Membership relations of Montana farmer cooperatives
by Hardial Singh Saini

A dissertation submitted to the Graduate Faculty in partial fulfillment of the requirements for the degree of DOCTOR OF PHILOSOPHY in Agricultural Economics
Montana State University
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Abstract:
The aim of this study was to determine the membership relations practices of Montana farmer cooperatives and to suggest guide-lines for developing more effective membership relations programs. As used in this dissertation, "membership relations program" means the engineering of members' support, obtaining the consent of the membership, generating their enthusiasm, and building and holding their confidence.

Two mailed questionnaires were used to collect the data, one for members and the other for managers. It was found in the survey that the members do not have satisfactory knowledge about their associations and they lack knowledge in general about cooperation. Members revealed that they do not consider themselves in a better position than non-member patrons.

It was found in this survey that management does a satisfactory job in some aspects of membership relations but not in others. A membership relations program may be divided into two parts —communicating with the members and personnel training. More attention to these areas would result in more effective over-all operations.

It was further found that Montana farmer cooperatives do not have the type of programs for the development of the participation of women, the training of youth, better employee relations through incentive plans, and better public relations for most efficient operation.

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3/4

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My parents deserve special compliments, who in spite of their oriental affection were separated from their only son for three years and took care of his affairs in his absence, when they themselves needed rest in their old age.

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ABSTRACT

The aim of this study was to determine the membership relations practices of Montana farmer cooperatives and to suggest guide-lines for developing more effective membership relations programs. As used in this dissertation, "membership relations program" means the engineering of members' support, obtaining the consent of the membership, generating their enthusiasm, and building and holding their confidence.

Two mailed questionnaires were used to collect the data, one for members and the other for managers. It was found in the survey that the members do not have satisfactory knowledge about their associations and they lack knowledge in general about cooperation. Members revealed that they do not consider themselves in a better position than non-member patrons.

It was found in this survey that management does a satisfactory job in some aspects of membership relations but not in others. A membership relations program may be divided into two parts--communicating with the members and personnel training. More attention to these areas would result in more effective over-all operations.

It was further found that Montana farmer cooperatives do not have the type of programs for the development of the participation of women, the training of youth, better employee relations through incentive plans, and better public relations for most efficient operation.

CHAPTER I

INTRODUCTION

The Problem Situation

Agriculture ranks as the most important industry in Montana, providing livelihood for about one-fifth of the total population of the state. In addition the impact of agriculture is felt in the manufacturing industries based on agricultural raw materials; for example, sugar beet refineries, flour and feed mills, meat packing, and dairy processing plants. The average annual marketing receipts amounted to $404.5 million during the last decade.

Development of Cooperatives in the United States

Most farmer owned cooperatives have been started as protest movements against conditions which were thought to be unfair and unsound, such as high margins, questionable weights and tests, and unsatisfactory sources.

Many of the American cooperatives were founded and grew in periods of adversity; a large number of marketing cooperatives were organized during the period of agricultural despair in the early twenties. Many grew rapidly but went astray during the boom of the late twenties, then found it necessary to reorganize and change management during the years of falling prices from 1959 through 1963.

While the number of cooperatives has declined in recent years, there has been a continuous increase both in membership as well as the volume of business (see Appendices B and C). Agricultural marketing cooperatives have consistently accounted for and are still accounting for about three-fourths of the total agricultural cooperative business. Table 1 shows that

TABLE 1. FARM INCOME AND VOLUME OF COOPERATIVE BUSINESS (NET) IN THE UNITED STATED FOR THE PERIOD 1949-50 to 1959-60

Year	Farm Income [a]	Cooperative Marketing Business [b]		All Cooperative Business	
		Volume	Percent of Farm Income	Volume	Percent of Farm Income
	Million Dollars	Million Dollars	%	Million Dollars	%
1950-51	29,056.3	6,359.6	21.9	8,144.1	28.0
1951-52	32,907.3	7,411.1	22.5	9,442.7	28.7
1952-53	32,373.4	7,385.9	22.8	9,539.9	29.5
1953-54	31,412.9	7,328.9	23.3	9.462.9	30.1
1954-55	30,203.4	7,440.9	24.9	9.656.3	31.9
1955-56	29,263.4	7,509.9	25.7	9.769.1	33.4
1956-57	30,372.5	7,980.7	26.3	10,359.3	34.1
1957-58	30,019.0	8,261.1	27.5	10,693.0	35.6
1958-59	34.639.2	9,038.4	26.1	11,679.0	33.7
1959-60	34,133.1	9.281.4	27.2	11,984.2	35.1
Percentage increase during the period	17.5	45.9		24.7	

a/ Statistical Abstract, U.S. Dept. of Commerce

b/ Statistics of Farmer Cooperatives, U.S. Dept. of Agriculture

the volume of cooperative business both in the case of marketing cooperatives as well as all cooperatives combined expressed as a percentage of farm income has gone up. The total increase in farm income during the period has been 17.5 percent whereas the increase in volume of cooperative marketing has been 45.9 percent. The increase in the volume of business handled by all agricultural cooperatives combined during the same period has, however, been 24.7 percent. The volume of cooperative business expressed as a percentage of farm income also shows a consistent increase from 21.9 to 27.2 percent in the case of marketing cooperatives and from 28.0 percent to 35.1 percent in the case of total cooperative business during the last decade.

Development of Cooperatives in Montana

Marketing cooperative associations have played an important role in the farm economy of Montana from early times. They arose out of the necessity for more satisfactory facilities for the marketing of grain and to escape what was felt to be fraudulant practices in the private businessmen. Mrs. Stoltz[1/] in her book dealing with the history of the Montana Farmers Union and its cooperatives describes the exploited condition of the farmers and the difficulties they faced in establishing cooperative elevators. Many cooperatives were started in the period 1914-18. The First World War gave some impetus to the movement but the progress remained slow during the twenties. From the thirties onward, the marketing cooperatives became stable and gained strength.

1/ Mildred K. Stoltz, This is Yours, pp. 288-328.

The number of and membership in cooperatives has increased during the last decade in Montana. (See Appendices D and E). The same trend can be noted in the volume of business handled by these cooperatives, which is a better index of their progress. (Appendix F) The volume of business conducted by marketing cooperatives alone increased from $65 million to $101 million during the last 10-year period.

Table 2 compares the progress of marketing cooperatives with the gross farm income in the state during the last decade. It can be seen that the volume of cooperative business expressed in terms of farm income has gone up from 18.11 percent to 22.95 percent. The volume of total cooperative business expressed as a percentage of farm income rose from 22.53 percent to 29.78 percent. The aggregate increase in the gross farm income during the same period has been 22.62 percent and the increase in the volume of cooperative marketing business has been 55.4 percent, whereas the increase in the volume of total cooperative business was 62.04 percent. From this it can be concluded that cooperatives are making progress in Montana, perhaps even more than that made by cooperatives in the United States as a whole.

However, there is another side to the picture. The number of farms in Montana is going down as people move to cities in the state and outside it. (Table 3) Between 1930 and 1960, urban population in Montana increased from 35 percent to 50.2 percent of the total population. This will have serious social and economic effects on the remaining rural people inasmuch as they will have to pay more per capita for community services, schools, churches, government, and health, which

TABLE 2. GROSS FARM INCOME AND THE VOLUME OF COOPERATIVE BUSINESS IN MONTANA FOR THE PERIOD 1950-1959

Year	Farm Income[a]	Cooperative Marketing Business[b]		All Cooperative Business	
		Volume	Percent of Farm Income	Volume	Percent of Farm Income
	Million Dollars	Million Dollars	%	Million Dollars	%
1950	359.87	65.16	18.1	81.08	22.5
1951	445.69	82.85	18.6	99.55	22.3
1952	406.22	83.15	20.5	101.23	24.9
1953	375.74	84.84	22.6	103.47	27.5
1954	391.82	87.36	19.6	105.98	27.1
1955	372.48	72.95	19.6	93.65	25.1
1956	425.01	72.14	16.9	94.15	22.2
1957	411.36	87.43	21.3	110.26	26.8
1958	450.36	97.74	21.7	125.79	27.9
1959	441.26	101.26	22.9	131.39	29.8
Percentage increase during the period	22.6	55.4		62.0	

a/ Montana Agricultural Statistics, December, 1962, p. 11

b/ Statistics of Farmer Cooperatives

brings in the necessity of increasing incomes of farmers. One way of doing this might be the fuller utilization of cooperatives.

TABLE 3. NUMBER OF FARMS IN MONTANA DURING THE PERIOD 1920-1960*

Year	Number of Farms
1920	57,700
1930	55,000
1940	44,500
1950	37,200
1960	32,000

*Source: Montana Agricultural Statistics, December, 1962, p. 17

While cooperatives are doing a good job, they may be making faster progress in Montana than in other areas of the United States, they still have much to achieve. The path to greater achievement is probably through achievement of better member relationships.

Research Problem

"Membership relations" is a term loosely used and widely misunderstood in spite of the fact that it is an important part of cooperative management. In its loosely handled use, this term sometimes applies to matters that are definitely public relations, part of the operational policies, or something else distinctly different from the activities falling under membership relations. Yet "membership relations" does mean something specific and does have a specific place in the overall activities of the cooperative enterprise.

Different writers define the term differently according to the notion they have about it. Some of the definitions are given below:

> A membership relations program may be defined as the Engineering of member's support, obtaining the consent of membership, generating their enthusiasm, and building and holding their confidence.2/

> Membership relations are the relationships required to bring about the necessary two-way flow of information and responsibilities between members and management of agricultural cooperatives. Establishing and maintaining this two-way flow is the membership relations program of cooperatives.3/

> Membership relations is the total area concerning the member's attitude (good or bad) towards his organization.4/

> Membership relations is the attitude of farmers towards their cooperative and their loyality to its programs.5/

In this study it is assumed that the objective of all membership relations activities is to strengthen the member's feeling of ownership and sense of responsibility for his cooperative. Attaining the above objectives, however, becomes more and more difficult as cooperatives expand business and increase membership. The cooperative organization is an economic democracy as far as relationships are concerned. A

2/ Kenneth Wallin, "A Membership Relations Program Is a Good Business," American Cooperation, 1956, p. 435.

3/ John H. Hockman, "Membership Relations--What Are They?" News for Farmer Cooperatives, October, 1956, p. 5.

4/ George M. Myers, "Meeting the Challenge Through Employee Training," American Cooperation, 1960, p. 529.

5/ Tom G. Ditts, "Progress in Cooperative Marketing," American Cooperation, 1940, p. 53.

cooperative association is a member's organization, having no existence of its own apart from the membership. It is organized to render a service to the members in marketing their products and providing supplies and services and to effect savings for them in so doing. Thus, it depends directly upon its members for its business. The loyalty and interest of members as measured by their willingness to support it are, therefore, one of the important requirements for success.

From the point of view of its structure, a cooperative association may be a real social group, as much so as a family, civic club, or a religious organization. This viewpoint may not appeal immediately to a goodly number of people who have stressed the idea that a cooperative marketing association is strictly a business organization without any social implication. However, recognizing the fact that its purpose and actual operations in marketing crops and providing supplies and services are indeed what we consider as purely business activities, the membership relations and obligations involved in successful cooperation are those which characterize most all social groups.

The social nature of a cooperative association was pointed out by T.B. Manny[6/] in his paper read at the annual session of the American Institute of Cooperation. He described the membership contracts to be economic in nature and the member's participation in the activities of

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6/ T. B. Manny, "Some Social Factors in Membership Relations," American Cooperation, 1929, p. 309.

the association and its support to be concerned with the social nature of the association. T. B. Claussen[7] also viewed a cooperative as a business institution as well as a social group in his paper at the 1938 session of the American Institute of Cooperation. He stated that if a cooperative business organization forgets the membership side, it becomes commercial and if it forgets the business side, it becomes fraternal. He stressed the balance between the two. Tom G. Stitts[8] also emphasized the importance of the social side of a cooperative. He stated that even though a cooperative association receives its main impetus from economic forces, its social implications should not be disregarded, because when it makes progress in a material sense, it gains in social stature.

The same social nature of a cooperative association along with its economic nature has been recognized in this manuscript, although the main importance has been given to the economic side. The business aspect of a cooperative association can be said to have secondary-group characteristics and the membership aspect to have primary-group characteristics. It is not possible to set up a successful cooperative venture as a pure business institution utterly unrelated to the lives of the people.

7/ T. B. Claussen, "Keeping Membership Interest Alive," American Cooperation, 1938, p. 105.

8/ Tom G. Stitts, "Progress in Cooperative Marketing," American Cooperation, 1940, p. 46.

Membership relations programs were neglected for about 100 years after the cooperatives were formally organized in America. Only during the last few years have cooperatives realized their importance and given due attention to building the responsibility of ownership on behalf of the member patrons. Heckman and Lebeau 9/ give three reasons for this lag. These are (1) local nature of the early cooperatives, (2) class issues in early programs, and (3) reliance on the delivery contract for loyalty.

As to the first reason, the local nature of the associations, the community organizations performing the local services had only nearby farmers as members. Thus informal relationships were possible and practical. The importance of the second reason, class issues in the development of early cooperative programs, lay in the idea that the "unholy" middleman must be eliminated. The third reason, relying on delivery contracts, began with the rise of the large scale type of commodity cooperatives.

The theory of higher prices through volume control was probably responsible for the beginning of specialized membership relations. The size of cooperative associations grew large and volume of business increased many times. The locals merged into federated and central type organizations where the members did not know each other and information

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9/ John H. Heckman and Oscar R. Lebeau, "Membership Problems Grow With The Co-op," News for Farmer Cooperatives, January, 1951, pp. 22-23.

about the association was meager. The problems of larger cooperatives during the twenties stimulated the thinking of the leaders to secure, hold, and develop the understanding and loyalty of members. They began to place more emphasis on the importance of understanding the fundamental objectives on the part of members and it was believed that a feeling of ownership and an opportunity for participation were necessary to assure loyalty.

Thus, the widespread development of membership relations programs by cooperatives really began in the middle twenties. Cooperatives added fieldmen to their staff and started house organs to spread their contacts over wider areas than the earlier personal contact methods.

The Bureau of Agricultural Economics began its first study of membership relations and attitudes among cooperative members in November, 1925, in cooperation with the University of Kentucky.10/ The purpose of these studies was to find out what growers were thinking about cooperative associations; what they knew about marketing and services the cooperatives were rendering; their criticisms of their associations and their expectations for cooperative marketing. This is believed to be the starting point for a constructive program designed to prepare growers for the actively intelligent part they must perform and for the building of membership morale.

10/ J. W. Jones, "What Studies of Membership Attitudes Have Revealed," American Cooperation, 1928, p. 231.

The history of farmer cooperatives is full of stories of those that have failed to make the grade. At the same time it is bright with those that have succeeded. In 1947, Dr. A. Ladru Jensen and Dr. Raymond W. Miller completed a study which was published in the Harvard Business Review of Winter, 1947, entitled, "Failure of Farm Cooperatives."11/ In this article they point out that most of the deceased farmer cooperative organizations had succumbed to ailments inflicted upon them by uninformed membership, incompetent management, or unconcerned directors. A comparison study shows that the successes of farmer cooperatives are largely because of cohesiveness of these three groups who are interested in the cooperative.

Cooperatives now realize more and more that along with improved methods of processing, merchandising, and technological advances they need more modernized techniques in their relations with members. Two factors are responsible for this change. One is the competition of other activities for the attention of members and the other is the expanding concept of who makes up the membership. As these competing interests and activities have to be subordinated, participation requires positive effort by even the interested members. Regarding the second point, the concept of membership is changing to include the whole family of the farmer instead of the member himself alone. As a result, more and more attention is being paid to the participation of women and the

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11/ Raymond W. Miller, "Cooperative--Catalysts for Freedom in the Community of Nations," American Cooperation, 1960, p. 46.

training of youth.

The farmer needs to be tied to his cooperative through a variety of binding elements, experiences, and viewpoints in which emotions play a considerable role. Then and only then will he acquire attitudes and habits which will make him a permanent and enthusiastic cooperative member.

Farmers who join cooperatives, however, must make their business a part of the business of the association and vice versa if the cooperative is to be most effective. Members must assume new responsibilities as well as enjoy new benefits. They must participate in group activities and be ready to sacrifice time and money. They have to learn something of the business techniques required to operate the association.

It is necessary that the membership relations program be organized on modern lines, using new ideas in order to keep pace with the dynamic changes in all phases of life. Continuous development of new techniques is necessary to put these ideas into effect. Farmer cooperatives, like all other businesses, need to adapt their operations to meet those necessary requirements. Cooperatives must deal with a two-way flow of information and responsibilities between members and management.

In addition to modernizing the techniques of membership relations, certain conditions are necessary to carry out ideas to members. These conditions are given by Heckman[12/] to be information, motivation and

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12/ John H. Heckman, "Ideas on Membership Relations," News for Farmer Cooperatives, September, 1958, p. 12.

participation. An effective action in a democracy requires adequate information. If the member does not utilize this information the necessity of motivation comes in. Means must also be provided for the actual participation of the members.

Objectives

Young farmers do not understand cooperative principles or the importance of cooperatives. The old pioneers who realized the need for cooperatives and the difficulties of their early organization have died or are retiring, and as a result the members are becoming less interested in the cooperative movement.

This study undertakes to determine the components of member-relations programs that have been proven effective in other situations as guidelines in appraising the programs used by Montana cooperatives.

More specifically, the objectives were:

1. To develop a model membership relations program.
2. To evaluate the members' knowledge of and interest in their cooperatives.
3. To study the present programs dealing with membership relations used by Montana farmer cooperatives.

This study, however, did not aim at quantifying the effects of the modern membership relations upon the success of a cooperative association. One study is not enough to give such results. Even the membership relations branch of the Farmer Cooperative Service of the United States Department of Agriculture has not dealt with such a relationship after making many studies. This would be research in the area of social

science which involves attitudes to a considerable extent. No effort was made to establish statistical correlations between the methods of membership relations and their achievement as evidenced by increased volume of business or greater attendance at annual meetings.

Hypothesis

Hypotheses of this study are that Montana cooperatives have not established well developed membership relations programs, and that the establishment of such programs would contribute to their long run success. Major emphasis in this thesis is devoted to the first hypothesis.

Procedure

Based on the review of literature on the subject, an hypothetical model of membership relations was built. Secondly, in the spring of 1963 a questionnaire was mailed to the managers of all the supply and marketing cooperatives in the state in order to find out the extent to which they practice the elements of the hypothetical ideal membership relations program. In all, 248 schedules were mailed. Seventy-two schedules were returned, giving a response of about 28 percent. A follow-up letter was mailed to some of those who did not respond, along with a second copy of the questionnaire. This action brought back 32 more schedules, raising the response to approximately 42 percent. In this way 104 schedules were obtained. Out of these, 37 were from grain elevators, 15 from wool pools, and 49 from supply cooperatives. Three

schedules were from miscellaneous types, a cooperative creamery, a cattle feeders association, and a certified seed growers association. The discussion is based on the first three types accounting for 101 schedules.

In order to have a basis for proposing a membership relations program, an evaluation of the member's knowledge of the affairs of their cooperative and their idea of cooperation in general was made. Every manager included in the survey was asked to give the names of five members of his association. It is believed that they probably supplied the names of loyal members. Some of the members clearly mentioned that they were the directors or the presidents of their organizations. The sample, therefore, was not representative of the ordinary member. However the position of the knowledge of an average member can be estimated in a crude way from the analysis of the answers received since an ordinary member can be expected to know comparatively less about the cooperative than an official. If the directors know very little about the cooperative, the rank and file member is likely to be worse in this regard.

From the point of view of the period over which the memberships have been held, this was fairly long. Many of the members joined the cooperative in the twenties and thirties when the cooperative movement was in its early stages. A brief description of the period of membership of the members is given in Table 4.

TABLE 4. LENGTH OF THE MEMBERSHIP OF MEMBERS OF MONTANA FARMER COOPERATIVES PARTICIPATING IN THIS STUDY, MARCH 1963

Time Period	Number of Members in the Period	Approximate Percentage of the Total Response
Less than 10 years	3	2
10-19 years	54	44
20-29 years	49	40
30 years and over	17	14
Total	123	100

Ninety-eight percent of the responding members had held their membership for 10 or more years. Only a negligible portion, that is 2 percent, had been members for less than 10 years. Of the 14 percent who did not specifically mention the year of their joining the cooperative or otherwise the total period, almost all or a great majority can be considered to be members over 10 years, since most of them stated that they joined the cooperative when it was first organized.

CHAPTER II

MEMBERSHIP RELATIONS PROGRAMS

Fundamental Philosophy and Principles

Communication Functions

Farmer cooperatives may be sound business enterprises which are constantly seeking to improve the economic position of farmer patrons. The dissemination of any and all available information that will lead to a better understanding on the part of the members of the basic principles and the economic role of the cooperative will facilitiate the attainment of this goal. In order that the member may place his confidence in the cooperative and consider himself a proprietor and the cooperative an off-farm tool to increase his income, it is necessary to try to develop certain kinds of understanding in him. He must be led to a realization that to use this tool he will have to accept some responsibilities. The question thus arises, "What should a membership relations program try to achieve?"

May[1/] suggests explaining to the member the philosophy of cooperation and making him realize his ownership. He suggests that it be done in the following way:

> This is your cooperative. Its success or failure is brought about by you and your participation. This cooperative does not belong to the management, nor does it belong to the board of directors, nor the neighbor across the field--but to you. It is your responsibility. This cooperative can and will solve the portion of your economic problems that it is designed to solve,

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1/ Donald W. May, "How to Develop Active, Informed Members," American Cooperation, 1950, p. 50.

but only after you, as a member and owner, assume your share of responsibility and take your share of the load in bringing about its development.

The cooperative is designed to do certain things. It is set up because these things are too big for you, as an individual, to do alone, so you join hands with your neighbors and friends to do them together in cooperation. If you, or any other link in this chain of cooperative activity, weaken, the effectiveness of solidarity of action weakens.

Clyde C. Edmond,2/ while pointing out the information to be given, goes somewhat into detail. He states that a member can be expected to know the set-up and functioning of the organization. An association member may be interested in knowing the details of his capital investment. For example, he is justified in asking the necessity for reserves. He may not understand this necessity himself but will understand when it is explained to him. Another item which might be explained is "general overhead."

The next important thing which the member needs to know is the deduction to be made from the market price in order to calculate the price paid to him. All of the items such as freight, transit loading and unloading charges, the selling cost on the terminal market should be told to him. He should also be assured that his funds are carefully handled and that a certified public accountant periodically audits the books and receipts of the association.

Finally, the member needs to know something of the background of

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2/ Clyde C. Edmond, "What Information Should Be Furnished to Members," American Cooperation, 1940, p. 275.

the organization, its tradition and history, as a help in evaluating the service he is getting from the association as compared with what he might have had otherwise.

In summary, it can be said that the information to be supplied to the member can be broadly divided into two groups--what cooperation is and information about the particular cooperative and its operations. The first type of information includes such things as ownership and control by the users for their benefit. Principles and philosophy would come under this group because they tend to explain how an organization operates for the benefit of the users. In regard to the information concerning operations, a member has the right to know anything and everything about his cooperative, while recognizing that there are certain things that should not be publicized openly and that certain specific details of business management should be restricted to a closed meeting of members.

Philosophy of Cooperation

Membership relations programs have a wide scope. A sound membership relations program, as Kenneth Wallin suggests, should begin with the member before his formal enrollment as a member and should continue even after he leaves the cooperative. The cooperative philosophy and membership education should be based on what the cooperative is, how it works, how it serves and benefits the members, and why they must finance it and properly patronize it.

Philosophy, according to the Webster Dictionary, may be defined as

the "universal science which aims at an explanation of all the phenomena explained by or resolved into, cause and reasons, powers and laws." When applied to any particular department of knowledge, it denotes the "collection of general laws or principles under which all the subordinate phenomena or facts relating to that subject are comprehended." Philosophy of cooperation is an attempt to explain the nature and purpose of cooperation in a manner supported by the logical analysis in accordance with the criteria or principles of some organized body of knowledge or science.

Two types of philosophy of cooperation can be distinguished. There are those who consider a cooperative as an economic institution. This group is dominant and, therefore, economic philosophy is commonly accepted in America. However, there is another group who emphasize the social and spiritual implications of cooperation without denying that a cooperative association is an economic tool.

Social Philosophy

The most well-known exponent of the social philosophy of cooperatives is Carl C. Taylor. He expressed his philosophy in a paper entitled "Objectives of Farmer Cooperatives: By a Sociologist," read at the 1949 annual session of the American Institute of Cooperation.3/

Human behavior, according to some sociologists, can be distinguished into three kinds--cooperation, conflict, and competition. The basis for

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3/ Carl C. Taylor, "Objectives of Farmer Cooperatives: By a Sociologist," American Cooperation, 1949, pp. 63-73.

this distinction is the fact that the actions of others stimulate a person to a higher level of activity. In conflict, the actions of others are opposed; in competition they may be opposed or parallel; in cooperation they are parallel and mutual. The point to be considered is which of these three types of behavior accomplishes the highest level of attainment.

Sociologists hold that persons perform at higher levels of attainment in group situations than when alone, and that they have a higher per capita attainment when working in team work with others than when working either alone or in competition with others. In the article referred to above, Carl C. Taylor reports the results of many research studies to support this view. He states that mutual aid is a law of nature.

Group life and group bonds are believed by sociologists to be essential needs of human personalities. They hold that persons are something more than isolated individuals, and social groups are something more than the aggregates of individuals. Mutual behavior and mutual sentiments are inevitable for human beings.

Professor Tonnies recognized this vital part played by mutual life and gave it the name Gemeinschaft (Community). Later on, Professor C. H. Cooley classified all human groups into primary and secondary groups. Primary group attitudes are found in old societies. As the societies became modern they adopt more and more secondary group characteristics. However, the primary group characteristics survive in families, communities, schools, and churches. Primary group activities and a belief in

primary group values do not die with the development of secondary group relations. The fact that they never die is a cause for the growth of the cooperative movement. Cooperatives serve both primary and secondary group needs.

Taylor considers cooperatives a bridge between primary and secondary group techniques and values. He feels that if they are member-operated, they need not depend upon propaganda or public relations. They can depend on membership education which comes chiefly through member participation. He holds that cooperatives are secondary in their buying or selling and are primary groups on their local level.

The necessity of establishing this bridge between the secondary group attitudes of the modern complex society and the deep desires of persons to be neighbors, to practice mutual aid, according to Taylor, is probably the unconscious cause for the growth of cooperatives. He states that upon the maintenance and strengthening of both pillars of this bridge depends the growth of cooperatives as a type of economic and social organization. He further mentions that to make one of these pillars of the bridge strong by being successful in business may allow the other pillar to fall into decay. On the other hand, to strengthen membership relations as a sole objective while neglecting sound business principles in operation causes the bridge to sink at the other end. He stresses that only working constantly on both efficient business and local community relations keeps the whole bridge strong and demonstrates the uniqueness of cooperatives as special types of economic and social organization.

Economic Philosophy

This philosophy considers a cooperative association to be a type of business organization through which the members considered as small business units can possibly gain some, if not all, of the economies and advantages of large scale operations. According to this theory, a cooperative association is an economic tool by which farmers can achieve some of their objectives. A proponent of the economic philosophy is Richard Phillips.4/ He considers a cooperative association as an association of firms or households for business purposes. According to him, a cooperative association is an economic institution through which economic activity is conducted to achieve economic objectives. To Phillips, a cooperative association is purely a business concern.

In his opinion, a farmers' cooperative association is a mutual plant operated jointly as a vital part of individual firms. These participating firms--the farmers--agree to function jointly for this particular activity. This agreement is multilateral among the participating firms. The proprietors of these associated firms have to allocate some of their resources to the common plant in order to run it.

Phillips lays down a set of conditions for the operation of the common plant by the associated firms. Each participating firm has to be in equilibrium. For this, the marginal productivity of the resource allocated to the common plant must be equal to the marginal productivity

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4/ Richard Phillips, "Economic Nature of the Cooperative Association," Agricultural Cooperation, 1957, pp. 142-153.

of that resource in the individual plants of member firms. Participating firms do not necessarily share the joint plant equally, but proportionate to the size of their own productive activities. They share all the responsibilities and privileges according to this proportionality. For these participating firms to maximize their profits, two conditions will have to be met: first, each firm has to be at its own production equilibrium; second, the joint plant must be of optimum size. The number and size of the participating firms affect the size of the joint plant. The participating firms gain an economic advantage through the economies of large scale operation.

The theory cannot be said to be entirely satisfactory. A critical examination will present some complications, especially if an effort is made to bring it into practical use. Two points need special consideration. In the first place, a condition was set for the purposes of operation that the marginal revenue of the resources allocated by an associated firm to the joint plant should be equal to the marginal revenue of the resources used by that firm itself. This, in other words, means that the firms should adjust their production functions all the time so that the marginal revenue of their resources may coincide with the marginal revenue of their resources allocated to the joint plant. For example, if marginal revenue from the cooperative is above marginal revenue from the use of capital in the firm, the capital should be shifted from the farm to the cooperative. Unless the cooperative is expanding, it may not desire additional capital. Also it is not always possible for the cooperative to be flexible because of heavy fixed

costs. However, cooperatives do try to maximize their returns within the limitations surrounding them.

The other problem in accepting the theory regards its very nature. A cooperative association can correctly be considered a common plant, insofar as all the members own it and it operates for them and not for a few stockholders as does an ordinary corporation. But the theory fails to support the joint plant nature of a cooperative association when considered at the decision-making level. The members elect the board of directors and this board of directors along with the manager makes decisions for the organization. It is difficult to deny that decision-making takes place at the management level, although it may be argued that the management makes these decisions on behalf of the members. It may be so, but the decision-making does take place at the headquarters of the association and the association does have an independent entity for running its day-to-day operation. In this regard it is a firm very much like an ordinary corporation. This view is further supported by the legal status of a cooperative. By law it is considered a firm. Thus, the theory fails to support completely a cooperative as a common plant. These two weaknesses of the theory are serious enough to warrant further exploration for a more adequate theory.

Principles of Cooperation

In order that a cooperative association may function most efficiently for the betterment of its members, it should have a steady and optimum volume and participation of the members. Participation results

from the understanding of cooperative principles and philosophy. An understanding of principles induces participation in a cooperative. Without it, the member does not understand the working of his cooperative fully and his viewpoint remains narrow.

Cooperatives are now fairly well established and are making reasonable progress. Much literature is available on the cooperative movement. Even so, there is no final fully accepted set of principles of cooperation. The reason for this seems to be the fact that there are differences in definitions of principles. The basis for differences is that one group considers adherence to principles to be necessary for the success of an association, and another group considers them simply tried practices and guidelines for success. The first group gives principles the status of laws and sticks to Rochdalian principles somewhat strictly. The second group considers principles as guide-posts and ever amends them, keeping in view the philosophy and objectives of the cooperative movement.

Modern cooperative leaders and writers adopt the more liberal view generally. They consider principles as guiding practices and do not hold that the non-adoption of Rochdalian principles will necessarily lead the cooperative association to failure. They consider the Rochdalian principles necessary for success only under the kind of conditions existing when the Rochdalian pioneers ran their store.

Following are the Rochdale Principles:

1. Capital should be of their own providing and bear a fixed rate of interest.

2. Only purest provisions procurable should be supplied to members.

3. Full weight and measure should be given.

4. Market prices should be charged and no credit given nor asked.

5. Profits should be divided pro rata upon the amount of purchases made by each member.

6. The principle of "one-member--one vote" should be the basis for administration. Also the equality of sexes in membership is recognized.

7. Management should be in the hands of officers and committees elected periodically.

8. A definite percentage of profits should be allocated to education.

9. Frequent statements and balance sheets should be presented to members.

Faced with the problem of diversity of principles which the co-operatives in different countries had adopted, the International Co-operative Alliance announced the following principles at the 1937 International Cooperative Congress held at Paris in 1937:

Primary Principles:	Open Membership Democratic Control Dividends on Patronage Limited Returns
Secondary Principles:	Political and Religious Neutrality Cash Trading Promotion of Education

As pointed out earlier, cooperatives have often not followed the principles <u>in toto</u> as set up by the Rochdale pioneers, but they have changed them to achieve the objectives underlying cooperative philosophy.

The well-known principle of "open membership" is modified to "selected membership," i.e., to members having the same interests, as milk producers, orange growers, etc. The commonly accepted principle of "one man--one vote" is modified to voting on a patronage basis. Sometimes the principle of patronage refunds is modified in a way that all the savings are put into reserve funds. Cash trading is just an ideal seldom accomplished in farmer-owned supply cooperatives. Most cooperatives have outstanding debts against their member-patrons, but are still running successfully.

Marvin A. Schaars,5/ in an article read at the 1951 annual session of the American Institute of Cooperation treated the subject of cooperative principles in detail. He divided all the principles into three categories as below:

1. Hard core principles which all cooperatives must observe.
2. Principles applicable to certain types of associations and not to others.
3. Fringe principles in the undecisive stage where practices and principles are not clearly differentiated.

The objectives which these principles are to achieve are (1) providing services on a cost basis, (2) providing economic gains to the member-patrons, (3) providing equality in governing rights, and (4) serving only the members rather than the public at large.

5/ Marvin A. Schaars, "Basic Principles of Cooperation--Their Growth and Development," American Cooperation, 1951, pp. 835-852.

Hard Core Principles Applicable to All Cooperatives

Democratic control. Democratic control is based on the ideology that those who are intended to benefit from the organization must govern it. If they do not control it, they may not achieve the desired benefits. The benefits the members expect to get through the cooperative are services or goods of the kind they want at cost. Any savings the association makes belong to the members. To protect their savings and prevent their going to someone else as profits, the members must control the organization on a democratic basis. Capital cannot be the basis of control because the object of a cooperative is not profit but service at cost. If it were operated through capital control, a few members with large investments could vote the savings into profits on capital and the objective of no-profit service would be nullified. Democratic control is usually achieved through one man--one vote, and it works well when all the members have almost equal patronage. However, if there are considerable differences in the size of patronage of the members, those with greater patronage are sometimes allowed additional votes in matters directly related to the business in which they have a large stake. This is done so that they may safeguard their interest.

Limited returns on capital. A cooperative needs capital for its day-to-day operations like any other corporation, but its earnings are in fact savings to members because it is non-profit in its setup. These earnings cannot belong to capital suppliers as profit. Therefore, a cooperative has to limit the returns on capital to the going rate of

interest. Profits are paid to the capital suppliers in a private business because they assume risks. In a cooperative, the members assume the risks, so they are entitled to the savings. If this principle were not observed, the more wealthy members could buy stock in a successful cooperative for the sake of dividends and the association could become a profit-making enterprise.

Service at cost--sharing the saving in direct proportion to patronage. This principle concerns itself with the relationship between the cooperative and its members. A cooperative association may be incorporated and have a separate legal entity, but it is still the agent of its members. It is not organized to earn a profit on the services rendered to the members, but to provide these at cost. It is not possible for all cooperatives to operate on a precise cost basis on every business transaction. They operate on margins in excess of true costs, so it is necessary for them to declare refunds on patronage to achieve the service at cost.

Principles Applicable to Different Types of Cooperatives

Open membership. This principle is based on the economies of scale. The more members there are in an association, the greater may be the savings due to economies of large scale achieved in operation. Some cooperative associations, generally marketing cooperatives, have modified this to open but selective membership and have restricted the membership to definite classes of members, such as grain growers for elevators.

Single commodity. This principle is also especially suited to

marketing cooperatives. It means the organizing of cooperatives on a single commodity basis where production is sufficiently large for economic operation.

Cash trading. This principle has been observed in the past, but in recent years with the prevalence of credit in trade it is difficult to observe. Consumer cooperatives are finding it hard to exist if they insist on cash. Many members try to get an advance on the crop to be sold to the association for buying fertilizer, fuel, etc. Marketing cooperatives cannot make their sales always on a cash basis. The service of the provision of credit by private business firms makes it difficult for cooperatives to act otherwise.

Fringe Principles

Schaars lists the following eight policies under this group:

1. Financing the association in proportion to patronage.
2. Selling goods at market price to avoid price wars, permit the payment of large refunds, provide more liberal margins for operations, to enlarge the current capital funds for business needs, and to reduce the risk of financial embarrassment.
3. Political, religious, and racial neutrality.
4. Promotion of education in cooperation.
5. Striving for efficiency.
6. Expanding operations.
7. Controlling or owning market facilities.
8. Disseminating information to members and patrons.

Continuous Nature of Membership Relations

Membership relations is a continuous job, since words do not make an everlasting impression on the human mind. To keep the members supporting their cooperative, the cooperative story needs to be repeated again and again. In order to maintain the old and attract new members, the management should tell the cooperative philosophy all the time. Metzger,6/ late editor of the Pennsylvania Cooperative Review, emphasizes the continuous nature of the membership relations as follows:

> Membership information is a never-ending task. We should never delude ourselves that a large percentage of our patrons know enough about cooperation. Only one out of ten patrons can give the definition of the word "cooperation," not to speak of larger implications. Their understanding is too vague and insufficient. They do not comprehend that in a cooperative they are the be-all and end-all of an organization, the absolute owners and controllers. They do not understand that success or failure of a cooperative must properly be laid at their door. Until a better foundation is laid to correct this condition, cooperatives are building on too much quicksand.

Generally, farmers believe their leaders. For this reason management sometimes becomes careless and neglects members when the cooperative is working all right, but when the association runs into some problem or a loss is incurred, the members do not support management and hold them responsible. Geyer7/ says:

6/ T. Warren Metzger, "Putting the Message Across to Members," News For Farmer Cooperatives, September, 1950, p. 11.

7/ Ken E. Geyer, "Know Your Pronouns," News For Farmer Cooperatives, June, 1954, p. 6.

> Farmers as a group are more inherently loyal to their leadership than any other group. When times are good and the going is smooth, it is easy for the management to fall into the trap of making decisions without much participation by the members. When times get bad, if the members have been helping to make the decisions, they will continue to do so and share the responsibilities, if the decisions turn out to be wrong. If, on the other hand, the management has been making the decisions, the members will expect management to continue to do so when the going gets rough and expect management to take the full blame if the decisions go sour.

To make the members feel like owners of a cooperative requires continual sharpening of the self-help tool of the members. Heckman and Lebeau[8/] recommend three polishers and grinders: careful planning, stimulating understanding, and encouraging and providing for participation. Systematic and careful planning can be done only with the aid of facts. For this reason research is necessary for a membership relations program. Stimulating understanding among the members covers a wide area. Here self-help is most effective for the members. Encouraging participation by members is the final step in sound planning. This can be done by orienting the young members, training personnel, and including farm women in the cooperative's programs.

The same authors emphasize the continuous nature of membership relations elsewhere, as follows:

> The problem of members and management of cooperatives needing to know, is certainly not new, nor is it likely to be permanently solved. Some problems of democracy may be disposed of permanently,

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8/ John H. Heckman and Oscar R. Lebeau, "Self-Help Tool--Cooperatives Sharpened by Members," News for Farmer Cooperatives, January, 1958, p. 16.

but not the ones of getting the right information to people and then getting participation. There are continually new generations becoming interested and new problems arising. Thus, the problem of training in and increasing the know-how of democracy never ends. The economic democracies--the cooperatives--have the same continuing problems as do the political democracies.[9]

Quick[10] expresses her opinion on the same subject:

A cooperative needs to see that its switchboard of communication is continuously lit up if it hopes to build and keep a successful organization.

Role of Membership Relations in Cooperative Business

The distinctive features of the cooperative way of doing business bring up the question of the position of the individual farmer as a member of his association, and the problem of membership relations. Membership relations involve the loyalty of farmers to the cooperative, their interest in its affairs and support of its policies, their willingness to finance the association, and most of all their intelligent control of the directors and then of the managers and employees. A well-informed membership is essential, therefore, in building up the proper kind of relationship between the cooperative and its members.

For the successful working of a cooperative association, a correct understanding of the nature of cooperation seems to be of utmost -

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9/ John H. Heckman and Oscar R. Lebeau, "Members and Management Need to Know," News for Farmer Cooperatives, January, 1954, p. 5.

10/ Margrett Quick, "Keeping the Line Open to Members," News for Farmer Cooperatives, March, 1954, p. 4.

necessity. The members make up the organization and every individual member-patron is a part of that organization. The mental attitude of the members is, to a great extent, responsible for making them willing or unwilling to cooperate. This mental attitude is generally the result of expected gains from cooperation weighed against the added responsibilities, principles of cooperation, and the benefits to be derived from cooperative marketing.

A cooperative business enterprise differs from a private one, therefore educational activities must differ. The cooperative association depends directly upon its members for its business. There can be no cooperative if the members withdraw their business. The loyalty and interest of the members as evidenced by their willingness to support the cooperative by patronizing it and participating in its affairs is, therefore, one of the most important requirements for success. The lack of loyalty and interest on the part of the members is frequently a cause of failure of a cooperative business organization.

This distinctive feature of the cooperative way of doing business brings forth the need for a different strategy in managing a cooperative business organization. Along with managing the association for business efficiency, the management has to strive for membership relations. There are two distinct phases in management of a cooperative business enterprise--management of its business and management for membership relations. The management of the human element is perhaps as important as the business side. Operating efficiency comes out of membership relations--the attitude of the member partons towards their

institution and their loyalty and interest in the cooperative program. Heizer and Hayward[11] say that good management is no substitute for membership education, but good management does include membership education.

In the early days, the American cooperatives were small and of local nature organized around a community interest. Modern cooperatives have become large and gained volume. Most of them are centralized or federated in nature, and they handle millions of dollars. Many have become specialized as they grow in size, while others offer a variety of services. Much of the actual operation is delegated to employees.

The intimate knowledge of cooperative affairs now tends to be confined to those members who act in some official activity such as serving on the board of directors. The rank and file member feels less responsibility for and ownership of his association. Effective communication becomes more difficult. As a cooperative grows in size, complexity, and variety of services offered, strong membership support becomes increasingly important. To secure strong member support, cooperatives must keep members informed.

Membership relations has been recognized as a part of cooperative management along with business management by J. W. Jones.[12] He states:

11/ J. M. Heizer and H. C. Hayward, "Membership Education Pays Credit Co-operatives," News for Farmer Cooperatives, March, 1951, p. 9.

12/ J. W. Jones, Membership Relations of Cooperative Associations, Farm Credit Administration, Cooperative Division, Bulletin No. 9, October, 1936, p. 2.

> Administration of a cooperative association may roughly be divided into two parts or function: First, business administration which includes financing, processing and merchandising the commodities handled, and the supervision of credit and collections; and second, membership administration, which includes the maintenance of agreeable human relations. Success in either of these functions may be achieved with comparative failure in the other function and the consequent disaster to the cooperative association. No amount of organization, member contract and membership education is a substitute for sound business administration, nor is sound business and financial administration sufficient to make a healthy cooperation.

Cooperation rests with the members. Cooperating is acting together, and to do any particular thing cooperatively, enough people must act together to do the thing at hand. The conditions of success are simply deciding what to do and then all standing by until it is done. If only half stand by, the thing will fail. There are hundreds of reasons given for the failure of cooperative associations, but they practically all stem from a lack of intelligent perseverance. Of the many doors to disaster, disloyalty is the key which unlocks them all.

C. C. Teague[13/] expressed similar views at the annual session of the American Institute of Cooperation in 1937:

> It goes almost without saying that the fundamentals of any long-time successful cooperative marketing program are sales and merchandising skill, sound financing and an attitude of ownership and loyalty on the part of members. Over 40 years observation of both successful and unsuccessful cooperatives has repeatedly shown that any two of these three fundamental factors will prove insufficient without the third, and that the factor of membership relations is probably the most important of all.

13/ C. C. Teague, "Aims and Objectives in Cooperative Marketing," American Cooperation, 1937, p. 20.

Speaking at the 1951 annual session of the American Institute of Cooperation, Mrs. Louise W. East[14] stressed the need for membership relations. She gave four reasons why people do not cooperate:

1. Lack of knowledge
2. Indifference
3. Lack of initiative
4. Selfishness.

This way she gave first rate importance to the supply of information to the members. It sounds reasonable to say that the other three reasons given by Mrs. East for non-cooperation seem to stem from the first one. Thus the first step in building better cooperation should be to acquaint members with all information necessary to show the purpose and history of the organization, their duties and their responsibilities.

Irwin W. Rust, Chief, Membership Relations Branch of Farmer Cooperative Service, United States Department of Agriculture considers member participation as the most important factor for the success of a cooperative. He expressed his opinion as follows:[15]

> The most important single factor in successful cooperative endeavor is the strength of the bond between the cooperative and its members, the degree to which member-patrons feel a sense of

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14/ Mrs. Louise W. East, "Women's Abilities Should be Used More," American Cooperation, 1951, p. 909.

15/ Irwin W. Rust, "Cooperative Member Relations--Foundations, Forecast, Challenge," News for Farmer Cooperatives, January, 1961, p. 23.

> membership of and responsibility towards their cooperative. Without strong member support, the most competent management, impressive facilities or big bank accounts are of little use in building a strong business enterprise.

The growth in membership of cooperative organizations and the anti-cooperative propaganda in recent years has made it necessary to strengthen membership relations. Certainly not all members of cooperatives are enthusiastic supporters of their associations. Many, in fact, are indifferent, disinterested, opportunistic, and even critical. In any democratic organization of gigantic size, many people lose interest and do not participate, or they become merely passive participants. Very often everybody's business becomes nobody's business. It takes time and effort to condition people to participate in any social or economic system.

Marvin A. Schaars[16/] gives a very sound reason for this critical attitude of the members. He suggests that "when people have a proprietary interest in some organization, there is disposition to be more critical." A cooperative organization is the member's business and not just another place to do business. Cooperative members are less concerned about cooperative ideology, underlying principles of cooperative organization, and academic aspects of the mobement than they are about the day-to-day affairs of the association, how they are treated, and how much they gain by trading there rather than anywhere else.

16/ Marvin A. Schaars, "Strengthening Membership Relations," American Cooperation, 1952, p. 72.

In the analysis which follows, it is assumed that the farmer who once thoroughly understands his cooperative and who is then kept up-to-date on current developments will be a loyal member of the organization. The assumption seems well supported by literature cited and discussed above. Such a member is not only more likely to continue to patronize his cooperative even in times when the going gets tough, but he is the farmer who will take an interest in the operations of his organization. Also, the well-informed member is easier to do business with. He does not take a lot of the manager's and other employees' time arguing about trivial matters. His criticisms are more likely to be of a constructive nature. He is more likely to meet his obligations to the cooperative promptly because he knows that it is an organization that belongs to him.

Techniques of Membership Relations

That a well-informed membership is fundamental to any successful organization has been recognized from almost the beginning of the cooperative movement. Each organization has worked out its own methods of accomplishing this end, but in order to keep pace with the progress of the world, cooperatives have had to adopt new techniques so that they could succeed. To quote Lawrence:[17/]

17/ Thomas H. Lawrence, "What is New in Human Relations and Leadership," American Cooperation, 1962, p. 57.

> There is nothing new in human relations. The concept of dealing with human beings is old and involves scientific approach to human behavior and the motives that cause it.
>
> On the other hand, it is important to think about new approaches to the human relations problem. Perhaps one of the greatest indictments of management to-day is the fact that we have lacked creativity in our human relations skills.

Carrying out of the membership relations program may be divided into two parts--communicating with the members and the training of personnel. To quote Hardy:[18]

> Basic elements of a good membership relations program are: Training directors, managers, and employees: and communicating with members through personal contacts, local newsletters, and annual meetings.

Methods of Communication

The basic tool used in membership relations work is "communication." According to Charles Horton Cooley,[19] communication is the mechanism through which human relations exist and develop, and all the symbols of the mind, together with the means of conveying them and preserving them in time.

The method of communication will vary greatly with different organizations. The particular nature of a specialized mechanism to function on the maintenance of a proper relationship between the member and

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18/ Cathrine E. Hardy, "Striking the Spark of Member Interest," News for Farmer Cooperatives, July, 1959, p. 4.

19/ Charles Horton Cooley, Social Organization, 1956, p. 61.

the association depends upon the individual traits which characterize the association. The type of organization, the nature of commodity handled, the size of the organization, the size and distribution of its membership, the presence or absence of other cooperatives, the activity of the general farm organization and of educational groups, the status of public support, and the general social and economic conditions of the territory are the factors that help determine the sort of methods to be followed in keeping members supplied with information.

Methods can be readily grouped into two categories--(1) personal or oral media of communication and (2) visual and printed media.

Personal or Oral Media

In the early days, people used to have simple face-to-face communication called primary group relations. With the transition of the society from sacred to secular type, secondary group relations became more prevalent. In the history of the cooperative movement, when the associations were of local nature, the early pioneers adopted the campaign method to make them popular. When these associations grew in size and became federated or centralized and involved a huge volume of business, they became business-like in nature and had to turn to printed media of communication.

Annual meeting. The annual meeting is a legal requirement for all corporations. The official purpose of this meeting is to review the program and business for the past year, to elect directors, and to plan future activities. But a cooperative's annual meeting can be more than a mere legal requirement; it can be the most significant event of the

year. At this time the management accounts for its actions to the members, who as joint owners approve or disapprove them, and provide guidelines for the future. Each meeting offers an excellent opportunity to build good membership relations and to stimulate the member's interest in the cooperative way of doing business.

Stanton[20/] recognizes the due place of the annual meeting of a cooperative in the following words:

> Annual meeting is more than just an occasion for the official announcement of year-end financial statements and the distribution of various printed reports. It is a time when the top talent and leader-ship of an organization, beginning at the local level and extending up through management, is brought together with representatives of membership from all areas to analyze the past and lay a foundation for the future. It is a time when the true democracy of membership is at zenith. Perhaps as important as anything, it is a time when we can rekindle our enthusiasm for an organization we believe in but we take for granted.

Annual meeting is the time when the members actually exercise their control over the cooperative. They do this by electing directors, receiving and passing upon the report of offices, giving comments and suggestions on the conduct of the business, and by voting on bylaw changes and matters of policy.

How to get members to take part in annual meetings has always been, and probably always will be, a problem. Management often takes the membership more or less for granted, and too often does not appreciate the need for motivation. Motivation for member participation should be a

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20/ Beryle Stanton, "Meeting Probes Take Tomorrows' Measures," News for Farmer Cooperatives, February, 1963, p. 8.

highlight of the program of management of every cooperative.

Cooperatives are entering into a stage which Hagg[21] labels "co-atrophy." He calls this a stage of cooperative decomposition with no feeling of responsibility and no interest. This means that attendance at annual meetings should not be taken for granted, but efforts should be made to increase it. Attendance at an annual meeting can be increased by careful planning. According to Raper[22] a good plan should be carried out by the following means:

1. Appoint a number of special committees to perform specific duties.
2. Collect and prepare subject matter well in advance.
3. A confirmation form calling for all the information needed in calling and arranging for the meeting should be prepared and on hand. Such a form should provide for:
   a. The purpose
   b. The exact place, date and hour.
   c. The names and addresses of all those to be invited.
   d. The names and addresses of persons responsible for each part of the program--the chairman, the speakers, and their subjects.
4. A cordial written invitation that has an appeal is important. The invitation should be mailed 8-10 days before the meeting. The following steps help to secure attendance:
   a. Mail a follow-up or reminder card 4-5 days before the meeting.

21/ Parker Hagg, "How to Get Them to Take Part in Meetings," News for Farmer Cooperatives, March, 1960, p. 11.

22/ L. E. Raper, "How to Hold Local Meetings," American Cooperation, 1941, p. 124.

4. b. Give a news release of general nature to local papers.

   c. Provide radio broadcasts.

   d. Extend personal invitations.

   e. Provide posters and handbills to be distributed by committeemen and others.

5. A program copy, a copy for posters and handbills should be prepared in advance.

A well-balanced and interesting program for the annual meeting is necessary to attract people. Such a program consists of three general parts: business, information, and entertainment. The business portion includes such matters as the election of directors and bylaw amendments. The information phase is made up of reports by association officials, discussion periods, and talks by guest speakers. The entertainment may be musical, a talent show, or a contest, and may include a lunch or dinner.

The business portion of the annual meeting includes all matters which the bylaws specify must be voted upon by the members. It covers the election of directors, any changes in the articles of incorporation, bylaws, or marketing agreements, and the acceptance of reports. Also, it includes balloting on policy matters which the directors may place before the members for action.

The information portion of the annual meeting should be the center of attention of the whole program. The reports and exhibits should bring the members up-to-date on the affairs of their association. The discussions which follow should give them the opportunity to offer suggestions,

comments, and questions. The informational part of the meeting includes (1) talks by association officials, (2) financial reports, (3) discussion periods, and (4) talks by "outside speakers."

The financial statement generally includes a statement of income and expenses, and an up-to-date balance sheet. Operating costs, assets, liabilities, and net-worth may be compared with the previous year's. Allotting reasonable time for discussion is an important principle of good annual meeting planning.

Entertainment items create interest in the program and attract people to the meeting. Most people cannot concentrate on informational talks for long periods, therefore it is wise to break the monotony at intervals. Motion pictures can be used with success for this purpose.

Area meetings. When few members have an opportunity to attend annual meetings due to their preoccupation or other reasons, area meetings may be held to achieve the objectives of the annual meeting. These meetings may be monthly, quarterly, or even annually. Along with a discussion of business matters, these meetings can be used for educational purposes.

Members' open-house or plant tour. The open house or plant tour is becoming increasingly popular with many big cooperatives for improving membership relations. Member tours of their association's properties and facilities build confidence in the organization. Open-house brings the members in personal contact with the management and provides an opportunity for educational work to be done. Moreover, while there each member can talk to many others--thus the tour is an agency for

membership relations. An educational session may be held at the end of the plant tour.

Special event. Any special event can be an activity of a membership relations program. With planning it can be a function used to secure the attention, arouse the interest, inform, and gain the goodwill of the public. The special event appeals to the universal desire of people to witness and participate with others in a public event. It provides a chance for hearing, seeing, and enjoying an exhibition. Family days are an example of such an event, or the anniversary of the organization may serve as a special occasion.

Visual and Printed Media

The division of the techniques of membership relations into two groups does not mean that there is any hard and fast line between the two. Rather, they supplement each other. They are inter-related to a great extent. The necessity of their combined use is expressed by Paul Devore[23/] as follows:

> It takes a combination of verbal and visual communications geared to member's level, supported by a well-balanced and continuous plan of action and undergirded by a record of good cooperative service, to build a successful member relations program.

When a cooperative grows in size and volume, with its membership spread over wide areas, it becomes difficult to approach every

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23/ Paul Devore, "Ways to Communicate with Members Explores," News for Farmer Cooperatives, May, 1961, pp. 12-15.

individual through personal contacts. In this case, printed media stand a better chance of communication. They reach a greater number of people at a lower expenditure in less time. The following media of communication can be used to communicate with the cooperative members to an advantage.

Annual report. The annual report is the primary medium of communication in membership relations. It also serves as a medium of public relations. In small cooperatives, it is the only medium of communication with the members. Until now the annual reports of many associations have served only to satisfy legal requirements; recently, however, many cooperatives have recognized the need for annual reports that clearly interpret the language of finance to small investors. This is done through clear charts, simple language, and simplified financial statements. The annual report generally includes financial operations, marketing operations, and economic information such as business outlook for the future. Financial operations generally are comprised of a statement of income, auditor's report, statement of financial position, amount spent on facilities, comparative operating and financial reports for the past year, dividends, taxes, and assets and liabilities. Marketing operations statements include sales volume, advertising and marketing costs, and prices.

House organ. An increasing number of cooperatives are issuing an official publication or house organ to promote the interest of their members. It is very efficient in the dissemination of news from headquarters to members. It may carry news about the cooperative's plants

and products, information regarding prices and market, market outlook, and cooperative philosophy.

Interim reports. Between the annual reports, cooperative managements communicate with members through interim reports in the form of quarterly newsletters, folders, booklets, and bulletins. These interim reports are one of the most practical ways of keeping the members informed inasmuch as they can cover a wide range of subjects.

Press publicity. The press generally includes newspapers, radio, and television. According to Smith,[24] the press influences opinion in three ways: (1) by giving the facts on which the opinion of readers will largely be based, (2) by editorial comments on the facts, and (3) by serving as a mirror of public opinion. In the modern world, the press is the most common and effective means of moulding public opinion.

Newspapers are a key medium of public communication since they command the loyalty and confidence of a large readership and are an influential force on public opinion. They give a large cooperative an opportunity to communicate quickly and concentrate communications in the area in which it operates.

Magazines are also a major medium of communication. Their importance lies in the fact that they are read more leisurely and thoroughly, have a longer reading life, and have more readers per copy than the newspaper.

The radio is a channel of communication which is recognized as one

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24/ Charles W. Smith, Public Opinion in Democracy, 1947, p. 75.

of the most important factors in the formation of public opinion. It is an instrumentality that makes possible a powerful appeal to a tremendously enlarged audience. In spite of the fact that it lacks the personal effectiveness of direct contact between speakers and listeners, the voice coming over the radio is more interesting and persuasive than the written word.

Public relations films are one of the most powerful media of communication available to management. These are often called "educational films." Canfield[25] states that scientists believe that visual impressions receive 25 times more attention than those received by the ear. Vision is believed to account for 85 percent of the acquired knowledge, and when visual impressions are combined with appeal to the ear, the results are most powerful.

Member correspondence. Correspondence with the individual member is an important factor in good membership relations. A letter from the management can influence the feelings of a member to a great extent. Correspondence with the members begins with a letter of welcome to the new member from the president and ends only when a patron ceases to be a member and receives a letter of regret with an expression of hope that he will again join the association soon.

Flansburgh[26] quotes Lackley in defining a letter as a message, as

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25/ Bertrand R. Canfield, Public Relations--Principles, Cases, and Problems, 1960, p. 529.

26/ Earl A. Flansburgh, "The Problems of Direct Mail," American Cooperation, 1935, p. 199.

humanistic as possible, going from one human being to another, written to influence the thoughts or actions of its recipient. Every letter, then, that leaves the cooperative association has some message of importance from that organization. That word or message ought to be told as clearly as possible in a friendly manner. There are some conditions which may make a letter successful. These conditions are described by Flansburgh as problems and are reproduced below:

> Problem Number 1: The Mailing List: The mailing list is the life blood of letter-writing. Each name on the list represents a potential cooperator. It should always be revised and up-to-date to strike off the names of deceased members and include the names of new members.
>
> Problem Number 2: Approach. The best approach is the "you" approach. Put yourself in his place, visualize what he is doing.
>
> Problem Number 3: Mechanical Features. By this is meant the physical set up of the letter which makes it easy to read such as illustrations and color devices. Generally, mimeographed letters are not liked. But there is no harm if the mimeographed letter is legible and attractive.
>
> Problem Number 4: Illustrations. It refers to describing things by half tones or line cuts. Photographs are taking a more permanent place now.
>
> Problem Number 5: Motive. If there is an appeal to a motive, the results are better. Persuasion is nothing but finding the motive that will impel the buyer to do as you wish by stirring him to a point where it is stronger than his natural inertia or economical tendency.
>
> Problem Number 6: How to Write. Every writer of a letter finds himself inhibited by a self-conscious feeling when he sits down to write. This frequently results in an un-natural style. The value of being simple and natural is great. If we use the simplest words that are common to the understanding of those upon whom we are dependent for progress, our letters will be more effective.
>
> Problem Number 7: Testing. The success of these letters depends on whether they are attractive. A part of the mailing list should

be tested to see that the mechanics being used are successful. Many letter writers depend upon the coupon or return card to evaluate the effectiveness of the copy.

Management Training

The success or failure of farmer cooperatives on the side of business efficiency depends on three factors--the quality and competence of directors elected by the membership, the capability of the manager for this job, and the sincerity of the employees. Cooperatives have now become larger and their business operations more technical and complex. They also have to compete with private non-cooperative business. These present day pressures have accelerated the need for competent and well-trained management.

Training of Directors

The board of directory, by law, has the responsibility of managing the affairs of an association. The manager and other employees carry on their duties in accordance with the policies set by the board of directors. As the directors have the responsibility of managing the association, they should have the qualities of leaders, which are confidence, organizing ability, and educator cum executive. A director must maintain and enlarge the confidence of the membership. Ideal leadership must have an organizing ability capable of analyzing, inspiring, guiding, directing, and assisting. As an educator he must make effective contact with people.

Members of the board of directors of farmer cooperatives are farmers. They may not know the technicalities of business and for that

reason need training. David Volkin and Nelda Griffin[27] recommend the following areas of training for the directors after making a study of the different cooperative organizations in the country:

1. Director' responsibilities
2. Cooperative principles
3. Financing
4. Policy making
5. Membership relations
6. Credit controls
7. Public relations
8. Employee relations
9. Taxation
10. Selling and advertising

This training is not momentary but a slow process requiring a long time and achieved through many stages. Thompson[28] suggests the following stages in the training of directors:

1. Selection. There should be a natural selection process going on constantly among directors in district meetings. Participation in these activities reflects the calibre of the man who may be candidating.

2. Nomination and Election. Frequently this act is only a formal procedure to officially implement choice that has already been made during the selection.

3. Orientation. Each new director is to be given intensive personal conferences by the general manager or the president. Early history is explained.

4. Coaching. Individual conferences with any director at any time he requests. Usually, such sessions are not formally conducted.

27/ David Volkin and Nelda Griffin, Management Training Among Farmer Cooperatives, Farmer Cooperative Service, USDA, General Report 65, June, 1959, p. 16.

28/ Glen W. Thompson, "Development and Training Program for Directors," American Cooperation, 1962, pp. 47-50.

5. Exposure. Effort is to be made to keep directors mentally alert by feeding in new information through summer workshops, study projects, reports, special study reports.

6. Indoctrination. Training sessions on functions of management--the functions that are primary-planning and controlling.

7. Experience. Learning to do by doing.

8. Development. Through a variety of experiences, the directors grow on the job. A blend of experiences is produced in the board meeting itself and growth is achieved by internal and external environmental factors.

Training of Managers

The administrative job of the manager of a cooperative is quite different from that of any ordinary corporation manager, due to the different kind of relationship the member has with the cooperative than that of the stockholder to a corporation. In a cooperative, the member is the owner as well as the user of its services, whereas in a corporation the owner and consumer are two separate persons. In addition to managing the business, the manager of a cooperative has to look to membership relations. He should know the relationship of each organ of the cooperative to other organs. He should understand the rights and responsibilities of every constituent of cooperative management.

The training to be given is suggested by Volkin and Griffin[29] in the following areas:

29/ Volkin and Griffin, op. cit., p. 15.

1. Selling and advertising
2. Principles of management
3. Credit control
4. Employee relations
5. Cooperative principles
6. Financing
7. Membership relations
8. Public relations
9. Cost and inventory control
10. Policy making

Training of Employees

Key employees such as assistant managers and those others who have to deal with the members can affect the progress of the association to quite an extent. Like managers, they should be trained in business affairs as well as principles of cooperatives. The training discussed above for different personnel may be imparted at the headquarters of the following agencies:

1. Regional cooperatives
2. State colleges or business schools
3. State cooperative council
4. State and federal research and extension agencies
5. Banks for cooperatives
6. Cooperatives themselves
7. Professional management consultants

Rights and Responsibilities of Members

Management of a cooperative does not mean the manager only, but includes the board of directors and the members who elect them. Membership in a cooperative association brings some privileges as well as responsibilities; it is much more than merely signing a membership form. A cooperative association is a democratic organization, and a democratic organization succeeds only when its every organ fulfills its duty. An active participation of the member in the affairs of his cooperative is of utmost necessity.

Some of the responsibilities of members in a farmer cooperative are given by Raper[30] as below:

1. Keep informed and inform others. A member must have the knowledge of the reason for, and the purpose of programs, operations, and services rendered. Only then can he feel that he is a part of his co-op--that it belongs to him--that it is his. Unless he takes interest and feels a part of his co-op, he fails to recognize his responsibilities and, of course, does not assume them.

2. Attend and participate in meetings. One of the best ways for a member to know his cooperative is to attend and participate regularly in its institutional, commodity, and other meetings. Attendance and participation of members in the meetings may be considered as a part of utmost necessity for the loyalty and support of the members for their organization. When the members take part in the decisions of the affairs of their organization, they stand by them even in times of adversity.

3. Abide by cooperative's established policies. Every long-time successful cooperative has sound policies which have been followed. However, there are always some established policies which are not in the best interest of the minority group. The member who disagrees with some established policy should use his influence to get that policy changed. In case he is unsuccessful he should obey it with sportsman spirit.

4. Adequately finance his co-op. Since members of a cooperative share in its benefits to the same degree they use its services, it becomes their responsibility to share, on the same equitable basis, its financing. This may mean the mere holding of certificates of indebtedness, accepting patronage refund in voting stock, leaving savings invested for a specified number of years or for an indefinite period, and investing in the organization's preferred stock.

5. Assist in planning and promoting plans. With the proper leadership and machinery provided by management, members can and should effectively determine services and certain

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30/ L. E. Raper, "Responsibilities of Members in a Farmer Cooperative," American Cooperation, 1948, p. 133.

other programs for their cooperatives. Also, they can be effective in the planning of their programs. It is always better to determine by member's vote whether or not enough members want a given service.

6. Vote in all elections. This is a very important duty. It is easy to get the member's participation in voting for elections in small, local cooperatives. The members see each other often; they have like interests, belong to the same community, and can meet together easily. But as cooperatives grow, the exercising of this responsibility becomes difficult, if not impossible, for many members.

7. Voluntarily patronize his co-op. A member of average means and intelligence who understands the full meaning of farmer cooperation will voluntarily patronize his co-op. A co-op is the member's own business. It is set up to effect savings for him. It is, therefore, the member's duty to patronize it fully.

8. Offer management constructive criticism. Every member of a cooperative marketing association is equally an owner of it. His welfare is closely connected with the welfare of his co-op. Cooperative's prosperity is his prosperity and its loss, his loss. It, therefore, becomes necessary for a member to offer constructive criticism in order to save it from downfall and see it flourishing.

9. Support his co-op. As the member gains many advantages from the cooperative, it is his duty to support it as much as possible everywhere in order to continue to get these benefits.

Responsibilities of the manager. The responsibilities of a manager to a cooperative association as given by J. E. Wells, Jr.[31] are listed below:

1. Administer the business with efficiency and economy and not lose members' capital.

31/ J. E. Wells, Jr., "Education of Directorship and Management in Building Up Farm Cooperatives," American Cooperation, 1939, p. 183.

2. Study cost and operating methods, prepare budgets and do everything to eliminate waste.

3. Select and supervise employees.

4. Provide full information to directors on all operations.

5. Help the directors formulate sound policies without taking over their functions.

6. Membership and public relations.

Responsibilities of the directors. The responsibilities of the directors of a cooperative business organization as given in Directors of Regional Farmer Cooperatives[32] are as below:

1. Formulate policies.
2. Supervise operations.
3. Call meetings.
4. Attend meetings.
5. Hire and dismiss manager.
6. Arrange finances.
7. Take an active part.
8. Membership and public relations.
9. Keep records, report members operation and meetings.
10. Elect officers.
11. Determine manner, form, and amount of patronage refund.

Women participation. Farming is a business in which each member of the family participates, and farmer cooperatives are an extension of the farm business. It seems logical, therefore, that the whole family, including men, women, and children, be considered a unit of membership.

Women, by contacting the present and prospective members, can help

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32/ David Volkin, Nelda Griffin, and Helim H. Hulbert, Directors of Regional Farmer Cooperatives, Farmer Cooperative Service, USDA, General Report 83, August, 1960, p. 4.

the association in maintaining good membership relations. They can arrange recreational activities at the annual meetings to maintain the interest of the members and can take the responsibility of arranging educational tours. Cooperatives can also improve their public relations through carefully planned tours for urban groups and women members can serve as hostesses and guides.

Youth participation. If farmer cooperatives are to continue rendering service in the years to come, due attention will have to be given to training rural young people for future leadership. Some of the activities to provide farm business training in a cooperative way to farm youth have been suggested by Lebeau and Heckman.33/ A very practical way for youth to gain knowledge and understanding of farm business services is to learn the services used by their parents. Family members can be represented on special committees such as reception, nomination, or entertainment. This will give them the experience of actual work.

A variation of this activity is arranged attendance of young people at the annual meeting. This may be sponsored by FFA's and 4-H Clubs. A similar activity is the planned tour of youth to the headquarters and facilities of large cooperatives. Talks and demonstrations provide another means of informing young people.

Establishing junior boards of directors with the association to

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33/ Oscar R. Lebeau and John H. Heckman, Cooperative Business Training for Farm Youth, Circular I, Farmer Cooperative Service, USDA, January, 1954, pp. 8-34.

provide training for future cooperative directors is another excellent project. A variation of this device is to have two or more outstanding young persons each term serve as junior members of the regular board of directors. In addition to giving training to potential future directors under true-life conditions, it gives official recognition and encouragement to promising young people with unusual leadership ability.

Community Relations

Cooperatives are generally organized around a community interest such as securing better prices or providing service. Any discussion of membership relations would be incomplete without some reference to the need for good community relations which are important both for gaining new members for the cooperative and for procuring sympathetic understanding on the part of the general public. Miss Mattie Kessler[34/] expresses the same opinion:

> If cooperatives are to win and maintain their economic and growth objectives, they must create a climate of favourable public relations. Cooperative leaders and members must understand and be able to contribute their time, interest, and resources to public welfare as well as to each individual family. Farmer cooperatives are a part of business life in the communities in which they are located. They have the responsibility of taking part in and for maintaining community activities.

Cooperatives generally pay at least some attention to membership

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34/ Miss Mattie Kessler, "How We Build Favourable Community Relations," American Cooperation, 1958, p. 669.

relations but neglect public relations, seeing no need for them. Cowden[35] supports this view in the following statement:

> Cooperatives tend to develop their member relations programs. They have not been as sensitive as they should be to the need for better relations with the non-member public. They have neglected this phase of public relations that begins where member relations leaves off.

While emphasizing the need for public relations, Hobson[36] testifies the present condition to be unsatisfactory when he states:

> We have felt less obligation towards the public. The point to make here, however, is the more we succeed in building up an informed membership, the greater will be the necessity of making sure that the public understand our point of view.

Funk defines public relations as:[37]

> . . . that process by which the truth about us, our organizations, or an idea is understood and appreciated by the public. The result of public relations is the good or bad impression left with others by words we say or do not say and by actions we take or do not take.

The emphasis on public relations does not delineate them from the membership relations nor recommend a separate approach. In fact, membership relations and public relations are overlapping functions of

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35/ Howard A. Cowden, "The Challenge in Member Relations and Public Relations," American Cooperation, 1957, p. 55.

36/ Asher Hobson, "Cooperation and the Public," American Cooperation, 1956, p. 319.

37/ C. W. Funk, "Public Relations," American Cooperation, 1952, p. 146.

cooperative management. Lanterback[38] expresses similar views as follows:

> A public relations program of a cooperative as distinguished from a firm or industry is bound to lap over into the field of membership relations to some degree at least, so that some of the activities of public relations are also membership relations.

However, there are some methods which are especially suited for public relations only. They are (1) taking part in community affairs and (2) contributing to community charitable funds. A cooperative is expected to give assistance to local schools, health services, FFA and 4-H, and to help with community promotion. It can also contribute to public welfare of their communities by subscribing not only funds but providing manpower to social work groups engaged in carrying on rural social work.

Employee Relations

Employees of a cooperative are responsible, to a great extent, for its success or failure. It is the employees who come in direct contact with the patrons. These men must believe in cooperatives and must be informed thoroughly if they are to inform others correctly. They must have pride in their association and be courteous and impartial in dealings with the patrons. Membership relations and employee relations programs go hand in hand.

38/ A. H. Lanterback, "A Public Relations Program in Action," American Cooperation, 1940, p. 228.

In deciding whether or not to work at an establishment, an employee takes into consideration some other benefits too. These benefits considered by Lowrie[39] as the basic needs for an employee are given below:

> First, an appreciation of his job and a knowledge of how it fits into the pattern of the overall business operation, of how it relates to the work of other employees around him.
>
> Second, a sense of belonging to his organization and of participation which, in turn, fosters organizational pride.
>
> Third, information on the basic policies and trends of the organization.
>
> Fourth, a feeling of security, knowledge of an organization typically engenders confidence in it; confidence, in turn, leads to security.
>
> Fifth, recognition and commendation. No doubt an employee is hired to work at the tasks assigned to him, but the work is more satisfying and the job somewhat dignified by an occasional expression of commendation from the supervisor.
>
> Sixth, the loyalty of this supervisor and organization, to him in return for his loyalty to the supervisor, organization, and fellow employees.

Many farmer cooperatives are recognizing the importance of employees and are trying to provide the employees an incentive for greater efficiency. There are two kinds of incentive plans--financial and non-financial. Financial plans, also known as incentive payment plans, base an employee's pay on the amount of work he is normally expected to do and pay a bonus if he surpasses this expected norm.

39/ Alyce W. Lowrie, "Personal Touch with Personnel Pay," News for Farmer Cooperatives, October, 1954, p. 4.

Non-financial incentives are those other than plans affecting salary.

Financial Incentives

Incentive payment plans vary according to such factors as the basis for determining extra compensation, the method used in calculating total and individual amounts, and method of payment. Some of these financial incentive plans given by Nelda Griffin are:40/

1. Percentage of net savings in addition to base salary. Employees receive a percentage of net savings in addition to their base salaries. Increased net savings resulting from an incentive system are rightly distributed among those who helped create the savings, in accordance with the contribution each made to the success of the cooperative.

2. Commission on sales in addition to base salary. Payment of a base salary plus a commission on sales is prevalent in many cooperatives. This is comparatively more common in supply cooperatives. There are many variations in this one plan. Some pay a straight commission on all sales; some pay a commission on each additional unit above the annual quota; and others pay for increases in volume over the previous year.

3. Straight commission without base salary. Some cooperatives have certain employees on straight commission basis. But this is not very prevalent.

4. Flat annual bonus in addition to salary. Some cooperatives (generally marketing) pay their employees flat annual bonuses in addition to base salary. Annual cash bonuses or Christmas bonuses are popular types under this plan. The payment of this bonus may be made once a year or more. Frequent payments offer a greater incentive.

5. Pension or retirement annuity in addition to base salary. More and more cooperatives are adopting retirement plans. Some important things to be considered in this plan are:

40/ Nelda Griffin, Employee Incentive Plans in Farmer Cooperatives, Farmer Cooperative Service, USDA, General Report 62, June, 1959, pp. 7-16.

(1) eligibility requirements, (2) retirment age, (3) amount of payment to be provided, (4) amount of employee contributions, and (5) years of service.

6. Benefits such as group insurance, in addition to base salary. These benefits may be:

   A. Group insurance

(1)	Life	(4)	Hospital expenses
(2)	Accidental death	(5)	Surgical expenses
(3)	Sickness and accident	(6)	Major medical expenses

   B. Sick leave

   C. Gifts and awards

   D. Paid vacations and holidays.

Such benefits as group insurance are commonly called "fringe benefits."

Non-financial Incentives

These are those benefits which extend beyond the financial aspects and add to the well-being of employees. Financial incentives work better if they are supplemented by non-financial incentives, arranged around a good human relations program. Any condition or convenience provided by the cooperative that improves the employee's morale, favourable influences his attitude, creates a stimulating work environment, or in any way causes the employee to be happy to work for his cooperative is an incentive. Following are some such incentives:

1. Meetings. Periodic staff meetings enhance employee morale considerably. At these meetings employees can be given a chance to present and discuss work problems. Receiving the co-op's information first hand does much to make employees feel that they are, too, a vital part of the co-op and

they will respond with greater interest and effect. Credit and recognition for a job well done is highly desirable.

2. Employees' committees. Employees' committees may be formed for offering suggestions in the operations of the cooperative. Many useful suggestions result from employees' committee meetings. Committees, like employee representation on the board of directors, advisory committees, etc., may increase employee incentive.

3. Social and recreational activities. Along with employee committees, social and recreational contacts are very effective in promoting group spirit. Athletic clubs, dances, and picnics do a great deal to improve employee morale.

4. Supplying information. Employees are the co-op's fieldmen. They come in contact with the members. They have ample opportunity to sell the co-op idea. It is, therefore, necessary that the employees know everything about their co-op and the cooperative philosophy.

Synopsis and a Membership Relations Model

A cooperative's objectives usually consist of some combination of social and economic goals. Economic objectives can best be achieved through sustained patronage of members. This provides the volume transaction that assure access to best markets, premiums, and discounts. The hypothesis of this study was first that whatever the emphasis with respect to social or economic factors a cooperative will find a well-rounded membership relations program an essential tool in achievement of overall objectives. Secondly, it is the explicit assumption of this study that failure of Montana cooperatives to register greater gains is to a large degree due to failure to set up and use effective programs. Adequate testing of these would require quantifying the effects of modern membership relations programs on success. Resources for this

study did not permit such evaluation. As such this analysis can be considered as a preliminary step toward a more complete test, and the following set of activities is posed as essential components of an adequate membership relations program with proven merit but untested with respect to relative expected contribution.

Membership Relations Model

I. Techniques of Membership Relations

- A. Methods of Communication
  - 1. Personal or Oral Media
    - a. Annual meeting
    - b. Area meetings
    - c. Members' open-house or plant tour
    - d. Special event
  - 2. Visual and Printed Media
    - a. Annual report
    - b. House organ
    - c. Interim reports
    - d. Press publicity
    - e. Member correspondence
- B. Management Training
  - 1. Training of Directors
  - 2. Training of Managers
  - 3. Training of Employees

II. Rights and Responsibilities of Members

- A. Responsibilities of the Manager
- B. Responsibilities of the Directors
- C. Women participation
- D. Youth participation

III. Community Relations

IV. Employee Relations

- A. Financial Incentives
- B. Non-financial Incentives

CHAPTER III

MEMBERSHIP RELATIONS PROBLEMS AMONG MONTANA FARMER COOPERATIVES

Members' Knowledge

The performance of a cooperative association can be appraised partially by the knowledge held by members relative to the association's organization, policies, and operations. An association must estimate volume of business over time and other economic expectations, and these are associated with membership response which in turn is a function of the level of the member's knowledge.

The survey of selected members of farmer cooperatives in Montana gives a partial reflection of the level of information held by and needed by cooperative members in the state. In the following section all statistics refer to information secured from a sample of Montana farmer cooperatives through a mail questionnaire described under the procedure section of this report.

This sample was drawn from the members of supply and marketing associations only. Marketing associations included grain elevators and wool pools. The grain elevators included in the sample were on the average 26 years old and had an average membership of 245 per association. About 89 percent of their business was with the members and they had about 60 percent of the local business. Supply cooperatives were, on the average, 27 years old and had an average membership of 760 per association. About 87 percent of their business was with members and they had 44 percent of the local business. Wool pools, on the other hand, were of recent introduction, average age being 14

years. Their membership was small with an average membership of 81. They had almost all of the local business.

The sample thus compiled involved 270 members who were approached by mail. One hundred and twenty-three schedules were received back, giving a response of 45.5 percent.

Names of Officers

A member comes into contact with the officials of the cooperative whenever he concerns himself with the affairs of the cooperative. Thus, he will likely know the names of some of the officials of his organization if he takes even a slight interest in the affairs of his association. The knowledge of the members of selected Montana farmer cooperatives about the names of the officers of their cooperative is shown in Table 5.

TABLE 5. NUMBER OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WHO KNEW THE NAMES OF OFFICERS OF THEIR ORGANIZATIONS, MARCH, 1963.

Class of Officer	Number	Percent
Manager	112	91
Directors	92	75
Secretary	98	80
President	96	78

From this table it can be seen that a fairly large majority of the members included in the sample know the names of the officers of their organization. The member's knowledge of the names of the

officers seemed to be obtained by themselves and not supplied by the management. Most authorities cited earlier believe that management should supply this information to the members. Only 45 percent of the members stated that they were supplied this information by the management. On this basis it can be said that there is a negligence of duty on the part of management.

Bylaws

The rules and regulations according to which the affairs of a cooperative association are controlled are recorded in its bylaws. The well-informed member should have a knowledge of the bylaws of the association. This is especially necessary for the directors.

About 93 percent of the members in the sample said that they knew the bylaws of their association. Seventy three percent of the members reported that a copy of the bylaws of the association was supplied to them. This proportion is perhaps somewhat higher than for ordinary members since many of those included in the sample were directors and thus better informed than the average member.

Members need to understand the bylaws if an association is to be run in accordance with the objectives and rules of organization. When the association is not run in accordance with the bylaws, members may be taking undue risk.

Bylaws written in simple language are easier for the member to understand. New members can be supplied a copy of bylaws at the time of their enrollment. Distribution of copies of bylaws in area meetings

and their publication in the house organ periodically will keep the members reminded of them.

Members' Rights and Responsibilities to the Association

Farmers organize cooperatives to market their products at higher prices and to obtain supplies and services at lower cost. As owners, members have some rights as well as some responsibilities to their organization. If they are not aware of these, they will not make efforts to gear up the efficiency of the association and will not get the maximum benefit from the organization. The position of the knowledge of the members of Montana farmer cooperatives is given in Table 6.

TABLE 6. NUMBER OF SELECTED MEMBERS OF MONTANA FARMERS COOPERATIVES WHO KNEW THEIR RESPONSIBILITIES TO THEIR ORGANIZATION, MARCH, 1963.

Responsibility	Number of Members	Percent
Keep informed about the history, policies, and operations of the association.	18	15
Attend and participate in meetings.	63	51
Abide by association policies.	9	7
Finance the association.	3	2
Assist in planning and promoting plans.	16	13
Vote in elections.	20	16
Patronize the cooperative	83	67
Offer constructive criticism and suggestions.	23	19
Support the cooperative.	51	41

One of the two responsibilities mentioned by a majority of the members was that of patronizing their association. Only by patronizing their organization can members obtain the economies of large scale operation. If they do not patronize it, the volume of business will decrease, the per unit cost will rise, and it will become uneconomic to operate the organization. The cooperative could not survive very long under these conditions and then members would lose even the expense of organizing it.

The other duty stated by a little more than half the members is that of attending and participating in the meetings of their association. A member may look at his short-run cost for attending those meetings and think them very high when he can earn more by working at his farm. But if he can improve the services rendered or reduce the costs of operation it may be more profitable in the long run to attend meetings.

The only other duty recognized by most of the members is that of supporting it among the general public.

The data obtained in the survey reveal some important facts implicit in the statements of many members. The members did not lay much stress on some of their responsibilities that can affect the success of the association, such as voting in elections, offering suggestions, and assisting in planning. Less than one-fifth of the members mentioned these items although it is safe to assume that when members mentioned their responsibility to attend meetings they assumed voting as a function of the meeting. It is nevertheless significant that

voting as a duty was so seldom mentioned.

The member's knowledge of his responsibility to the association is necessary to its success. The survey shows that the members of Montana farmer cooperatives do not have much knowledge of their duties. There seems to be a need for giving them this information so that they may strive to improve their economic position through cooperatives.

Rights and Responsibilities of the Manager

The manager is directly responsible for running the day-to-day business of the association. Upon him depends the efficiency of the association and the benefits to the members. In addition to striving for business efficiency, a manager of a cooperative should be conversant with its different nature so that he may recognize the rights of different personnel. The members need to know the responsibilities of the manager to get maximum service from him. The members of Montana farmer cooperatives do not seem to be fully aware of the duties of the manager.

The duty of the manager recognized by a majority of the members was that he is to administer the business (Table 7). This is the same as in other businesses. However, a significant proportion mentioned the duty of membership and public relations. They seem to have knowledge of this distinctive duty. At the same time they did not mention some of the important duties of the manager such as studying costs and budgets to eliminate waste and selecting and supervising employees. These two duties are important from the economic point of view to bring

about savings for the members. By the performance of these two duties, a manager can cut extra expenses to some extent and increase members' savings.

TABLE 7. NUMBER OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WHO KNEW THE RIGHTS AND RESPONSIBILITIES OF THE MANAGER, MARCH, 1963

Right or Responsibility	Number of Members	Percent
Administer the business with efficiency and economy and not lose member's capital.	103	84
Study cost and operating methods, prepare budgets, and do everything to eliminate waste.	11	9
Select and supervise employees.	26	7
Provide full information to directors on all operations.	9	11
Help the directors formulate policies without taking over their function.	12	10
Membership and public relations.	76	62

It may be argued that the members might have taken the administration of business to include these two duties. However, the members did not mention some of the other important duties of the manager such as providing information to the directors and helping them to formulate sound policies without taking over their function.

A member's knowledge of the responsibilities of the manager is necessary for the realization of his aim of maximum economic gain from the association. It was found during this survey that the members do

not have full knowledge of the manager's duties. This may be due to management's negligence in supplying this information. This would emphasize the need on the part of the management to provide this information.

Rights and Responsibilities of the Directors

The ultimate responsibility of the cooperative business falls upon the board of directors. They decide the major issues of the business and set the policies which the manager carries out. Their authority as well as responsibility is great. It is easy to visualize that a mistake on the part of the board of directors could incur a great loss to the association and thus to the members. It is, therefore, necessary for the members to know the duties of the directors. At most only 54 percent of the members in the survey mentioned any one right or responsibility. It can be said that the members of Montana farmer cooperatives do not seem to have enough knowledge of the proper role of the directors.

TABLE 8. NUMBER OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WHO HAD KNOWLEDGE OF THE RIGHTS AND RESPONSIBILITIES OF DIRECTORS, MARCH, 1963

Right or Responsibility	Number of Members	Percent
Formulate policies	66	54
Supervise operations	53	43
Call meetings	9	7
Attend meetings	35	28
Hire and dismiss manager	26	21
Arrange financing	16	13
Take an active part	33	27
Membership and public relations	37	30
Elect officers	1	1
Determine manner, form, and amount of patronage refund and declare same	2	2

The only two duties of the directors known to a considerable proportion of the members are to formulate policies and to supervise operations. Even these two duties were not stated by a high percentage of the members studied. These important powers of the directors are the means by which the board of directors can make the business of an association a success or failure.

The two important duties of the directors which affect the members' funds are arranging financing for the association and the determination of the manner, form, and amount of patronage refund and its declaration. Both of these duties are interrelated since most managements finance their association by means of withholding refunds. Sometimes members insist on immediate cash refunds and leave the association if refunds are withheld for a long time. Failure to understand the directors' duties in financing the cooperative can lead to many problems.

The members' poor knowledge of the duties of the directors seems to be due to the management's negligence of the duty of educating the members. Well-informed members are likely to take more interest in the affairs of the association and check the performance of the directors critically to achieve their economic objective in setting up the association. Members' poor knowledge of the directors' duties is of special significance when it is considered that the sample contained a fairly large number of directors.

Annual Meeting

The annual meeting of a cooperative association provides an

excellent opportunity for the members to safeguard their interest. This is the occasion when the members exercise the right of ownership by approving or rejecting the policies of the cooperative. Most of the major issues are decided at the annual meeting and they will affect the economic gain of a member to be obtained from the association. The chances of a member attending the annual meeting are greater when he knows the importance of the annual meeting. That the members of Montana farmer cooperatives do not fully understand the importance of the annual meeting is shown in Table 9.

TABLE 9. NUMBER OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WHO KNEW THE PURPOSES OF THE ANNUAL MEETING, MARCH, 1963

Reason for Holding Annual Meeting	Number of Members	Percent
Elect directors	35	28
Report of officers	99	80
Bylaw changes	3	2
Education of members	6	5
Give voice to members, accept criticism and suggestions and arouse their interest in ownership	40	36

The only reason for holding the annual meeting which was known to a majority of the members studied is the review of the past year's business. Only a negligible proportion of the members described the education of the members as an objective of the annual meeting. A small percentage of the members recognized the other important objectives of the annual meeting.

The ignorance of the importance of the annual meeting seems to be a reason for the members' absence from the meeting. This absence and lack of interest in the affairs of the association could ultimately be a cause of the inefficient working of the organization.

Family Participation and Public Relations

Membership loyalty of the highest quality is obtained where co-operation is a matter of family interest. The opinion of the general public is also extremely important to the cooperative. Proposals to tax patronage savings as corporation income in Montana by the last two legislatures are examples of the influence of poor public relations. If the public is to support cooperative activity, the principles of cooperation must be known by the public, and if a cooperative is to have an effective public relations program, the membership must support it. The members of Montana farmer cooperatives included in the study were tested on their knowledge of the importance of family participation and public relations activities.

TABLE 10. NUMBER OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WHO CONSIDERED FAMILY PARTICIPATION AND PUBLIC RELATIONS ACTIVITIES TO BE IMPORTANT, MARCH, 1963

Activity	Number of Members	Percent
Family participation	80	65
Public relations	92	75

A large percentage of the members included in the sample seem to understand the importance of family participation and public relations. This percentage would be less, however, when generalizing for common members, keeping in view that the sample included a fairly large proportion of directors.

Sources of Knowledge

A knowledge of the sources from which members receive most of their information about the association is valuable to the management in planning membership relations programs. Such knowledge provides a guide line for the type of medium to be adopted. In the absence of such information, the expenses incurred on membership relations may be wasted and the cooperative will not be working to maximum efficiency. The members of Montana farmer cooperatives included in this survey were asked the sources of their knowledge about the association.

TABLE 11. SOURCES OF KNOWLEDGE OF SELECTED MONTANA FARMER COOPERATIVE MEMBERS ABOUT THEIR ASSOCIATION

Source	Number of Members	Percent
Meetings	21	17
Neighbors	46	37
Newspapers	113	92
Circular letters	48	39
Radio	31	25

A major proportion of the members receive their information from meetings. The maximum proportion of members receiving information about

their cooperative from visual and printed media is only a little more than one-third. An inference can, therefore, be drawn that the members of Montana farmer cooperatives rely more for information on word-of-mouth than on printed media. This conclusion is further supported by the fact that some of the members stated that they receive their information from the association's employees while patronizing it. This implies that managements of Montana cooperatives should seriously consider expanding personal media of communication, and more area meetings might be arranged to inform the members.

The data in Tables 5 through 11 reveal that while Montana cooperative members have limited knowledge of cooperation in general, their knowledge about their particular association is greater. Similar results were found in a study made at Iowa State College. The Beal and Phillips[1/] study concerned the factors related to members' participation. It was found that the factor most highly related to participation was members' understanding of the cooperative organization, operation, and basic principles of cooperation. A statistically significant relation was found between the members' knowledge of the facts about his cooperative and his participation in its activities. It was also found that the mere knowledge of facts was not associated with participation nearly as much as was the understanding of basic principles

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1/ George M. Beal and Richard Phillips, "How Can We Get More Member Participation," News for Farmer Cooperatives, August, 1955, p. 6.

of cooperation.

Knowledge and participation are, in fact, mutually interdependent. Knowledge brings about understanding which is responsible for participation. Schaars[2/] made a similar statement:

> Certainly a man's understanding is no better than the information on which it is based. Information molds his attitudes, determines his opinion, and is the generator of action.

All this emphasizes the need for improved membership relations.

Opinions and Attitudes

Members' feeling about their cooperative affects their willingness to do business with it. A cooperative can best serve its owners by creating a favourable image of itself among the owners first and the community second. To achieve this, the members must have confidence in the cooperative's purposes, its day-to-day business practices, its goods or services, and its demonstrated ability to serve them. If this favorable opinion is achieved, a firm foundation for membership relations is established.

Reasons for Joining the Association

The reason for joining the association accounts for much of the member's attitude towards his organization. The reasons stated by the members of Montana farmer cooperatives for joining their association are given in Table 12.

2/ Marvan A. Schaars, "Strengthening Membership Relations," American Cooperation, 1952, p. 72.

A great majority of the members of Montana farmer cooperatives joined their associations because of their belief that the cooperative way of doing business is a "good way." Expectation of better prices is also stated by a large proportion of members. (Many members gave these reasons together.) Some members clearly mentioned at the end of this question that they anticipated better prices through cooperatives. The third major reason given by more than half of the members was providing a market for their products. This proportion is more significant when the fact that marketing cooperatives constitute only half the sample is taken into account.

TABLE 12. REASONS WHY SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES JOINED THEIR ASSOCIATION, MARCH, 1963

Reason for Joining	Number of Members	Percent
To provide a market for products	66	54
Recommended by a person	26	21
Belief in cooperation	112	91
Expectation of better prices	78	63

In the United States it is held that the cooperatives are organized to improve the economic position of the farmers. The aim of better returns can be achieved in two ways--through patronage refunds and through lower per unit costs of operation. The farmers may join a cooperative for social reasons, yet they expect to see economic benefits that might not be forthcoming if the association is not operated on a sound economic basis. Significant financial gain is the most effective

incentive for sustained patronage.

Grain dealers are generally in an imperfectly competitive position for buying farmers' grain, but they sell in an almost perfectly competitive market. When a cooperative comes in, it provides competition and the monopsonistic profit of the privately-owned elevator disappears.

There is no excess profit. The excess profits that would have been earned by the private elevator must be passed on to the farmer in the form of a higher price paid for his grain if the private elevator is to remain competitive with the cooperative. The cooperative cannot hold profit but must pass the savings on to its patrons, which in effect means an increase in price. This serves to explain how a cooperative may serve its members and non-members as well by forcing non-cooperative firms, through competition, to lower their profit margins.

The other way cooperatives may bring better returns to farmers is through efficient operations and through lower per unit costs. This is brought about through the economies of large volume. Individually, members are inefficient in selling small quantities of their products. By pooling their products in the cooperative, they can gain a cost reduction from efficiently handling, storing, grading, and shipping to a distant market.

By stating better prices as the reason for joining the association, the members seem to realize the achievements a cooperative can make. When the members realize the benefits which can be derived from a cooperative, they can be expected to be fairly loyal and patronize it

regularly.

Privileges of Members

The privileges the members think they have over the non-member patrons on account of their membership affect their loyalty. Members organize a cooperative to render them services at cost. Since they have to bear the risks of ownership, it is natural for them to expect some privileges before the non-member patrons can benefit themselves of its services.

TABLE 13. PRIVILEGES WHICH SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES FEEL THEY HAVE OVER NON-MEMBER PATRONS, MARCH, 1963

Privilege	Number of Members	Percent
Voting	116	94
Sure market	27	22
Share patronage refund	100	81
Better prices	53	42

A great majority of the members included in the sample feel that they have the privilege of voting and patronage refund. At the same time they do not generally feel more sure of a market for their products than the non-members. The members were, however, wrong in thinking that the non-members do not share refunds insofar as they interpreted non-members as non-member patrons.

Association's Benefit to Non-Members

Another point which contributes to members' loyalty is the feeling

about the association's benefits to the non-member. If the members feel that the association does not benefit the non-member at a level equal to the members, they will be more willing to assume the responsibilities of membership. However, if they think that the non-members are getting the same benefits from the cooperative, they will have less incentive for membership.

A great majority of the members of Montana farmer cooperatives included in the study feel that cooperatives have provided a market for the products of non-members as well as members, and have given them the same higher price as for the members' products (Table 14). Such a feeling is conducive to lowering the loyalty of the members. When they feel that they do not have any more privileges than the non-members, they may not care to assume the risks of membership.

An inference can be drawn from the data in Table 14 and in Table 12. The members stated the expectation of better prices as one reason for joining the association. At the same time they feel that the non-members receive the same price as the member. Such a feeling might discourage them from being active members. When the members join the cooperative to get better prices but the non-members get this benefit without assuming the risks of ownership, they are left with little incentive for membership.

TABLE 14. FEELINGS OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES ABOUT THE ASSOCIATION'S BENEFITS TO NON-MEMBERS, MARCH, 1963

Benefit to Non-Member	Number of Members	Percent
Received the same price	98	80
Provided market for product	63	51
Received patronage refund	52	42

Participation in the Activities of the Association

When the members organize a cooperative, it becomes necessary for them to take an active part in its affairs to make it a success. It becomes their responsibility to take part in the activities of their association such as voting for directors, giving suggestions to local directors, and formulating policies for the association. The way members participate in these privileges provides an important guide to the management in adopting measures to enable the members to exercise their rights more effectively.

Members of the Montana farmer cooperatives would seem to be taking a part in the activities of their associations (Table 15). Almost all of them vote for directors. About two-thirds of them take part in formulating policies and give suggestions to the management for the betterment of their cooperative. Taking into consideration the fact that the sample contained a fairly large proportion of directors, the percentage of members taking part in the activities of their association would be somewhat less.

TABLE 15. PARTICIPATION OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES IN THE ACTIVITIES OF THEIR ASSOCIATIONS, MARCH, 1963

Activity in Which They Participated	Number of Members	Percent
Voting for directors	119	97
Giving suggestions	83	67
Formulating policies	83	67

It was found in Table 9 that the members do not attach great importance to the annual meeting. Here it can be seen that they do take part in the activities that take place at the time of annual meeting. It would be a good idea to make them aware of the exact nature of their activities.

Loss in Case the Association Goes Out of Business

Members' regard and loyalty for their association can be judged by their opinion of the loss that they think will accrue to them if the cooperative should go out of business. If they think they would not be able to obtain good quality supplies at a cheaper rate or would not be able to market their products at a higher price without benefit of the association, then they would support it even if they had to pay a little higher price for these services temporarily. The members of Montana farmer cooperatives included in this study were asked if they would lose anything in case their association went out of business, and 94 percent of the replies were in the positive. The various expected losses stated

by them are grouped into five categories in Table 16.

TABLE 16. LOSSES WHICH SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES FELT THEY WOULD INCUR IF THEIR ASSOCIATION WENT OUT OF BUSINESS, MARCH, 1963

Loss	Number of Members	Percent
Competition to private business	76	62
Patronage refund	11	9
Ownership	15	12
Market for products	6	5
Services	6	5

A fairly large percentage of the members stated that they would experience the loss of competition to private business. One might say that members recognized the "yard stick" function of cooperatives. They seem not to realize the other benefits of cooperatives such as providing a market for products, supplying needed services, and patronage dividends. This emphasizes the need for educating members on all the advantages of cooperation.

Satisfaction with the Association

Satisfaction of the members with the policies of the association can be ascertained from their feelings about the treatment they receive while transacting business. A cooperative association is a democratic organization and every member has an equal right in its ownership. It is important that the members feel that they have sufficient voice in management. When members feel they are not fully informed they may adopt an unduly critical attitude.

TABLE 17. SATISFACTION OF SELECTED MEMBERS OF MONTANA FARMER COOPERATIVES WITH THEIR ASSOCIATION, MARCH, 1963

Item With Which They Were Satisfied	Number of Members	Percent
Courteous treatment	119	97
Sufficient voice in management	116	94
Expectations accomplished by association	103	84
Information about activities	116	94
Supply of financial information to members	110	89

The members of Montana farmer cooperatives included in this survey seem to be fairly well satisfied with their cooperatives. However, it is essential to bear in mind that the response was made by members most likely to be active in the association.

Desire for Knowledge

Generally, the members of a farmer cooperative think they are already adequately informed on the affairs of their association. One of the problems in the education of members is the creation of a desire for more information regarding the affairs of their own business concerns. The members included in the sample were asked whether they wished more information about their cooperatives. Only two of the 123 members participating in the study showed a desire for more details in the information about their cooperatives. This could be interpreted as showing a lack of interest in the affairs of their association in general, but their replies to the succeeding question might imply another conclusion.

Membership Relations

The members' opinions were asked on membership relations programs in order to evaluate their knowledge regarding the importance of having an informed membership. They were asked to suggest what the cooperative should do to maintain good membership relations. Forty-three percent of the members participating in this study believed that a membership relations program that would provide them more education would be desirable. This is in direct support of the hypothesis that the members of Montana farmer cooperatives do not know enough about the cooperative way of doing business. They want information; however, the percentage of members realizing the importance of membership relations is not overwhelming. It implies that many do not understand the importance of such programs and that there is need for educational work among them.

Summary

The data in this chapter indicate that the members of Montana farmer cooperatives are fairly loyal to their associations but not to the extent they might be. They are not particularly well-informed, nor do they seem to have a very good opinion of their organizations. Without a good opinion members will not feel like owners and will be a little different from the customers of an ordinary firm. Denis[3/] reached similar conclusions:

3/ William V. Dennis, "Place of Cooperatives in American Life," American Cooperation, 1940, p. 121.

The so-called membership of most of our cooperative organizations is not made of members in any real sense but of patrons. One of the most important objectives of a department of membership relations, therefore, should be that of transforming patrons into members.

CHAPTER IV

MEMBERSHIP RELATIONS PRACTICES OF MONTANA FARMER COOPERATIVES

It has been said earlier that the good or bad opinion of the members about their cooperative and their knowledge of cooperation in general affects their business. Therefore, managements of cooperatives have sufficient reason for attempting to create desirable opinions among the members. There are specific means by which this aim can be achieved. This chapter reports the extent to which the Montana farmer cooperatives make use of these means, according to the replies of the managers relative to their membership relations programs.[1/]

Efforts Made to Encourage Non-members to Become Members

Management of a cooperative has to make efforts to retain the old members and to attract new members in order to keep volume high and thus to attain minimum variable costs. When non-members become members and have proprietory rights they are more likely to have a feeling of loyalty to the association and will more likely continue business with the association even if the operational costs are temporarily higher.

The proportion of Montana farmer cooperatives making efforts to solicit non-member patrons as members is given in Table 18.

1/ See Procedure, Chapter I.

TABLE 18. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES ENCOURAGING NON-MEMBER PATRONS TO BECOME MEMBERS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	53
Grain elevators	62
Supply cooperatives	63

The proportion of the cooperatives making efforts for the enrollment of non-member patrons as members is somewhat less than two-thirds. The management reporting the efforts taken often stated the provision of automatic membership. They generally do not undertake the direct education of new patrons. The provision of automatic membership may be harmful from the membership relations point of view since a non-member patron becomes a member without realizing the privileges of membership and thus may tend to be reluctant to share the responsibility of ownership. Developing patrons into members should lead to more business and to a more stable membership.

History, Purpose, and Advantages of Cooperation Explained

Older members who helped organize the cooperative are generally aware of the need for such an association. They felt they were selling their products at low rates and were buying supplies at high rates before the organization of cooperatives. These members feel that in the event their cooperative should go out of business, they would again

return to the conditions that prevailed in the past. Therefore they tend to be fully loyal to the association. The new members have not necessarily seen the difficulties which compelled farmers to organize cooperatives and thus are more easily attracted to the competitor who offers a little better price. These members may benefit from an explanation of the history and purposes of their association.

Not all managers of Montana farmer cooperatives included in the sample attempt to explain the history and purposes of the organization to new members, although the proportion of associations undertaking such an activity is fairly large (Table 19).

TABLE 19. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES EXPLAINING HISTORY, PURPOSE, AND ADVANTAGES TO NEW MEMBERS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	60
Grain elevators	86
Supply cooperatives	71

The percentage of the managements explaining the history and purposes of their associations may be lower for those associations who did not respond. This would lower the percentage of the whole sample.

Supply Copies of Bylaws to New Members

New members generally are not aware of the rules and regulations of a cooperative association. Under such circumstances it is easy to

visualize that they may be unduly critical of the operations of the association. In order that the members may be informed members, management should supply copies of bylaws to new members.

TABLE 20. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES SUPPLYING A COPY OF BYLAWS TO NEW MEMBERS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	33
Grain elevators	32
Supply cooperative	24

A very small percentage of the managements of Montana farmer cooperatives supply copies of bylaws to new members. A reason for this could be that the management itself does not understand the importance of a knowledge of the bylaws to the new members. Membership relations could be improved by supplying copies of bylaws, preferably written in simple language so that members may more easily understand the functioning of the cooperative.

Supply Names and Addresses of Officers to Members

The members of a cooperative association who attend the annual meeting have a good opportunity to know the names of the president of the association and other officers, but those members who are unable to attend can know only if they are supplied this information. A large percentage of the Montana farmer cooperatives included in the sample do not perform this duty. Associations which did not respond undoubtedly

have a similar weakness.

TABLE 21. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES SUPPLYING NAMES OF OFFICIALS TO MEMBERS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	87
Grain elevators	57
Supply cooperatives	49

Media of Communication

Oral or Personal Media

Annual meeting. The annual meeting is a legal requirement for every corporation, but it has more importance for cooperatives. This is the time when the members, as part owners, actually control the organization through electing directors, approving association policies, passing bylaw changes, and suggesting plans for the next year's business. The fact that the cooperative owners are also its customers is important and reflects itself into the nature of the annual meeting. In spite of the importance of the occasion, a large percentage of the Montana farmer cooperatives do not attract a majority of their members to the annual meeting (Table 22).

The data in Table 22 show the members' lack of interest in attending the annual meeting. Only the wool pool had a large percentage of attendance. Wool pools are of local nature and are organized strictly

around a necessity for a market for wool where there are limited outlets in many areas. On the other hand, the need is not so apparent to the member in the case of grain elevator cooperatives or supply cooperatives.

TABLE 22. AVERAGE PERCENTAGE OF MEMBERS OF A SAMPLE OF MONTANA FARMER COOPERATIVES ATTENDING ANNUAL MEETINGS FOR THE PERIOD 1958-63

Type of Cooperative	Percent
Wool pools	77
Grain elevators	32
Supply cooperatives	26

The low attendance at annual meetings cannot be attributed only to the members' ignorance of the importance of such meetings. Other factors are responsible too. Reasons stated why members do not attend are distance of the meeting place from the farm, time of the meeting, and expenditure in attending.

Keeping in view the importance of the annual meeting and the fact that, in general, a large percentage of the members do not attend it, it becomes necessary for management to take such steps as may increase attendance. Some of the suggested steps are sending second and third notices of meetings, inviting families, showing films, and providing entertainment and meals. The extent to which the sample managements of Montana farmer cooperatives are utilizing these methods can be seen from Table 23.

Data from Table 23 indicate that the managements of Montana farmer cooperatives undertake some of the activities in connection with the annual meeting but not the others. Managements of all the cooperatives participating in the study send notices of meetings, which is a legal requirement. A large percentage of managements invite the members' families. The percentage of the managements serving meals at annual meetings is not very great. It may be argued that a meal involves some expenditure, but this expenditure may be counterbalanced by the gain obtained as a result. A direct relationship between serving meals and family participation obtained at the annual meeting was observed in the sample. The proportion of supply cooperatives supplying meals at annual meetings is greater than the grain elevators. Similarly, the percentage of members' families attending the annual meeting is greater in case of supply cooperatives than the grain elevators.

TABLE 23. ACTIVITIES OF A SAMPLE OF MONTANA FARMER COOPERATIVES CONCERNING THE ANNUAL MEETING, MARCH, 1963

Activity	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Send notices of annual meetings	100	100	100
Show films at annual meetings	0	40	80
Families invited	87	92	90
Families attended:			
Over 50 percent of the members	27	38	49
25 to 50 percent of the members	27	13	16
Less than 25 percent of the members	27	30	26
None	19	19	8
Provided:			
Meal	60	54	82
Refreshments	60	59	35
Entertainment	67	46	49

Area meeting. Area meetings have an importance next to annual meetings. They provide the opportunity for those members to take part in the affairs of the association who so desire but may be unable to attend meetings at association headquarters far from their farms. These local meetings being nearer can possibly bring greater participation and a more democratic organization. The proportion of Montana farmer cooperatives holding area meetings is given in Table 24.

TABLE 24. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES HOLDING AREA MEETINGS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	47
Grain elevators	35
Supply cooperatives	45

A very small percentage of the Montana farmer cooperatives included in the sample hold area meetings. These meetings do not cost much, therefore it could be that managements of cooperatives do not understand their value. Area meetings provide a very unique opportunity for personal contact and informal discussions between the members and the officials of an association. A director, being a representative of the area, is in a position to take the problems of his area to the management and thus bring about better understanding between the members and management. Better and more efficient service may result.

Members' plant tour or open house. Members' interest can deepen when they see the properties and plants owned by them. A tour of the cooperative facilities gives the management a good opportunity to win loyalty and goodwill as well as to impart information. The proportion of the sample Montana farmer cooperatives who arrange members' open-house is given in Table 25.

TABLE 25. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES ARRANGING PLANT TOUR FOR MEMBERS, MARCH, 1963

Type of Cooperative	Percent
Wool pools	20
Grain elevators	73
Supply cooperatives	86

A fairly large percentage of Montana farmer cooperatives sampled invite their members to see the facilities owned by them, and it appears that they also invite the members to visit their own headquarters. Little improvement appears in order here.

Many local cooperatives could take tours to the headquarters of their central or wholesale organizations. Such tours can be quite impressive, especially when the central organization is large, such as GTA in Great Falls or Farmers Union Central Exchange in Laurel. The central organization might share with the locals in the expenses of such tours. Montana wool pools do not have central facilities generally and their reports so indicated.

Special events. Special events have value in creating interest through participation. These devices can have educational value as well as recreational value. The extent of the use made of special events by Montana farmer cooperatives to arouse the interest of the members in their activities is given in Table 26.

TABLE 26. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES ARRANGING SPECIAL EVENTS, MARCH, 1963.

Special Event	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Anniversary celebration	47	16	41
Contests	0	11	14
Demonstrations	13	35	35

It can be seen from the above table that only a very small percentage of Montana farmer cooperatives included in the sample hold special events. It seems likely that management does not see much value in such events or they would use them more. They are a low cost media of membership relations, providing a very good opportunity for the management to address the audience when they are in a receptive mood. Speeches or demonstrations delivered on such occasions can have a lasting impression.

Visual and Printed Media

Annual report publicity. The annual report is distributed to members to inform them of the yearly business, to non-members to attract

them for membership, and to the press for publicity to the general public.

A large proportion of the Montana farmer cooperatives included in this survey supply their annual reports to the members, and a high percentage supply them to non-members. Only a small percentage of associations supply their annual report to newspapers and radio.

TABLE 27. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES SUPPLYING ANNUAL REPORTS TO VARIOUS AGENCIES, MARCH, 1963

Agency to Which Reports are Supplied	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Members	87	84	92
Non-members	0	57	69
Newspapers	20	24	16
Radio	7	13	10

The reasons for supplying annual reports to both members and non-members is that some cooperatives do not differentiate between their member patrons and non-member patrons. In many cases the non-member patrons are prospective members and become members automatically after sufficient patronage. The reason for not submitting the annual report to the press for publicity is unknown. Publicity of the annual report through the press could enlarge the confidence of the community in the association and help attract new members.

House organ. A publication for the members or a house organ is of first rate importance among all the printed media of communication. It

is a means for conveying news and information regarding the association beyond that supplied by the annual report.

Montana farmer cooperatives are making good use of this device to inform their members. Eighty-one percent of the cooperatives included in this survey reported the publication or distribution of a house organ. Seventy-nine percent of the members included in the study confirmed the receipt of a member's publication. Those local cooperatives which do not publish any paper of their own may supply their members with the paper published by the central organization. Some local cooperatives add a page or a "fill-in" to these house organs to make them of a more local nature.

Interim reports. Interim reports such as newsletters, bulletins, and booklets are a means of keeping members informed of the association's activities. These media can cover a variety of information from new products, new operations, and new machinery to news regarding the association.

TABLE 28. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES MAKING USE OF INTERIM REPORTS, MARCH, 1963

Interim Report	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Newsletters	80	27	22
Bulletins	53	35	26
Booklets	0	49	33
Magazines	0	51	67

A large percentage of the Montana farmer cooperatives included in the sample do not make use of interim reports. There can be found institutional differences in this respect since wool pools do not supply their members with booklets and magazines and do not have a regular establishment. They are simply bargaining associations and depend more on brief and small interim reports such as newsletters and bulletins. Grain elevator cooperatives and supply cooperatives, on the other hand, make comparatively more use of booklets and magazines.

Interim reports are a low cost media of informing and educating the members if the membership is large. Such reports remain with the members for a long time and make a lasting impression. Some Montana farmer cooperatives can possibly improve their membership relations and gain more goodwill from their members with the help of these reports. For most local organizations any effort here would have to be joint with the central organization sharing the expenditure.

Newspaper, radio, and television. The press is the most important tool of propaganda in the modern world. It reaches a large proportion of people quickly and at low cost per capita. A large percentage of the managements of Montana farmer cooperatives make use of the press media of publicity.

TABLE 29. PROPORTION OF A SAMPLE OF MONTANA FARMER COOPERATIVES MAKING USE OF PRESS MEDIA OF PUBLICITY, MARCH, 1963

Type of Cooperative	Percent
Wool pools	7
Grain elevators	62
Supply cooperatives	84

The percentage of supply cooperatives making use of press media is greater than the percentage of grain elevators. This may be because the supply cooperatives face more competition from private business than the grain elevators. Only a very small proportion of wool pools make use of press media for membership relations, as might be expected in light of their different nature. The membership of wool pools is mostly local and they work for a short time during the year for the marketing of the members' wool.

Press media are more economical to use when the membership of a cooperative is scattered over a wide area and the membership and potential membership is large.

A large percentage of the members included in this study confirm the use of press media by their associations. The figures are comparable to those given by the managers.

TABLE 30. CONFIRMATION BY A SAMPLE OF MEMBERS OF SELECTED MONTANA COOPERATIVES OF THE USE OF PRESS MEDIA BY THEIR ASSOCIATIONS, MARCH, 1963

Communication Medium	Percent of Members
Newspaper	80
Radio	74
Television	49

Member correspondence. Only 58 percent of the members studied stated that they occasionally receive a letter from the management of their associations. This percentage is not very large for an effective method of gaining the goodwill of the members. Montana farmer cooperatives might improve their membership relations by the use of member correspondence.

Management Training

The management of a cooperative business enterprise is different from that of non-cooperative corporation. In a cooperative the users of the services are its owners. The manager has to operate the business efficiently and for membership relations as well. He is obligated to know his own duties, the rights and responsibilities of directors, and those of the membership. In addition, he should have a thorough knowledge of the philosophy of cooperation. Managers often do not know these things.

A limited appraisal of the knowledge of the managers of Montana

farmer cooperatives about their responsibilities can be made from Table 31.

TABLE 31. KNOWLEDGE OF A SAMPLE OF MANAGERS OF SELECTED MONTANA FARMER COOPERATIVES OF THEIR DUTIES TO THEIR ASSOCIATIONS, MARCH, 1963

Duty	Percent of Managers	
	Grain Elevators	Supply Coops
Administer the business with efficiency and not lose members' capital.	95	98
Study cost and operating methods, prepare budgets, and do everything to eliminate waste.	27	29
Select and supervise employees.	22	45
Provide full information to directors on all operations.	8	18
Help directors formulate policies without taking over their functions.	0	4
Membership and public relations.	16	14

Managers seem to consider the administration of the business as their major duty. The only other duty mentioned by some of the managers is to select and supervise employees, and this duty is recognized by less than half of the managers. It may be argued that the managers considered it included in the administration of the business. They did not mention some of the other important duties like providing full information on all operations to directors and helping them formulate policies without taking over their functions.

The two main responsibilities of the directors stated by a large percentage of the managers are to formulate policies and supervise operations. The managers seem to recognize these duties. A very small percentage of the managers mentioned duties of the directors such as calling meetings, attending meetings, arranging financing, membership relations, and determining and declaring patronage refunds.

TABLE 32. KNOWLEDGE OF A SAMPLE OF MANAGERS OF SELECTED MONTANA COOPERATIVES OF THE RIGHTS AND RESPONSIBILITIES OF DIRECTORS, MARCH, 1963

Right or Responsibility	Percent of Managers
Formulate policies	82
Supervise operations	63
Call meetings	12
Attend meetings	20
Hire and dismiss manager	33
Arrange financing	18
Take active part	4
Membership and public relations	8
Keep records, report to members operations and meetings	0
Elect officers	0
Determine manner, form, and amount of patronage refund and declare it	4

The two main responsibilities of the members to their associations stated by a little less than half the managers are to patronize their associations and attend and participate in meetings (Table 33). A very low percentage of the managers stated the responsibilities of obeying policies, financing the cooperative, and voting in election. These are important responsibilities of the members. Since managers give such

low priority to these duties it is likely that they may not attempt to educate members to them.

TABLE 33. KNOWLEDGE OF A SAMPLE OF MANAGERS OF SELECTED MONTANA FARMER COOPERATIVES OF THE RIGHTS AND RESPONSIBILITIES OF MEMBERS, MARCH, 1963

Right or Responsibility	Percent of Managers
Keep informed and inform others	29
Attend and participate in meetings	45
Obey policies	4
Finance the cooperative	2
Assist in planning and promoting plans	18
Vote in elections	39
Patronize the cooperative	47
Criticize and give suggestions	29

The data in the previous three tables indicate that the managers do not have sufficient knowledge of the rights and responsibilities of different organs of a cooperative management. The same may be true of the directors. An estimate of their knowledge can be made from the members knowledge (Chapter III) since a fairly large part of the members included in this survey were made up of directors.

Employees also need to be trained. The proportion of Montana farmer cooperatives offering training programs for their personnel is given in Table 34.

TABLE 34. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES HAVING TRAINING PROGRAMS FOR THEIR PERSONNEL, MARCH, 1963

Type of Training Program	Grain Elevators	Supply Coops
	Percent	
Training program for managers	68	78
Training program for directors	41	53
Training program for employees	59	80

A large percentage of the Montana farmer cooperatives do have a training program for managers and employees, but the percentage having training programs for the directors is small. The reason stated for the absence of personnel training programs where they were not used was the non-availability of such arrangements. Central organizations such as GTA and Farmers Union Central Exchange can and do contribute a great deal in arranging such programs. Other programs could be arranged by banks for cooperatives, the state college, or the Montana Council of Cooperatives. The cost of such programs could be shared between the participating local associations.

Managements of many cooperatives do not undertake membership relations programs, considering this expenditure to be unnecessary because they do not see any immediate economic gain. They do not realize that this ultimately will bring more business which will lower the per unit cost and bring about more savings for the patrons. Most of the time the managements of cooperatives do not understand the advantages of membership

relations programs. Any time they have to cut expenses, they look to the membership relations first of all. The same view is supported by Duggan[1/] in his statement:

> One of the reasons why cooperatives are inclined to try to make savings in cutting out such activities or reducing them to a minimum is that the results obtained are hard to measure at the moment. Managers and directors need to realize that information and education work is highly necessary if they expect to build a better understanding for their organization. Such work, if properly done, has a cumulative effect over a long period of years and pays its dividends in many unspectacular ways.

The situation under perfect competition can be explained with the help of a diagram:

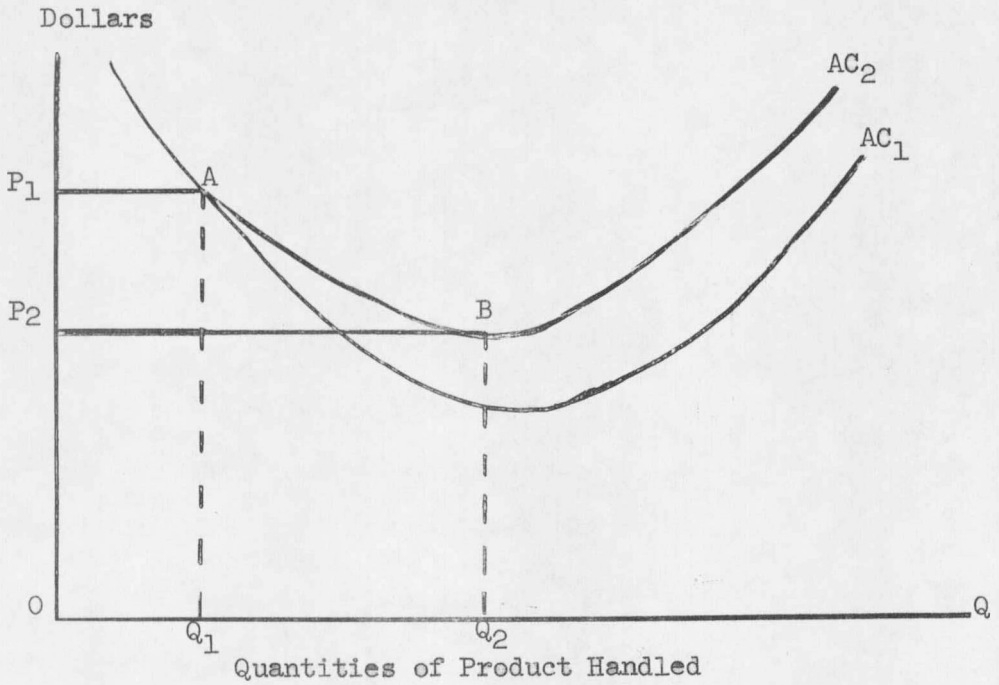


Figure 1. Expenditure Incurred on Membership Relation Brings More Volume of Business and Lowers Per Unit Cost

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1/ I. W. Duggan, "Membership and Public Relations--An Investment in Future Success, News for Farmer Cooperatives, August, 1952, p. 6.

Quantities of the product handled by the association are shown on X axis and dollars on Y axis. AC_1 is the average cost curve before spending any amount on membership relations. Suppose that for want of business the association is operating at point A. After the expenditure on membership relations is made, the average cost rises to AC_2. It may be noted that it rises comparatively more for the same volume of business as AC_1. The members being educated as a result of these membership relations will bring more business to enable the association to operate at point B. This lowers the cost from P_1 to P_2. These savings are ultimately passed on to members in the form of a patronage refund.

Women Participation

Women attend the annual meetings and take part in the activities of their associations in a small proportion of Montana farmer cooperatives (Table 35). The percentage of supply cooperatives having women participation is a little more than either the grain elevators or the wool pools. This is logical to expect since supply cooperatives face more competition from non-cooperative business than the other two types.

TABLE 35. PARTICIPATION OF WOMEN IN A SAMPLE OF MONTANA FARMER COOPERATIVES, MARCH, 1963

Type of Cooperative	Percent
Wool pools	33
Grain elevators	32
Supply cooperatives	47

Youth Participation

Earlier in this thesis it was pointed out that many of the cooperative members joined these associations when they were first organized. They are now dying or retiring. Their sons do not easily understand the advantages of cooperatives and often do not join or support them. As a result, the volume of cooperative business is lower than it might be. Young people need to be taught the philosophy and advantages of the cooperative way of doing business if cooperatives are to remain strong. A good way of doing this is to encourage young people to join in the activities of the organization to which their parents belong.

TABLE 36. YOUTH PARTICIPATION OF SELECTED MONTANA FARMER COOPERATIVES, MARCH, 1963

Youth Participation	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Junior board	0	5	0
Invitation to meetings	40	41	49
Given responsibility	20	24	33
Represented on special committee	13	32	41

Montana farmer cooperatives do not make much effort to have youth participate in their activities. They have a few junior boards. A small percentage of cooperatives invite youth to meetings. Even a smaller percent give them responsibility in meetings to enhance their

interest, and still fewer give them representation on special committees to give them an opportunity to learn the practical workings of the cooperative. This means that Montana farmer cooperatives are to some extent ignoring youth in their activities.

Community Relations

To be successful, every business enterprise should have a good political atmosphere and community goodwill. Cooperatives, being business organizations, should have good public relations because they are community organizations. Good community relations will help to make anti-cooperative propaganda ineffective.

TABLE 37. COMMUNITY RELATIONS ACTIVITIES OF A SAMPLE OF MONTANA FARMER COOPERATIVES, MARCH, 1963

Type of Activity	Wool Pools	Grain Elevators	Supply Coops
	Percent		
Participate in community functions	60	84	92
Contribute to charitable funds	13	86	96

A large part of Montana farmer cooperatives undertake some type of community relations activity.

Employee Relations

Employees can contribute to the success of an organization. They can bring more business to the association by their courteous treatment

of the members. They can also educate members on cooperative philosophy while they are patronizing the association. It is therefore necessary to have good employee relations.

TABLE 38. PROPORTION OF SELECTED MONTANA FARMER COOPERATIVES USING INCENTIVE PLANS TO BETTER EMPLOYEE RELATIONS, MARCH, 1963

Incentive Plan	Grain Elevators	Supply Coops
	Percent	
Financial	32	75
Non-financial:		
Hold meetings with employees	41	82
Have picnic with employees	19	26

It can be seen from Table 38 that in general more supply cooperatives have employee incentive plans than the grain elevators. The employee relations of supply cooperatives are in line with their other efforts to win the goodwill of people.

CHAPTER V

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

Agriculture is Montana's most important industry, but the income of the agricultural sector is less than that of the non-agricultural sector. There is a need to increase the income of the farmer and co-operatives are one means of implementing this. Cooperatives play an important role in the economy of the state, but at present do not appear to be serving to their full capacity.

It was hypothesized that cooperatives can obtain more business if they would resort to better membership relations programs. The term membership relations as used in this manuscript means "the engineering of member support, obtaining the consent of membership, generating their enthusiasm, and building and holding their confidence."

The aim of undertaking this study was to determine the membership relations practices of Montana farmer cooperatives and to suggest a guide-line for developing membership relations programs. Two mailed questionaires were used to collect the data. One was mailed to the managers of the cooperatives to gather information regarding their membership relations practices. The other was mailed to the members. The aim of the second questionaire was to evaluate members' knowledge of their associations and cooperation in general with a view to suggesting a more adequate program.

Information of two kinds is necessary to the member--information regarding his own cooperative and information about cooperation in general. The member's knowledge of the operation of his association

and cooperation in general affects his participation in the affairs of the association. It was found in this survey that a large percentage of the members know the names of the officers of their associations. The members have been found not to know fully their responsibilities toward their associations. The same is true of their knowledge of the rights and responsibilities of the manager and the board of directors. They do not understand fully the importance of annual meetings, public relations activities, and family participation in the affairs of the associations. It is recommended that managements of Montana farmer cooperatives make further efforts to provide such information to the members.

The members' feelings about the cooperative affects their willingness to do business with it. Their reason for joining the association accounts for much of the members' attitudes towards the organization. Most of the members of Montana farmer cooperatives, according to this survey, joined their organizations because of their belief in cooperation. Thus they may be expected to be fairly loyal. The privileges which members think they have over non-member patrons affect their loyalty to a considerable extent. The members of Montana farmer cooperatives feel that they have the advantages of voting privileges and the sharing of refunds.

The annual meeting of a cooperative association is the occasion when the members exercise control of the association by approving or rejecting its policies. The management needs to take steps to increase the attendance to make up a quorum. This survey revealed that a large

percentage of the managements of Montana farmer cooperatives do not take such steps. It is recommended that managements follow procedures designed to increase attendance at annual meetings.

Area meetings are also important in membership relations. They provide an opportunity for those members to take part in the activities of the association who are unable to attend meetings at the association's headquarters. It was found in this survey that a large percentage of the managements of Montana farmer cooperatives do not hold area meetings. It is recommended that they do so where such meetings will fill a need.

Most of the managements of Montana local associations do not arrange for members' visits to the properties owned by the central organizations. They also do not attempt to arouse members' interest by celebrating special events such as anniversaries, exhibits, and special days.

It was revealed in this survey that a large percentage of the management of Montana farmer cooperatives do not supply copies of their annual reports to non-members, newspapers, and radio. The publicity of the annual report is quite effective, therefore it is recommended that it be supplied to non-members and to the press along with the members.

Interim reports such as newsletters, bulletins, and booklets can be used to educate members. The majority of managements of Montana farmer cooperatives, according to the findings of this study, are not making use of these interim reports. It is recommended that these reports be supplied to members. Newsletters and bulletins can be used to

inform the members of the association's special events. Booklets and magazines are a good tool of education.

The second phase of membership relations is personnel training. This survey revealed that a great percentage of the managers of Montana farmer cooperatives do not fully comprehend their full responsibilities, the responsibilities of the directors, and the responsibilities of the members. An estimate of the directors' knowledge of the responsibilities of these three personnel can be made from the analysis of the members' schedules since that sample included a fairly large proportion of directors. It was found that members had incomplete knowledge of cooperation in general. This leads to the conclusion that there is a need for Montana farmer cooperatives to have personnel training programs. An analysis of the managers' questionaire revealed that such a training program does not exist in many cases. It is recommended that such programs be instituted where feasible.

Managements of most Montana farmer cooperatives do not make efforts for the participation of women in the affairs of their associations, nor do they take steps for youth participation or for their training. This may be one reason for the slow progress of growth of the cooperative business.

The progress of a cooperative is closely interwoven with that of the community. Usually cooperatives are organized around a community interest, and good community relations can be helpful in increasing membership and volume of business. It was revealed during this survey that the managements of Montana farmer cooperatives have community

relations programs to some extent but not as fully as could be done.

Employees represent management at the time the member patronizes the association, and for that reason employees can influence the member's attitude towards the organization. This survey showed that most Montana farmer cooperatives do not have definite employee relations programs such as financial or non-financial incentive plans.

It was stated earlier that the reasons for the slow progress of Montana farmer cooperatives is the managements' neglect to observe membership relations programs and that they could obtain more business if their managements would adopt improved membership relations programs. The evaluation of the members' knowledge as revealed by this survey leads to the conclusion that members generally have poor knowledge of cooperation. It can also be concluded that the membership relations practices of Montana farmer cooperatives do not constitute scientific membership relations programs.

Suggested Lines for Further Research

The literature consulted in making this study showed that previous research on the subject was conducted both in economics as well as sociology departments. The theses written in economics departments were in the Universities of Utah, Kansas, and Missouri. These theses stressed only the economic aspect of the problem, and even as such did not try to establish a correlation between the membership relation practices and the results achieved. The dissertations written by students of sociology were mostly obtained from the Universities of Iowa,

Minnesota, and Cornell. These writers had used the scoreboard system with a view to establishing a correlation between the membership relation practice and the results achieved. However, these studies used a different model than the one presented in this study.1/

It was stated earlier in this manuscript that no effort will be made to establish a correlation between the membership relations practices and the performance of the associations concerned. One study is not enough to give out such results. The author, being a foreigner to this country and short of time, was not in a position to conduct personal interviews with the managers and members of cooperative associations. Detailed information could not be obtained otherwise, therefore setting some sort of correlation by a scoreboard method was not possible. It is suggested that further research using a statistical approach could be done using the model developed in this study.

1/ See page 68

APPENDICES

APPENDIX A

GROWTH IN THE NUMBER OF COOPERATIVE ASSOCIATIONS IN THE UNITED STATES*

Period	Marketing	Supply	Service	Total
	Number	Number	Number	
1913	2,988	111		3,099
1915	5,149	275		5,424
1921	6,476	898		7,374
1925-26	9,586	1,217		10,803
1927-28	10,195	1,205		11,400
1929-30	10,346	1,454		12,000
1930-31	10,362	1,588		11,950
1931-32	10,255	1,645		11,900
1932-33	9,352	1,648		11,000
1933-34	9,052	1,848		10,900
1934-35	8,794	1,906		10,700
1935-36	8,388	2,122		10,500
1936-37	8,142	2,601		10,743
1937-38	8,300	2,600		10,900
1938-39	8,100	2,600		10,700
1939-40	8,051	2,649		10,700
1940-41	7,943	2,657		10,600
1941-42	7,824	2,726		10,550
1942-43	7,708	2,742		10,450
1943-44	7,522	2,788		10,300
1944-45	7,400	2,750		10,150
1945-46	7,378	2,772		10,150
1946-47	7,268	2,857		10,125
1947-48	7,159	2,976		10,135
1948-49	6,993	3,082		10,075
1949-50	6,922	3,113		10,035
1950-51	6,507	3,282	262	10,051
1951-52	6,582	3,323	261	10,166
1952-53	6,489	3,376	249	10,114
1953-54	6,445	3,372	241	10,058

GROWTH IN THE NUMBER OF COOPERATIVE ASSOCIATIONS IN THE UNITED STATES* (Continued)

Period	Marketing	Supply	Service	Total
	Number	Number	Number	
1954-55	6,316	3,344	227	9,887
1955-56	6,268	3,373	235	9,876
1956-57	6,267	3,371	234	9,872
1957-58	6,102	3,381	233	9,716
1958-59[a]/	6,026	3,385	228	9,639
1958-60[a]/	5,812	3,294	218	9,324

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D.C.

a/ Figures for Hawaii and Alaska are not included to keep the uniformity in comparison.

APPENDIX B

ESTIMATED MEMBERSHIP OF COOPERATIVES IN THE UNITED STATES*

Period	Marketing	Supply	Service	Total
1915	591,683	59,503		651,186
1925-26	2,453,000	247,000		2,700,000
1927-28	2,602,000	398,000		3,000,000
1929-30	2,630,000	470,000		3,100,000
1930-31	2,608,000	392,000		3,000,000
1931-32	2,667,000	533,000		3,200,000
1932-33	2,457,000	542,700		3,000,000
1933-34	2,464,000	692,000		3,156,000
1934-35	2,490,000	790,000		3,280,000
1935-36	2,710,000	950,000		3,660,000
1936-37	2,414,000	856,000		3,270,000
1937-38	2,500,000	900,000		3,400,000
1938-39	2,410,000	890,000		3,300,000
1939-40	2,300,000	900,000		3,200,000
1940-41	2,420,000	980,000		3,400,000
1941-42	2,430,000	1,170,000		3,600,000
1942-43	2,580,000	1,270,000		3,850,000
1943-44	2,730,000	1,520,000		4,250,000
1944-45	2,895,000	1,610,000		4,505,000
1945-46	3,150,000	1,860,000		5,010,000
1946-47	3,378,000	2,058,000		5,436,000
1947-48	3,630,000	2,260,000		5,890,000
1948-49	3,973,000	2,411,000		6,384,000
1949-50	4,075,000	2,509,000		6,584,000
1950-51	4,117,408	2,878,878	94,282	7,090,568
1951-52	4,228,556	3,032,541	102,032	7,363,129
1952-53	4,246,575	3,138,695	89,225	7,464,495
1953-54	4,272,902	3,252,731	82,026	7,607,659
1954-55	4,212,890	3,322,360	67,880	7,603,130
1955-56	4,222,365	3,443,480	64,865	7,730,710

ESTIMATED MEMBERSHIP OF COOPERATIVES IN THE UNITED STATES* (Continued)

Period	Marketing	Supply	Service	Total
1956-57	4,120,515	3,489,295	61,920	7,671,730
1957-58	3,878,440	3,543,055	63,595	7,485,090
1958-59[a]	3,859,795	3,643,395	54,040	7,557,230
1959-60[a]	3,620,645	3,600,145	51,050	7,271,840

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D.C.

a/ Figures for Hawaii and Alaska are not included to keep the uniformity in comparison.

APPENDIX C

VOLUME OF BUSINESS (NET) CONDUCTED BY COOPERATIVES IN THE UNITED STATES*

Period	Marketing	Supply	Service	Total
	Thousands of Dollars			
1913	304,385	5,928		310,313
1915	624,161	11,678		635,839
1921	1,198,493	57,721		1,256,214
1925-26	2,265,000	135,000		2,400,000
1927-28	2,172,000	128,000		2,300,000
1929-30	2,310,000	190,000		2,500,000
1930-31	2,185,000	215,000		2,400,000
1931-32	1,744,000	181,000		1,925,000
1932-33	1,199,500	140,500		1,340,000
1933-34	1,213,000	152,000		1,365,000
1934-35	1,343,000	187,000		1,530,000
1935-36	1,585,000	254,000		1,840,000
1936-37	1,882,600	313,400		2,196,000
1937-38	2,050,000	350,000		2,400,000
1938-39	1,765,000	335,000		2,100,000
1939-40	1,729,000	358,000		2,087,000
1940-41	1,911,000	369,000		2,880,000
1941-42	2,360,000	480,000		2,840,000
1942-43	3,180,000	600,000		3,780,000
1943-44	4,430,000	730,000		5,160,000
1944-45	4,835,000	810,000		5,645,000
1945-46	5,147,000	923,000		6,070,000
1946-47	6,005,000	1,111,000		7,116,000
1947-48	7,195,000	1,440,000		8,635,000
1948-49	7,700,000	1,620,000		9,320,000
1949-50	7,082,600	1,643,400		8,726,000
1950-51	6,359,601	1,684,608	99,859	8,144,068
1951-52	7,411,059	1,917,217	114,436	9,442,712
1952-53	7,385,976	2,012,461	141,525	9,539,962
1953-54	7,328,936	1,976,288	157,761	9,462,985

VOLUME OF BUSINESS (NET) CONDUCTED BY COOPERATIVES IN THE UNITED STATES* (Continued)

Period	Marketing	Supply	Service	Total
	Thousands of Dollars			
1954-55	7,440,926	2,019,854	195,479	9,656,258
1955-56	7,509,968	2,044,272	214,827	9,769,067
1956-57	7,980,709	2,144,027	234,573	10,359,309
1957-58	8,261,132	2,185,269	246,641	10,693,042
1958-59[a]	9,038,379	2,368,142	272,513	11,679,035
1959-60[a]	9,281,413	2,404,949	297,882	11,984,244

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D.C.

a/ Figures for Hawaii and Alaska are not included to keep harmony in comparison.

APPENDIX D

NUMBER OF COOPERATIVES IN MONTANA FOR THE PERIOD 1950-51 to 1959-60*

Period	Marketing	Supply	Service	Total
1950-51	81	87	4	172
1951-52	86	91	4	181
1952-53	91	87	4	182
1953-54	90	87	3	180
1954-55	91	84	2	177
1955-56	90	86	1	177
1956-57	90	84	1	175
1957-58	92	90	1	183
1958-59	91	90	1	182
1959-60	91	85	1	177

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D. C.

APPENDIX E

ESTIMATED MEMBERSHIP OF COOPERATIVES IN MONTANA FOR THE PERIOD 1950-51 to 1959-60*

Period	Marketing	Supply	Service	Total
1950-51	25,968	26,552	67	52,587
1951-52	29,713	27,429	68	57,210
1952-53	32,023	34,928	87	67,038
1953-54	32,149	28,694	44	60,887
1954-55	33,920	29,660	40	63,620
1955-56	32,320	31,520	80	63,920
1956-57	26,825	32,045	150	59,020
1957-58	28,065	33,235	185	61,485
1958-59	33,390	35,555	180	69,125
1959-60	37,780	36,165	240	74,185

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D. C.

APPENDIX F

VOLUME OF BUSINESS (NET) IN THOUSAND DOLLARS HANDLED BY COOPERATIVES IN MONTANA FOR THE PERIOD 1950-51 to 1959-60*

Year	Marketing	Supply	Service	Total
1950-51	65,162	15,275	647	81,084
1951-52	82,853	15,763	933	99,549
1952-53	83,147	16,775	1,308	101,230
1953-54	84,837	17,376	1,252	103,465
1954-55	87,358	17,061	1,561	105,980
1955-56	72,948	18,847	1,852	93,647
1956-57	72,135	19,708	2,307	94,150
1957-58	87,434	20,533	2,297	110,264
1958-59	97,738	25,037	3,016	125,791
1959-60	101,314	27,031	3,043	131,388

*Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service, United States Department of Agriculture, Washington, D. C.

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