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# Early Developments in Cooperative Cotton Marketing

By

O. W. Herrmann and Chastina Gardner

**FARM CREDIT ADMINISTRATION**  
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# EARLY DEVELOPMENTS IN COOPERATIVE COTTON MARKETING

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ATTEMPTS on the part of cotton farmers in the United States to improve their economic condition through cooperative effort date back to the early seventies. Since that time many cotton associations have been organized; several covered the entire cotton-growing South and others were only local in character and limited in influence. For some, failure was almost certain from the beginning, while others operated successfully for a number of years. Many difficulties were encountered by these early organizations, either because their objectives were unattainable or their plans and operating procedure poorly conceived and executed. Whether successful or unsuccessful, each contributed something to the background of experience which led to the formation of our present cooperative system for marketing farmers' cotton, the services of which are available to growers throughout the entire Cotton Belt.

Most early cotton associations had price control as their principal objective and gave only secondary attention to marketing services. Both monopoly control of prices and orderly marketing played prominent roles in the early programs of the more recent large-scale cooperative cotton-marketing associations. After several years of operation, however, officials of these associations generally recognized that these methods of attempting to increase the grower's income had distinct limitations. At present, therefore, the emphasis of these associations is laid primarily on marketing the member's cotton in the most efficient way; on obtaining for members the highest possible price based on quality; and on rendering improved marketing services at a minimum cost. These marketing services include classing, transportation, assembling, warehousing, insurance, financing, hedging, selling, and shipping. Any savings effected in performing these services are returned to growers in the form of patronage dividends based on the number of bales delivered. Furthermore, associations take an active part in programs for improving cotton quality and cotton marketing conditions and facilities.

Along with the development of cooperative cotton-marketing associations came the formation of associations for ginning and warehousing cotton, marketing cottonseed and its by-products, and extracting and marketing cottonseed oil.



## COOPERATIVE COTTON MARKETING UNDER THE GRANGE

COTTON marketing was one of the first problems to receive attention from southern Grange organizations. Through these organizations cotton growers made their first attempt to market cotton cooperatively in 1873. Under the method of selling which prevailed at this time, the cotton factor supplied all the necessary connections between the grower and the financial and cotton-mill centers of the world by acting as banker, business advisor, wholesale supply merchant, and cotton sales agent. Cotton growers were dissatisfied with this method of marketing, and the prospect of exercising some control over the sale of their cotton through an organization of their own, had a strong appeal. A majority of these growers evidently believed that they would be able to dictate cotton prices. Acreage restriction and price-control ideas, even at this early date, were not new.

The State Granges of Alabama and Mississippi accordingly appointed established cotton firms to act as State sales agents for their members' cotton, and placed these agents under bond. The Alabama State Grange also had an agent in New York City to handle consignments of cotton, and the Mississippi State Grange, one in Liverpool. Grange activities in these two States involved concentrating cotton in leased warehouses, financing shipments, and grading, as well as actual selling. In Georgia, the State Grange arranged with cotton buyers to sell its members' cotton in large lots and by contract as early as 1873. A member of the Louisiana State Grange served as its agent in New Orleans, working on a commission basis. In 1875 sales made by this agent amounted to \$744,000. The Arkansas State Grange established an agency in Little Rock in 1876, but its business was too small to warrant continuance.

At the seventh annual meeting of the National Grange of the Patrons of Husbandry, in 1874, members from nine State Granges namely, Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, drew up and presented "A Memorial to the Cotton States" urging the Grange members in those States to reduce their cotton acreage and to produce more of their own foodstuffs. The members of the Georgia State Grange resolved to plant only one-third as much cotton as during the previous season, and to increase their acreage of wheat.

According to available records, none of the early cotton-marketing ventures of the Grange was successful for any length of time.

After 1875, most of the business activities of the Granges always second in importance to the fraternal and social features, were abandoned.

Texas "Grangers", however, persisted longer in their business efforts, and on July 5, 1878, organized the Texas Cooperative Association, with an authorized capital of \$100,000. The association established its headquarters at Galveston and had an agent in New York. The association's chief function was to act as wholesale agent for 129 cooperative stores. In addition, it handled cotton for a commission of 25 cents per bale. Out of this commission the association returned 10 to 15 cents per bale as a patronage dividend on cotton handled for its members.

The volume of cotton sold for members during the years 1880-85, was as follows<sup>1</sup>:

1880.....	2, 169	1883.....	16, 045
1881.....	8, 395	1884.....	13, 118
1882.....	9, 733	1885.....	10, 899

Some years after its organization, the Texas Cooperative Association was said to be the third largest receiver of cotton at the port of Galveston. The annual statement of the association for 1887 showed receipts amounting to \$4,858 from commissions on cotton handled.

### MARKETING OF COTTON BY THE FARMERS ALLIANCE

ABOUT 1874 and 1875, while the Grange was at the height of its early power, a local organization called the Farmers Alliance was formed in Lampasas County, Tex. This was followed by other similar locals, which, in turn, combined to form county alliances, and, in 1879, a State organization. With no apparent connection, farmers alliances were formed also in New York and in the Midwest, but the various groups never united in a national organization. The membership of the Farmers Alliance was recruited very largely from the Grange.

Hibbard<sup>2</sup> makes the following comparison between the Farmers Alliance and the Grange:

The Alliance never became a great social factor among farm people. It lacked the attractive features of the Grange ritual, the regalia, the literary programs, and friendly intercourse. The attention was centered on prices, monopolies,

<sup>1</sup> HUNT, R. L. A HISTORY OF FARMER MOVEMENTS IN THE SOUTHWEST, 1873-1925. 192 pp. 1935. [Privately printed.] See p. 13.

<sup>2</sup> HIBBARD, B. H. MARKETING OF AGRICULTURAL PRODUCTS. 389 pp. 1921. See pp. 223-224.

political grievances, and their remedies. Of course, the same was true of the Grange to a great extent but the Grange kept these social phases of its purpose in the foreground in some parts of the country, and did not neglect them entirely anywhere. The alliance resolved to solve the economic ills and let their solution provide for the more incidental matters of community life.

A prominent feature of the Farmers Alliance program was the promotion of cooperative enterprises among farmers. Probably the more important of these enterprises were organizations for handling farm supplies and for selling cotton. In accordance with one plan to reduce yard and warehouse expense, the members established county cottonyards and pooled their cotton through county alliances. The Waxahatchee (Texas) Warehouse & Cotton Company was an organization of this type which weighed and handled the cotton of any farmer who was a member of the Farmers Alliance and the Industrial Union. Each member of the company had one vote. Shares of stock were sold for five dollars and earnings were distributed according to amount of stock held.

The Texas State Alliance in 1886 advised its members to assemble their cotton in large lots and have sale days in the hope of attracting buyers from the cities to compete in the purchase of the cotton. This plan worked fairly well for a time but was abandoned, reputedly because local merchants combined against farmers, and buyers from a distance failed to patronize the sales.

Following these attempts, the alliance members resolved to organize a State business exchange for the purpose of receiving the cotton collected at the county warehouses and selling it direct to the mills.

At a meeting in Waco, in January 1887, the Farmers Alliance Exchange of Texas was organized under the general corporation laws of the State of Texas with an authorized capital stock of \$500,000. A board of directors was selected to act as a governing body. Bids for the location of the Farmers Alliance headquarters were asked for and received from Dallas, Fort Worth, and Waco. Dallas won the contract by offering a \$100,000 bonus in property and money and in July 1887, the exchange opened for business in the City Exchange Building of that city. The initial operations consisted of handling cotton, grain, and farm implements. Later, however, dry goods, groceries, and general supplies were also included.

One of the first ventures of the exchange was selling cotton for the local associations already formed by early alliance units. Each county alliance unit in Texas already had a business manager and a



trade committee, and each smaller local alliance had its own business agent. A uniform system of weighing, sampling, and numbering was in use among county business agents. It was planned to center the activities of all these agencies in the exchange.

Samples carefully classed into lots of 25 bales or more were sent by the county business agents to the State exchange. There they were displayed on tables—those from each association on a separate table—so that they could be reviewed by buyers. Cotton could be sold on sample at the exchange offices. On the other hand, if a county business agent had collected sufficient volume of cotton on his yard, the exchange would arrange for the buyer to deal directly with the grower there. When this was the case, the exchange would notify the farmer on the day of the sale, as to the classification and value of his cotton on the day's market thereby placing him in a position to deal more effectively with the buyers.

A considerable volume of cotton is said to have been sold in this manner. The exchange claimed to have saved for growers a total of \$3,252,000 on 1,300,000 bales handled during the first year of operation. The scheme was abandoned, however, at the end of that year. Although it was so soon discarded, the attempt had great significance in that it marked the first step toward selling cotton on a quality basis.

A plan was formulated for selling direct to mills but it was unsuccessful. Many growers were accustomed to mortgage their cotton in advance to finance the making of the crop; consequently, they were at the mercy of the credit merchants. The exchange tried to finance the growers but lacked the necessary funds. The failure of this plan contributed materially to the failure of the Farmers Alliance.

During 1887 the Texas Farmers Alliance with its suballiances united with the Louisiana Farmers Cooperative Union to form the National Farmers Alliance and Cooperative Union of America. Within the next few years further consolidation brought into this organization the National Agricultural Wheel, the Brothers of Freedom, the Knights of Labor, the National Colored Farmers Alliance, and the Farmers Mutual Benefit Association. The resultant association was called the National Farmers Alliance and Industrial Union.

The Farmers Alliance had always engaged in politics to some degree; and, as it became larger through consolidation with other associations, its political activities increased. In the election of 1892 its fortunes became heavily involved with those of the Populist Party. After the decisive defeat of this party, the Farmers Alliance became less and less of an influence, although it maintained organizations in several States for some years.

## EARLY COTTON ASSOCIATIONS

FROM 1879 to 1908 a number of prominent associations were organized for the protection of the interests of the cotton farmer. Several of these emphasized marketing, but for the most part they were concerned only with ways and means of raising the general price level of cotton. All of these associations had broad programs but none of them was successful in gaining wide support. A brief review of their activities is of interest because they furnished a background for subsequent cooperative effort.

## MISSISSIPPI VALLEY COTTON PLANTERS ASSOCIATION

In 1879 a representative group of cotton growers in Mississippi, Tennessee, Arkansas, and Louisiana conceived a plan of banding

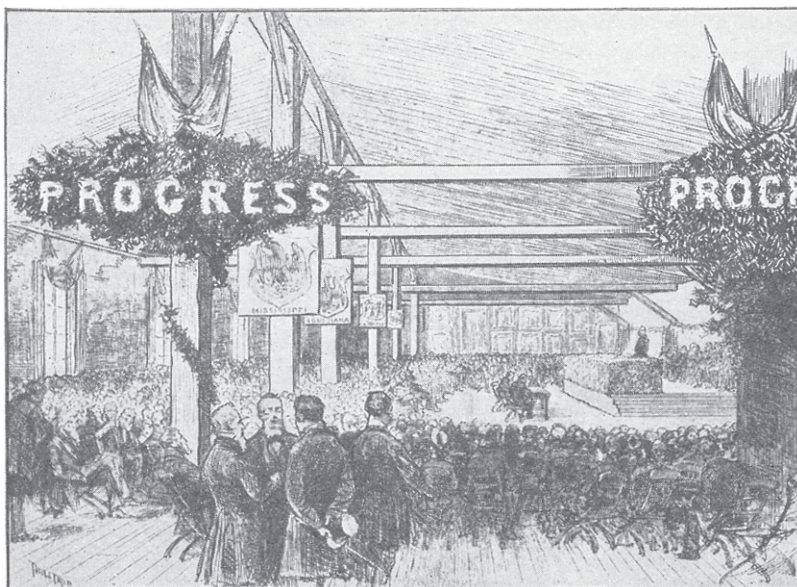


FIGURE 1.—THE NATIONAL COTTON CONVENTION.

This convention, the first annual meeting of the National Cotton Planters Association of America, was held in Memphis, Tenn., in June 1881. It was probably the first South-wide gathering of farmers for the purpose of determining methods of improving the economic situation of cotton producers.

the farmers of the Mississippi Valley together for the purpose of self-protection and the promotion of their interests. This organization was called the Mississippi Valley Cotton Planters Association. Records show that it operated for at least 3 years.

The association's aim according to an editorial in *Harpers Weekly*,<sup>3</sup> was to remedy the following injustices of the existing agricultural system:

Crops raised on capital lent at a usurious rate of interest; the uncertain cotton crop as a totality; uncertainty of laborers' earnings; burdens imposed upon the negroes in the way of one hundred percent interest on the necessities they had to have advanced upon their growing crops; the fact that the commission merchants forced them to plant nothing but cotton, refusing to advance supplies unless they did; the fact that the South's corncribs, smoke-houses, and supply depots were in the West, and the planters virtually paid a bale of cotton for a barrel of pork—all these and many other truths were brought out by the first exhibit of this body.

In 1881 this organization was expanded to include interested farmers throughout the States of Mississippi, Tennessee, Arkansas, Louisiana, Texas, Alabama, Georgia, Florida, North Carolina, and South Carolina. A national charter was obtained under the name of the National Cotton Planters Association of America. The initial meeting of the South-wide association was known as the first National Cotton Convention (fig. 1).

#### SOUTHERN COTTON GROWERS ASSOCIATION

Brief mention has been found of an organization called the Southern Cotton Growers Association, which operated in the last decade of the nineteenth century. It is thus described by Hammond:<sup>4</sup>

Especially noteworthy in this connection (plans to reduce cotton acreage and raise food supplies) are the systematic efforts which, for several years past, have been put forth by the Southern Cotton Growers Association. This association, presided over by the late commissioner of agriculture of Alabama, and with a vice president in each State, has as its aim the raising of cotton prices by a reduction in acreage. Its work is by agitation. Speakers for the association travel throughout the Cotton Belt, urging upon the planters the necessity of planting less cotton and more food crops. The work of the association in recent years has been largely carried on in the region west of the Mississippi River, especially in Texas. There is a considerable difference of opinion among the cotton growers as to whether the association has exerted any influence on cotton production.

<sup>3</sup> ANONYMOUS. THE NATIONAL COTTON CONVENTION. [Editorial.] *Harpers Weekly* 25: 415. 1881.

<sup>4</sup> HAMMOND, M. B. THE COTTON INDUSTRY. 382 pp., illus. New York. 1897 (n. s. 1, Pub. Amer. Econ. Assn.) See p. 192.

## SOUTHERN COTTON GROWERS PROTECTIVE ASSOCIATION

A new movement toward cooperative cotton marketing began in 1900 as practically a one-man crusade. Col. Harvie Jordan, of Georgia, himself a cotton grower and agricultural editor, undertook to organize the Southern Cotton Growers Protective Association in all the large cotton-growing States. The object of this association was to devise means of maintaining the prices of cotton and cottonseed on a basis profitable to the producers, rather than to act strictly as a marketing organization. The methods generally adopted were to persuade growers to reduce the quantity of cotton produced and to hold their crop for an established price.

Colonel Jordan mailed thousands of circulars, wrote constantly for the farm papers, held public meetings at many points, and succeeded in persuading a large number of growers to join the Southern Cotton Growers Protective Association. Late in 1903 mass meetings were held in nearly every county courthouse in North Carolina and South Carolina, for the purpose of forming associations to hold cotton for higher prices. Similar action followed in other States. State associations affiliated with the Southern Cotton Growers Protective Association were formed in North Carolina, South Carolina, Texas, and possibly in other States.

In addition, the State Farmers Alliance organizations of North Carolina and South Carolina took an active part in the movement for crop reduction and price fixing. During the planting season the growers were urged to plant fewer acres of cotton and buy less fertilizer. Later in the year the emphasis was on holding the cotton for the price fixed by the association, and moving the crop to market slowly instead of selling it all during the fall months. As the leaders realized how undesirable it was to have the fixed price either too high or too low, they tried each year to find a suitable medium.

The holding plan followed by the Southern Cotton Growers Protective Association also provided for a warehouse system. Southern bankers were persuaded to advance 75 percent of the current value of the stored cotton on warehouse receipts. This made it possible for farmers who had previously rushed their cotton to market as soon as it was ginned to hold it for a more favorable market. The press of the day stated that those who held their cotton until after the fall rush "made good money." The following excerpt from a letter published in the *New York Herald* in 1904<sup>5</sup> indicates how successful the plan was:

So firm is the farmer's determination to hold until his idea of a fair price is met, and so consistent in his course

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<sup>5</sup> *New York Herald*, Mar. 13, 1904.



with his public avowals on the subject, that the trade is confronted with an abnormal surplus and yet merchants who have contracts for delivery to spinners find an actual scarcity of offerings, and what is bought is at a heart-breaking basis as compared with their future hedges.

In order to formulate plans for making the holding movement more effective, the Southern Cotton Growers Protective Association sponsored a convention of cotton growers in September 1904. Growers were urged to sell as little cotton as possible during October and November, and to sell none for less than 10 cents a pound. At least three plans for warehousing cotton were presented, and one called "the Waco plan" was adopted. This plan called for the formation of a corporation with capital stock in shares of \$10 each, to be sold to banks, businessmen, farmers, managers, school teachers, and others, the proceeds to be used for erecting warehouses.

#### SOUTHERN COTTON ASSOCIATION

In January 1905 a convention was held in New Orleans under the leadership of Colonel Jordan at which there were 1,125 delegates representing the recently formed Farmers Educational and Cooperative Union and other organizations in 13 cotton States. At this meeting the Southern Cotton Association was formed as successor to the Southern Cotton Growers Protective Association. The organization set-up provided for a central or national organization with branch associations in each State, which in turn were connected with county units and locals. The reorganized association was not exclusively a producers' organization, but included in its membership bankers, merchants, and others interested in cotton. The liberality of the membership requirements later proved to be a weakness since farmers were suspicious of the merchants and bankers.

In 1904 the acreage planted to cotton was estimated at 31,730,000 acres. At the 1905 convention, it was recommended that cotton acreage and the use of fertilizers be reduced, and that farmers hold their surplus cotton until the reduction had been announced. It was further urged that 2,000,000 bales be held until the following October. Accordingly a comprehensive acreage-reduction and crop-holding program was adopted by the delegates. Plans were made for holding meetings in every county and precinct, asking every cotton grower to sign an agreement to reduce his cotton acreage 25 percent from the acreage grown the previous year and to use 25 percent less fertilizer. Records were to be kept and the names and addresses of those who refused to sign were to be reported.

This plan, which was the most serious effort to reduce cotton acreage up to that time, required the close cooperation of the Farmers Educational and Cooperative Union (see p. 13) and the Southern



Cotton Association. The Farmers Union was strongest in the Southwest, while the Southern Cotton Association had its greatest strength in the eastern part of the Cotton Belt.

In the spring of 1905 the Southern Cotton Association began an aggressive campaign along the prescribed lines. The Farmers Union and the Farmers Alliance also joined in the undertaking. The cotton exchanges in New York City and New Orleans lent their influence. Cotton acreage dropped to approximately 27,000,000 acres in that season. The reduction of about 15 percent probably resulted partially from low prices during the previous season but it was contended that the efforts of the Southern Cotton Association deserved considerable credit for it.

In the early summer interest in the cotton situation continued unabated. Reports in early June indicated that the crop was reduced more than 10 percent and less than 20 percent. Eleven cents a pound was set as a fair minimum price, and growers were urged to hold for that price throughout the remainder of the season. When the price reached 11 cents in July, enthusiasm among cotton growers ran high.

One grower<sup>6</sup> who sold this held-over cotton in June for 10½ cents commented thus on the situation:

The cotton-buying districts in our towns and cities look like fall with the wagons loaded with cotton, and the platforms of every railroad station are lined with bales of cotton waiting to be shipped. Fully ten million dollars will be turned loose this summer for cotton carried over from last year.

During September and October, prices declined somewhat, but in November the New York spot price again went above 11 cents on reports of a short crop. The president of the Southern Cotton Association then submitted a plan for holding 3,000,000 bales for 15 cents and tried to persuade the growers to adopt it.

The year 1906 was a critical one. When the Southern Cotton Association convened in New Orleans in January, it again advocated an acreage reduction of 25 percent below 1904 acreage, and the holding of all unsold cotton for 15 cents. As the Farmers Union program was similar, the two organizations conducted simultaneously a vigorous campaign. Little was actually done, however, to carry out the policies outlined by the convention. The acreage planted to cotton for the season 1906-7 was over 32,000,000 acres and exceeded that of the 1905-6 season by more than 5,000,000 acres. The acreage for the 1907-8 season was substantially the same as that for 1906-7. In 1908-9 the area planted to cotton increased to almost 33,400,000 acres.

<sup>6</sup> Southern Ruralist 12 (5) : 12. 1905.

The Southern Cotton Association also advocated the establishment and operation of warehouses, but apparently made little progress in working out a satisfactory system. When the association was first organized in 1905, plans were formulated for a cotton planters' commission and holding company which was to serve both as a co-operative warehouse and a selling agency. This company was to have capital stock amounting to \$100,000. In 1906, at a meeting of the executive committee of the association, a more elaborate project was suggested. It was proposed to reorganize the Southern Cotton Association as a chartered corporation with capital stock of not less than \$60,000,000 for the purpose of buying, selling, and warehousing cotton. Neither of these plans, however, was realized. By the end of the year the association had ceased to be an important influence in the cotton marketing field.

The North Carolina Cotton Growers Protective Association also undertook a similar warehousing program. The president of that association reported in 1906 that he had started eight new warehouses within 2 weeks. The next year he reported that about 20 warehouse companies had been formed in his State. He advocated a warehouse for each of the 600 cotton-producing counties of the South. The association urged growers to diversify crops, to raise their own food and feed, and to refrain from dumping cotton on the fall market.

#### NATIONAL COTTON ASSOCIATION

At a general conference of cotton interests held in Memphis, Tenn., November 1908, an organization was formed which was known as the National Cotton Association. Although the association was in existence only a short time, its plans called for local organizations, throughout the Cotton Belt, in each county where a membership of 100 farmers could be obtained and in each local community where at least 25 charter members could be had.

The purposes as outlined in an official document of the association are of special interest because of its comprehensive program which included many of the reforms still advocated by those interested in improving cotton marketing practices. The following excerpt from the report of the Commissioner of Corporations on Cotton Exchanges<sup>7</sup> outlines the objectives of the association:

The main object of the association will be to establish and maintain at all times a minimum "bread-and-meat line" of 10 cents per pound, basis middling, for short-staple upland cotton; to urge the rapid building of first-class warehouses at local points, large interior spot markets, and at the ports;

<sup>7</sup> UNITED STATES BUREAU OF CORPORATIONS. REPORT OF THE COMMISSIONER OF CORPORATIONS ON COTTON EXCHANGES. pt. 5: 327. 1909.

to secure a uniform system of cotton classification; to secure the sale of cotton on a net-weight basis; to encourage the use of cotton bagging and the better protection of cotton from damage by exposure of the lint to the evil effects of rain, wind, and sunshine; to advocate local gin compression and lower transportation rates by land and water; to issue uniform warehouse receipts which will be acceptable to bankers as giltedge collateral to secure loans on cotton in storage; to urge the slow movement of the staple on the markets at all times, except when the price is below the "bread-and-meat-line" of 10 cents per pound; to work in harmony and cooperation with other organizations or associations of cotton growers; to secure a duty on imported cotton which is used as a substitute or competitor for sea-island and other long-staple cotton grown in this country; and to provide a bureau of information and statistics which will at all times keep the members of the association fully posted regarding the supply and consumption of American cotton, to the end that they may be in a position to intelligently handle and market the crop to the best possible advantage; to aid in every possible way the checking of the boll-weevil menace, and carry forward an active and progressive campaign in favor of crop diversification and the raising of food supplies on the farm; to encourage the prompt payment of all obligations, and to discourage the credit system as far as possible.

In addition to the above the files of the Cooperative Division of the Farm Credit Administration contain records of a number of small cotton associations formed while the Farmers Alliance was still active. These associations were located in Alabama, Georgia, Mississippi, Oklahoma, and Texas. The earliest was a warehouse company, known as the Farmers Alliance Cooperative Association, organized at Opelika, Ala., in 1888. Some failed, some lost their property by fire, and others sold their interests to private parties. Another association known as the Southern States Cotton Corporation of Atlanta, Ga., was organized in 1912 with an authorized capital of \$7,000,000. This association proposed an extensive plan for establishing the price of cotton at around 15 cents per pound.

#### FARMERS UNION COTTON-MARKETING EFFORTS<sup>88</sup>

**W**HILE Colonel Jordan was developing an aggressive program in the Southeastern States, a new general farm organization was being developed in Texas. This was the Farmers Educa-

<sup>88</sup>For a detailed study of the history of the Farmers Union in Texas, see the reference cited in footnote 1.

tional and Cooperative Union of America, sponsored by Newt Gresham. The first unit was set up at Smyrna Schoolhouse, Tex., in 1902. Within a few years, local, county, and State unions were established. The founder had been deeply impressed with the poverty of cotton farmers and their helplessness under the existing marketing system. One of the main purposes of the order was stated to be "to secure and maintain profitable and uniform prices for grain, cotton, livestock, and other products of the farm." The cotton program was similar to that of the Southern Cotton Growers Protective Association—controlling the size of the cotton crop, refusing to sell below a fixed price, and building warehouses. Although cotton marketing was not a part of the original plan, it was given considerable attention after the warehouse-building program was well under way.

#### HOLDING MOVEMENT

For the first few years following its organization, the activities of the Farmers Union groups were, for the most part, local in character. Several months after the convention held in Mineola,<sup>9</sup> Tex., in February 1904, the Union decided to promote a general movement for withholding cotton from the market until the minimum price (set at 10 cents per pound) had been reached.

This holding movement was actually begun late in the summer of 1904. As the season opened, prices began to drop rapidly and continued downward for a period of some months. The Union conducted a vigorous campaign to induce farmers to hold their cotton. In 1905, as mentioned above, the Farmers Union cooperated with the Southern Cotton Association in launching the acreage reduction and holding program agreed upon at the New Orleans convention.

Crops for the two succeeding seasons, however, as mentioned above, were very large and sold at prices several cents below the minimum fixed by the Farmers Union. Resolutions were passed in 1907 and 1908 suggesting acreage reductions ranging from 10 to 50 percent. In May 1908, after the cotton had been planted, the Farmers Union made a strong effort to persuade growers to reduce the acreage by plowing under 10 percent of the growing cotton. Some growers followed this plan, but they were too few in number to have any appreciable effect. Most of the reduction may be accounted for by the bad planting weather in the spring of 1908.

The holding movement sponsored by the Farmers Union influenced the development of other programs relating to cotton which led to important improvements in cotton marketing methods.

<sup>9</sup>The Mineola convention was the first State-wide gathering of all the local Farmers Union groups in Texas.

## WAREHOUSE PROGRAM

The warehouse building program of the Farmers Union was a direct outgrowth of the holding movement. It became quite obvious to the Union that if farmers were to be successfully persuaded to hold cotton for a specified minimum price something must be done to improve cotton-storage facilities. Holding cotton on farms with no shelter caused large losses from what is known as "country" damage (fig. 2). Furthermore, it was easier to persuade a farmer to hold



FIGURE 2.—COUNTRY DAMAGED COTTON.

Cotton stored in farmyards without shelter deteriorates rapidly. To avoid the losses suffered by farmers from country damage, the Farmers Union sponsored a warehouse-building program.

if his cotton was stored in satisfactory cotton warehouses where it was protected from weather, theft, fire hazards, and the like. Cotton stored in approved warehouses also furnished the basis for collateral upon which to borrow money. Thus the warehouse program assisted the farmer in protecting as well as financing his crop, both of which were essential to a successful holding program.

The State Farmers Union organizations furnished blueprints for construction of the buildings and provided such assistance as was necessary in the organization of farmers' warehouse companies. Since there were no cooperative laws at that time, all of these companies were chartered under the general corporation laws of their respective States as capital-stock corporations. There was no limit on the number of votes which any individual might have in the conduct of the organization's affairs, no limit on the dividends which might be paid on stock, and no restrictions as to the transfer of stock to nonmembers or nonproducers.

A large number of warehouses were erected by Farmers Union members particularly in Texas, Georgia, and Mississippi. An official



of the Union estimated that in February 1909 there were 1,500 farmers' warehouses operating. Many of them were successful financially and their stock was considered an attractive investment. However, the lack of restriction on the sale and holding of stock resulted almost invariably in the farmers' losing control of the organization.

There were several difficulties in the way of completely adequate service. The warehouses were able to handle only a comparatively small portion of the aggregate cotton crop. In addition, each warehouse acted as an independent unit, and it frequently happened that receipts issued by a warehouse in one locality would be acceptable only to banks in the same locality.

### SELLING ORGANIZATIONS

The Farmers Union gave little attention to farmers' cotton-marketing problems during the early years of the holding movement and warehouse-building program. Each farmer was left to seek his own market and no attempt was made at cooperation in selling. The empty Farmers Union warehouses during 1906, however, caused officials of that organization to realize the need for an improved marketing plan, which provided for the sale of cotton on a quality basis. As the program developed it became necessary for the warehouse managers to familiarize themselves with the grades and staples of cotton handled. The rule of the Farmers Union, which provided that no nonmember could manage a warehouse, made it necessary for members who were interested in this type of work to become informed as to methods of classing cotton. To meet this requirement the Farmers Union cooperated with the Agricultural and Mechanical College of Texas in 1906 in the development of the first cotton-classing school ever held in the South. Many farmers and students who attended these schools later became managers of warehouses. Similar schools were developed in Alabama in 1907 and in Georgia in 1908.

#### *Farmers Union Cotton Company*

In order to meet the need of farmers for a cooperative selling organization, the Texas Farmers Union organized the Farmers Union Cotton Company in November 1906, with headquarters in Houston, Tex. This association was to use the Farmers Union local warehouses as assembling units. The local managers were to submit to the central organization "class" sheets giving more or less definite information as to the quality of cotton available for sales. Sales were to be made direct to spinners by the central association, thus eliminating any middleman's profits.

A number of problems arose at the outset. Local managers failed to cooperate with the central organization and deliveries were un-

certain. The Farmers Union Cotton Company soon realized that it must have funds of its own in order to guarantee the delivery of cotton on contracts with spinners. It was unable to develop this necessary financial structure and in a comparatively short time ceased to operate.

*Farmers Union Cotton Company of Memphis*

In 1907 the Farmers Union organized another large-scale cotton-marketing association known as the Farmers Union Cotton Company of Memphis, in Memphis, Tenn. The aims of this company were to build centrally located warehouses in the Memphis territory and establish offices in the large cotton centers for the purpose of becoming the agent between the mills and the producers. It also made a well-planned effort to reach the cotton markets of the world, and opened offices in Liverpool and Manchester.

This association sold cotton stored in county warehouses both on samples and on the basis of grade and staple. There was a charge of 50 cents per bale for selling service. The member named a price at which he would sell before the association began grading, classing, pricing, and selling. The grower's figure was used as a guide to what he expected, not a price at which settlement would necessarily be made with him. Settlement was made through a bonded warehouseman as soon as the cotton was delivered to the railroad platform. The company did not make advances on cotton stored in its warehouses. However, it agreed to assist the grower in obtaining such advances if they could not be obtained from a local bank.

*Union Consolidated Warehouse Company*

In Georgia the State Farmers Union was responsible for the development of a large number of local warehouse associations similar to those organized in other States. This organization was also responsible for the establishment in 1908 of the Union Consolidated Warehouse Company of Georgia, a capital stock corporation with an authorized capital of \$100,000, owned by farmers. Its function was not only to store cotton, but also to perform some financing and selling services for the members. A loan department was organized. It allowed the loan committee to lend up to 70 percent of the current market value of cotton free of incumbrances that was stored in the Union warehouse. This corporation also had the power of acquiring by purchase or exchange of stock, the warehouses and assets of existing warehouse companies.

The Union Consolidated Warehouse Company also developed a sales plan which provided for the sale of stockholders' cotton direct to spinners. The extent of this company's operations and their ultimate outcome are not definitely known.

DEVELOPMENT OF INDEPENDENT COTTON-  
MARKETING ASSOCIATIONS

## THE SCOTT COTTON GROWERS ASSOCIATION

A GROUP of about 24 Arkansas farmers, representing 30,000 acres of cotton, made an important contribution to the progress of cooperative cotton marketing with the formation of the Scott Cotton Growers Association in 1912. This association was probably the first real cotton-marketing cooperative.

The Scott Cotton Growers Association made no proposals for raising prices for its members by price control, price fixing, acreage limitation, or withholding cotton from the market. The purposes of the association as stated in its charter were: (1) To produce cotton from pure seed; (2) to obtain uniformity in ginning; (3) to sell cotton in even-running lots; (4) to deal as nearly direct with the mills as possible; (5) to act in cooperation with the United States Department of Agriculture toward accomplishing these objects and to take such further action as might be practicable to produce better cotton and improve the prevailing methods of handling and marketing the same.



FIGURE 3.—WAREHOUSE OF THE SCOTT COTTON GROWERS ASSOCIATION. The Association maintained a number of these warehouses for storing members' cotton.

In order to carry out this program, the members of the association proposed to grow a single variety of cotton, to have it properly ginned, classed, and sold according to grade. The association also operated warehouses for the convenience of its members. (See fig. 3.) The membership fee was 10 cents per bale, the proceeds from

which were used to build a sample room (fig. 4). There was also a fee of 50 cents per bale for selling cotton and 50 cents per ton for selling cottonseed. The revenue acquired from these charges served to maintain a secretary whose business it was to look after the affairs of the association. The manager, who also served as cotton classer, was paid a salary of \$3,000. The association directed the selection of the seed and the ginning of the cotton. Samples were drawn from each bale and brought to the association's office where the secretary supervised the actual selling to cotton buyers and merchants. Representatives of the United States Department of Agriculture gave



FIGURE 4.—CLASSING OFFICE OF THE SCOTT COTTON GROWERS ASSOCIATION.

The association proposed to class members' cotton accurately and to obtain for them prices based on quality.

considerable assistance at the outset in classing the cotton received from the membership. At first all sales were pooled. Later, each farmer's cotton was sold separately. No penalties were used at first for nondelivery. However, later a system of fines was established as a penalty for selling on the outside.

Total sales of the Scott Association in 1913 amounted to \$488,347; in 1914, to \$301,154, of which \$231,634 was for 5,712 bales of cotton, and \$69,520 for 173 cars of cottonseed. In 1921 sales of cotton and cottonseed totaled \$500,000. According to the records of the association savings to growers during the first year of operation ranged as high as \$5 per bale of cotton and \$4 per ton of seed.

The association operated successfully for 10 years, and demonstrated that community organizations could improve cotton quality and marketing conditions. However, the association suspended op-



erations in 1922 and its membership was absorbed by the newly organized Arkansas Cotton Growers Cooperative Association. About 1930 the Arkansas Cotton Growers Cooperative Association along with the Arkansas Farmers Union Cotton Growers Association, combined with the cotton cooperatives in Missouri and Tennessee to form the Mid-South Cotton Growers Association, now located at Memphis, Tenn. One of the charter members of the Scott association is a member of the board of directors of the Mid-South Association.

#### COMMUNITY ORGANIZATIONS

In 1917 the United States Department of Agriculture in cooperation with the Agricultural and Mechanical College of Texas launched an educational program to encourage cotton growers to form community organizations and to learn more about the advantages of growing cotton of uniform fiber, of growing a single variety in a community, and of proper ginning, classing, and storing. Cotton classers were employed jointly by local committees, the State extension service, and the United States Department of Agriculture for the purpose of grading and stapling the cotton of farmers desiring this service. With the information which the classers were able to give, farmers producing cotton of higher quality were in a more advantageous position to bargain with buyers. In many instances, the classer acted as the sales agent of the grower and sold cotton for him on the local market.

Service of this type became rather widely used. In 1921 there were 43 organized community associations in Texas, 6 in North Carolina, 19 in South Carolina, 2 in Mississippi, 3 in Arkansas, and 12 in Oklahoma, a total of 85 community organizations. This type of service was abandoned, however, after the organization of the State-wide cotton cooperatives, but its influence on the cooperative cotton-marketing movement was considerable. It had served to draw the attention of the farmer to some of his cotton-marketing problems. Many of these community projects were successful financially. There is one community still operating under this plan at Orangeburg, S. C., and two or three in Texas. The development of local cotton-marketing associations represents an entirely different philosophy from that proposed in 1920 at the Montgomery convention (see p. 24) which called for large-scale centralized associations set up to control prices as well as render marketing services. Had these projects continued and the service extended into other communities, an entirely different system of cooperative cotton marketing might have been developed. Instead of the formation of centralized State groups, and the abandonment of local classing and marketing service for nearly 10 years, there might have been a



federation of the experienced locals into an overhead cooperative marketing organization performing all the necessary sales services.

#### OTHER LOCALS IN THE SOUTHWEST

A number of small associations were organized in the Southwest during the period 1912-26. These included the Imperial Valley Cotton Growers Exchange, of El Centro, Calif., which operated from 1912 to 1914; the Imperial Valley Long Staple Cotton Growers Association, of El Centro, Calif., 1914 to 1919; and the Imperial Delta Cotton Association, Calexico, Calif., 1917 to 1921.

Another prominent cotton marketing organization in California was the Kern County Sales Agency, Bakersfield, Calif. It was organized in 1924 as a nonstock sales agency to market cotton produced by cotton farmers of that county. The Kern County Farm Bureau sponsored the organization and appointed a cotton committee, which functioned as a governing board for the sales agency. The committee contracted with a manager to manage the agency and sell the cotton on a commission of 50 cents per bale, with a yearly salary limit of \$3,000. Cotton growers sold through the agency or not as they liked. It is stated that at one time this association handled about 25 percent of the cotton produced in that county.

Another association similar in form to the Kern County Sales Agency was the San Joaquin Cotton Sales Agency, Fresno, Calif. This association was also sponsored by the county farm bureau. Instead of 50 cents per bale, the agency received 1 percent of gross sales as the commission for handling a crop. Both these associations were superseded by the San Joaquin Cotton Growers, organized in 1927. In 1929 this association was an affiliate of the American Cotton Growers Exchange. In 1929 the name of the organization was changed to the California Cotton Growers Association. In 1930 the name was again changed to the California Cotton Cooperative Association, Ltd. In the same year the association became affiliated with the recently formed American Cotton Cooperative Association.

One of the earlier cotton associations in Arizona was the Tempe Cotton Exchange, Tempe, Ariz., a pure-seed organization, which operated during the 1914-15 season. This association did not sell cotton but supervised the ginning of cotton produced by its members and built up a substantial pure-seed business.

Another group of farmers at Pine Bluff, Ark., organized an association similar to the Scott Cotton Growers Association, which had operated successfully 2 years when it, too, was absorbed by the Arkansas Cotton Growers Cooperative Association. The Pine Bluff Association reported a business of \$2,301,000 in 1921.

A prominent local association in Texas was the McLennan County Farm Association, Waco, Tex., organized in 1920. It employed a licensed cotton classer and operated a bonded warehouse. Cotton was handled for members and nonmembers on a flat commission of 25 cents per bale. Local associations of this kind did much to eliminate dishonest grading and to provide better storage facilities than were otherwise available, but beyond that their service was limited.

The Pecos Valley Cotton Growers Association, of Roswell, N. Mex., was organized in 1924 on a nonstock basis with an approximate membership of 300. This number had increased to about 450 in 1925. It was claimed that approximately 70 percent of the local production was handled by this association during the 1924-25 season and about 92 percent during the 1925-26 season. The Southwestern Irrigated Cotton Growers Association, of El Paso, Tex., now serves a large portion of the former membership of this association.

#### UNITED COTTON GROWERS OF AMERICA

An attempt to organize cotton growers for marketing on an extensive scale began in Texas in 1919 with the organization of the United Cotton Growers of America in Corpus Christi. This association proposed to serve as a cotton sales agency for its members. The association was to be made up of county groups with local warehouses for storing the members' cotton. The cost of the warehouses was to be defrayed by a per-bale assessment on the cotton.

The United Cotton Growers organization progressed rapidly and for a time proved a dangerous rival for the farm bureau movement. The membership campaign was pushed county by county. In 1920 and the early part of 1921 a number of locals were organized with a total membership of 3,000 farmers, representing 70,000 bales of cotton. However, when the organization of the Texas Farm Bureau Cotton Association gathered momentum, little further interest was displayed in the continuation of the United Cotton Growers. In the fall of 1920 the United Cotton Growers of America and the Farmers Union agreed to cooperate with the Texas Farm Bureau Federation in its attempt at State-wide organization.

#### FARM-LABOR UNION OF AMERICA

For a number of years prior to 1920, farmers in the western portion of the Cotton Belt had no active cooperative cotton-marketing association, nor was any general farm organization operating in the field of cotton marketing. Soon after prices declined in 1920, farmers in that area began to take an interest in two different cotton-marketing associations, one sponsored by the Texas Farm Bureau and the other by the Farm-Labor Union of America.

The Farm-Labor Union of America was organized in October 1920, with headquarters at Texarkana, Ark., and branches in the States of Oklahoma, Texas, Arkansas, Alabama, Mississippi, Louisiana, and Florida. Its membership was limited to individuals who were actually farmers. Article I, section 1, of the constitution of the Farm-Labor Union<sup>10</sup> states its principal objective as follows:

This organization is not a religious or political body, and neither partisan politics nor religion shall be preached in any assembly of the body. The said organization is strictly and exclusively a business body, taking our business out of the hands of the speculators, gamblers, and price fixers, and fixing the price of our products at cost of production plus a reasonable profit annually, as all other business organizations do.

Farm-Labor Union cotton-marketing activities were grouped around county organizations. Each county unit or association was headed by a cotton-grader salesman whose function was to assist the members in the sale of their cotton. Where sufficient volume was available, the members pooled their cotton and other farm products for sale at marketing points convenient to both the producer and the grader. Pooling was done at points designated by the county committee in time to allow the cotton to be graded by the county grader-salesman.

The grader-salesman classed all cotton and kept informed regarding supply, demand, crop conditions, and the best markets in which to sell the cotton. In case it was not possible to obtain satisfactory prices in local markets, the charter provided for a State salesman to handle all cotton not sold by county sales agents. It also provided that there should be national sales agents stationed at convenient places for spinners and exporters.

An unusual provision to insure orderly marketing of the crop required that each member should request the ginners to place a special black buckle on every other bale of his cotton. The bales having a black buckle were not to be salable until the following January 1. After that time they were to be placed on the market with the understanding that 1 percent should be added to the previous price for all cotton not sold by February 1. Few members followed this requirement, however, and the plan failed.

Reliable figures on the volume of cotton marketed by the membership of this organization from 1920-25 are not available. Practically all of the cotton was handled by the county grader-salesmen. The county organizations did not keep accurate records and did not report their sales to the State or national organization. In 1924 this system

<sup>10</sup> See p. 156 of reference cited in footnote 1.

of marketing cotton was admitted to be impracticable, chiefly because there was no cooperation between the local and central agencies.

The national organization of the Farm-Labor Union introduced a marketing agreement in 1925. The contract provided that the grower should receive an advance of 70 percent of the market value of his cotton on the day of delivery at the compress, and that the balance less charges which were allowed in the provisions of the contract should be paid as soon as the cotton was delivered to the buyer. Section X of the marketing agreement states that "selling expenses on cotton shall not exceed 3 percent of the gross sales price."

#### FARMERS MARKETING ASSOCIATION OF AMERICA, INC.

The Farmers Marketing Association of America, Inc. was formed in 1926, with headquarters at Dallas, Tex. The organization had rather ambitious aims. According to its charter and bylaws its principal purposes were: To obtain the cost of production plus a reasonable profit for the farm products of its members; to establish a system of cooperative marketing; to urge the adoption of accurate farm accounts of the cost of producing crops; to regulate the production of crops to fit the demand and develop a spirit of cooperation among its members. The association operated under a marketing agreement and in 1927 had 2,000 members.

Although the United Cotton Growers of America, the Farm-Labor Union of America, and the Farmers Marketing Association of America, Inc., developed concurrently with the American Cotton Association and the present large-scale cooperative cotton-marketing associations, they were entirely independent.

#### AMERICAN COTTON ASSOCIATION

ONE of the important events in the history of cooperative cotton marketing was the organization of the American Cotton Association, a South-wide association of cotton farmers, bankers, merchants, warehousemen, and others interested in the improvement of southern agriculture. The organization of this association definitely marked the beginning of our present system of cooperative cotton marketing. The leadership of the American Cotton Association was very largely recruited from those who had previously been active in the program of the Southern Cotton Association.

These leaders felt that although, during the World War and for a time immediately following, the demand for cotton had been great and prices high, a post-war decline would be inevitable. When the price dropped from 35 cents per pound (New York spot) in September 1918 to 26 cents per pound in February 1919, they proposed the organization of an association of growers and others



interested in cotton in the South to protect their economic position. As a result the American Cotton Association was organized in May 1919, at a time when the price of Middling  $\frac{7}{8}$ -inch spot cotton at New Orleans had risen to 29 cents per pound. During April 1920 when the Oklahoma Cotton Growers Association, the first large-scale cooperative marketing association was organized, the New Orleans spot price reached 41 cents per pound. During the period when the American Cotton Association was most active the price of cotton was the highest in the history of the crop since the War between the States. Organization plans for several of the State cotton associations were perfected before the price declined. A significant conclusion may be drawn from the early history and background of cooperative marketing that regardless of how high prices may be, they never seem high enough to satisfy all.

In order to carry out its avowed purpose of improving and maintaining the economic condition of the cotton grower, the association proposed first to promote a crop control program based on reduction of cotton acreage and diversification of crops. By this means it was hoped a nearer balance between supply and demand could be established. Existing warehouses were to be enlarged, new ones built, and transportation and distribution facilities improved.

The association planned to assist the grower in marketing his cotton by opening up new markets, and by collecting and dispensing current information on market trends and crop reports in both foreign and domestic fields.

Acreage reduction received the attention of the American Cotton Association at the outset and it conducted an aggressive campaign with this end in view.

#### THE FIRST MONTGOMERY CONVENTION

The American Cotton Association developed considerable interest in cotton-marketing programs during 1919, and several State organizations were formed before the end of the year. The first annual meeting of the association was held in Montgomery, Ala., on April 13 and 14, 1920. Delegates from every cotton-growing State were present at this meeting, as well as representatives from the United States Department of Agriculture, the State agricultural colleges, the State departments of agriculture, and other agencies interested in cotton. The convention agreed that the cotton industry should be organized, and appointed a committee of 24 to draft a suitable organization plan. However, almost before this committee began its work, the convention was stampeded into adopting a program which provided for a number of large-scale centralized associations organized on a strictly commodity basis—a radical departure from previous plans.

### THE SECOND MONTGOMERY CONVENTION

At the second Montgomery convention, September 1, 1920, the committee of 24 presented a carefully prepared report. They explained that there was a lack of system in cotton marketing, particularly at local points where farmers sold their cotton on the street. (See fig. 5.) The average street market gave the local cotton buyer an advantage over the farmer. The farmer usually knew little about grades, staples, and values of cotton and many were, therefore, not in a satisfactory position for bargaining. As a result there were wide variations in prices paid farmers for like qualities of cotton in the same market on the same day, and careless handling of cotton caused excessive losses to farmers. They believed further



FIGURE 5.—TYPICAL STREET COTTON MARKET.

The system or lack of system which prevailed in the average street market resulted in many injustices. Frequently growers received no premium for cotton of better grade or staple, and widely varying prices were paid for like qualities of cotton in the same market on the same day.

that dumping of cotton onto the market in the fall depressed prices unduly and that the spread between the price which the farmer received and the price which the mill paid for his cotton was much too wide.

The committee recommended cooperation as the remedy for these ills and proposed a system of cooperative marketing which would cover the entire Cotton Belt. The plan further called for local

organizations as the proper starting point for cooperative cotton marketing. It was felt that the outstanding cotton-marketing problems were those relating to the handling of cotton at country points and for that reason the establishment of local associations would effect substantial improvements in cotton marketing even though each association acted independently. It was also recommended that membership be restricted to actual producers of cotton including landlords.

The committee suggested that, after the local organizations had shown sufficient growth and development, the most logical step would be a federation. The federation, it was stated, might not participate in the actual marketing of cotton at first but would be valuable in stimulating interest in cooperative marketing, developing local and district organizations, and in gathering information regarding crops and market conditions and distributing it to growers.

The committee's recommendations evidently represented the general opinion of the South at that time but, because the attention of the first convention had been successfully diverted to a different program, no serious attempt was made to act on the committee's suggestions. At the time of the second convention organization plans were already under way in several States.

The significance of this turn in events has been summed up by Montgomery<sup>11</sup> as follows:

So the careful and painstaking report of the committee which under a different set of circumstances might have become the foundation for the new economic structure of the cotton kingdom was quietly laid to rest. The whole direction of the movement toward a new control of the cotton industry was changed by one man.

Following the second Montgomery convention the American Cotton Association no longer took an active part in the movement which was destined to develop into the most extensive system of cooperative cotton marketing yet undertaken by farmers. The organization of the large-scale State and regional cotton associations which had their birth in the ideas and plans presented at the first Montgomery convention of the American Cotton Association was taken over by the agricultural extension services, the agricultural colleges, the farm bureaus, and the agricultural press of the South.

The American Cotton Association is still in existence but its activities have been greatly restricted. The association now interests itself, for the most part, in acreage reduction and price improvement.

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<sup>11</sup> MONTGOMERY, R. H. THE COOPERATIVE PATTERN IN COTTON. 335 pp. New York, 1929. See p. 74.

## LARGE-SCALE STATE AND REGIONAL COTTON-MARKETING ASSOCIATIONS

THE organization structure and operating procedure, so graphically outlined at the Montgomery convention in April 1920, was the plan upon which the large-scale cotton cooperatives were built, and influenced directly or indirectly the organization of practically all the present State and regional cotton associations. This plan provided for large-scale associations of the nonstock, centralized type in direct contrast to the recommendations of the American Cotton Association's marketing committee that each State association be a federation of locals. Each State association was to sign up its members on a 5- or 7-year "ironclad" contract or marketing agreement under which the grower agreed to deliver to the central organization all cotton he produced or acquired during that period. No provisions were made for withdrawal from the associations. All cotton was to be accurately graded and stapled, and the farmer paid strictly according to quality. It was hoped that an advance of 65 percent of the value of the cotton could be made at time of delivery, subsequent and final settlements coming at later dates or when the cotton was finally sold (usually by the end of each season). The seasonal pool was the only sales option offered members. This pool was the vehicle for carrying out the theories which then existed for avoiding the so-called "autumnal dip" in prices.

Orderly marketing, in contrast with dumping the crop on the market in the fall, received a great deal of emphasis during the organization period and in the early years of operation. The original plan suggested sales equally distributed by months throughout the year. These sales were to be of spot cotton direct to spinners. Many associations were opposed to using the futures market during the first few years of their operating experience.

## CHARACTERISTICS OF ORGANIZATION PERIOD

The formation of these associations was practically a mass movement among farmers in the South. The enthusiasm aroused in the Montgomery conventions and at later meetings reached almost the proportions of a crusade and resulted in the speedy organization of large-scale cooperatives for the marketing of cotton, wheat, tobacco, and other commodities.

The tactics employed in obtaining farmer membership for the various State cotton associations are still the subject of heated discussion. It is generally agreed that the program was "oversold" to farmers and that they were led to expect almost the impossible in the way of a system of cooperative marketing under which the associations, by gaining control of a sufficient percentage of the crop, could put themselves in a position to dictate cotton prices. On the



other hand, many believed that high-pressure tactics were necessary and justifiable under existing conditions.

The early objectives and characteristics of the organization period are ably summarized by Hathcock<sup>12</sup> in an address delivered to the Southern Agricultural Workers in 1931. He states that mass psychology was effectively employed on a tremendous scale because the acute depression in 1920 when cotton prices declined from about 40 cents per pound in June, to less than 15 cents per pound in December, made farmers eager for any leadership which would guide them out of distress. Cooperative marketing under these conditions became an ideal, almost a religion, with an appeal so gripping as to be difficult of comprehension 10 years later.

Those advocating the new system went to extremes in pointing out the undesirable features of the traditional system of cotton marketing and painted a bright picture of the possibilities offered by the new cooperative marketing plan which was to be farmer-owned and farmer-controlled.

Field men and cooperative leaders used the idea of monopoly control of prices as one of their major arguments in their campaign for members. Arbitrary price fixing was an idea easily grasped by the average producer. He believed that it should be one of the principal objectives of a cooperative cotton marketing association. A study made by Manny<sup>13</sup> reveals that as late as 1929 this idea still had a strong appeal to a majority of the members. Many members felt that the associations were a failure because they had not accomplished this objective. The monopoly idea had greater appeal than any other presented in the campaign for members.

Hundreds of growers, however, believed in cooperative marketing and joined an association because of this belief. This group formed the nucleus around which the present system has been built. Many of these loyal members have delivered cotton to their respective organizations without fail every season. Many times they have overlooked immediate monetary returns because of their belief in the cause of cooperation and its ultimate benefits.

#### OKLAHOMA COTTON GROWERS ASSOCIATION

Oklahoma delegates went home from the First Montgomery Convention full of enthusiasm for a State-wide organization. They did not wait for the report of the American Cotton Cooperative Association committee, at the second convention, but drew up plans of their own in a special meeting called in Oklahoma City, May 10-11, 1920.

<sup>12</sup> HATHCOCK, J. S. PRESENT STATUS OF THE COOPERATIVE MARKETING OF COTTON. In Association of Southern Agricultural Workers, Proceedings of the 32nd Annual Convention. 392 pp. Atlanta, Ga. 1931. See pp. 248-250.

<sup>13</sup> MANNY, T. B. FARMERS' EXPERIENCES AND OPINIONS AS FACTORS INFLUENCING THEIR COTTON-MARKETING METHODS. U. S. Dept. Agr. Circ. 144, 52 pp., illus. 1931.

Delegates from 20 cotton-producing counties met to discuss plans for marketing Oklahoma cotton cooperatively. A committee of six was appointed to draft a tentative plan which was presented and approved at the meeting. The plan contemplated local associations of farmers to class, as well as store and sell cotton. It also called for a federation of these locals into county and even State-wide associations, as their growth indicated. Later it became apparent that this plan was not comprehensive enough to accomplish the objectives which farmers had in mind. A meeting was called on June 10, 1920, to make further plans. As a result of this meeting the scheme of organization was completely revised along the lines previously suggested at the Montgomery convention. Those present at the meeting pledged their support of the new plan and proposed to carry it to the 32 counties which were represented.

An educational campaign was immediately begun to acquaint cotton growers with the altered program. The aid of the extension division of the Oklahoma Agricultural and Mechanical College, the Farmers Union, the Grange, the agricultural press, and the Oklahoma Bankers Association was enlisted. A central organization committee was set up with county committees and organization teams. The organizers held many meetings in schoolhouses, visited the homes of growers, and conducted special drives to obtain members. Late in March 1921, a final State-wide drive was begun and for a week several thousand farmers devoted their energies to soliciting members. When the campaign closed on April 1, 35,000 signatures had been obtained on an "iron-clad", 7-year contract. These marketing agreements represented an annual production of 400,000 bales of cotton, 100,000 bales more than was necessary to make the contract binding.

The Oklahoma Cotton Growers Association was incorporated April 26, 1921, and directors and officers selected. Offices were established in Oklahoma City. The association received its first bale of cotton August 18, 1921, and handled about 92,000 bales of the 1921 crop. While this was less than one-fourth of the quantity pledged, it was a large quantity for a new and inexperienced organization to handle.

Oklahoma was the first southern State to set up a State-wide cooperative cotton-marketing association under the plan proposed at the first Montgomery convention. The general plan which was worked out for Oklahoma was followed by all the other large-scale cotton marketing associations with, of course, slight variations in operating methods and policies.

#### STAPLE COTTON COOPERATIVE ASSOCIATION

Four more large-scale cotton associations were formed in time to handle the 1921 crop. All were of the nonstock type and all used

a strict marketing agreement with members which called for severe penalties for nondelivery.

The Staple Cotton Cooperative Association, of Greenwood, Miss., was incorporated on May 23, 1921, with 1,800 members under contract, representing 216,000 bales of the long-staple cotton from the Yazoo-Mississippi Delta.

The association is organized as a centralized, nonstock association and has a marketing agreement with its members. From the beginning it has operated independently of the other State and regional associations. In its first 14 years of operation, 1921 to 1934, the Staple Cotton Cooperative Association handled a total volume of 2,744,138 bales of cotton. A production credit association, the Staple Discount Corporation, was established as a subsidiary in 1923. The situation which faced the Staple Cotton Cooperative Association when it began operations, and the degree of success it has achieved, have been summarized in an editorial in the *Staple Cotton Review*<sup>14</sup> as follows:

When the association began to function, there were 110,000 bales of cotton in Delta warehouses. It had no friends. Nobody wanted it. Nobody would advance money on it. Another crop was coming on. Business was stagnant. There was neither health nor hope in anything which had to do with Delta cotton.

The Staple Association was organized to meet that situation. It measured up to every expectation of its organizers and members. It negotiated a credit of five million dollars with the War Finance Corporation. It revived and stimulated every line of Delta business and industry. It brought new hope to Delta agriculture. What it then began it has since continued.

#### OTHER LARGE-SCALE ASSOCIATIONS

The other large-scale associations organized in 1921, were the Arizona Pima Cotton Growers, incorporated July 13; the Texas Farm Bureau Cotton Association, Dallas, incorporated July 27, sponsored and organized by the Texas Farm Bureau Federation; the Arkansas Farmers Union Cotton Growers Association, incorporated October 31. The Arizona association obtained 713 contracts representing 27,153 acres, the Texas association 19,146 contracts representing more than 600,000 bales, and the Arkansas Farmers Union Cotton Growers Association about 3,500 contracts representing 20,000 bales. Many members of the Arkansas Farmers Union Cotton Growers Association later joined the Mid-South Cotton

<sup>14</sup> ANONYMOUS. WHY STAPLE COTTON GROWERS SHOULD JOIN AND SUPPORT THE STAPLE COTTON COOPERATIVE ASSOCIATION. [Editorial.] *Staple Cotton Rev.* 13 (6): 1. 1935.

Growers Association and one of its former board members is now on the board of the Mid-South Association.

The following table gives the names, headquarters, and dates of incorporation of the State and regional cotton cooperatives organized during the years 1921-30. A number of these have failed or ceased operating. Others have changed their names or reorganized. In recent years a number of new associations have been added to the list.<sup>15</sup>

TABLE 1.—STATE AND REGIONAL COOPERATIVE COTTON MARKETING ASSOCIATIONS ORGANIZED, 1921-30, WITH DATES OF INCORPORATION <sup>1</sup>

Association	Headquarters when organized	Date of incorporation
Oklahoma Cotton Growers Association.....	Oklahoma City, Okla.....	1921
Staple Cotton Cooperative Association.....	Greenwood, Miss.....	1921
Arizona Pima Cotton Growers.....	Phoenix, Ariz.....	1921
Texas Farm Bureau Cotton Association.....	Dallas, Tex.....	1921
Arkansas Farmers Union Cotton Growers Association.	Little Rock, Ark.....	1921
N. C. Cotton Growers Cooperative Association.	Raleigh, N. C.....	1922
Arkansas Cotton Growers Cooperative Association.	Little Rock, Ark.....	1922
S. C. Cotton Growers Cooperative Association.	Columbia, S. C.....	1922
Georgia Cotton Growers Cooperative Association.	Atlanta, Ga.....	1922
Alabama Farm Bureau Cotton Association..	Montgomery, Ala.....	1922
Louisiana Farm Bureau Cotton Growers Cooperative Association.	Shreveport, La.....	1923
Mississippi Farm Bureau Cotton Association..	Jackson, Miss.....	1923
Tennessee Cotton Growers Association.....	Memphis, Tenn.....	1923
Missouri Cotton Growers Cooperative Association.	New Madrid, Mo.....	1923
Illinois Cotton Growers Cooperative Association.	Mound City, Ill.....	1924
Southwestern Irrigated Cotton Growers Association.	El Paso, Tex.....	1926
California Cotton Cooperative Association, Ltd.	Delano, Calif.....	1927
Mississippi Cotton Cooperative Association <sup>2</sup> .	Jackson, Miss.....	1929
Mid-South Cotton Growers Association <sup>3</sup> ....	Memphis, Tenn.....	1930

<sup>1</sup> Statistics on volume and membership are contained in a forthcoming bulletin by R. H. Elsworth, Cooperative Division, Farm Credit Administration.

<sup>2</sup> The Mississippi Cotton Cooperative Association succeeded the Mississippi Farm Bureau Cotton Association in 1929.

<sup>3</sup> The Mid-South Cotton Growers Association was formed by combining the Arkansas, Missouri, and Tennessee associations.

<sup>15</sup> For current list of cooperative cotton marketing associations, see: FETROW, W. W. COOPERATIVE MARKETING OF AGRICULTURAL PRODUCTS. F. C. A. Coop. Div. Bull. 3, 106 pp., illus., 1936.



No one organization in the South sponsored the formation of the State and regional cotton associations. In each area the organization in the best position to perform the task assumed the responsibility and carried it to its ultimate conclusion. As indicated by the early names of a number of the State and regional associations, the Farm Bureau Federation played a prominent part in sponsoring a number of the associations. Other general farm organizations also did their part. In addition, the agricultural colleges, agricultural extension services, State departments of agriculture, bankers' associations, and the agricultural press gave invaluable assistance to the movement in its initial stages.

#### EARLY OPERATING EXPERIENCES

These new associations with inexperienced directorates and managements and with little capital, encountered difficulty after difficulty. None was adequately financed; many members failed to deliver all the cotton; some refused to deliver any; many growers had signed with little understanding of the contract; others were tempted by offers of high prices from outside buyers; a large portion of the cotton was already mortgaged to the supply merchants or to others who were hostile to cooperative enterprises. From the first the tenant-landlord problem stood as a barrier between many tenants and the cooperative cotton-marketing association. Another serious difficulty during the early years was that the growers had to wait too long for their pay. There was much misunderstanding and bitterness, and many lawsuits arose to test the validity of contracts and to force members to deliver their cotton or pay the prescribed penalties.

Financing such extensive operations was difficult. However, a number of banks in the cotton States and other financial centers proved their faith in the movement by lending large sums, and the Government extended loans through the War Finance Corporation.

The quantity of cotton handled by these large-scale cooperatives in 1921 was 418,363 bales, or 5.2 percent of the crop. This, of course, was far from the goal which had been set in the beginning.

When the associations began to set up machinery for actually handling the cotton delivered by members, they found themselves very much at sea so far as operating technique was concerned. Many of the individuals who had been active in organizing the various associations also assumed leadership in their operation. Few of these officials, however, and few employees had had previous experience with a cooperative association. Their inexperience in cotton matters led to many difficulties during the early operating years. Some mistakes were made, the results of which have not yet been lived down.

For a few years after the formation of these associations in 1921 price trends were upward. While these upward trends continued the results of the operation of seasonal pools in terms of sales and prices were, for the most part, satisfactory to growers. When price trends were downward the results of seasonal pool operations were usually unfavorable. Price returns to farmers during the last 2 years of the original "ironclad" contracts were unsatisfactory. Membership declined and deliveries by members fell off precipitately. To meet the situation the Staple Cotton Growers Association established in 1925 an "optional pool" which allowed the grower the privilege of fixing the price on his cotton according to his own choice. The Tennessee Cotton Growers Association introduced a new contract offering its growers the "daily option" pool as well as the seasonal pool. The second contract offered to members by all the associations, except the Georgia Cotton Growers Cooperative Association, included both long- and short-time pools. The Georgia organization operated only 1 year under its second "iron-clad" contract and then re-signed its members on the new form.

Most of the new contracts which became effective during the 1926-27 and 1927-28 seasons also included an annual withdrawal privilege.

During the first year or two of the new contracts, the statistical service of the American Cotton Growers Exchange, which had been in the process of development, attracted the attention of association officials. They became definitely interested in methods of price forecasting as a means of establishing what they thought to be sounder merchandising and price-fixation policies. Hathcock<sup>16</sup> sums up the experiences of the member associations of the American Cotton Growers Exchange with price forecasting as follows:

The policies arrived at by the exchange as a result of its statistical studies, proved eminently successful during the season 1927-28. The success experienced in this year caused the associations which had not yet fallen in line to accept the work of the exchange as a guide in 1928-29. In the latter year all of the cotton cooperatives followed to a considerable extent the policies outlined by the research department of the American Cotton Growers Exchange. The results of this experiment are doubtless known to all of you. The price-forecasting formula simply did not work, and when the Federal Farm Board was organized in July 1929, the cotton cooperatives were still holding their 1928 receipts waiting for prices to rise to the predicted level.

State, regional, and the national associations have made extensive changes in their operating methods and policies during the few years

<sup>16</sup> See p. 253 of reference cited in footnote 12.

of their existence. The "iron-clad" contracts used in the early years have disappeared. Members have more freedom in the matter of making deliveries of their cotton. They also enjoy several options as to the time of sale, and as to whether or not they shall participate in pooling operations.

The associations' costs were excessive in early years and their services not readily available to members. This caused a decline in interest on the part of the growers which awakened leaders to the necessity for a revision in the organization set-up. Since that time operating costs have been steadily reduced and efficiencies and economies instituted which now place the cooperatives on a par with the more efficient cotton firms.

During this same period, farmers learned much about cotton and cotton-marketing practices through the educational campaigns put on by the associations. Quality received considerable emphasis and payments for cotton on the basis of grade and staple made cotton growers quality-conscious. This consciousness led to staple improvement and improvement in handling and ginning practices. The association's establishment of interior classing offices in the local markets during the 1930-31 season marked the beginning of an attempt to bring the association's services closer to the farmer. This service furnished independent competition in these markets and tended to cut margins taken by local buyers, as well as force them to recognize quality. Under the revised plan, prices advanced to growers for their cotton at time of delivery more nearly approached market prices. The plan also called for the payment of patronage dividends if the cotton was merchandised to advantage. The direct and indirect benefits of cooperative cotton marketing to southern cotton farmers are so great as to make their measurement difficult.

Cooperative leaders profited materially by the experiences of these organizations, and on the basis of these experiences apparently reached the following conclusions: (1) Opportunities for monopoly control of cotton prices through voluntary cooperative associations have very distinct limitations; (2) irregular price fluctuations make it difficult to obtain satisfactory results to growers by means of a sales policy based on the theory of spreading the sale of the crop throughout the year; (3) delays in making final settlement on cotton placed in seasonal pools create dissatisfaction among growers and the returns on cotton placed in these pools are unsatisfactory during periods of declining prices; (4) sales options must eliminate, insofar as possible, risks of price fluctuation; (5) economic conditions necessitate payments to members of a high percentage of the value of cotton at time of delivery; (6) efficient service is more effective in maintaining deliveries than legally binding contracts; (7) the errors in price forecasting warrant caution in its use in formulating sales

policies; (8) members judge the association by results rather than promises; (9) low operating costs and efficient merchandising practices offer the greatest possibilities for savings; (10) insofar as possible association services should be made available to the grower in his local community.

## NATIONAL COTTON SALES ORGANIZATIONS

### THE AMERICAN COTTON GROWERS EXCHANGE

WHEN the earlier State cooperative cotton-marketing associations were formed in 1921, many of the leaders felt that it would be better for their organizations to proceed along State or regional lines, and that any necessary overhead machinery for marketing cotton could be worked out later. However, the officers of several associations, particularly those interested in export markets, believed that an overhead organization would be of great assistance in solving problems which would probably arise as soon as the association began to operate. Plans were made accordingly, the first proposal being that the overhead organization should have considerable power and supervision over its member associations. The plan finally adopted, however, was for a rather loose federation for the purpose of handling certain specific matters for the affiliated groups.

As organization proceeded, it became obvious that a world-wide selling organization would be too expensive for any single association to operate and that many of the associations would compete directly with each other in the sale of their cotton unless some machinery were perfected to prevent such competition. On the other hand, if an overhead organization carried the responsibility for avoiding duplications, many conflicts of interest could be eliminated.

The overhead organization, known as the American Cotton Growers Exchange, was set up in 1921 by the Texas, Oklahoma, and Arizona associations as a nonstock, unincorporated association, and continued as such until it was replaced by the American Cotton Cooperative Association in 1930. The agreement subscribed to by its affiliates was the only official document authorizing its existence and explaining its relationship to its member associations. The control of the exchange was in the hands of a board of trustees, consisting of three representatives from each association; the maintenance cost was prorated among the member associations on the basis of gross sales proceeds, regardless of whether these sales were made through the exchange or through the sales offices of the member associations.

At the outset, the principal business of the exchange was to render assistance to southeastern cooperatives in the handling of their organization campaigns. As the exchange developed, the following departments were added from time to time: (1) Executive and ad-



ministrative; (2) office management; (3) grading and standardization; (4) transportation; (5) insurance; (6) warehousing; (7) finance; (8) statistical; (9) legal; (10) field service; (11) sales department for short- and long-staple cotton.

There were two classes of membership. One class called for the sale of all cotton through the sales offices of the exchange. Under the other class sales were optional. All the State associations main-



FIGURE 6.—COTTON ON DOCK READY FOR SHIPMENT ABROAD.

The American Cotton Growers Exchange handled most of the export sales for its member associations and made shipments to foreign markets from all the principal southern ports.

tained sales offices. When orders were received by the exchange, they were referred to and prorated among the member associations having the required kind of cotton. The State association was not obligated to sell unless the price was considered satisfactory. The exchange first established its general sales offices at Atlanta, Ga., and other domestic sales offices at Memphis, Tenn.; Boston, New Bedford, and Fall River, Mass.; Greensboro, Charlotte, and Gastonia, N. C.; Greenville, S. C.; and New Orleans, La. Later the general offices and the general sales offices of the exchange were both moved to Memphis, Tenn. It developed a substantial export business (fig. 6) and maintained sales offices at Liverpool, Bremen, Havre, and Kobe. In addition, brokerage connections were made at Milan; Copenhagen; Vienna; Barcelona; Rotterdam and Enschede, in Holland; Winterthur, Switzerland, and Gothenberg, Sweden.

The headquarters of the exchange was located in Dallas, Tex., from July 1921 until July 1924, when it was transferred to Memphis, Tenn. In June 1928, the headquarters was returned to Dallas where it remained until February 1930. At this time the American Cotton Growers Exchange was superseded by the American Cotton Cooperative Association, with headquarters in New Orleans, La.

#### AMERICAN COTTON COOPERATIVE ASSOCIATION

IN December 1929, the directors of the State and regional associations met with representatives of various Federal and State agencies to discuss the possibilities of broadening the functions and extending the scope of the American Cotton Growers Exchange. As a result of this meeting, provisions were made for setting up an overhead organization to be known as the American Cotton Cooperative Association which would supersede the American Cotton Growers Exchange. The American Cotton Cooperative Association was incorporated January 13, 1930, under the laws of the State of Delaware, as a capital stock association with an authorized capital of \$30,000,000. Only cooperative cotton marketing associations were eligible to become stockholders in this association. Permanent offices were established in New Orleans in time to handle the 1930 crop.

At the time of organization some of the important objectives of the new association as set forth in the by-laws were as follows: To provide central marketing facilities and sales services at all cotton markets for cotton and cotton by-products; to distribute and develop cottonseed for planting purposes; to acquire or construct the physical facilities for handling and marketing the cotton and cottonseed, which could not be provided through the local or regional cooperatives; to conduct educational work among farmers concerning the value of cooperative marketing and the adjustment of production to demand; to conduct a centralized financial system for the use and benefit of all member stockholders; and to lend money to member stockholders for investment in subsidiary companies which might be regarded as essential or helpful to the successful marketing of cotton.

Eleven of the 12 large-scale State and regional cotton cooperatives in the South in 1930 were affiliated with the American Cotton Cooperative Association. The Staple Cotton Cooperative Association, of Greenwood, Miss., as has been mentioned previously, did not affiliate.

When the American Cotton Cooperative Association was organized, its principal functions were to sell and to finance the cotton received from the member associations. Later it was determined that the national organization should also perform other services incident to handling and merchandising cotton. In addition to sell-

ing and financing, therefore, the American Cotton Cooperative Association now operates an interior classing service jointly with the State and regional associations, assumes full responsibility for the classing of cotton, and controls the transportation, warehousing, insurance, hedging, accounting, billing, and invoicing. The functions of the State and regional member associations are confined largely to execution of general operating policies, membership contact work, book-keeping incident to accounts with members, and operating jointly the interior classing and assembling system as indicated above.<sup>17</sup>

### FARMERS' COOPERATIVE COTTON-GIN ASSOCIATIONS

COTTON ginning was originally a plantation enterprise. For many years the cotton gin was part of the plantation equipment and its owner supervised the ginning and preparation of his cotton for market. With the passing of the plantation system in many parts of the South, smaller farms made their appearance and opened the way for custom ginning. In the development of the newer cotton areas in the Southwest, custom ginning grew up with the country. Later, when the cottonseed-crushing industry acquired lines of gins in order to gain control of the supply of cottonseed, commercial or custom ginning was given further impetus. In many sections farmers were dissatisfied with the ginning charges and the service given by custom ginners. They undertook to remedy the situation by forming associations to build and operate their own gins. The earliest organizations were usually formed as joint stock companies; cooperative associations followed later. The earliest farmers' gin association of which record has been found was formed near Greenville, Tex., in 1887, by a group of Farmers Alliance members. The association was formed on a copartnership basis and a two-stand gin plant was built. The career of this organization was brief. In 1912 the Department of Agriculture reported a cooperative gin at Purcell, Okla., and a cooperative gin and warehouse at Montgomery, Ala.

### TEXAS COOPERATIVE GINS

Between 1905 and 1915 a number of farmers' community gins were built in Texas, mostly by farmers' stock companies. Figure 7 shows a plant built by an organization of this type. According to Hathcock,<sup>18</sup> the principal reasons for the formation of these companies were: (1) Inadequate local gin facilities, (2) inefficient gin service due to antiquated machinery and poor management, and

<sup>17</sup> See footnote 15.

<sup>18</sup> HATHCOCK, J. S. DEVELOPMENT OF COOPERATIVE COTTON GINS IN NORTHWEST TEXAS. U. S. Dept. Agr. Prelim. Rept. 30 pp.; illus. 1927. [Mimeographed.]

(3) the desire on the part of growers to save part of the cost of ginning, either by lowering ginning charges or by having a part of the charge returned in the form of a patronage dividend.

While these companies were partially cooperative, they lacked many of the features which are now considered essential for proper organization and continued existence as a cooperative association. In 1920 it was estimated that there were a thousand such companies

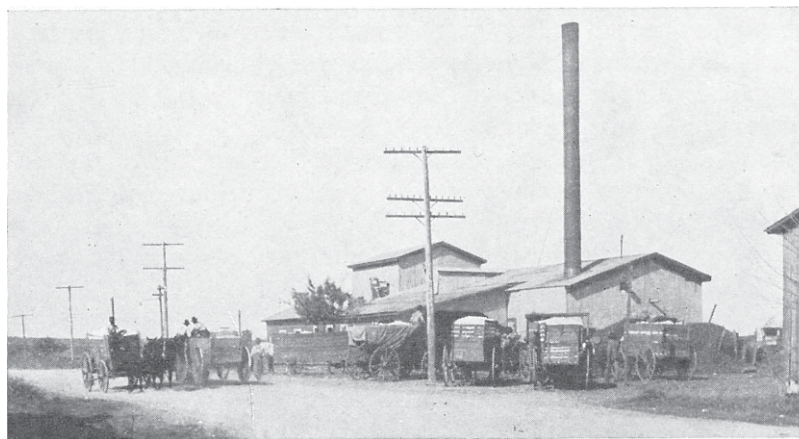


FIGURE 7.—A TYPICAL FARMERS' JOINT-STOCK GIN COMPANY PLANT.

Farmers in the South built and operated hundreds of gin plants during the period 1905-15. Since that time, however, ownership of the majority of these gins has passed either into the hands of private individuals or to cottonseed-oil milling companies.

in Texas. Most of them have now passed into private ownership. The failures of many farmers' gins was due largely to poor or inexperienced management, or to the passing of stock into the hands of other interests. In the decade 1920-30 a number of these farmers' gin companies reorganized under the "Society law" of Texas.

During the period from 1905 to 1915, the Texas Farmers Union sponsored the organization of a number of associations for marketing, warehousing and ginning cotton. District Union No. 28, which includes Knox and Haskell counties, sponsored the organization of cooperative gin associations through its locals at Munday and Rule, Tex. These local gin associations which were organized in 1913, are probably the oldest farmers' cooperative ginning associations which have a continuous operating record. They are typical of the Farmers Union gins of that period.

Twenty-six farmers in the vicinity of Munday, Tex., pledged themselves on a joint note for \$2,000 to cover the purchase and initial capital for operating a 4-stand, 70-saw gin plant (fig. 8). During the 1913-14 season, 4,700 bales of cotton was ginned between Sep-



tember and May. Operations were so successful that the group was able to pay off all indebtedness at the end of this season and declare a patronage dividend of \$3,100 to its members. The plant was then deeded to the district union and has been operated as a farmers' cooperative association since that time.

The Munday association is set up on a nonstock basis, dividends on earnings being paid according to the volume of business which the member does with the association. It owns and operates three of the four plants located at that point as well as a gin plant located at Rhineland, Tex. The Rule association was established with capital stock, all dividends being paid on a patronage basis. It owns and operates two ginning plants.

The Farmers' Cooperative Society of Chillicothe, Tex., organized in 1920, was the first cooperative gin association formed under the "Society law" which contemplated nonstock organization. About 66 new associations were organized under this law in the period from 1920 to 1930.

Local cooperative cotton-gin associations of Texas organized the Texas Cooperative Cotton Ginners Association in 1933. This organization acts as a trade association for the affiliated member associations. The Texas Cotton Growers Gin Company, a subsidiary of the Texas Cotton Cooperative Association, built or purchased 38 gin plants between 1925 and 1930 and operated them as a line of gins. The Texas Cotton Growers Gin Company's plants are now being sold to associations of farmers in the local communities in which the plants are situated.

#### OKLAHOMA COOPERATIVE GINS

Conditions among cotton growers in Oklahoma were practically the same as those in Texas, and in the period from 1905 to 1920 Oklahoma cotton growers organized a large number of gin companies. Most of these were joint-stock companies and only partially cooperative. Most of them later passed into the hands of private individuals or cottonseed-oil milling companies. A few were reorganized and placed on a strictly cooperative basis between 1920 and 1930. The years 1926-30 were the most important in the formation of cotton-gin associations in Oklahoma.

The vigorous movement for the organization of cooperative gin associations in Oklahoma began about 1921 in the southwestern part of the State. This movement was probably influenced by the organization activities of farmers' groups in Texas under the "Society law." Most of the Texas cooperative gin associations were of the nonstock type provided for in the "Society law"; while those formed in Oklahoma were generally organized on a capital stock cooperative



basis. Cooperative gins were organized by farmers at Eldorado, Duke, Olustee, and Anadarko, Okla., in 1921 and 1922.

Several years after the movement began the Oklahoma Farmers Union took an active part in organizing cooperative cotton gin associations. Within the decade following 1923, over 100 such associations were formed. The first of this number was the Farmers Union Cooperative Gin of Sayre, Okla. Another which was used by the



FIGURE 8.—ORIGINAL GIN PLANT OF THE FARMERS UNION COMPANY,  
MUNDAY, TEX.

The gin building in the center was built in 1900 and purchased by the Farmers Union Gin Co. in 1913. Since that time the association has erected or bought three additional plants either in or nearby Munday.

Farmers Union as a model association, was the Farmers Union Cooperative Gin of Shawnee, Okla. This association was organized under the leadership of the Farmers Union, and one of its staunch members, a farmer and oil man, later personally financed a number of the cooperative gins in Oklahoma and had considerable influence on their operation and success.

The Farmers Union assisted the communities with the organization work, prepared all forms, obtained the charters, supervised the drive for members and stockholders, acted as sales agent in selling machinery to the locals, and in a few instances gave some financial assistance. The Farmers Union, has for a number of years, operated a cotton-gin insurance department as a part of its program of general farm insurance.

Cooperative gin associations have become permanent institutions in a large number of communities in the Southwest and have helped to improve the quality of ginning and ginning service, and to lower ginning rates. In addition, many gins have been able to pay substantial patronage dividends on ginning and bagging and ties, and on cottonseed handled.

## DEVELOPMENT IN OLDER COTTON-GROWING AREAS

The cooperative gin movement has made little progress in the older sections of the Cotton Belt. Production has been declining in some of these sections for a number of years. This has resulted in an oversupply of ginning facilities with consequent severe competition.

The Georgia Cotton Growers Cooperative Association, during the years 1925-30, sponsored the organization of a number of local cooperative gins. On the basis of studies of cooperative communities in Denmark made by an official of the association, a plan was prepared to develop community organizations with cotton ginning as one of the principal activities. Twelve gin associations were organized between 1926 and 1931. Four of these were promoted as community organizations. Of the 12 originally organized, 4 are still active. Most of the others have been liquidated as a result of the liquidation of the Georgia Cotton Growers Cooperative Association.

A number of cooperative gin associations were organized in Mississippi from 1924 to 1930 under the guidance of the Mississippi Farm Bureau Federation and the Mississippi Farm Bureau Cotton Association. The latter association has been succeeded by the Mississippi Cotton Cooperative Association which is now assisting in the organization of local cooperative gin associations in that State.

In Alabama and Arkansas several cooperative ginning plants were established by the respective State cooperative cotton-marketing associations. Some of these were not well located or failed to meet the expectations of the organizers and have been sold to private interests in recent years.

## COOPERATIVE COTTONSEED-OIL MILLS

LITTLE reliable information is available as to the number of cooperative cottonseed-oil mill associations which were organized and operated in the past. A farmers' cottonseed-oil mill association was formed at Italy, Tex., in 1890, and operated a few years. In 1912 the United States Department of Agriculture reported that a group of farmers at Glendora, Miss., operated a profitable oil-mill business. The same group of farmers operated a cotton business at Greenwood, Miss. The Farmers Union of Texas owned and operated a cottonseed-oil mill at Vernon, Tex., from 1918 to 1931.

A cooperative cottonseed-oil mill association known as the Minter City Oil Mill Company now operates at Minter City, Miss. (figs. 9 and 10). This association was incorporated in 1922 and in the first 12 years of its operation was able to pay its farmer-members from \$1 to over \$17 per ton more for their cottonseed than the aver-

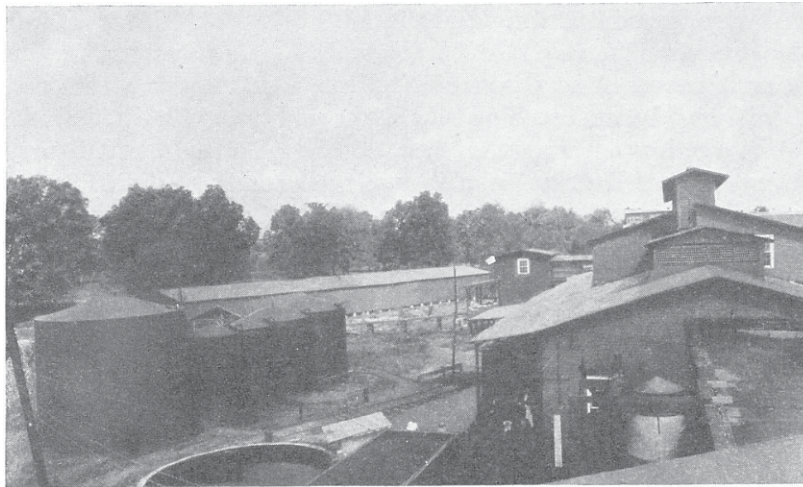


FIGURE 9.—COTTONSEED-OIL MILL OF THE MINTER CITY OIL MILL CO., MINTER CITY, MISS.

This cooperatively owned cottonseed-oil mill has been operated successfully by growers since 1922.

age Mississippi farm price. The association has no indebtedness and is owned by about 50 large farmers, most of whom are members of the Staple Cotton Cooperative Association.

In 1923 the Arizona Pima Cotton Growers through a subsidiary, the Arizona Cotton Processing Company, purchased a one-fourth

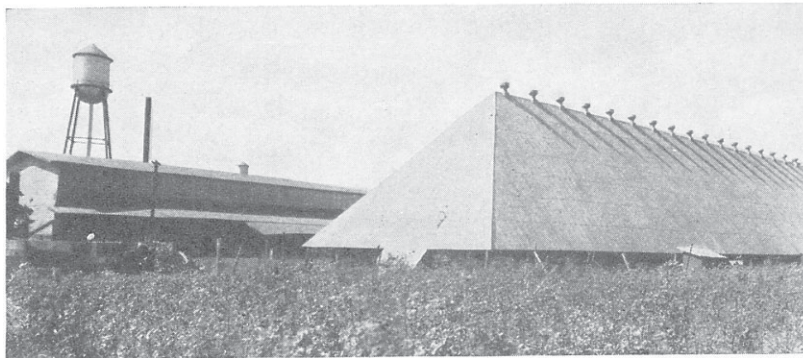


FIGURE 10.—COTTONSEED STORAGE HOUSES, MINTER CITY OIL MILL CO.

The association has ample facilities for storing members' cottonseed prior to processing.

interest in a local cotton-seed oil company which owned about 15 cotton gins and 2 oil mills. The purpose of this venture was to reduce the exorbitant ginning rates then prevailing and to obtain

better prices for cottonseed. Both the parent association and its subsidiary went into receivership in 1930.

Beginning with the 1934-35 season, the Southwestern Irrigated Cotton Growers Association of El Paso, Tex., leased a cottonseed-oil mill and began crushing the cottonseed grown by its members. The marketing agreement of the association calls for delivery of cottonseed as well as cotton, although the association did not call for seed delivery in the past. During the first year of operation the association crushed a substantial tonnage of cottonseed at very satisfactory savings to members.

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## Farm Credit Administration

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