

How Farmers "Eat Their Cake and Have It Too"

(Concluded from page 6, column 4)

years. That gives an idea of the profits formerly made out of the mechanical end of the fruit-packing business, to say nothing of what was made from speculation.

Producers Control the Subsidiary

THE common stock of the warehousing company is held by the growers only, while the preferred stock is sold to anybody. The common has the voting power. The same officers and directors are elected as for the marketing association, so that for all practical purposes the two are one and inseparable. The chief reason for having two organizations, aside from the legal advantages and other advantages of the non-profit organization which does the marketing, is that it facilitates the use of warehouse receipts in securing credit. A company cannot give itself a warehouse receipt, but the warehousing company can give one to the marketing company. That is really the key point in the method of financing crop movement on the basis of crop contracts and warehouse receipts.

Preferred stock is issued for four years, one-fourth to be retired each year. This is retired, as I explained before, out of the profits of the subsidiary company. If the profits any one year are not enough to retire the stock, the amount to make up the difference is deducted from the returns to the growers on their prunes. At the end of four years only the common stock is left, and this is owned by the officers of the marketing association for the association itself. The prune association is now on the third year of retiring the preferred stock, and will soon have its splendid physical equipment owned by the marketing association without having a cent invested except the profits. "This is what I call taking the premium out of capital," says General Manager H. G. Coykendall.

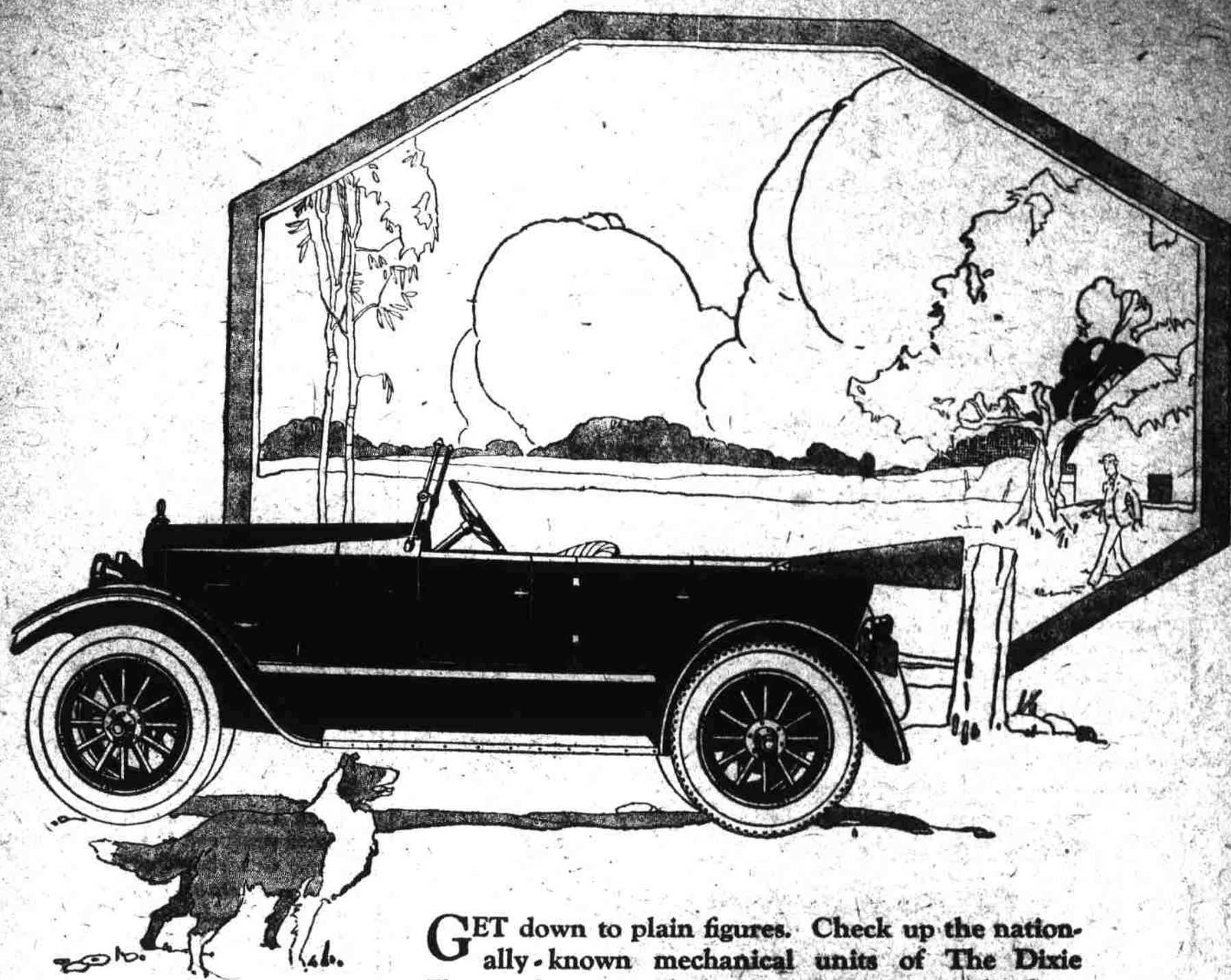
Revolving Fund

ANOTHER plan used by some organizations, notably the raisin association, is to provide a revolving fund by assessing every member a certain charge for each ton of his product handled, say \$4 per ton. This money is turned into the capital fund of the association. Suppose a man produces 100 tons of raisins in 1919, 150 in 1920, 150 in 1921, and 200 tons in 1922. He pays in \$400 in 1919, \$600 in 1920, \$600 in 1921, and \$800 in 1922, this being deducted from the check paying for his crop. At the end of four years his first payment is returned—the \$400 going back in 1923, \$600 in 1924, etc., so that if he should quit business in 1922 he would be all paid out by 1923. Interest of course is paid each year.

There are many advantages in favor of the raisin growers' plan of a revolving fund, chief of which is that it always keeps the amount of capital in direct proportion to the amount of use to which the growers put the association. Thus a small grower might be furnishing \$50 per year, and a man who grew 10 times as much fruit would furnish \$500 per year. This revolving fund idea is fundamentally sound.

The principle of democratic control is jealously guarded by the cooperative associations in the Pacific Coast. Foremost in keeping it such is the rule of "taking the premium out of capital" by following the plan of organization on the non-profit plan without capital stock.

Next week Mr. Steen will close his series of articles on the California associations with a statement of the fundamentals of cooperation. Don't miss reading and keep it. See that your own cooperative associations are based on these solid foundations.



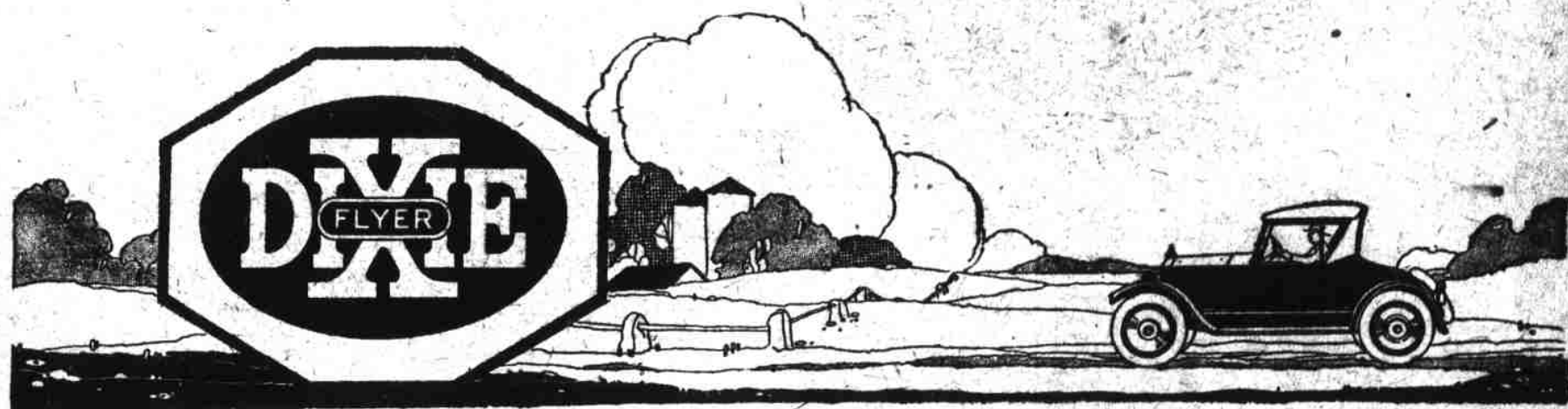
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