords, and provided themselves with land which they cultivate when out of work. In Rumania societies of a similar type were organized owing to the difficulty of obtaining land. These societies vary a good deal in detail, but have been

I T A L Y.

very successful, particularly in Rumania. They are similar, to some extent, to the smallholdings and allotment societies which have been organized by the Agricultural Organization Society in England during the last five or six years, to take advantage of the provisions of the Small Holdings Act.

Full details as to the methods of these societies in Italy, Rumania and England, together with copies of their rules and by-laws will be found in bulletins of the Co-operative Reference Library.

**OTHER EUROPEAN COUNTRIES, INCLUDING AUSTRIA-HUNGARY, RUSSIA,
HOLLAND AND SWITZERLAND.**

Co-operation is highly developed in almost all European countries in addition to those which we have already discussed. The remaining countries, however, do not present any very special features differing from those of the types taken already; and it will be sufficient to indicate the main lines of progress, and the sources from which detailed information may be obtained.

Austria. The Austrian Empire can probably boast almost more co-operative societies than any other country in Europe. In 1913 in Austria alone, omitting Hungary, there were more than 12,000 agricultural co-operative societies in existence. These societies are of very many different kinds, owing to the great size of the country, which includes not only many different forms of farming, but also many nationalities speaking different languages, and having different ideals from one another. The outstanding features, however, of Austrian co-operation are the vast number of Raiffeisen credit societies, the great strength of the provincial federations and the enormous amount of assistance which has been given by the Government, not only in the form of advice, but also by grants of money. In other respects, the method of organization in Austria is similar to that of Germany. There are a very large number of co-operative granaries, which are undoubtedly constituted for the purpose of supplying the army in case of need, and which have been heavily subsidized by the State. In some respects, these may be said to be similar to the elevators erected by Government aid in Alberta and Saskatchewan; but they are not nearly in such a sound financial position, and had to be rescued from imminent bankruptcy by a further measure of Governmental assistance. The whole question of the defects in co-operative organization which are likely to be brought about by excessive reliance on State aid is admirably treated in an article in the Monthly Bulletin of the International Institute of Agriculture for July 1913 entitled "Austria: Irregularities and Errors to be avoided in Agricultural Co-operation." This article will very well repay careful study. Other sources of information on co-operation in Austria are to be found in a series of articles dealing with the different provinces in the same monthly Bulletin for the years 1913 and 1914. There is also a publication prepared for the American Commission called "Certain Aspects of Co-operative Agriculture in Austria," and the account in the Report of the American Commission of the Federation of Co-operative Societies in Bohemia, gives a very good idea of the situation in this kingdom, which is perhaps the best organized part of the Austrian Empire.

In Hungary practically all co-operative endeavour has been brought about either by State aid or by the efforts of philanthropic land-owners, among whom Count Karolyi takes the most prominent place. There is very little outside co-operative credit and rural stores and purchase societies, but the wholesale which serves both the latter types is extremely prosperous and may be considered worth examination. An account of this will be found in the Reports of the American Commission and a small book prepared for the same Commission and called "Rural Credit and Co-operation in Hungary" gives a good idea of the general conditions in the country.

Russia. The development of rural co-operation in Russia is comparatively recent, but has been very rapid; and there is no doubt that this country promises in future to be one of the most co-operative in Europe. Owing, however, to the great distances, the difficulty of the language and the peculiar conditions prevailing there it is extremely difficult to obtain any detailed information as to the method of organization pursued. It may be stated, however, that the basis of Russian co-operation has been the establishment of co-operative credit societies on a modification of the Raiffeisen

~~Other European Countries including~~

116

~~AUSTRIA FINLAND AND SWITZERLAND~~

system. There are also a number of co-operative dairies and federations and the old "artels" or associations of labourers have become more or less co-operative in their form. Conditions in both Hungary and Russia are to some extent similar to those of Canada, in that the size of the country in proportion to the population is more like the proportion prevailing in the New World than in any other part of Europe. The depressed condition of the peasantry and their want of self-reliance have, however, made it necessary to adopt methods of organization which would not appeal to the independent farmers of Canada.

In one part of the Russian Dominions namely in Finland, a most remarkable development of Co-operation has taken place in the last 15 years. The central Finnish Society called "Pellervo" is largely based on the model of the Irish Agricultural Organization Society and has been successful since its foundation in 1900 in creating a large number of co-operative creameries, stores, purchase societies and credit societies as well as three or four flourishing federations. The educational level of the movement in this country seems to be almost higher than in any other part of Europe. Three or four co-operative papers are published and have a surprisingly large circulation.

The whole story of this movement may be read in a book on the subject by Dr. Gobhard, for many years president of Pellervo, of which an English edition is now in the press, prepared for publication by the Co-operative Reference Library. A summary of the contents of this book is also to be found in the second number of "Better Business".

Holland and Switzerland. A great development of co-operation is also to be found in Holland and Switzerland. In the former country dairying and standardisation of butter are the most noteworthy features, but they do not require special consideration as there is nothing superior to what is being done along the same lines in Denmark. An account of the methods employed is to be found in a small pamphlet on the subject by Messrs. Adams and Fant.

The organization of co-operative societies in Switzerland has followed, to some extent, the same form as that of France and Belgium, and it is difficult to draw the line between the associations which exist for the purpose of improving the breed of live stock, etc., and the actual commercial co-operative societies. As in France, most of the purchase and sale is done by syndicates, and the outstanding true co-operative societies are mainly in the form of creameries. A full account is to be found in a French pamphlet issued by the Central Agricultural Society under the name of "Enquête sur l'état de l'Association dans l'Agriculture Suisse", published at Berne in 1912.

INDUSTRIAL CO-OPERATION.

The preceding sections have been limited to agricultural co-operation almost entirely, that is to say, associations of producers formed mainly for the purpose of increasing the quality and marketable value of their produce. Distributive societies have only been described in so far as they exist in some agricultural countries as for instance, in Denmark and Ireland, side-by-side with the other type. This method has been pursued because as previously stated, there seems little reason to suppose that societies of what is called the "industrial type" will obtain any great success in the near future in North America.

It must, not be forgotten, however, that the co-operative principle has been applied with marked success by the artisans of industrial communities in practically every country in Europe. These societies are essentially associations of consumers for the purpose of providing themselves with their household requirements at a reasonable price, and with a guarantee of quality. The movement had its origin 70 years ago in England, and it has been imitated in other countries without any noticeable divergence from the original model; so that a description of the methods applied in England holds good equally in other countries.

It should also be noted that the principles on which the industrial movement was first based in England have really provided the model for the subsequent development of agricultural societies, allowing for the necessary changes caused by the difference of object.

The first efforts at co-operation of which we have any clear history were made in England during the period from 1820 to 1835 by the Christian Socialist party under the leadership of Robert Owen. A large number of co-operative stores were created during this period, but they practically all failed, owing to the fact that they thought it necessary to sell goods at cost price, plus the expenses of handling. As a natural result, they provoked severe opposition from traders, and were unable to build up any reserve fund which would enable them to tide over a bad period. The consequent disaster caused a serious set-back to the co-operative movement.

In the year 1844, however, a few poor weavers in the Lancashire town of Rochdale started a store on the new lines, which included selling at current prices and returning all the profits to the members in the form of dividends on trade, after making due allowance for reserve fund and depreciation. The principles of the Rochdale Pioneers have become famous throughout the world, and form the basis of practically all modern co-operation. The chief points of the Rochdale System have already been summarized.

From the time when this first store began to show itself successful, the distributive movement in England has practically never looked back. At the present moment there are in the British Isles between 15 and 16 hundred of these stores with a membership of about 3½ millions, and a turnover of \$700,000,000.

INDUSTRIAL CO-OPERATION.

of which about 10 per cent is annually returned to the members in the form of dividends. The co-operative Wholesale Society in Manchester, the trade federation of the English movement, has a turnover of about \$200,000,000, being one of the largest businesses of its kind in Europe. It has agencies all over the world, owning its own tea-plantations in Ceylon, and having large factories under its control for the production of such articles as soap, biscuits, boots, etc., etc.

There is also a large wholesale society in Scotland which has a turnover of \$50,000,000 and owns several elevators in Manitoba.

The whole history of this movement may be well studied in a recent book entitled "The History of the F.W.S." published in Manchester in 1913, on the occasion of the jubilee of this society.

In addition to the trade federations, most of these societies are affiliated to the Co-operative Union, with headquarters in Manchester, which looks after the legal, educational and propagandist side of the movement.

There is nothing in the development of this movement either in England or in other European countries which calls for any particular discussion; but some of the difficulties which present themselves may be briefly mentioned as they illustrate very well the criticism which may fairly be brought against the co-operative movement.

In the first place, it should be noted that State aid has never been given in any country to industrial co-operative societies, which, owing to the fact that they do not aim at furthering the interests of ~~one~~ particular profession, but merely at cheapening the cost of all goods, cannot be said to be a proper object for Government assistance. The opposition of the traders has for the same reason been extremely violent in the case of ~~these~~ societies. The question of exemption from taxation has consequently given rise to a considerable amount of controversy. Under the English Industrial and Provident Societies Act of 1893, it was clearly laid down that the income of co-operative societies should be exempt from taxation on the grounds that these societies were associations of persons whose individual incomes would not render them liable to taxation, and who should be encouraged in any enterprise which would promote thrift. The introduction of the Excess Profit tax since the outbreak of war has provided a remarkable departure from this principle, as the Chancellor of the Exchequer has now laid it down that co-operative societies must pay this tax as well as any other businesses. From motives of patriotism the leaders of the co-operative movement have agreed to this ruling, but at the same time they have entered a strong protest against the theory that co-operative societies make profits at all, as they hold that what are called the profits of the society are merely collective savings effected by the members. Meanwhile, private traders, encouraged by this apparent victory, are raising a new clamour for the application to co-operative societies of the ordinary income tax. It seems probable, therefore, that after the war it will be necessary to go carefully into the whole question of co-operative profits, and settle this controversy definitely. In this connection it is interesting to note that in most countries co-operative societies have not been considered

INDUSTRIAL CO-OPERATION.

to be shops in the ordinary sense of the word. Thus, the rapid growth of rural stores in Denmark is said to be due to the fact that there was at one time a law which forbade the establishment of any shop within a certain radius of towns of a certain size, the intention being to give a monopoly of the country trade to the traders of these towns. It was held, however, that a co-operative society, not being a shop, did not transgress this law; with the result that such societies sprang up all over the country within the forbidden acres. In France also, associations which are forbidden to trade are able to buy collectively for their members, and distribute the goods among them, as this is not held to constitute trading.

Another question of a political nature which has frequently arisen in the case of industrial co-operation is created by the fact that the members of these stores have always a tendency to ally themselves with labour or socialist movements. For this reason, considerable friction has arisen both in Germany and Belgium, not only between the Governments and the co-operators, but also between the various sections of co-operators themselves. Similarly, a suppressed, but none the less violent conflict is taking place within the co-operative movement in England at present, between those who wish to identify the co-operative stores with the policy of trades unions, and those who hold that co-operators should have no politics in their corporate capacity. A more serious difficulty which is in some way connected with this, is the question of the position of the employees within the co-operative movement. Very soon after the movement had begun to make progress in England, a serious difference of opinion arose between those leaders who believed in the payment of some part of the profits to the employees as being essential to true co-operation, and others who held that since the whole of their organization was directed to the interests of the consumer, the employees should derive benefits from the movement only by becoming members of the society for which they worked, and thus getting their goods cheaply. For some time this controversy threatened to split the whole movement, but it has now happily resolved itself into a more or less amicable difference of opinion. In practice, those who hold the latter view have won an overwhelming victory which was accentuated last year when the Scottish Wholesale Society decided to discontinue the system of profit-sharing which hitherto had been in vogue among its employees. Those who have remained constant to the profit-sharing idea have created an association known as the labour Co-partnership Association, but though a flourishing body, it is not by any means as important as the Co-operative Union. There is at present, however, no unfriendliness between the two bodies.

The question has developed a wider importance since the Co-operative Wholesale Society has been in a position to carry out manufacturing on a large scale. Advocates of the co-partnership idea would naturally claim that this production should be done by independent societies of co-operative producers; but the C.W.S. simply owns factories which are run by it on exactly the same lines as ordinary private concerns, and are not co-operative except in so far as they supply the needs of co-operators.

INDUSTRIAL CO-OPERATION.

Therefore, ~~above~~ a certain number of successful co-operative productive societies which are joined together in the Co-operative Productive Federation, ~~sell~~ sell their output to the wholesale and to other co-operative societies. This form of co-operation, which was most widely experimented in by societies of workmen in France, has not proved on the whole successful, owing to the difficulties of providing skilled management. The classic example of it was the co-operative foundry at Guis, in Northern France, which was made famous by Godin, but is now unfortunately burnt down, and as its success depended largely on the personality of its founder, will probably not be re-constructed.

Another difficulty of the movement, in which the same question of principle is involved, is that of the relation between the distributive co-operator and the producer and the reconciliation by some means of their apparently conflicting interests. The ideal seems to be that societies of producers and consumers should equally deal with the same wholesale agency, which would be able to balance their interests fairly. In this way, the elimination of the middleman would be completed with satisfaction, both to the producer and consumer. This solution has been achieved to a considerable extent in countries where agriculture is the predominant industry, notably in Denmark, Hungary and Finland, and to less extent in France and Switzerland. It has been shown how attempts are being made to ensure the same development in Ireland. But in England, where the industrial movement overshadows everything else, the members of co-operative societies have shown a certain impatience at the efforts of producers to combine in their interests, and the tendency has been for the Co-operative Wholesale Society to enter upon the production of farm produce on the same lines as those upon which it owns factories. Thus, both the Co-operative Wholesale Society and the Scottish Wholesales had at one time a number of creameries in Ireland. These were known as "co-operative creameries"; but from the farmer's point of view they were no more co-operative than those of any butter merchant, as they did not admit the producer to membership, but simply aimed at supplying the consuming members of the Co-operative Wholesale Society with butter at the lowest possible price. As a result there arose a controversy between the Co-operative Wholesale Society and the Irish Agricultural Organization Society which threatened at one time to develop into a co-operative civil war. Fortunately the Co-operative Wholesale Society decided to withdraw from the country rather than create such an undesirable struggle, and they proceeded to dispose of their creameries. Nevertheless, a feeling of distrust remained on both sides, which has not even yet been finally got over; and it may be noted that the Co-operative Wholesale Society still owns a bacon factory and an egg depot in the South of Ireland, while the Scottish Wholesales has eight or nine creameries in Ulster.

Of recent years considerable interest has been taken in this question of co-ordination between agricultural and industrial societies, largely owing to the growing strength of the Agricultural Organization Society in England. The question has been brought up for discussion at successive co-operative conferences, and special committees have been appointed to consider it; but so far no definite action has been taken.

One party in the industrial movement is most anxious that the Co-operative Wholesale Society should extend its policy of acquiring land and farming it for the benefit of the members;

INDUSTRIAL CO-OPERATION.

and this party is, of course, strongly opposed to the efforts of agricultural co-operators to obtain recognition for themselves as the rightful organized producers.

Considerable attention has recently been paid to the educational side of the movement. Practically every society has its educational committee; and the women's guild is also active in this matter. Some excellent papers are published, both by the co-operative Union and by the larger individual societies, and lectures are frequently given. The work done, however, has been very uneven in the past, and steps are being taken towards centralizing it, and creating something in the nature of a co-operative university. Thus, the Co-operative Union holds summer schools in some country district each year, and has recently appointed an adviser of studies to supervise the whole of its educational programme.

There can be no doubt that something of this kind is badly needed in order to keep the members of co-operative societies alive to the fundamental principles of co-operation. Attendance at general meetings tends to be extremely poor in the larger societies; and it is often complained that the dividend has assumed so much importance in the eyes of members, that they are little interested in any other aspects of the movement. This so-called "dividend hunting" accentuates one of the weaknesses of the movement, which is that it is not really possible for the poorest class of the people to benefit by it, owing to the fact that the prices charged in order to allow of the payment of a good dividend make the stores prohibitive for them.

It is also considered desirable that education should be directed towards getting the whole of the members interested in the questions mentioned. The labour question, particularly, calls for settlement, as there have recently been several strikes on the part of the employees of co-operative societies who have a trades union of their own, and such events cannot fail to give the movement a bad name.

In one respect, that of capital, industrial societies are in a better position than the majority of the agricultural ones. Their shares are, as a rule, withdrawable, and are consequently used by the members as a form of savings bank in which money can be invested and withdrawn at will. There is the further consideration that the members of these societies are more likely to move from place to place than in the case of farmers, and consequently shares have to be paid up in full, and credit will not be given except to the amount of the members' paid up share capital. As a natural result of these conditions, the proportion of owned to borrowed capital in the industrial movement is reasonably high. On this point it may be remarked that one of the most frequent abuses to creep into the movement is the granting of credit to members. The Co-operative Union is strongly against this practice, and in all places where it has been allowed to grow up, it has been found to be more or less disastrous in the long run.

The principles and history of the Industrial movement in England are clearly set forth in a book called "Industrial Co-operation" by Catherine Webb, published by the Co-operative Union in 1904. There is also a report of the Co-operative Union Congress, and a Year Book of the Wholesale Societies published every year, which contain a wealth of information, illustrating the manifold activities of both the wholesale and local societies in the British Isles.

~~SECRET~~

122

UNITED STATES.

Three things are apparent respecting the development of co-operative organization among farmers in European countries. In the first place, the elementary form of organization in most countries has been the credit society, and everywhere, except in Denmark and perhaps Ireland, this form of society has played a very important part in the farmer's life. Secondly, all these movements have been to a greater or less extent, guided and controlled by strong central associations, either in the form of trade federations or of advisory unions, or of a combination of the two. Thirdly, comparatively little has been done in the way of direct marketing of crops. The only line in which the handling of produce has developed has been co-operative dairying, although a certain amount of success has attended the operations of co-operative packing-houses in some countries. Grain-selling by farmers' organizations has not, as a whole, been found to be particularly successful - at any rate, without a considerable amount of State aid.

In the United States, however, there is quite a different state of things. Personal credit of the Raiffeisen or Schulze type is practically unknown. There are no powerful federations of the type familiar in Europe, and finally, the most striking results in co-operation have been achieved in the direction of collective marketing of grain, fruit, truck and live-stock by farmers' associations. The reason for this last difference lies, of course, in the fact that the system of farming prevailing in the United States results in the necessity of marketing actual crops on a large scale, which is comparatively rare in Europe. The same largeness of farms makes personal credit in most parts of the States less necessary than it is to the small holders of Europe; and finally, the great extent of the country, and the wide difference of conditions in various parts have made it difficult to create any centralized control.

First may be dealt with those forms of co-operation existing in the United States, which are more or less similar to those of European countries. A large number of co-operative creameries have been organized during the last 20 years, whose main plan is very similar to that adopted in Denmark, Germany and Ireland. The greater number of these creameries are to be found in the State of Minnesota, particularly in the counties within more or less easy reach of Minneapolis. Practically every small town on the line from Minneapolis westward towards the Dakotas has its co-operative creamery, and also an elevator owned by farmers.

The great majority of these creameries have no share capital, having been built and equipped by the collective guarantee of the members, as in Denmark. Some of the more recently organized, however, have adopted the Irish method of issuing shares to their members, in proportion to the number of cows held by them, and raising the remainder of the capital on loan. In all cases, the same rules with regard to voting and distribution of profits are carried out as prevail in Europe. Opinions differ as to the legality of binding members to bring all their milk to the creameries; but this is usually accomplished by means of an ordinary form of contract which the member signs for a period of years. The majority of the creameries appear to work smoothly, and to be extremely profitable to their members, and they seem to have no difficulty in holding their

UNITED STATES.

own against the competition of the centralizers. There are estimated to be more than 1,500 of them in the State of Minnesota alone; and there are also a considerable number of similar societies in Wisconsin. The weak point of these creameries appears to lie in their failure to federate for the purpose of marketing their produce. Attempts have been made in this direction, but so far no strong federation has appeared. On the other hand, owing to the excellent system of inspection by the State which prevails in Minnesota, and the issuing of a special State brand guaranteeing the quality of the butter, there is little difficulty in obtaining a good price on the market. A creamery at Litchfield, Minnesota, sells practically all its large out-put of butter privately, many of its customers being many hundred miles distant from it. The success of these creameries must be largely attributed in the first place to the efforts of Professor Haecker of the Dairy Division of the State College of Agriculture, who organized several hundred of them nearly 20 years ago; and in the second place, to the large number of Scandinavian immigrants who have settled in the State, and who thoroughly understand both the principles of association and also the most scientific and economic methods of butter production.

Another successful group of creameries is to be found in Tillamuck County, Oregon. These creameries have a federation which markets their butter, and have been extremely beneficial to the dairy farmers of the neighbourhood; but they are largely organized on a joint stock basis, although being more or less co-operative in their intention.

Isolated creameries of this kind exist in practically all the dairying districts of the United States. They present many differences of organization, but it may safely be said that had those who organized them understood the methods practised in Denmark and Germany, they would undoubtedly have adopted one or other of these principles, and would probably have been more successful than many of them are at present. If they are to complete successfully in the future with the large centralizing companies, it will be necessary for them to standardize their methods and to overcome local jealousies, in order that they may federate both for trading and advisory purposes, at any rate within the limits of the State in which they are situated. The necessity of federation for the purposes of advice and supervision is even greater than for trade. At present the auditing of these societies is usually carried out by members of their own committees, and is frequently extremely unsatisfactory. As a result of this a tendency is growing up to rely for business advice upon the agents of the newly-formed Office of Markets and Rural Organization in Washington. Reasons have already been given for believing that it is impossible for a Government Department satisfactorily to undertake this work, and in spite of great zeal which is being shown by this office at the present time, it does not seem possible that a proper permanent solution of the difficulty will be found in this way.

Sheboygan county, Wisconsin, has recently carried out a revolution in its cheese industry which has attracted considerable attention. Up to a few years ago the cheese producers of this district were in the hands of the Plymouth Cheese Board, which fixed the price for Sheboygan cheese practically entirely. In 1911 the producers got from 11 to 13 cents a pound, which meant that their milk brought them less than 2 cents a quart. The same cheese

UNITED STATES.

cost the consumer 25 to 30 cents a pound; and it was calculated that during this year farmers lost over \$400,000, owing to the suppression of all competition. At the beginning of 1912 Henry Krumrey, a former State Senator and a large producer of cheese called a meeting and his subsequent efforts, there are now 45 co-operative cheese factories in the County, with a federation which rents from another farmers' company a large warehouse in Plymouth, and sells all its members' cheese in this way. The net weight of cheese disposed of by the federation in 1914 between April 1st and December 31st was over 6,000,000 pounds, and the sales realized \$887,500. It has been a remarkable triumph for the co-operative principle; but it should be noted that very few of these cheese factories belong to the farmers. The factories are owned by private cheese makers, who are paid per pound for making the cheese, and it is only the selling which is done co-operatively. It would seem that this system should be changed; but at present there are only six real co-operative factories, and there does not appear to be much prospect of a change in the near future. The general comment suggested by this experiment is that the spirit of the leaders is excellent, but that co-operation is not fully understood or practiced by the majority of the farmers.

The middle west contains also a large number of live-stock shipping associations, which are more or less loosely organized by members of the American Society of Equity and other similar bodies. Thus, at Ellsworth, Wisconsin, 318 carloads of live-stock were shipped in 1915 to St. Paul to one commission man, with a great saving of expense to the farmers, and with considerably increased prices. It has been found, however, that this does not by any means solve the difficulty of disposal of live-stock, as the problem really is to avoid the Beef Trust of the central markets. For this reason great efforts are being made to establish co-operative packing houses. Several of these have already been organized in Wisconsin; but they cannot be said to have been a success; and the reason for this may be directly ascribed to the fact that the leaders of the American Society of Equity have employed ordinary company promoters to sell shares in them, at a considerable premium. In one case, such a promoter was getting 25 per cent for himself on every share of stock sold. The result of this kind of thing need not be dwelt upon. Other mistakes have also been made in the taking over of old buildings and plant at an exorbitant price; and, in general, the attempts made so far have done a considerable amount to discredit co-operative activity. However, a new packing plant at Wausau, which was organized largely on the lines described in Wexford, seems likely to succeed where others have failed. It will be fed by a large number of shipping associations organized in affiliation with it.

In addition to these forms of co-operative activities, there are a large number of warehouses and elevators which usually spring up at the same centres as the creameries and live-stock shipping associations; so that many of the small towns are complete co-operative organizations. One of the best examples of this is to be found at River Falls, Wisconsin, where, under the leadership of a successful Norwegian farmer, Mr. Hanson, farmers have organized a creamery, a laundry, an elevator, a warehouse and a live-stock shipping association, in addition to co-operative purchase of food-stuffs, binder twine, etc. The warehouse exists mainly for the purpose of selling potatoes for the farmers. All these concerns are purely co-operative in accordance with European ideas, and all of them seem to be thoroughly prosperous. The laundry is the only one in the town and does a good business; the creamery is also without competition, and the elevator has already destroyed one out of its

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UNITED STATES.

three competitors. It may be noted, however, that even in this progressive community cabbages may be seen rotting on the ground, as the market price for them was $\frac{1}{4}$ of a cent a pound.

Two systems of co-operative marketing are more highly developed in the United States than in any other country, namely, grain on the one hand, and fruit and truck on the other. The marketing of grain has for many years been a subject of great interest to the farmers of the middle western States in particular, and has given rise to much heated controversy. Constant charges have been made, both against the companies which controlled the line elevators and against the chambers of Commerce or Boards of Trade which have practically a monopoly of the central grain markets in such cities as Minneapolis, Chicago and Duluth. The attention of the Federal Government has been frequently directed to these matters, and many enquiries have been held into the whole system; at the present moment experts in the employment of the Office of Markets are investigating conditions in the various grain-selling centres. Meanwhile, the farmers throughout the grain region have largely decided to take the matter into their own hands, and there are at present in existence several thousand elevators controlled by farmers, and working in opposition to the old line companies.

Of these farmers' elevators, many are really joint stock companies, some of which are only nominally worked in the interests of farmers, while others are co-operative in intention but not in form. There are also a very large number which have some co-operative features, such as the limitation of voting to one vote per head, while in other respects, such as distribution of profits, or the restriction of membership they follow ordinary joint stock principles. There are, however, a very large number of truly co-operative elevators, and this number is increasing under the influence of propagandist work.

A serious difference of principle has arisen on the question of federating these local elevators for joint sale on the central markets. One party holds that it is unwise for farmers to undertake ownership of a central office with a terminal elevator of its own, owing to the great difficulties of such a business in unskilled hands. The other party claims that the erection of local elevators does very little to solve the farmers' problem, and that the grain from these elevators, so long as it has to pass through the hands of commission men, is subject to almost as much extortion as was the case formerly.

There, is, undoubtedly, a good deal to be said for both points of view; but it is unfortunate that controversy between the two parties has been embittered by the introduction of political and personal questions,

Upholders of the policy of non-centralization are represented by the "National Co-operative Association" with headquarters in Chicago. This organization claims to represent 3,000 local co-operative elevators, distributed mainly through the States of North and South Dakota, Minnesota, Iowa, Illinois, Nebraska and Kansas. Each of these local societies pays \$20 in dues per annum to a State association, to which it is entitled to send five delegates. The organized States possessing such associations send, in their turn, two delegates each to the National Council, to which the local societies pay from \$2 to \$5 per year in dues, according to the needs of the Council.

UNITED STATES.

Side-by-side with the Council is the American Co-operative Journal, the shares in which are owned by individual co-operators. This Journal is at present earning profits, and represents the views of the affiliated societies.

The criticisms made against this organization are that not by any means all the 3,000 elevators are co-operative in form, while some of them are not even so in intention. For instance, at Litchfield, Minnesota, the farmers' co-operative elevator, which is affiliated to the National Council is said to be really owned by a few business men and large farmers and to be working in collusion with the line elevators in the same place. So much is this the case that an independent co-operative elevator has been started in competition with it, and appears to be flourishing. Secondly, it is stated that the farmers do not get much relief from these elevators, owing to the fact that the grain is sold through the usual commission men on the Chicago market, without any co-operative competition. Opponents of the organization point to the fact that the American Co-operative Journal is made prosperous by the number of advertisements of commission men which it carries, and claim that this is evidence that its editor is in alliance with the "Interests" in Chicago. - It is further urged that this system results in unwillingness to encourage the farmers' societies to go in for co-operative purchase of their requirements.

The opposing party is represented largely by the members of the American Society of Equity, who have adopted with great enthusiasm the principle of a farmer-owned terminal elevator. These farmers first attempted to gain representation on the Minneapolis Chamber of Commerce; but after considerable quarrels they removed their head-quarters to St. Paul, which had not hitherto possessed a grain market. They were welcomed by the business men of St. Paul, who hoped to divert some portion of the grain trade from Minneapolis. The remarkable result has been that the Grain Exchange of St. Paul now consists entirely of the Equity Co-operative Exchange, which is run by and for farmers, and is about to enter into possession of a large terminal elevator specially built for it. A full report of the methods pursued by this Exchange is to be found in a publication called "The Grain Growers Text-Book", this, and copies of balance sheets, etc., may be had on application to J. M. Anderson, Equity Co-operative Exchange, St. Paul. The plan of organization is largely modelled after that of the Grain Growers' Company at Winnipeg, whose business the Exchange hopes to emulate. The Exchange has not yet been long enough in existence to make it clear whether it will be successful or not. The chief criticism to be made against its system or organization is that it is an association of individual shareholders, rather than a federation of co-operative elevators, which would seem a sounder principle. The violence of many of its principal supporters has led to a belief that its financial management would be of the "wild cat" order, and in the course of its preliminary struggles it has passed through many serious controversies, both of a legal and political character.

It is impossible, in these circumstances, to determine which of these rival organizations is really proceeding on the sounder basis. There can be little doubt that the theory of the Equity Co-operative Exchange is the right one; but on the other hand there may be considerable force in the criticism that the time is not yet ripe for such an extremely difficult experiment.

The recent proceedings of the Farmers' Equity Union, an off-shoot from the American Society of Equity, whose chief strength is to be found in the more southern States of the middle

UNITED STATES.

west, from Kansas to Colorado, are an interesting illustration of a half-way position. This union has organized many local co-operative societies both for the purchase of requirements and for the marketing of grain; and its members appear to be inspired by sound co-operative spirit. Recently, the elevators have begun to feel the need of federation; and at a meeting held in the beginning of February, 1916, it was decided to create a federation which would purchase a seat upon the Kansas Grain Market. The members of the Board of Trade professed the greatest willingness to welcome the new society to their ranks; but, in view of what happened else-where in similar circumstances, many of the members are doubtful whether this harmony will last long enough to make the experiment a success.

In addition to these elevators, which are more or less controlled by one or another central organization, there are a large number of independent co-operative societies, such as the one at Litchfield, which market their grain independently and apparently attain considerable success. Many of them act as purchasing agencies for the requirements of their members in the way of binder twine, coal and similar articles. The whole subject of the marketing of grain, however, can be studied best in Saskatchewan and Alberta.

The marketing of fruit in the United States affords the most successful example of direct co-operative marketing known at present, namely, The California Fruit Growers' Exchange. This organization is so well known, both from its practical success, and from the writings of its manager, Mr. Powell, that it is scarcely necessary to enter into detailed description of it. The following facts, however, are summarized from a pamphlet issued by the United States Department of Agriculture in July, 1913, being a report of a conference on the organization and conduct of a market service, before which Mr. Powell gave evidence. *a*

The need for organization arose out of the fact that while the California Citrus Fruit industry was rapidly expanding, the growers remained entirely in the hands of buyers, who constantly defrauded them, both in the matter of weight, prices and information. When the production amounted to only 5,000 car-loads, as against the present 45,000, it was believed that over-production was imminent; but gradually the growers realized that by organization they could create a market at good prices for an almost unlimited amount of fruit. They, therefore, began to form local associations with packing-houses and managers of their own for the purpose of collecting and standardizing the produce of their members. It very quickly became necessary to federate these local organizations in order to insure quick and uniform distribution of the whole crop on the markets. The federation thus formed was finally established in 1905 under the name of the California Fruit Growers' Exchange. It has 17 district exchanges, with about 120 local associations of from 40 to 200 members each, and acts as a clearing-house for 7,000 growers, distributing nearly 65 per cent of the total crop on a cash basis.

The local associations ^{are} usually organized as non-profit corporations without capital, ^{and with} a Board of Directors who serve gratis, and a paid manager. If formed as a stock corporation the association usually accumulates no surplus and pays no dividends except the usual rate of interest. It owns a packing-house where the fruit is collected, graded, packed, pooled and prepared for market. Most of the associations have assumed

UNITED STATES.

control of the picking as well as the packing, thereby enormously reducing the annual decay of the fruit in transit. It is estimated that the cost of packing has been reduced through co-operative buying of materials and co-operative handling to 33 cents a box for oranges and 60 cents for lemons, as against 60 to 70 cents for oranges to \$1 or more for lemons, which was the cost under the old system. Each local association has its own brand, which appears on the package and the wrapper together with the name of the central exchange. The fruit of similar grades from the various members is pooled each month and when a car-load is ready for shipment it is marketed by the district exchange with the advice of the association through the agents and facilities provided by the exchange. The proceeds are divided among the members in proportion to the number of pounds of each grade shipped in the pool.

The district exchanges are composed of the local associations, and organized in the same way, acting as an intermediary between them and the exchange. They look after the information given by the exchange. They also receive the money from the agents, and turn it over to the associations after deducting the actual cost of handling, which usually amounts to from 1 1/3 to 2 cents per box.

The Central Exchange is formed by the district exchanges, having a directorate consisting of one representative from each of these, who serves without pay, and a general manager who has a salary. It is a non-profit corporation, declaring no dividends, and having a paid-in capital of only \$1,700, although it handles nearly \$20,000,000 worth of fruit annually. It is able to obtain large amounts of credit from the Californian banks on the security of the crops over which it has control. The exchange has a legal, and advertising, a traffic, a marketing and an insurance department. There is also a supply company, with a capital of \$1,000,000 held by the local associations, which owns timber lands and manufactures the boxes required.

Salaried agents are kept in all the principal markets of the United States and Canada, who are in constant communication, both with the local buyers and with the exchange. When they receive an offer for fruit, they wire the exchange, which in turn communicates with the local association and then replies to the agent, who negotiates with the buyer. At the time of sale, the proceeds deposited with local bank payable to the exchange; and the money, with the necessary deductions for handling, finally reaches the grower through the district exchange and the local association.

The whole cost of marketing in 1915 amounted to 7 1/2 cents per box, including 2 cents a box for the advertising service which has made the "Sunkist orange" famous throughout the world.

It will be seen that the exchange allows full liberty to the local association, to fix their prices, and is in itself purely an advisory body, and not a trading agency. In 1915 30,000 cars of oranges and lemons were shipped, with an approximate delivered value of \$30,000,000 representing 62 per cent of the total citrus crop of California. The services of the exchange, not only to the growers, but to the general public, through popularizing the fruit, improving its standard and steadying the prices have been inestimable; and it remains a model for similar organizations throughout the world.

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UNITED STATES.

There are, however, certain factors which make the marketing of citrus fruit comparatively easy. In the first place it does not vary greatly in quality according to the locality in which it is produced; secondly, the whole area of production is comparatively small; thirdly, the growers are mostly men of a fairly high standard of business knowledge and responsibility; finally, it may be noted that the organization was originally brought about by the pressure of absolute necessity, which is always a powerful factor in ensuring success for a co-operative undertaking. The example of this body has been widely imitated throughout the fruit-growing sections of the United States. Thus, Florida has a citrus fruit exchange which at present suffers from lack of enthusiasm on the part of the growers, and can only obtain about 30 per cent of the crop; but it will, no doubt, grow more powerful every year. The almond growers, of San Francisco and the walnut growers of Los Angeles, who have practically a complete monopoly, are doing the same thing on a small scale with great success; and efforts are now being made to organize the sale of peaches, raisins and prunes in the same way in California. It may, therefore, be said that there is more co-operative marketing to be found in California than anywhere else in the world.

Efforts have been made to accomplish the same thing for the apple crop of Oregon and Washington. Various local associations have been organized on a co-operative basis with success. The Hood River Apple Growers' Association in particular has made its produce known all over the world with great benefit to the members. But efforts to federate these apple growers' societies by means of an association called the North Pacific Fruit Distributors, with head-quarters in Spokane, have not been by any means successful and the experiment will probably be discontinued. The chief reason for this has undoubtedly been the jealousy of the local associations which grow entirely different kinds of fruit, and are more interested in popularizing their own brand than in working in conjunction with other societies. It is also probable that considerably too much money was spent by the central associations in salaries, travelling expenses, office equipment, etc.; and finally, there has been a great deal of what is known as "fruit politics", leading to bitter personal quarrels. The whole question is now receiving the serious attention of the Office of Markets, and probably a new scheme will shortly be put on foot.

Another system of dealing with fruit which has been adopted is the establishment of co-operative canning factories. Of these, far the most successful is situated at Puyallup, between Seattle and Tacoma and handles practically the whole raspberry and loganberry out-put of this very flourishing valley. It owes its great success largely to the genius and enthusiasm of one man, Mr. Paulhamus, who has been its manager practically since its foundations. The method of organization is practically that of a co-operative creamery, and the cannery has extended its operations to include collective purchase and a large general store.

Other instances of co-operative marketing are to be found in the Georgia Fruit Growers, the Idaho Potato Growers, and the Eastern Shore of Virginia Produce Exchange. This last association has been highly successful in marketing the produce of truck farms which cover the small peninsula where it has its head-quarters. It is purely co-operative in its methods; but has the form of a limited liability company with voting by shares. The following extract from its rules is of interest:- "All members

UNITED STATES.

shall be required to market their farm produce exclusively through the exchange - provided, however, that in case any member is offered a price plainly in excess of the market value of goods, for the obvious purpose of inducing him to break off his relationship with the exchange, then the general manager shall have authority to direct him to accept such offer without loss of membership rights." All members violating this by-law cease to enjoy the privileges of membership, although they may be re-instated by the directors, if they declare their desire to become loyal members again.

This question of loyalty is, of course, the most important one for selling organizations; and difficulty always arises as to the legality of binding members in any way. Such a rule, as the one quoted, however, exists unchallenged in many societies, while most of the fruit selling societies simply make their members sign a form of contract each year disposing of their whole crop to the association. In some cases it is understood that a member may sell outside, provided that he hands over all extra profit to the association, or bears his share of the cost of maintaining it. This has been found a powerful weapon against speculators who tried to ruin the society by offering high prices, for in this way they found their offers were accepted and the society suffered no harm.

Another difficulty of co-operative sale lies in the necessity of paying the suppliers promptly, which requires considerable capital. The fruit selling organization of the Pacific Coast have been very successful in overcoming this difficulty, by obtaining loans from the banks on the security of their crop contracts, and this principle seems to go a long way towards solving the question of rural credit.

The majority of collective purchases in the States, and a great deal of collective sale is carried out by means of the branches and local associations organized by the large farmers societies, such as the Orange, the American Society of Equity, and the Farmers' Union. It is extremely difficult to give a clear account of the activities of these organizations; and to some extent there is no doubt that they have hindered more than helped the progress of genuine co-operative societies. They have, however, undoubtedly done a great deal to enable their members to obtain certain commodities at reasonable prices. A description of the relations between these organizations and co-operative societies, with some further comments on legal and financial difficulties will be found in an article by Mr. Lionel Smith Gordon, in "Better Business" for April, 1916.

In conclusion, it may be said that efforts are now being made to create a National Organization Society, which will perform the same services for the United States that the Irish Agricultural Organization Society does for Ireland. In view of the great size of the country, and the violence of sectional differences, this will be an extremely difficult undertaking. But a good start had been made under the leadership of Dr. Charles McCarthy of Madison, Wisconsin; and it is interesting to note that the promoters have been largely advised by Sir Horace Plunkett, while the two first organizers each had several months' training in Ireland.