

THE ORGANIZATION AND MANAGEMENT OF
PRODUCERS COOPERATIVE MARKETING
ASSOCIATIONS IN OREGON

by

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TABLE OF CONTENTS

<u>Chapter</u>	<u>Page</u>
FOREWORD OF THE PROBLEM	1
I. THE MEANING OF COOPERATIVE MARKETING AND ITS FUNCTION	4
II. TYPES OF COOPERATIVE ASSOCIATIONS	8
Local Associations	8
Federations	9
Centralized Associations	10
Association Agreement	12
Legal Service in Organization	13
Marketing Contract	13
Types of Contracts in Oregon	14
III. FINANCING COOPERATIVE MARKETING	15
Financing Organization	15
Obtaining Permanent Capital	16
Operating Capital	18
Revolving Fund Plan	20
IV. FACTORS TO BE CONSIDERED IN ORGANIZING COOP- ERATIVE MARKETING IN OREGON	25

<u>Chapter</u>	<u>Page</u>
V. COOPERATIVE MARKETING OF DAIRY PRODUCTS	
IN OREGON	32
VI. LIVESTOCK, WOOL, AND POULTRY COOPERATIVE	
ASSOCIATION IN OREGON	38
Pacific Wool Growers	38
VII. PACIFIC COOPERATIVE POULTRY PRODUCERS, INC	42
Operating Set-up	44
Financial Structure	45
Contracts	47
Amended Articles and By-laws	48
VIII. CONCLUSION	49

APPENDIX GENERAL POLICIES GOVERNING A TYPICAL CO-
OPERATIVE ORGANIZATION

A. MEMBERS AGREEMENT FOR THE DELIVERY OF FRUIT	52
B. SALEM COOPERATIVE PRUNE GROWERS	54
C. PACIFIC COOPERATIVE POULTRY PRODUCERS CON- DENSED BALANCE SHEET, 1936, 1935, 1934 . .	59
D. PACIFIC COOPERATIVE POULTRY PRODUCERS	64

BIBLIOGRAPHY

FOREWORD OF THE PROBLEM

Cooperation is concerned with human loyalties, is rooted deep in economic activity, and has an object underlain by a theory and a set of principles. Thousands of people have organized economic cooperation; its ideal, its technique, and its democratic methods have become a harbor of thought and action. The movement can be regarded as an important advance in the direction of a more integrated society. Everywhere forms of collectivism are evidenced; in business the trend is more and more in the direction of cooperation, as for instance in the Rotary clubs, etc. The guild of the craftsman has given way to the trade union and the industrial union. Commercial housing and town planning have appeared in urban centers. Political problems inevitably focus upon economic control and at least the rudiments of social planning. Small wonder then that the country's unorganized and impractical farmers have fostered forms of producers cooperative marketing associations to expand their economic opportunities. The cooperative marketing movement has offered them a fruitful method of improving their standard of production.

It is the stability of cooperative marketing associations and the success with which they have solved

various complex marketing problems that makes their organization of more than usual value in Oregon.

Cooperative marketing in this state has had certain definite purpose; to better the condition of agricultural production arising under competitive conditions, to enhance the value of the farmers' products, and in general to reduce the costs of operation.

From the standpoint of principles and practices, cooperative marketing in Oregon was not a new development. For years it had been thought of by many within the state, and the Cooperative Council of Oregon established in 1921 proposed that an investigation be made of the essential factors necessary to the organization of Cooperative Associations. Accordingly an exhaustive search for documents relative to the happenings of the early days up to the present has been the task of the writer in carrying forward his study of producers cooperative marketing associations in order to place them in their natural setting. This means that their historical development has been stressed throughout the thesis. The writer believes that such a broad and orderly approach is necessary that the reader may grasp the real spirit of cooperative marketing movement.

After a systematic study of the subject, the writer hopes that not only has he presented the main facts but also that his story is complete so far as the essentials are concerned. So sound was the foundation built in the earlier days with vision so true, that the principles originally laid down have remained practically unchanged although they have been amplified through subsequent development.

The writer's thesis attempts to portray the actual practices of cooperative marketing associations. Most of the statements made whether in quotation or in other form, have been carefully verified.

The writer wishes to express his grateful acknowledgment to Dr. L. A. Wood for his helpful advice, his criticism and his checking of the material for this enterprise; and also his indebtedness to the different managers of cooperative marketing associations in Oregon, who thoughtfully furnished the necessary information and materials.

CHAPTER I

THE MEANING OF COOPERATIVE MARKETING AND ITS FUNCTION

Cooperative marketing is the organized sales of farm products on a non-profit basis in the interest of the individual grower. It is a business engineering applied to the agricultural industry. Its utility consists in the ability to combine the advantages of individual production with the advantages of joint sales.

According to the Oxford dictionary, to "cooperate" means "to work together, act in conjunction with another person or thing to an end or purpose of work." According to Professor B. H. Hibbard, to speak of a market is to speak of "the sphere within which price-determining forces operate." Marketing does not necessarily require a marketplace, but it does require that there be a buyer and a seller.¹

Marketing has been defined as the sales, purchase, or exchange of products and the activities incidental to transfer of ownership and possession.² The activities by which

1. Mears and Trubiners, Principles and Practices of Cooperative Marketing.

2. Elsworth and Galin, U. S. Department of Agriculture, Marketing Function.

farm products are transferred from producers to consumers may be grouped and considered as a distinct part of marketing. The following eight functions or services have been recognized as part of the marketing process:

1. Standardization
2. Assembling
3. Selling
4. Transporting
5. Storing
6. Financing and risking
7. Processing
8. Dispersing

These eight functions or services do not appear in every marketing transaction, nor do they occur in any particular order. Several agencies may perform one function at different times, or a single agency may perform several functions at the same time. A single transaction may involve all the functions or any member in any combination. Some one or more of the functions, however, must be performed in every marketing transaction. They are neither more nor less than the activities which constitute the service that must be rendered by marketing agencies.

Among the many important agencies concerned with the marketing of farm products are the cooperative association, the country buyer, the car-lot assembler, the car-lot receiver or wholesaler, the broker, the commission merchant, the auction company, the public market, the private exchange, the jobber, the common carrier, the warehouseman,

the cold-storage operator, the elevator company, and the retailer. These agencies may be considered as the result rather than as the cause of present marketing conditions. Their number may increase or decrease, and in either case be justified by resulting economies. New agencies may appear, existing agencies may change or disappear, but the function which they perform must be continued. Someone must standardize, assemble, sell, transport, store, finance and assume risks, process, and disperse farm products. The advisability of a change of agencies or the development of new agencies should be determined by the degree of efficiency and economy with which the marketing functions can be performed.

Economies often result and should result through producers or consumers collectively assuming the performance of functions which, as individuals, they can perform only partly or ineffectively. Cooperative marketing, however, neither decreases nor increases the number of marketing functions, and it may dispense with existing agencies only by taking over the functions of these agencies. A cooperative marketing association must be considered as a business agency for performing marketing functions, and as such should be considered in relation to other agencies which exist or which may be proposed for the same purpose. Its existence and development will depend on the economic result of its operation.

Cooperative associations can not eliminate the process or services which constitute marketing. It is possible, however, for them to render such services in a manner advantageous to both producers and consumers. Through cooperative activity, improvements may be brought about in production methods; the standardizing of varieties, grades and packs may be facilitated; competitive wastes may be reduced; and a better adjustment may be brought about between supply and demand. By working together as a unit, producers may improve their bargaining power, finance their marketing operations on more favorable terms, control the flow of products to market, effect equitable distribution as between markets, and extend and develop markets by advertising and other methods. The fact that producers, as such, own and control their marketing agencies and obtain, in accordance with the quality and quantity of their products, the benefits from any economies effected or any improvements brought about in the marketing process or in demand for their products, is an incentive to effort on their part, which is often lacking in non-cooperative marketing.

CHAPTER II

TYPES OF COOPERATIVE ASSOCIATIONS

There are several generally recognized types of cooperative marketing association, the principal difference being in the method or plan of control, the legal set-up, and the scope of operation. Many associations, however, can not be classified accurately as belonging to any one type, but contain different features of different types. The selection and adoption of any one of these types of associations should be governed largely by the purposes in organizing, the character of the commodity to be marketed, and the conditions existing within the producing area. In most instances, it is advisable to work out organization plans to meet the needs of a given group of growers, with little emphasis on conformity to any particular type.

Local Associations

Approximately 80 per cent of all active cooperatives in the United States are independent local associations. The total membership of these local associations, however, is less than the total membership represented by approximately one hundred associations of the federated and centralized types.

A typical local organization is one formed by a relatively small group of neighboring farmers for the purpose of rendering a local service. The area covered by the membership is usually a community or a territory adjacent to a shipping point or packing plant. The purpose is to serve the group of local growers rather than the industry in such activities as assembling, grading, packing, and shipping. As a rule, it undertakes to perform only those marketing functions which may be performed under the direction or observation of the members, with little or no effort to extend its activities beyond the local shipping point. A good illustration of this type of organization in Oregon is the McMinnville Fruit Growers Cooperative Association.

Federations

As the term implies, a federation or a federated association is made up of several otherwise independent local associations that have agreed to work together for the purpose of obtaining some desired advantages in large-scale organization formed and controlled by a number of local associations known as local units. In this type of organization, the individual growers are members of a local association and the local unit is, in turn, a member of the federation. The grower contracts with the local, the local

with the federation or overhead organization. The local has its own directors and has control over all its activities, except those delegated to the central association, in order to effect the purpose for which the federation was formed. In Oregon, the North Pacific Nut Growers Association at Dundee, Oregon, is a good example of a federated type. The North Pacific Nut Growers is a cooperative organization, the members of which are local units. These local units have as their members growers of walnuts and filberts. Six of its eight member units pack the products of their members, while two units take their products to one of their other packing units for processing. Each has a contract between the grower member and the packing unit. Other examples are the Tillamook Country Creamery Association, and the North Pacific Cooperative Prune Exchange.

Centralized Associations

A type of large-scale organization, similar to federations in the scope of its activities and in area served but without local units, has become known as a "centralized association". Associations of this type are usually organized to serve an entire producing area or an entire industry. They may be organized on a state-wide basis, or they may have members in several states. Individual growers are members of the central organization.

They usually exercise voting power only in the election of directors from their districts for the board of directors. Control is vested in the central organization and marketing contracts are between the individual growers and the association. In order to illustrate the centralized type of cooperative organization in Oregon of a large-scale association of centralized type (which operates over a wide area without locals), we may cite such organizations as the Pacific Cooperative Wool Growers and the Pacific Cooperative Poultry Producers Association. Then there are organizations like the Apple Growers Association of Hood River, doing a \$4,000,000 business, and the Eugene Fruit Growers Association, doing a \$2,000,000 business, which cover fairly well-defined producing areas and have characteristics of both centralized and local cooperatives. Both of the latter associations had their beginning over thirty years ago. As might be expected, there are districts in Oregon where these oldest associations operate that have more cooperative spirit and trained leadership than in areas where cooperation is not "seasoned".

These types of associations or incorporations must state the name of the association in their articles and the purpose for which it was formed, its principal place of business, the term of its duration (not to exceed fifty years), the total amount of capital stock with the number of shares,

the par value per share, and the conditions to govern the transfer of stock. Non-stock associations must state the amount of the membership fee and the conditions under which a membership may be transferred.

Association Agreement

In some organizations, especially large-scale enterprises where the incorporation of the association and the validity of the marketing contract signed are contingent upon the organization committee obtaining like contracts representing a certain minimum of acres or unit of products by a fixed date, it is not uncommon to use an "Association Agreement". This may be a separate document or it may be prepared with the marketing contract in one document, the grower signing both at the same time.

The following paragraphs show the beginning of a form of association agreement that is sometimes used:

The undersigned propose to organize a non-profit association (with or without capital stock) under the Cooperative Law of the State of Oregon, for the purpose of cooperatively marketing _____ (name of product), for cooperatively and collectively handling the problem of the _____ growers, and for the pertinent purposes.

In consideration of the premises and of our mutual undertakings, and the agreement of each and every other party hereto, we, the undersigned, do hereby agree as follows, each for himself and collectively for the express benefit of, and as, the association to be organized:

1. We will become members of the _____ (cooperative association), a non-profit association (with or without capital stock) to be organized under the laws of the State of Oregon

Legal Service in Organization

The service of a competent attorney, especially one who has made a thorough study of the legal phases of cooperative associations, should be obtained in working out the organization structure and in preparing by-laws, contracts, and other legal documents. If assistance is not obtained in the actual preparation of plans and documents, such plans and documents should be submitted to an attorney prior to their final adoption.

It should be understood also that suggestions made on the basis of the present legal situation and the laws are subject to change. Amendments to laws, new legislation, or court decisions may affect materially the organization of cooperatives or change the legal requirements that must be observed.

Marketing Contract

The purpose of marketing contracts between an association and its members is to assure a definite volume of business, to provide a basis of financing, to prevent disruption, to avoid misunderstandings, and to give stability and permanency to an organization. Contracts are necessary

and legitimate instruments in the conduct of practically all business, and their use by cooperatives is almost indispensable. An association must know the approximate volume of business it will receive in order to plan to handle such business economically and efficiently. Buyers want to know that they can get delivery from an association and bankers want to know if they can safely extend credit to the organization. The members themselves should have assurance that other members will deliver their crops.

A contract should set forth clearly the obligations of the contracting parties. It should have mutually, that is, both parties to it should incur obligations. Just how much detail should be given in a marketing contract depends largely on the character of the organization, its scope of operation, and the commodity. The main points to be covered in the contract are the names of the contracting parties, the consideration, the duration, the products covered, the rights and obligations of the members, and the provisions for liquidated damages in the event of a breach thereof.

Type of Contracts in Oregon

Oregon cooperatives may use either purchase-and-sale or agency contracts. There is little difference in form. One states, "The Association agrees to buy and the grower agrees to sell." The other states, "The grower appoints the Association his agent and the Association agrees to act

as such. . ." It is doubtful, also, whether there is much difference in the two types in other respects, in the absence of a statute stating how title shall be passed. In the case of all cooperatives that account to their producers on the basis of the price received for their products, whether pooled or not, less authorized deduction the transaction is in essence an agency transaction.¹

The purchase-and-sale contracts seem to be favored at the present by bankers and, in fact, some lending agencies have rather insisted on the adoption of such contracts by borrowing associations. Another reason for its adoption a few years ago was the belief that it made cooperatives less liable to attack in the court for restraint of trade. Under the Capper-Volstead Act, however, the type of contract would not seem to make any difference in this respect. It would seem that an agency contract giving control of time of delivery, distribution, sorting and grading and authorizing the borrowing of money and the pledging of the products is a good basis of credit.² The different forms of contracts are stated in Appendix A.

1. L. S. Hulbert in Agricultural Cooperation, February 4, 1928.

2. John D. Block and H. Bruce Price, "Cooperative Central Marketing Organization," University of Minnesota Station Bulletin 211.

CHAPTER III

FINANCING COOPERATIVE MARKETING

Cooperative marketing associations may be formed in Oregon as either capital stock or as membership (non-stock) organizations. In either case, some plan must be worked out to meet the expenses of the organization to obtain funds for necessary facilities and to finance operation.

Financing Organization

Some expense is involved in the formation of an association. Even in small organization, which incur no expense in obtaining members, there is an incorporation fee to be paid and other items for legal services, printing, correspondence, etc. In large organizations, the expense in obtaining members and otherwise establishing the organization may amount to a considerable sum.

In capital stock associations, the expense of organizing may be met by the sale of shares of stock. An association incorporated in Oregon, however, can not expend in organization more than ten per cent of its paid capital stock, and must refund the total expenses of organizing

out of net profits before the distribution of any dividends on business. In some instances it may be desirable to require an organization fee of members in addition to the purchase of stock, such a fee to be used only in the formation and furthering of the organization.

In non-stock associations, the funds collected in membership fees may be used to meet organization expenses, or loans for that purpose may be obtained from the members or from interest banks, business men, or individuals. Such loans may be paid over a period of years by annual deduction from sales, a method of financing, however, which imposes a handicap on a new organization in the form of deficit. The expense of organization prior to incorporation is legally an obligation of the incorporators, but after the organization is formed, it should assume the expense. The most satisfactory method of meeting organization expense is to make the membership fee payable in cash and sufficiently large for the purpose.

Obtaining Permanent Capital

Capital stock organizations which require no unusually large expenditures for plants, warehouses, or other property, may sell sufficient common stock to the members to provide all necessary facilities. This should be done if possible. One method of obtaining additional funds is to issue preferred stock for sale to investors. A plan may be worked

out for the retirement of this preferred stock over a period of years by annual deduction from sales, as in the case of refunding loans. Association notes endorsed by the directors are sometimes used, but this method is unfair to the directors since they assume more than an equal part of the responsibility. Accommodation or collateral notes obtained from the members may be used, but this plan has not been found generally satisfactory.¹ In fact, the best plan is to insist upon a substantial investment by all members, the total investment being enough to provide all the funds needed or the major portion, in which case it is not difficult to borrow the remainder on the association's note secured by a mortgage.

In non-stock associations funds for fixed investments when the necessary investments are small may be obtained from membership fees, from loans secured from the members for this specific purpose, or from the pledge of accommodation notes. Loans may be obtained sometimes from other sources, although it is more difficult for a non-stock association to obtain satisfactory loans than for one organized with capital stock. Non-stock associations which require extensive facilities may organize subsidiary corporations, preferred stock being sold to members and investors with the association controlling the corporation

1. A. W. Mackay and W. J. Kuhrt, "Management Problems of Cooperative Associations Marketing Fruits and Vegetables," United States Department of Agriculture Bulletin #1414.

through ownership of a small issue of common stock. A plan may be worked out whereby eventual ownership of all properties may be had by retiring loans or stock issues through deductions from sales of products.

If property can not be leased and if large investment is necessary, many associations will find it advantageous to be organized with capital stock.

Operating Capital

A certain amount of capital is needed for short periods by marketing associations to purchase supplies, pay salaries, meet packing expenses, make advances to members on delivery of their products, etc. If the association does not have adequate funds to meet seasonal or short-time expenses in whole or in part, the money may be borrowed by methods similar to those used in obtaining loans for other purposes. It is important, however, to build up a fund for operating capital. The lack of a reserve fund that may be used for this purpose frequently means embarrassment and occasionally failure.

Warehouse receipts may be used in financing the marketing of certain staple products, such as grain, wool, potatoes, canned goods, and dried fruits. Associations which are in a position to store their products in warehouses licensed under the United States Warehouse Act may

borrow directly from the Federal Intermediate Credit Bank with the warehouse receipts as collateral. In other instances, loans may be obtained on trust receipts, bill of lading, or other documents covering the products in the process of marketing. Advances are sometimes made by storage companies and distributing agencies.

The Federal Intermediate Bank of Spokane serves the states of Oregon, Washington, Idaho, and Montana. It was organized to aid agriculture and underservice cooperative marketing associations in financing the orderly marketing of farm products. It makes two types of loans: the direct loan to cooperative marketing associations, and the discount or loan coming through and endorsed by an acceptable financial agency.

A cooperative marketing association that desires to apply for loans to the Spokane bank should furnish the bank with a copy of its Articles of Association, certified by the State Corporation Commissioner. This should be accompanied by a copy of the by-laws, marketing contracts, and the most recent financial statement, all three documents being certified by the secretary of the association. It is also advisable to furnish the bank with a history or description of the association's operations.

Revolving Fund Plan

A method of financing non-stock associations that is being used to some extent in Oregon is frequently referred to as the "revolving fund plan". Under this plan, the association borrows from each member an amount based on the volume of business which he is expected to contribute. It issues to the members certificates of indebtedness for the amount obtained. These certificates usually bear interest, such interest being considered as an operating expense. These, however, may be non-interest bearing if the by-laws so provide. Such certificates of indebtedness may be payable in annual installments or at the end of three, five, or any number of years. They are paid when due out of a fund built up by deduction from sales of products. At the end of each year each member receives a certificate indicating the amount of money he has contributed in the form of deductions for the capital investment fund. These deductions are continued each year, new certificates being used and those previously issued being redeemed.

To indicate more fully the use of certificates of indebtedness in obtaining capital for investments and the use of the revolving fund in repaying loans, the following articles copied in full from the by-laws of an Oregon Prune Marketing Association which has used this method:¹

1. Springbrook Cooperative Prune Growers Association.

Section 1. At the time of admission to membership in the Association, each member shall either pay to the Association in cash for each acre of bearing prunes owned or controlled by the member, or he shall execute and deliver to the Association in such form as it may require, a negotiable promissory note bearing interest at the rate of seven per cent per annum, which shall represent in amount the sum of \$10 for each acre of bearing prunes or other fruit owned or controlled by the member. To the member who makes payment in cash, the Association shall execute and deliver its evidence of indebtedness bearing interest at the rate of seven per cent per annum and payable on or before 3 years from date. Notes given by a member shall fall due in 3 annual installments. All cash payments or notes so made or given shall be credited to the special fund for capital investment. This fund is a revolving fund. The cash contribution thereto shall be returned to the member making them. The notes given by a member shall be returned to him when there shall have been contributed to said fund the amount of the capital investment of the Association.

Section 2. The Association is hereby authorized to borrow for any of its corporate purposes such sums of money as it may require, and is further authorized to pledge the

promissory notes of its members, delivered as contribution to the special fund for capital investment, as security for any indebtedness the Association may contract.

Section 3. The capital investment of the Association shall be contributed to the Association by its members, by the imposition of a charge of one-fourth of a cent per pound on all dried prunes, or other fruit, delivered by its members, and when such assessments shall have been created, a fund equal in amount to the investment of the Association for capital purposes, the notes representing contribution by the members to the special fund for capital investment shall be cancelled and returned to the members.

Section 4. At the end of each fiscal year, each member shall receive a certificate showing the amount of money which he has contributed during the fiscal year to the special fund on his prunes, or other fruit. After the capital investment in real or personal properties of the Association shall have been paid for in full by the levy above provided for, such levy shall continue, and the proceeds arising therefrom shall be used to redeem, in the priority of their issue, the face amount of the certificates therefore issued to members in the evidence of the amount of their respective contribution to such special fund. This levy and process of payment

shall continue during the life of the Association. All certificates of any one year shall be paid in full prior to the payment of any part of any certificate issued during a subsequent year, and all payments on the certificates of any one year shall be prorated. Money contributions to the special fund by the levy herein provided may be expended for necessary addition to or betterment of the real or personal properties of the Association as well as in the redemption of certificates previously issued. The amount of the levy may not be increased except on the affirmative vote of the membership, nor may it be decreased by the Board of Directors below such sum as will be sufficient from year to year to meet necessary additional expenditures for capital investments and to retire the certificates representing contribution to the special fund made three years before,

Section 5. All of the general expenses of maintaining the Association including interest at seven per cent on the contribution to the special fund for capital investment shall be paid out of a general fund which shall be created by membership fees and the deduction provided for in the marketing agreement.

A surplus remaining in the general fund at the end of a fiscal year may be divided among the members of the

Association in the proportion of the value of the prunes, or other fruits, delivered by them under their marketing agreement, as a return of a portion of the Association's deduction, or any such surplus may be used in the discretion of the Board of Directors for the creation of reserves or for any of the general corporate purposes of the Association.

CHAPTER IV

FACTORS TO BE CONSIDERED IN ORGANIZING COOPERATIVE MARKETING IN OREGON

In general, a cooperative marketing association should be in a position to bring about improvement in production; to standardize varieties, grades, and packs; to reduce competitive waste; bring about better adjustment of supply and demand; exert bargaining power; finance operation on favorable terms; control the flow of products to market; extend and develop markets; and employ management ability and provide facilities to carry out its purposes. Some of Oregon's cooperative marketing associations are in this position. Some other can only attain it through reorganization and federated activity. Each organization represented here can ask itself if it is in a position to accomplish any or all of these improvements.

Perhaps one reason why we have so many small independent cooperatives in Oregon is because of past experience with large-scale organization. The Oregon Dairymen's Cooperative League, formed in 1918 and reorganized under the plan of Aaron Sapiro in the winter of 1919-20, collapsed

after a disastrous career. It left in its wake considerable destruction of organizations of this type. The Oregon Growers Cooperative Association, formed about the same time with Sapiro's aid, was another example that the producers can not forget. Disastrous experience with this too-highly centralized association has helped to make many Oregon farmers decidedly "local-minded". However, the local associations that are now affiliated with the North Pacific Cooperative Prune Exchange were developed to take over packing plants of the Oregon Growers Cooperative Association, and then they combined for sales purposes. The Lower Columbia Cooperative Dairy Association, the largest cooperative creamery in the state, developed out of the mistakes of the Dairymen's League. It is possible, therefore, to profit by past experience in building sound organizations. The proposed grain growers association in the North Pacific states intends to organize local elevators or warehouse associations that will be cooperative units of large association. These units will be locally owned and controlled.

Another reason for some of the Oregon small cooperatives remaining small is that they are managed by men best suited for small jobs. It is an old, old story in cooperative marketing history. Men who should lead in the development are frequently the ones who retard it. The answer to this problem is not easy. Some associations have been

purposely wrecked by members as the only way to get rid of an entrenched manager who retarded development, a method too drastic to recommend. Again the reverse of this condition is sometimes true--sometimes we have managers who want to move faster than the directors and members can follow.

Nevertheless, it should be understood that the situation in cooperative marketing in Oregon is much better than in many other states, and also that it rather closely parallels that of private enterprises in the same field in Oregon. Organizations of the same size, both cooperative and private, operating under similar conditions, have much the same difficulties and problems. In some of Oregon's agricultural industries, such as dairying, the small private creameries, and the small cooperative creameries, are caught in the same trap. Both need to employ much the same method to get out.

Considering the Oregon cooperative by general commodity groups, we find that we have 63 organizations handling fruits and vegetables, not including units of a federation. There is, in fact, only one federation in this group, the North Pacific Cooperative Prune Exchange, which is the central marketing agency for eight local associations. Eight of these fruit and vegetable associations are cooperative canneries, and seventeen are bargaining associations composed largely of berry growers. In other words, over one-half of our cooperatives in Oregon are in the fruit and vegetable industry.

Cooperative canning has probably made more progress in the Pacific Northwest than in any part of the United States. If more progress is to be made, however, and if the gains made are to be held, there is a need of more cooperation between the cooperatives themselves. It is doubtful if any group of cooperative enterprises in Oregon has so great an opportunity to make progress through federations as the cooperative cannery group. One central organization, wisely managed, could handle all necessary financing through the Intermediate Credit Bank of Spokane and through the Federal Farm Board could handle the United States licensed warehouse problem, could eliminate price cutting and dumping, establish brands at home and abroad, bring about standardization of pack, reduce selling expenses, and obtain wider and more advantageous distribution. At present, the cooperative canneries are competing among themselves as well as with large private canning concerns, such as the California Packing Corporation and Reid, Murdock & Company. The California Packing Company (which owns the Oregon Packing Company and has four of its 78 plants in Oregon) has assets of \$23,000,000 and does an annual business of about \$70,000,000. There is a possibility for Oregon's cooperative canneries not only to obtain a higher and more uniform price but also to make savings in brokerage and interest charges. Saving in interest alone might

amount to a considerable sum if money were borrowed from the Federal Intermediate Credit Bank. The rate would be less if the group were financed in part by the Federal Farm Board. The volume of business done by the eight cooperative canneries in Oregon now amounts to approximately \$3,000,000 annually. This figure does not include the cannery recently put in operation by the Apple Growers Association of Hood River.

One of the most important apple-marketing cooperatives is the Apple Growers Association of Hood River, Oregon. In 1934 this Association had 528 members. Its sale of members' products for the 1934-1935 season totaled \$2,336,449. This Association operates its own packing plants and cold storage houses, and handles its sales through brokerage and through direct contact with purchasers. It has been a leader in developing foreign outlets for its brands, primarily in the markets of Great Britain.¹

Closely associated with the canning and packing industry, Oregon has 17 associations that operate independently of each other in price bargaining with non-cooperative canneries, and packers for the sales of their products. Most of these handle berries. One, the Woodburn Fruit Growers Cooperative Association, doing a \$200,000 business annually, has a salaried manager handling facilities, and assets amounting to about \$17,000, with \$10,000 of this in a revolving fund. A few working along the same general lines exist, while others operate as informal pools. Here again is an

1. Ward W. Fitrow, "Cooperative Marketing of Agricultural Products," Bulletin No. 3, February, 1936.

opportunity to strengthen individual association through group action, although some of this bargaining association is not yet in a position to take this forward step. They need first to strengthen their position in their own localities and become more cooperative. It should be understood, however, that wise management can be bought by several associations when it would cost too much for the volume of a single organization. Bargaining power can also be increased when group action can be brought about.

Of the remaining 38 fruit and vegetable cooperatives, most of these distribute their own products locally, nationally, or internationally, either directly or through private marketing agencies. These handle such commodities as apples, pears, prunes, cherries, tomatoes, celery, cauliflower, broccoli, lettuce, potatoes, melons, grapes, etc. Some are outstanding successes; others are on the reverse end of the scale. The fact in Oregon, therefore, is that cooperatives in various commodity lines need to combine their volume and their resources, reduce operating cost and per-unit overhead, and put themselves in a position to carry out the purposes and aims for which they should have been organized. The inadequacy of the bookkeeping alone in many small organizations is deplorable. But how can a little organization do if its volume of business is too small to

justify it in employing a bookkeeper, to say nothing of a manager? What can it do when it has a handful of products and is operating on a shoestring?

CHAPTER V

COOPERATIVE MARKETING OF DAIRY PRODUCTS IN OREGON

There are ten creameries in Oregon generally recognized as cooperatives. As a group, these do an annual volume of business of between \$2,500,000 and \$3,000,000. The ten cooperatives are included in the 108 creameries and 70 cream-buying stations located in Oregon. They are a part of a system of a small dairy enterprise with such competitive conditions in obtaining supplies and in marketing the manufactured output that it has been extremely difficult for the cooperatives to make either relative or actual progress. Indications are, however, that mergers will come about among some of the privately-owned creameries and that programs of out-of-state creamery organization will expand, forcing a change in marketing conditions that will make a federation of Oregon cooperative creameries more feasible than in the past.

Several efforts already made to federate Oregon cooperative creameries have failed. An effort to accomplish this would face such serious handicaps as (1) lack of volume

of business; (2) lack of quality output; (3) lack of money, and (4) serious competitive conditions that make it extremely difficult to overcome the first three handicaps. The door is open for Oregon cooperatives, however, to become affiliated with either the United Dairies Association of Washington and its sales organization, the Consolidated Dairy Products Company, or the Challenge Cream and Butter Association of California. Affiliation with a strong out-of-state association that has a large volume of business, high output, and the money to force improvement in price and marketing conditions would seem to be the simplest and most logical thing to do. If, for instance, through affiliation with a strong out-of-state organization, an arrangement could be worked out to place an adequate volume of 93-score butter, government inspected and certified, into the Portland market, backed by advertising that would move it into consumer hands at a premium, the cooperatives would then be in a position to bring about improvements for their own benefits as well as for the industry as a whole. "Pioneer work" is needed to make Portland a quality butter market, to raise the general price level, and to extend markets at home and abroad. The cost of doing this must be spread over a large volume of business, larger than the cooperatives now control.

A United States press dispatch of November 19, 1928, stated:

Butter from the Lower Columbia Cooperative Dairy Association won three out of the first five awards made at the Pacific Slope Dairy Show being held at Oakland, California, while these awards were won in competition with butter from dairy sections all over the west and as far east as Wisconsin, Minnesota and Iowa.

Regardless of the methods or agencies that may be used to bring about united action on the part of cooperative creameries, the need for such action clearly exists. Merger consolidations and affiliations are the order of the day in the dairy business. The National Dairy Products Corporation now has over a hundred subsidiary and sub-subsidiary companies. The Borden Company has been very active in acquiring other companies, and the Carnation Company of Portland recently acquired control over ten or twelve milk plants in Portland and now handles the distribution of a large part of the city's milk. In December, 1928, the Carnation Milk Products Company had a net working capital of about \$7,000,000. Other dairy concerns in Oregon are beginning to acquire independent creameries. Creameries in the central Northwest and Middlewest, it may be pointed out, also are changing their methods of operation to meet changing marketing conditions. Whole milk is being received from farmers and diverted into the most profitable outlets in accordance with market conditions.

There are four milk or cream bargaining associations in the state which are local in character and operate somewhat informally in bargaining with local creameries and milk distributors. Recent reports indicate that the Eugene Milk Producers Association has been instrumental in bringing about a satisfactory solution of the market milk problem in Eugene.

Plans are now being made for the organization of a large-scale milk marketing association in the Portland milk-shed. It is contemplated that such an organization will cover about eight or ten counties in Oregon and Washington, and that it would operate as a bargaining association. A committee of representative dairymen from each county has been studying the situation and the plans of the several organizations. Indications now are that some agreement will be reached for one single association to cover the entire milk-shed, this association to be modeled after some of the largest and most successful in the United States. It is estimated that there are between 1,500 and 2,000 milk shippers in the Portland milk-shed. Here is an opportunity for a strong, well-organized quality bargaining association in the Portland territory, which with proper leadership and wise management in operation, should greatly improve the dairymen's position. According the Ward W. Fetrow:

The interstate associated creameries of Portland, Oregon, market on an agency basis for eight cooperative creameries and one milk marketing association in Oregon. Its members sell only the surplus above local sales through their overhead organization. Handling butter, cheese, dried milk, sweet cream, and milk fats brings its volume of business close to \$1,000,000 for 1934.¹

In the marketing of cheese, Oregon presents a different picture than in the marketing of other dairy products. Creameries have gradually increased in number in Oregon while cheese factories have declined in number. In Tillamook county there are now ⁷ factories operating more advantageously than the 40 that were once in operation. Each of these sells through a central organization, the Tillamook County Creamery Association which maintains uniform high quality under a single brand. This organization, while more cooperative in spirit than in legal form, affords a splendid example of the benefit of united action on the part of the producers. It is one of the largest associations in the state, doing a business in excess of \$2,000,000 annually. In addition to this association which operates only in Tillamook county, there are seven cheese factories in other counties which are generally recognized as cooperatives. It should also be recognized that some of these cheese factories which operate independently and in close

1. Ward F. Fetrow, "Cooperative Marketing of Agricultural Products," Bulletin No. 3, February, 1936.

proximity to each other offer an opportunity for reorganization and consolidation that should be brought about for the benefit of the dairymen.

CHAPTER VI

LIVESTOCK, WOOL, AND POULTRY COOPERATIVE ASSOCIATIONS IN OREGON

In the marketing of livestock, there is little cooperative activity in Oregon relative to the size of the industry. There are five associations in the state, but some of these are associations in name only, run by men who act for the farmers on a definite commission basis, while others operate informally or on a very small scale. One out-of-state cooperative, the Western Cattle Marketing Association, with its head office in California, gets something over a quarter of a million dollars of business out of Jackson, Lake, Klamath, and Malheur counties.

Pacific Wool Growers¹

The Oregon Wool and Mohair Cooperative Association of Portland, Oregon, was organized under the laws of the State of Oregon on May 25, 1921, and operated in western and southern Oregon. It has pioneered the cooperative wool marketing movement in the west for fifteen years and its

1. Ward Fetrow, op. cit.

marketing methods have been adopted to a great extent by other associations. The association received many requests from eastern Oregon range wool growers and wool growers in Washington and California to serve them in the marketing of their wool. As a result, the name of the association was changed in 1922 to the Pacific Cooperative Wool Growers Association. In 1932, certain changes were made in its corporate set-up to enable it to transact business over a wider area. It was then incorporated under the name of the Pacific Wool Growers. This is a regional cooperative organization, handling wool from Oregon, Idaho, Washington, California, and Nevada, as well as some clip from Alaska.

The Pacific Wool Growers Association has approximately 2,000 members, for which it maintains a complete wool marketing service, including financing, warehousing, grading, and selling. Its wool is sold directly to mills through its own sales offices in Boston, Portland, and San Francisco. It handles clips from farm-flock sections. It is therefore able to offer wool to different types of mills using fine, medium, or coarse wools. Lots that require grading are handled in the association's warehouse in Portland. It is found more economical to ship a large portion of the strictly fine, original bag wool directly east for storage and sale than to store it for any length of time in Portland.

Warehouses are maintained in Portland, Oregon, San Francisco, California, and Boston, Massachusetts. During the ten years between 1926 to 1936, annual deliveries have ranged from 3,500,000 pounds to 9,800,000 pounds of wool and mohair, as recorded in the following table:

Wool and Mohair Handled by Pacific Wool Growers
1921-1925

Year	Number of Members	Wool and Mohair Handled in Pounds
1921	1,800	1,589,089
1922	2,067	977,377
1923	2,471	1,942,248
1924	2,546	2,855,818
1925	2,991	6,132,091
1926	2,130	5,128,209
1927	2,459	4,935,678
1928	2,275	4,229,630
1929	3,616	4,958,602
1930	3,935	9,800,000
1931	3,512	8,025,000
1932	2,601	6,250,000
1933	2,035	4,200,000
1934	2,456	5,000,000
1935	2,000	3,500,000

The association made liberal advances to its members based on the current value of the wool at the time of delivery. The wool is marketed in an orderly manner throughout the mill-consuming season and payment is made to producers upon settlement of the various pools. Certain original bag lots, large enough to qualify as a pool by

themselves are settled for when sold. The association also operates a small supply department which handles essential supplies for sheep men.

One of the outstanding features of this association is its educational work. It holds grading demonstrations throughout its territory and cooperates with government agencies and farm organizations in the promotion of important marketing practices. The association also has been active in sponsoring wool shows where growers can compete in the production of wool from both pure-bred and grade animals. It publishes a monthly paper, The Pacific Wool Growers, which is circulated to members.

CHAPTER VII

THE PACIFIC COOPERATIVE POULTRY PRODUCERS, INC.

The Pacific Cooperative Poultry Producers, Inc. was organized in 1920 under the cooperative laws of Oregon, the Articles of the Association being signed on May 28. The amount of capital stock was set at \$80,000 and the duration at fifty years. It was an outgrowth of previous efforts of Oregon poultrymen to market their eggs along loosely organized cooperative lines.

The first stockholders' meeting was held June 18, 1920, when the organization effected and directors were elected. The balance of the year was spent by the officers in securing membership and perfecting arrangements for the marketing of members' eggs, which began on June 1, 1921.

The territory covered then included a branch at Winlock, Washington, and one at Caldwell, Idaho, was added in 1921. Both were discontinued in 1924. Branch stations established since and still in operation are at Eugene, in 1928, and Albany, Astoria, and Roseburg in 1933.

In 1922 this association, in conjunction with the other four Pacific Coast egg marketing cooperatives, established the Pacific Egg Producers of New York, a jointly owned and operated eastern sales agency, which has been in successful operation since and now has branches in a number of the principal eastern cities.

The organization is a centralized type, and has a marketing contract directly between members and the association. The organization contracted to sell all eggs received from its producers. There is a long-term marketing contract, running from the members to the central organization without any intervening formal local organization, but the association does have branch offices which perform some of the functions of the usual local units.

The principal place of business of this association shall be in the city of Portland, Multnomah County, State of Oregon, but offices may be located at any other point within the state or elsewhere throughout the world. Since Portland is the general office, the clerical work of the organization as a whole, together with sales and other supervision, is concentrated, because of the variety of activities carried on at some of the branches. It is necessary, however, that considerable clerical work be done there.

Operating Set-up

Branch offices are located at strategic points in the producing area for the purpose of facilitating the work of receiving, grading, and shipping the products and rendering other services to members. The fact that production tends to be concentrated around certain points has made practicable the establishment of large local plants where such operations as handling and grading can be efficiently performed. The largest of these plants is at Eugene and Portland, where the eggs are received and prepared for market.

On the other hand, the advantages which come from the establishment of branches introduce the problem common in all such operations: that of keeping efficiency at a high point. It is common experience that this requires increasing vigilance on the part of the central office staff.

These branches prepare and ship the produce under orders from the central selling office at Portland, Oregon. A large portion of the eggs moves directly from these plants to distant markets.

These local branches provide important machinery for membership contact, the means through which the association should be responsive to the needs of its members, and the members responsive to the needs of their organization. But

it is also evident that the management could make much greater use of this valuable machinery for membership contact.

The Pacific Cooperative Poultry Producers of Oregon are interested in two other subsidiary companies. One, located in New York City, was inaugurated to take over the handling of certain special problems of merchandising and for practical purposes can be considered as a part of the New York Agency, the Pacific Egg Producers Cooperative Association, Inc., of New York. The other, in Portland, handles storage accounts, special types of merchandising eggs, as well as the purchasing of eggs when it seems advantageous.

Financial Structure

The volume of eggs handled each year and their gross sales value, as shown by the books and reports of the association in 1934, reveals that the association sold 6,579,000 dozen eggs, with a sale value of \$1,368,400.

The handling of such a volume of eggs requires a large organization and financial structure. A condensed balance sheet for a typical year (December 31, 1936, 1935, and 1934) is shown, as such a tabulation probably gives about the best picture of the financial structure of the association that can be presented. It must be kept in

mind that the present financial structure is the result of a gradual growth, during which many changes have been made in both the policies and the structure of the organization. At times it has been deemed advantageous to acquire plant equipments for specific purposes. When these purposes had been served, it has been the policy to charge the cost of such property directly against the income derived from operating it at the earliest possible moment, rather than to hold it on the books as an asset when there was no probable use for it in the near future. In some years, a more-than-normal depreciation has been charged when it seems desirable to accelerate the amortization of certain other assets. (See Balance Sheet, Appendix C.)

One of the most significant features of the financial and operating structure is that which has to do with plant and equipment. In making investments in this class, the management has decided each case on its merits. If conditions were such that ownership seemed desirable, purchase was made. If a lease could be obtained on advantageous terms for property which met the needs, then that course might be followed. In practical working-out of this policy, the association has acquired ownership of plants primarily devoted to eggs and their handling, such as in Eugene, Albany, Astoria, Roseburg, and Portland.

Inventories of eggs and poultry products tend to vary with the season of the year. They are large in the fall, when a considerable volume of products is in storage, and are smaller in the early spring when those products have been sold.

Sales to customers on account are short-time credits and are collected regularly, but as this item ties up fund at all times it must be taken into consideration

The egg department is financed by the revolving fund method. The interest of the individual members is evidenced by the issuance of "advance fund certificates". The directors are authorized to retire certificates in numerical orders, but only at the time of year when it is convenient for the organization to spare the money. The "advance fund" is fully explained in the by-laws and contracts.

The Contracts

The association operate on what might be called a standard marketing contract with some modification. The contracts specify the usual deduction clauses for expenses and other items and the usual penalty clause with enforcement provisions. The contracts contain a withdrawal privilege under which members might withdraw by giving notice to the association in writing. It has the provisions for deductions to cover expenses, reserves, and liquidated damages.

Amended Articles and By-laws¹

In order to broaden the usefulness of the association and to modernize its form, the written articles of the association were adopted in the annual meeting on February 2, 1935, and the by-laws at a special meeting on March 11, 1935. These changes embody the result of an exhaustive study by the board of directors, assisted by representatives of Oregon State College and the Farm Credit Administration, and others.

The association was changed from stock to non-stock corporation with the control of voting power vested in active members rather than in stockholders. This was necessary in order that the association could qualify to borrow from the Bank for Cooperatives and provides the soundest and least burdensome method of financing the association.

1. Articles of Association By-laws of the Pacific Cooperative Poultry Producers.

CHAPTER VIII

CONCLUSION

The cooperative movement in Oregon is in a position to go forward. A number of associations are in a strong position, with large volume of business, established connections, adequate capital and plenty of credit. Few, however, are sitting just right for a fade-out. For the strengthening of the movement, steps should be taken to consolidate activities, increase volume, reduce operating cost, improve and standardize quality of products, eliminate unnecessary competition and duplication, take on new lines of activity, and extend the scope of activities or services so that they are comparable with the most successful competing agencies. These mean cooperation not only between members but also between associations. To do this, a start should be made to build up resources and credit and to bring about changes in the organization structure and management of Oregon cooperative^s that will facilitate business consolidation. Splendid progress has been made in recent years under the guidance of the Federal Farm Board and the Cooperative Council of Oregon.

In many respects, in so far as research of the problem is concerned, Oregon ranks high in the character of its

cooperative enterprises. Although it has many small associations, it has the ground work in fairly good shape for the development and expansion. As for the legal status of Oregon cooperatives, few, if any, states have a large percentage of incorporated associations. Most of Oregon associations have marketing contracts with their members, and it is interesting to know that a rather quick and wholesale change has been made from the long-term, non-cancellable type of contract so popular a few years ago to continuous contracts with withdrawal privileges, and in some cases optional sales method. The switching to modern liberalized contracts means that Oregon is using contracts as business instruments rather than as legal weapons to force cooperation down the farmer's throat. It means, also, that Oregon cooperatives must make good, be on their toes, meet competition, do business as business is done, and get better results than growers can get in any other way.

To justify the success of Oregon cooperative marketing associations, we have in the state three federated associations, the Tillamook Country Creamery Association, the North Pacific Cooperative Prune Exchange, and the Pacific Nut Growers Cooperative. The Oregon large-scale associations of the centralized type (which operate over a wide area without locals) are the Pacific Cooperative Wool Growers and the

Pacific Cooperative Poultry Producers. Then there are organizations like the Apple Growers Association of Hood River, doing a \$4,000,000 business, and the Eugene Fruit Growers Association, doing a \$2,000,000 business, which cover fairly well-defined producing areas and have characteristics of both centralized and local cooperatives. As might be expected, we have the association operating in districts with more cooperative spirit and more trained leadership than in areas where cooperative marketing is not seasoned.

APPENDIX

GENERAL POLICIES GOVERNING A TYPICAL
COOPERATIVE ORGANIZATION

APPENDIX A

MEMBERS AGREEMENT FOR THE DELIVERY
OF FRUIT, SEASON of 1936

I, the undersigned, being a stockholder and member of the PRODUCERS COOPERATIVE PACKING COMPANY, hereinafter designated as the Association, do hereby agree to and with said Association, that I will deliver at the canning plant of said Association, at Salem, Oregon, during the canning season of 19___ the following fruits:

Exceptions or Explanations:

It is hereby mutually agreed, that this fruit will be delivered in good sound condition for canning, and that it will be graded in accordance with the Grading Rules as adopted by the Northwest Cannery Association.

It is further agreed, that the tonnage listed above is a fair estimate of said fruit at the time and date of the execution of this agreement, and that no penalty shall be fixed for non-delivery on this agreement, provided that said non-delivery is caused by action of the elements, or for any other reason wholly beyond the control of the undersigned.

I further agree that the Association or any duly authorized agent of the Association shall have power without limitation to borrow money in its name and on its own account for the purpose of making advances to members, or for other proper Association purposes on the products delivered to it, or on any accounts for the sale thereof, or on drafts, warehouse receipts, bills of exchange, notes, debentures, acceptances, or other commercial paper obtained or drawn in connection with the marketing of said products, and pledge

in its name and on its own account such products or receipts, accounts, drafts, notes, debentures, or other commercial paper as collateral therefor. The Association, in its discretion, shall cause such money so received to be prorated among its members equitably, or may use all or any part of the money so borrowed for its corporate activities or purposes.

The PRODUCERS COOPERATIVE PACKING COMPANY agrees to can, process and sell, the above listed fruit and to make returns on same in accordance with, and as provided in the Articles of Association and By-Laws of said Association.

It is hereby further agreed that in case of any disagreement relative to this agreement, that such difference shall be submitted to arbitration, as provided for in Article (3) By-Laws of the PRODUCERS COOPERATIVE PACKING COMPANY, and that the decision rendered by this board shall be final and binding on both parties hereto.

This agreement signed in duplicate on the day of
-----, 19__.

APPENDIX B

SALEM COOPERATIVE PRUNE GROWERS

* *

Marketing Contract

THIS AGREEMENT, made by and between Salem Cooperative Prune Growers, hereinafter called the Association, the first party, and the undersigned grower or growers, hereinafter called the member, second party, WITNESSETH:

That, for and in consideration of the mutual obligations herein contained, IT IS AGREED

1. That the grower or growers herewith becomes a member of the Association and agrees to abide by its by-laws and the Articles of Association.

2. That until this agreement is terminated, as is hereinafter provided, the Association agrees to buy from the member, and the member agrees to sell and deliver to the Association, all of the prunes grown by or for the member or secured by the member.

3. The member warrants that he has not heretofore entered into any contract effecting his right to deliver said prunes except as hereinafter specified; provided, that should the member desire to sell any of the prunes covered by this contract green for canning or shipping green, he may apply to the Board of Directors for permission to do so, and to the extent of any written permission, which may be granted to the member by the Board of Directors, the member may be permitted to make such sales.

4. It is also agreed that if the member desires to sell any of the prunes covered by this contract green for drying he may do so upon the written permission of the Board of Directors, but same must be sold to a member of the Association, and it is expressly understood and agreed that, whether the member sells such prunes for canning or shipping green or for any other purposes except to a member for drying, he shall pay to the Association 1/15 of a cent per pound for the weight of such green prunes sold, same to be applied upon the capital investment fund of the Association, and in addition his proportion of other reserve funds herein provided.

5. Either party may terminate this contract by written notice given to the other during the first fifteen (15) days of the month of March of any year in which termination is sought; provided, however, that either party as a condition precedent to such right of termination, must pay all indebtedness due to the other including all notes, whether matured or unmatured; and provided that the member's interest in the revolving fund and the amount due him on all unclosed pools will remain unpaid until such time as they are due in the regular course of business. Upon notice of termination having been given, this agreement shall cease to affect the prunes harvested thereafter but such termination shall not impair or take away any of the rights of either party to exact from the other in due course any obligations existing at the time of the termination, nor shall it effect in any manner any contract between the Association and any other member.

6. The member agrees at his own expense to care for, cultivate, harvest, cure and sort all prunes grown by him and agrees that such work will be done in a clean, careful and thorough manner. All prunes covered by this Contract shall be delivered to the Association, or its order, free from brown rot, split, scorched, soft, scabby or immature prunes; and in quality up to the average standard of the season's crop. The member agrees to deliver to the Association all prunes covered by this agreement at such time and place as the Association may direct, and the Association will furnish bags at the request of the member. If prunes delivered do not conform with the conditions of this contract and are rejected by the Association, it shall not invalidate this contract nor release the member from his obligations. Under this contract, the Association shall be constituted the sole judge of what prunes shall be rejected for any of the above specified causes. All prunes rejected by the Association shall be held subject to such member's order and at his expense.

7. The Association shall make rules and regulations regarding handling and delivering and may provide inspectors and graders to standardize, grade and classify the prunes, and the member agrees to observe and perform any such rules and regulations and to accept the grading and standards established by the Association. The determination of the Association as to grades, standards, classification and differentials in price shall be conclusive.

8. The prunes delivered by the member shall be classified both as to grade, size, variety and any other commercial factor as determined by the board of directors, and shall be pooled and mingled with other prunes of like size, quality and variety delivered by other growers who have

signed similar contracts, and the Association agrees to receive, pack and sell all of said fruit at the best prices available under market conditions. After deducting from the sales price of each pool all necessary packing, selling, transportation, marketing, advertising, and overhead and other costs and expenses, properly chargeable to such pool, including a deduction of one-fifth of a cent per pound as a contribution towards the capital investment fund as provided for in the By-laws, the Association agrees to pay over to the grower his proportion of the net proceeds of each pool in which he has prunes. It is further agreed by and between the parties hereto that the Association shall deduct an amount to be determined each year by the board of directors of not to exceed two percent and not less than one percent from the returns to the member on fruit sold under this contract, which shall be set aside as a reserve operating fund, as provided by the By-laws.

9. Payments from the pools shall be made to the members who sign similar contracts, as soon as practicable after returns from sales begin to come into the Association treasury, and in such installments as its Board of Directors may order; provided, that the Association is hereby authorized to deduct from the member's returns any money which may be due it for advances or supplies furnished by the Association to the member.

10. The member agrees that the Association may handle some of said prunes in one way and some in another; that it may sell said prunes in any form it may desire within or without the United States directly or through agencies by contract, or at auction; and that it may federate with other organizations of prune growers to form a central sales agency; but the net proceeds of all prunes of like type, quality and grade less the deductions herein authorized shall be divided ratably among the members in proportion to their deliveries to each pool.

11. The total packing and/or processing expenses of the prunes in any pool shall be charged ratably to the members in proportion to the deliveries to each pool. The Association shall make such charges for transportation costs advanced by it for prunes which the members shall not deliver to one of its packing plants as the Board of Directors may determine, by rules and regulations from time to time adopted by it.

12. The member further agrees that the Association shall have power, without limitation, except as provided by the By-Laws, to borrow money in its name and on its own account for the purpose of making advances to members, or for other Association purposes on the prunes delivered to it, or on any accounts for the sale thereof, or on drafts

bills of exchange, notes, acceptances, warehouse receipts, or other commercial papers obtained or drawn in connection with the sale of said prunes; and pledge in its name and on its own account such prunes or receipts, accounts, drafts, or other commercial papers as collateral therefore.

13. If this Agreement is signed by one or more members of a partnership, it shall apply to the partnership, and to each of the partners individually in the event of the dissolution or termination of the partnership.

14. The Association agrees that it will not accept for sale or deal in prunes except for the account of its members and then only under contracts similar in form to this or such other forms as may be in general use in dealing with its members covering prunes to be delivered either packed or unpacked.

15. The parties hereto, fully understanding and admitting that it will be impractical and extremely difficult to fix the actual damage to the Association which will result from a breach of this contract by the member, hereby expressly agree and stipulate, that in the event of the member's neglect, failure or refusal to deliver to the Association which will result from a breach of this contract by the member, hereby expressly agree and stipulate to pay to the Association the sum of two cents per pound, dried, for all prunes covered by this Contract, and undelivered to the Association, as liquidated damages for such breach, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all parties to each and all of said contracts. In case suit or action is brought by either party hereto against the other for any breach or threatened breach of any provision of this contract, the prevailing party will receive in addition to all court costs, all expenses arising out of or caused by the litigation, and a reasonable attorney's fee to be fixed by the Court, and any judgment or decree obtained shall include such items.

16. It is understood by both parties, that the members agree to and do assume pro rata risk of loss and damage to prunes up to the time the prunes are actually sold by the Association, subject to their pro rata division of any insurance or other security carried by the Association covering the prunes while it is in its keeping.

17. The parties hereto covenant that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof, and that this Agreement represents the voluntary and clear understanding of both parties, fully and completely.

This contract is subject to -----

Read, considered and signed by the member this-----
day of----- 19-- , at-----

Grower

P.O. Address of Member

By -----President

By -----Secretary

SALEM COOPERATIVE PRUNE GROWERS

PRESENT ACREAGE OF GROWER

- Acres Italian Prunes (bearing)
- Acres Petite Prunes (bearing)
- Acres _____ (bearing)
- Acres Italian Prunes(non-bearing)
- Acres Petite Prunes(non-bearing)

This orchard is located at -----

APPENDIX C

 Pacific Cooperative Poultry Producers Condensed Balance
 Sheet as of December 31, 1936, 1935, 1934

ASSETS1936Current Assets

Cash in banks and on hand	\$ 186,716.91
Accounts receivable, Net of Allowances for losses	18,295.93
Due from Pacific Egg Producers Cooperative, Inc. (1936 Bank loans all paid-previous years subject to payment of secured bank loans in 1934)	56,028.71
Inventories valued at the lower of cost or market, except eggs on consignment and stor- age which are valued at market	147,050.45
None pledged as of 12/31/36 - \$34,292.50 ... Pledged as collateral in 1934)	

TOTAL CURRENT ASSETS	<u>\$408,092.00</u>
--------------------------------	---------------------

Plant, equipment and leasehold improvements Net of allowances for depreciation and amortization.	50,507.16
Investments at cost (including \$2,090 of own certificates of 1936 and \$1,180 in 1935)	12,227.68
Deferred charges and other assets	3,747.11

TOTAL ASSETS	<u>\$474,473.95</u>
------------------------	---------------------

Current Liabilities

Notes payable to bank, unsecured	None
Notes payable to others (secured by eggs in storage, \$3,925.48)	None
Bank loans (secured by eggs on consignment, \$30,367.02 and by collections on Pacific Egg Producers, Inc., accounts)	None
Drafts and accounts payable to members for pools, etc.	\$ 80,723.13
Accounts payable and accrued expenses, ven- dors, and others	13,803.06
Interest payable on capital certificates and stock	318.90
Patronage dividend payable, egg dept.	

TOTAL CURRENT LIABILITIES	<u>\$ 94,845.09</u>
-------------------------------------	---------------------

 Condensed Balance Sheet - 1936 (cont)

CAPITAL

Capital stock issued	Retired
Capital certificates issued	\$165,860.00
Capital subscriptions, stated at amounts paid in by subscribers	9,681.79
Members' participation accounts	10,956.27
	<hr/>
Reserved for contingencies	\$186,498.06
Undistributed proceeds	50,302.86
	<hr/>
TOTAL CAPITAL	142,827.94
	<hr/>
TOTAL LIABILITIES AND CAPITAL UNDISTRIBUTED PROCEEDS for year ending Dec. 31, 1936 .	\$379,628.86
	<hr/>
	\$474,473.95
	<hr/>

Balances, 1/1/36 (All undistributed proceeds
at December 31, 1935, were declared as
dividends or transferred to reservers for
contingencies)

Income for year ended Dec. 31, 1936:

Total:	\$142,827.94
Egg Fund:	\$106,931.41
Feed & Supply ":	\$ 35,896.53

Condensed Balance Sheet

1935

Current Assets

Cash in banks and on hand	\$88,894.40
Accounts, receivable, Net of Allowance for losses	17,524.92
Due from Pacific Egg Producers Cooperative Inc. (1936 Bank Loans all paid-previous years subject to payment of secured bank loans in 1934)	77,110.92
Inventories valued at the lower of cost or market, except eggs on consignment and storage which are valued at market . . .	128,237.95
TOTAL CURRENT ASSETS	\$311,768.19

Plant, equipment and leasehold improvements Net of allowances for depreciation and amortization.	28,781.05
Investments at cost (including \$1,180.00 of Own Certificates in 1935)	10,747.27
Deferred charges and other assets	3,882.53
TOTAL ASSETS	\$355,289.04

Current Liabilities

Notes payable to bank, unsecured	\$ 25,000.00
Notes payable to others (secured by eggs in stores, \$3,925.48)	None
Bank loans (secured by eggs on consignment \$30,367.02 and by collections on Pacific Egg Producers, Inc., accounts)	None
Drafts and accounts payable to members for pools, etc.	46,832.04
Accounts payable and accrued expenses, vendors and others	19,717.85
Interest payable on capital certificates and stock	8,467.20
Patronage dividend payable, egg department	
TOTAL CURRENT LIABILITIES	\$100,017.09

Condensed Balance Sheet - 1935 (cont)

Capital

Capital stock issued	Retired
Capital certificates issued	\$142,300.00
Capital subscriptions, stated at amounts paid in by subscribers	14,265.36
Members' participation accounts	10,077.45
	\$166,642.81
Reserved for contingencies	42,977.07
Undistributed proceeds	45,652.07
TOTAL CAPITAL	\$255,271.95
TOTAL LIABILITIES AND CAPITAL UNDISTRI- BUTED PROCEEDS	\$355,289.04

Condensed Balance Sheet - 1934

Current Assets

Cash in banks and on hand	\$94,434.82
Accounts, receivable, Net of Allowance for losses	15,825.31
Due from Pacific Egg Producers Cooperative Inc.	58,670.31
Inventories valued at the lower of cost or market, except eggs on consignment and storage which are valued at market	128,539.81
TOTAL CURRENT ASSETS	\$297,470.25
Plant, equipment and leasehold improvements Net of allowances for depreciation and amortization	34,507.05
Investments at cost	5,680.18
Deferred charges and other assets	3,460.52
TOTAL ASSETS	\$341,118.00

 Condensed Balance Sheet - 1934 (cont)

Current Liabilities

Notes payable to bank, unsecured	None
Notes payable to others (secured by eggs in storage, \$3,925.48)	\$ 3,058.68
Bank loans (secured by eggs on consignment \$30,367.02 and by collections on Pacific Egg Producers Cooperative, Inc. accounts	37,153.51
Drafts and accounts payable to members for pools, etc.	51,645.56
Accounts payable and accrued expenses, ven- dors and others	13,680.32
Interest payable on capital certificates and stock	7,265.57
Patronage dividend payable, egg department	21,835.93
TOTAL CURRENT LIABILITIES	\$134,639.57

Capital

Capital stock issued	112,330.00
Capital certificates issued	Not in use
Capital subscriptions, stated at amounts paid in by subscribers	15,233.91
Members' participation accounts	39,515.66
	<u>\$167,079.57</u>
Reserved for contingencies	39,398.26
Undistributed proceeds	
TOTAL CAPITAL	\$206,478.43
TOTAL LIABILITIES AND CAPITAL UNDISTRI- BUTED PROCEEDS	\$341,118.00

APPENDIX D

ARTICLES OF ASSOCIATION
BY-LAWS
of the
COOPERATIVE POULTRY
PRODUCERS

306 S. E. Ash Street
Portland, Oregon
1935

Forward

The Pacific Cooperative Poultry Producers was organized in 1920 under the cooperative laws of Oregon, the Articles of Association being signed on May 28. The amount of capital stock was set at \$80,000 and the duration of 50 years. It was the outgrowth of previous efforts of Oregon poultrymen to market their eggs along loosely organized cooperative lines.

The first stockholders' meeting was held June 8, 1920, the organization effected and directors elected. The balance of the year was spent by the officers in securing membership and perfecting arrangements for the marketing of members' eggs, which began on January 1, 1921.

The territory covered then included a branch at Winlock, Washington, and one at Caldwell, Idaho, was added in 1921. Both were discontinued in 1924. Branch stations established since and still in operation are, Eugene in 1928; Albany, Astoria and Roseburg in 1933.

The establishment of THE EGGSAMINER took place in 1924; the poultry supply department in 1925; and the poultry feed department in 1932.

In 1922, this Association, in conjunction with the other four Pacific Coast egg marketing cooperatives, established the Pacific Egg Producers of New York, a jointly owned and operated eastern sales agency, which has been in successful operation since and now has branches in a number of the principal Eastern cities.

Amended Articles and By-Laws

In order to broaden the usefulness of the Association, and to modernize its form, the within Articles of Association were adopted at the annual meeting on February 2, 1935, and the By-Laws at a special meeting on March 11, 1935. These changes embody the results of an exhaustive study by the Board of Directors assisted by representatives of Oregon State College and the Farm Credit Administration, and others.

Article I

The name of this Association shall be PACIFIC COOPERATIVE POULTRY PRODUCERS.

Article II

The purpose of this Association and the enterprise, business, and pursuit in which it proposes to engage is:

(1) To promote and provide the medium for unity of effort by producers in the production, processing, handling, and marketing of poultry and eggs and other farm products and by-products, either fresh or dried, packed, stored, canned, or otherwise processed; to bring about standardization of products and methods, reduce waste, and effect economies in the various marketing processes; and to enable producers to have their own agency or machinery through which they may dispose of their products on a pooled basis or otherwise.

(2) To promote, foster, and encourage the business of producing any and all varieties of poultry and eggs and other farm products or by-products.

(3) To engage in any activity in connection with the production, receiving, buying, handling, preserving, canning, drying, packing, manufacturing, processing, shipping, storing, warehousing, advertising, financing, selling, or otherwise handling and marketing poultry, eggs, and other farm products or any by-product or manufactured product thereof, produced or acquired by any of its members or by the Association, including the manufacture, processing, handling, purchase and sale of any machinery, equipment, feed, or other supplies or materials used in any of the above mentioned activities either by the Association or by any of the members thereof.

(4) To bring about standards of quality on the part of its members by adopting and enforcing, or by suggesting standards, by maintaining, grading or inspection service, by adopting and owning brands, trade makes, and labels, and by establishing and enforcing rules and regulations for producing, receiving, handling, packing, grading, storing, shipping, branding, or otherwise processing, handling, and marketing the products of its members.

(5) To act in its own name as principal or agent in the buying, selling, manufacture, processing, or otherwise handling and marketing poultry and eggs and other farm products; to enter into marketing contracts with its members; to contract or affiliate with any other cooperative association or any individual or

non-cooperative agency for performing or facilitating any of the activities herein authorized or incidental thereto; and to establish and maintain joint agencies or representatives in connection with other associations, to join such associations, or otherwise to cooperate with associations and others in carrying out the purposes of this Association.

(6) To purchase and sell any poultry or eggs or other farm product on its own account or as agent or otherwise; provided, that any such products bought from or handled or dealt in for non-members of this Association shall not exceed in value the products purchased from or handled or dealt in for members of this Association, or that in the judgment of the Association's Board of Directors may be advantageously handled as a part of the Association's business.

(7) To borrow or lend money either as principal or agent and to give or take such evidence of indebtedness or security as may be necessary or desirable, for the purpose of making advances to members, for the purchase of any property or commodity, or for any other lawful purpose; to make advances to members, for the purchase of any property or commodity, or for any other lawful purpose; to make advances to members of the Association as such.

(8) To buy, hold, own, lease, sell, and otherwise acquire or dispose of and exercise all privileges of ownership over such real or personal property of any character either within or without the State of Oregon as may be deemed necessary or desirable for the conduct of its business, or incidental thereto.

(9) To guarantee, endorse, purchase, or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of shares of stock, bonds, or other evidence of indebtedness created by other associations or corporations, and while the holder of any such securities to exercise all the rights and privileges of ownership thereof including the right to vote thereon.

(10) To issue bonds, deeds of trust, debenture notes, certificates of indebtedness, or other obligations and to secure the same by pledge, mortgage, trust deed, or otherwise, on the whole or any part of the property of the Association real or personal, or to issue any such obligations without security.

(11) To do each and every thing necessary, suitable, or proper for the accomplishment of any of the objects herein enumerated or which may be conducive to or expedient for the interests

or benefits of the Association, and to contract accordingly, and in addition to exercise any of the rights, powers and privileges granted by the laws of the State of Oregon or not in conflict therewith.

Article III

The principal place of business of this Association shall be in the City of Portland, Multnomah County, State of Oregon, but offices may be located at any other point within this State or elsewhere throughout the world.

Article IV

The duration of this Association shall be perpetual.

Article V

This Association shall be without capital stock. There shall be a membership fee of one dollar (\$1.00). Membership in the Association shall be non-transferable. Any actual and bona fide producer of eggs and/or poultry or other farm products handled by the Association, including person, firms, or corporations, in the territory served by the Association or designed by the Board of Directors, or the owner or lessee of land upon which such products are produced and who shares in the proceeds of the sale thereof, shall be eligible to membership in the Association, provided such producer first signs a marketing contract with the Association and agrees to comply with the Association's By-Laws, rules and regulations, and that the application for membership is approved by the Board of Directors.

Article VI

This Association is formed to function on a cooperative basis for the benefit of its members. Reasonable reserves as determined by the Board of Directors pursuant to the By-Laws or Marketing Agreement, may be set aside from year to year. The Association through its Board of Directors acting pursuant to its By-Laws may also from time to time establish or provide for the establishment of a special fund or funds for the carrying on of the business of the Association, through advances or contributions from its members, deductions from sales returns or other charges on any products purchased from or handled for its members or any service rendered, or by such other means as may be expedient and proper and may issue, handle, purchase, receive, and re-issue certificates of indebtedness against such funds or any thereof as evidence of members' interests. Any such fund shall be subject to the rights and claims of

creditors and may be hypothecated, mortgaged or pledged by the Association in the same manner and to the same extent as other funds or proceeds of the Association, and may be used by the Association for the continuation and promotion of its business or purposes, and shall be subject to distribution in whole or part only at such time or times and in such manner as the Board of Directors shall determine. After setting aside such reserve and any such funds and after making such other and further deductions as may be necessary to retire any loan or loans or for other Association purposes, the balance of the funds of the Association shall be distributed to its members on a patronage basis.

Article VII

The By-Laws of the Association may be amended at any regular or special meeting of the members of the Association by affirmative vote of a majority of those members present, provided notice of the proposed amendment is included in the call for such meeting.

BY-LAWS (As amended March 11, 1935)

Article I: Purpose

Section 1. The purposes for which this Association is formed are set forth in the Articles of Association.

Article II: Members

Section 1: Persons Eligible for Membership. Any bona fide producer of eggs or of any other product or commodity handled by the Association, including persons, firms, or corporations, or the owner or lessee of land upon which any such product is produced and who shares in the proceeds of sale thereof, within the territory served by the Association or designated by the Board of Directors, may become a member of the Association, subject to approval of the Board of Directors by signing a standard marketing contract with the Association, and agreeing to comply with the rules and By-Laws of the Association. The execution of a marketing contract by an applicant for membership shall be construed as an agreement by that applicant to comply with the rules and By-Laws of the Association.

Section 2. Membership Fee. No dues shall be charged to or payable by any member of the Association, but there shall be a membership fee of One Dollar (\$1.00).

Section 3. Membership Certificates. There shall be issued to each member upon his admission to the Association a certificate of membership in a form determined by the Board of Directors. Such certificates shall not be assignable. No person shall succeed by operation of law or otherwise to any membership or any property rights thereof unless such is approved by the Board of Directors and conforms to all rules and regulations established, thereby.

Section 4. Withdrawals. Any member may withdraw from membership in the Association in such manner as is specified in his marketing contract, or by serving upon the Board of Directors, within thirty days following an anniversary of his execution of the Association's marketing contract, written notice of intention to withdraw, and by surrendering within said period for cancellation his marketing agreement and membership certificate. Such withdrawal shall become effective ninety days after receipt by the Board of Directors of such written notice, marketing contract, and certificate of membership.

Section 5. Cancellation of Membership or Expulsion.

(a) At any time that the Board of Directors determines that a member is no longer a bona fide producer of any product handled by the Association or for any other reason has ceased to be eligible for membership in the Association, it shall terminate the membership and cancel any existing marketing contract with that member.

(b) Violation of any provision of the By-Laws or of any marketing contract between the Association and a member shall constitute cause for expulsion from membership in the Association and cancellation of that member's marketing contract by the Board of Directors. Any member expelled by the Board of Directors may within thirty days thereafter file with the secretary written request for a hearing before the Board or such special committee as the Board may designate and such hearing shall be held within sixty days after receipt of such request.

(c) Upon termination of membership through withdrawal, expulsion, or otherwise, the members shall be entitled to receive only such proportionate interest in the Association's properties as may be covered by capital certificates by him held, which shall be payable at the time and in the manner provided these By-laws for payment of such certificates.

Article III: Meetings

Section 1. Annual Meetings. The annual meeting of the members of the Association shall be held at 10:00 o'clock A.M. on the first Friday following the second Thursday in February of each year, at such place as shall be designated by the President, for the purpose of transacting such business as may come before the meeting; provided, however, that the date for the annual meeting may be postponed or advanced not to exceed fifteen days by the President. This Section may be amended at any time so as to change the date of the annual meeting by affirmative vote of nine members of the Board of Directors.

Section 2. Special Meetings. Special meetings of the members of the Association may be called at any time by the President, the Board of Directors, or by ten per cent of the members of the Association. The call for any special meeting shall be in writing signed by the person making the call, and shall be filed with the Secretary of the Association; it shall state the time, place, and purposes of the meeting. No business shall be transacted at a special meeting which has not been included in the statement of purposes set forth in the notice of meeting.

Section 3. Notice. Notice of each annual or special meeting shall be mailed by the Secretary to each member of the Association as his address appears on the books of the Association, at least ten days prior to the date of the meeting. Notices shall state the time and place of the meeting and by whom called; notices of special meetings shall also state the purposes of the meeting.

Section 4. Quorum. At any meeting fifty members of the Association present in person shall constitute a quorum for all purposes, and a majority vote thereof shall be sufficient to pass any measure properly before the meeting except as otherwise provided by law or these By-Laws. If a mailed ballot has been taken on any question submitted to a meeting the votes represented by such ballots shall be counted as a part of the votes cast at that meeting.

Section 5. Voting. Each member of the Association shall be entitled to one vote, and there shall be no voting by proxy; provided, however, that when an emergency arises threatening the welfare of the Association, the Board of Directors may authorize an appeal to a vote by which each member shall be represented by a vote strength in proportion to the amount of business done by him through the Association during the previous fiscal year. Such an emergency shall be conclusively deemed to

exist upon the affirmative vote of nine Directors. In the event of such vote the Board of Directors shall have the power to determine conclusively the proportion of voting power to which each member is entitled.

Section 6. Voting by Mail. Prior to any general or special meeting of the Association, the Secretary of the Association shall prepare and mail to each member along with the notice of the meeting a ballot upon the principal questions to be voted upon at that meeting, together with a small voting envelope. Any member who does not expect to be present personally at that meeting may cast his ballot on any or all of the said questions by writing to the Secretary of the Association and enclosing the sealed envelope containing his vote together with a request over his signature that the voting envelope be dropped in the ballot box at the meeting along with the votes cast by the members present in person. The Secretary shall read the signed request at the meeting, and in the event the member is not present in person the voting envelope shall be placed unopened in the ballot box. All votes so cast shall be counted as if the member so voting were present and voting in person.

Article IV: Board of Directors.

Section 1. Number. The Board of Directors of this Association shall consist of thirteen members, who shall be divided into two classes. At the first election the members of the Association shall elect from among themselves seven Directors to serve for a term of one year, and six Directors to serve for a term of two years; the successors of the original Directors shall be elected for terms of two years. Directors shall hold office until their successors shall have been elected and qualified and shall have entered upon the discharge of their duties.

Section 2. Nomination and Election of Directors.

(a) Prior to November 10 of each year the Board of Directors shall allocate into districts the territory covered by the Association, and shall determine the number of Directors to be elected in each district, which number shall be in proportionate relation to the amount of business, measured in dollars, done with the Association during the preceding fiscal year by the members whose postoffice addresses are located within that district. The Secretary of the Association shall thereafter and not later than November 15 of each year mail to each member of the Association in each district where a Director is to be elected or shall cause to be printed prominently in an Association's publication supplied to each such member, written notice

of the number of Directors to be elected in that district together with an explanation that any qualified member may be nominated for Director by written petition signed by any five members in that district, and filed with the Secretary not less than thirty days prior to the annual meeting together with written acceptance of the nomination by the member nominated; provided, however, that each of the incumbent Directors whose term of office is expiring shall automatically be a candidate to succeed himself unless he files with the Secretary prior to thirty days before the annual meeting a written statement to the contrary.

(b) Not less than fifteen days prior to the annual meeting of the Association, the Secretary shall mail to each member in each district in which a Director is to be elected an official ballot containing the names of all candidates nominated for the office of Director as hereinbefore provided, and the name of each retiring Director if he is a candidate to succeed himself. Voting for Directors shall be only by means of these official ballots properly marked and mailed back to the Secretary of the Association. All such ballots received by the Secretary up to twenty-four hours prior to the time of the annual meeting shall be opened and counted by the Secretary and three members of the Association appointed by the President as an election committee. The results of such election shall be reported by the Secretary to the annual meeting, and the elected Directors shall take office immediately following the annual meeting; provided, however, that the eligibility under these By-Laws of any person so elected a Director to serve in that office may be challenged by any member at the annual meeting, and in the event such challenge is sustained that office shall be declared vacant and a proper election to fill the vacancy shall be held within thirty days thereafter under the supervision of the Board of Directors.

Section 3. Vacancies. Any vacancy on the Board of Directors not caused by expiration of term shall be filled for the unexpired term by a majority vote of the remaining members of the Board

Section 4. Removal of Directors.

(a) Any Director who ceases to be a producer of any commodity handled by the Association or otherwise becomes ineligible for membership in the Association, or who violates any contract with the Association, may be removed from membership on the Board of Directors by affirmative vote of a majority of the other Directors.

(b) Any Director may be removed from membership on the Board of Directors by affirmative vote of ten Directors for any cause sufficient in the judgment of those Directors.

(c) Any Director of the Association may for cause at any general or special meeting of the membership of the Association be removed from office by affirmative vote of the total membership present or represented by ballot, in accordance with the procedure specified in the Cooperative Association Laws of Oregon.

Section 5. Meetings of Directors.

(a) The Board of Directors shall meet within ten days after each annual meeting of the Association and thereafter a regular meeting of the Board shall be held quarterly at such time and place as the Board shall determine.

(b) A special meeting of the Board of Directors shall be held whenever called by the President or five Directors. Any business may be transacted at a special meeting.

Section 6. Notice of Meetings. Notice of each regular or special meeting of the Directors shall be mailed to each Director at his last known address at least five days prior to the time of that meeting, or given by telephone or telegraph not less than twenty-four hours prior to the meeting.

Section 7. Quorum. Seven members of the Board of Directors shall constitute a quorum at any meeting thereof.

Section 8. Compensation. Members of the Board of Directors shall receive no compensation for their services as Directors other than necessary traveling expenses and a per diem of five dollars (\$5.00) per day for each day necessarily spent in traveling to and from or in attendance at meetings of the Board; provided, however, that the Board may provide reasonable compensation for members of the Executive Committee and of any special committee established by the Board.

Section 9. Powers and Duties of Directors. The authority and duties of the Board of Directors shall include the following:

(a) The Board of Directors shall manage the business and conduct the affairs of the Association and make all necessary rules and regulations not inconsistent with law or with these By-Laws for the management of the business and the guidance of the officers, employees and agents of the Association.

(b) The Board of Directors shall employ a General Manager and fix his compensation, and may dismiss him with or without cause, and shall appoint and supervise all officers, committees, agents and employees of the Association, prescribe their duties and fix their compensation.

(c) The Board shall keep a complete record of all of its acts and proceedings, and present a full statement and report at each annual meeting of the members of the Association showing in reasonable detail the condition of the Association's affairs.

(d) The Board shall call such special meetings of the Association as it may deem necessary or advisable and shall call any meeting requested in writing by ten per cent of the members of the Association.

(e) The Board shall require the Treasurer and all other officers, agents, and employees charged by the Association with responsibility for custody of any of its funds or property to give bond with sufficient surety for the faithful performance of their official duties. The premiums on such bond shall be paid by the Association.

(f) The Board shall select one or more banks as depository of the funds of the Association and determine the manner of receiving, depositing, and disbursing the funds of the Association, the form of checks, and the person or persons by whom the same shall be signed.

(g) The Board by affirmative vote of not less than seven Directors may borrow money or authorize the Executive Committee or Manager to borrow money, in the name and on behalf of the Association, for any Association purpose, either on open account or secured in any manner by any assets of the Association or any property or accounts of any of its members in its present possession or not as yet distributed, in such amounts and upon such terms and conditions as the Board may deem advisable or necessary.

(h) The Board shall elect annually an Executive Committee and an Auditing Committee, as hereinafter provided, and may from time to time establish or elect any other standing or temporary committee deemed in the interest of the Association.

Section 10. Firm Representatives as Directors. Any officer, manager, member or stockholder of any corporation, association or firm which holds a membership in this Association

shall be eligible to serve as Director. For this purpose and upon written request of such corporation, association or firm, a membership certificate may be issued in the name of any such individual person, to be charged against or credited to the account of that corporation, association or firm. When any such person ceases to be a Director said membership certificate and all of the rights and interests represented thereby shall be cancelled or transferred back to the owner thereof.

Article V: Executive Committee

Section 1. Election by Directors. An Executive Committee of five Directors shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the Association. The President, First Vice-President and Secretary-Treasurer shall ex-officio be three of the five members, with power to vote.

Section 2. Duties. The Executive Committee shall have all the authority and may perform any of the duties of the Board of Directors during the interim between Board meetings, subject, however, to the general supervision of the Board.

Section 3. Quorum. Three members of the Executive Committee shall constitute a quorum thereof for all purposes. Affirmative vote of three members shall be necessary to transact any business.

Article VI: Officers

Section 1. Enumerated. The officers of the Association shall be a President, a First Vice-President, a Second Vice-President, and a Secretary-Treasurer, all of whom shall be elected annually by the Board of Directors from among its own members at its first meeting following the annual meeting of the members of the Association. In addition, the Board may appoint one or more Assistant Secretaries and/or Assistant Treasurers who need not be members of the Board of Directors or of the Association and who shall have such authority and duties as may from time to time be specified by the Board of Directors.

Section 2. Terms of Office: All elected officers shall hold office for one year or thereafter until their successors are duly elected and qualified; provided, however, that any officer may, for cause, at any meeting of the Association be removed from office by majority vote of the members present or represented by ballot, in accordance with the procedure specified by the Cooperative Association Laws of Oregon.

Section 3. President. The President shall preside over all meetings of the Association and of the Board of Directors; sign as President on behalf of the Association all certificates of membership and all contracts, notes, and other instruments which he is authorized so to do by the Board of Directors; call special meetings of the Association and of the Board of Directors, and perform such other duties and functions as may properly be required of him under by-laws or by the Board of Directors.

Section 4. Vice-President. In the absence, disability or disqualification of the President, the First Vice-President, or in the event of his absence, disability or disqualification Then the Second Vice-President, shall possess and perform all of the authority and duties of the President.

Section 5. Secretary-Treasurer. The Secretary-Treasurer shall act both as Secretary and as Treasurer of the Association, Board of Directors, and Executive Committee and shall keep a complete record of all meetings of each thereof; he shall keep proper membership records showing the name of each member of the Association, the numbers of his membership certificate and any other certificates issued to him by the Association and the date of issuance, surrender, cancellation, forfeiture or transfer thereof; he shall have custody of the corporate seal; sign as Secretary on behalf of the Association and affix the corporate seal to membership certificates, and all contracts, notes and other instruments which he is authorized so to do by the board of Directors; serve all notices required by law or by these By-Laws; as Treasurer to receive, deposit and disburse all funds of the Association and account for all receipts, disbursements, and balances on hand; make proper report of matters pertaining to his office to the members at their annual meeting, and all other reports required by law; and perform such other duties as from time to time shall be required from him by the Association or the Board of Directors.

Article VII: Manager

Section 1. Duties. Subject to the terms of the marketing contracts made with the Association by its members, the direction and control of the Board of Directors, and the Articles of Association, By-Laws and rules of the Association, the General Manager shall have entire charge of the business operations of the Association as its general administrative officer. He shall perform such duties and have such authority as may from time to time be specified by the Board of Directors.

Section 2. Term of Office. The General Manager shall hold office at the pleasure of and on such terms and conditions as may be specified by the Board of Directors.

Article VIII: Auditing Committee

Section 1. Appointment. The Board of Directors annually shall elect an Auditing Committee from among its members in such number and with such tenure as the Board shall determine.

Section 2. Audits. Proper audit of the books and accounts of the Association shall be made at least annually by a certified public accountant selected by the Auditing Committee with the approval of the Board of Directors, and the report thereof shall be filed with the Board of Directors prior to the annual meeting of the Association. The Committee shall have such further duties as the Board may from time to time specify,

Article IX: Locals and Advisory Committees

Section 1. Locals. Informal local organizations of members of the Association may be created by the Board of Directors in each or any district or central locality, with such functions as the Board of Directors may determine.

Section 2. Advisory Committees. The Board of Directors may appoint or provide for an Advisory Committee of members of the Association in each or any district. Each such Committee shall have such duties and functions and its members shall serve for such term as the Board of Directors shall determine.

Article X: Operating Methods

Section 1. Fiscal Year. The fiscal year of the Association shall run from January 1 to December 31, inclusive.

Section 2. Deductions. All products delivered to the Association by members for sale, shipment, storage, processing, packing, or other handling and marketing, shall be sold, shipped, stored, processed, packed, or otherwise handled and marketed by the Association at cost, or if such is deemed impracticable by the Board of Directors as to some one or more commodities or under certain conditions the Board of Directors may fix a percentage charge upon all or a part of such products; the Association shall deduct from the proceeds of sale

of said products or by-product thereof the cost of rendering the service which it has been necessary or advisable to render and of maintaining the Association, including the cost of selling, shipping, processing, storing, packing, or otherwise handling and marketing, and interest, dividends, depreciation, insurance, and all other expense. Such deduction may include as to each member a sum of not to exceed 25¢ per year to cover the cost of preparing, publishing and distributing to members of the Association a periodical Association bulletin and/or other publications issued by the Association.

Section 3. Capital Reserve Funds. In addition to the deductions from proceeds of sales hereinbefore specified, on either a cost or percentage basis, there shall be made a further deduction of an Association charge for the purpose of creating and maintaining reasonable reserves for operating capital, contingencies, capital investments, or any other proper Association purpose. The amount of such charge shall be such as is determined from time to time by the Board of Directors. Funds established under this Section may include such as may be required or desirable as sinking funds to retire and pay interest on any loan obtained from a Federal or other agency.

Section 4. Egg Fund and Feed and Supply Fund.

(a) The funds specified in Section 3 shall include two operating capital funds which shall be known as the Egg Fund and the Feed and Supply Fund respectively. The Egg Fund shall be created from the Association's present capital stock accounts and the Member's Participation Accounts, and shall be maintained at a minimum of \$120,000 by deductions from returns to members marketing eggs through the Association. The Feed and Supply Fund shall be created and maintained at a minimum of \$20,000 from excess charges made in the sale of feed and supplies. The Board of Directors may from time to time increase the minimum of either or both of said Funds.

(b) The Board of Directors may at any time combine the aforesaid Funds with each other or with any other fund in which the members of the Association or any thereof may have an interest in which event the members' rights and credits shall be transferred in like amounts to the combined fund. Priorities of transferred credits shall be determined by the Board of Directors on a fair and equitable basis so as to assure as nearly as possible the payment of such credits at the same time payment would have been made had no transfer been made.

Section 5: Capital Certificates.

(a) Deductions made as provided in Section 3 shall be credited upon the books of the Association to the members affected, in such way as clearly to show their several contributions to the capital funds, and as soon as practicable after the close of each fiscal year the Board of Directors shall cause to be issued to each such member a certificate of his interest in those funds, which shall be in the amount of the deductions made as to that member during that fiscal year; provided, however, that the Directors may refrain from issuing certificates against such fund to the extent that the same may have been depleted by reason of any Association losses during that fiscal year. Said certificates shall be known as Capital Certificates and shall be numbered serially in the order of their issue. The form of and rules relating to issue, transfer, cancellation and retirement of said certificates shall be determined and promulgated from time to time by the Board of Directors.

(b) Funds against which certificates are issued hereunder may be freely commingled and used for Association purposes as the sole property of the Association purposes and shall not be deemed any manner of trust funds for the owners of such certificates.

Section 6. Payment of Certificates. As of the close of each fiscal year the Board of Directors shall determine what if any portion of any such capital funds constitutes a surplus over the minimum amounts thereof and the estimated requirements of the Association, and with any such surplus shall retire the capital certificates then outstanding against the particular fund of funds involved, and in the order of their serial numbers. Said certificates shall be retired solely from the proceeds of the funds against which issued except as otherwise provided in these By-Laws. In making any payment hereunder the Boards of Directors may rely wholly upon the records of the Association and the Association shall not be liable on any certificate to any person other than such as appears by such records to be the owner thereof entitled to payment. Any matured indebtedness to the Association of the holder or owner of any such certificate may be deducted by the Association from any payment thereon.

Section 7. Transfer of Certificates. Certificates shall be transferable only in accordance with rules and regulations prescribed by the Board of Directors, and no transfer shall be effective until and unless recorded on the books of the Association of the holder or owner of the certificate to be

transferred shall first be paid before the transfer shall be made or recognized.

Section 8. Rights of Creditors. Rights of holders of capital certificates shall be subordinate to all other indebtedness of the Association. In event of dissolution of the Association any balance remaining in the capital funds after payment of all liabilities and indebtedness of the Association other than that represented by those funds shall be paid pro rata to the record holders of capital certificates.

Section 9. Pools. The Association may pool or mingle the products of each member with products of like quality, variety, grade, or other classification delivered by other members. The net returns from the sale of such products less such costs, advances, and charges as are provided for in these By-laws and the rules prescribed by the Board of Directors, shall be credited and paid to each member in proportion to the quantity or value of such products shipped, handled or marketed by him through the Association, and on the basis of the average price received for such products of like quality, variety, grade or other classification during such period or periods as the Board of Directors may from time to time determine.

Section 10. Non-Member Business. The Association may at the discretion of the Board of Directors (1) purchase and handle the products of non-members; (2) handle the products of non-members on a commission or percentage basis, at actual cost, or to handle otherwise; or (3) purchase outright and handle for its own account and risk the products or any portion thereof belonging to its members; provided, that in no event shall the value of the business handled for non-members exceed in value the amount handled for its members. Nothing herein shall be construed to limit the authority for the Association to sell to non-members any product by it handled, manufactured or dealt in.

Article XI: Corporate Seal, Books and Papers

Section 1. Seal. The corporate seal of this Association shall be two concentric circles containing the words, "Pacific Cooperative Poultry Producers, Incorporated, 1920, Oregon."

Section 2. Books and Records. The books of the Association and such papers as may be placed on file by vote of the members or Board of Directors shall during business hours be available to inspection by any member of the Board of Directors or his representative duly authorized in writing.

Article XII: Amendments

Section 1. These By-Laws may be amended or repealed at any annual meeting of the members or any special meeting of the members called for that purpose, by majority vote of all members there present in person or represented by mailed ballots.

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Typed by VINCENT HOLCOMB