The successful functioning of cooperative marketing associations in a number of fields has caused foresters to wonder how far this type of organization is adaptable to the handling of forest products. In two previous articles in the Journal of Forestry a number of possible advantages and disadvantages of cooperative marketing of timber were brought out. In the present article the analysis of this type of organization is carried a step farther by discussing several phases of cooperatives in general as related to theoretical possibilities of forestry cooperatives. Economic aspects alone are considered. No feature is completely covered, but it is believed that the success of cooperatives in other fields indicates favorable opportunities in forestry.

The cooperative type of organization has achieved widespread adoption in the American business world. In 1936 the 10,500 active farmers' cooperative marketing associations in the United States had 3,550,000 members. Roughly three-fourths were members of cooperative selling associations and one-fourth of cooperative purchasing associations. If duplication in membership—one farmer may belong to more than one association—is omitted, approximately thirty percent of American farmers apparently sold products through one or more associations.

Moreover, manufacturers, wholesalers, and retailers belong to trade associations, a type of cooperative organized to distribute market information or accomplish undertakings of mutual interest to members. The U. S. Department of Commerce in 1937 listed 271 national and interstate trade associations in lumber and related forest industries, and 600 in the construction industry. In 1929 the Federal Trade Commission gave an estimate of 395 cooperative grocery associations, the best known being the Independent Grocers Alliance with a membership of around 10,000 independent retail stores in 42 cities. Twenty-four cooperative drug chains were estimated to be operated by 6,041 independent retailers during the same year. During the past fifteen years cooperative associations and cooperative undertakings have become a common characteristic of business.

Many types of cooperatives, designed for many purposes, have operated in the United States. The type to which the term "cooperative marketing association" is most familiarly applied is characterized by several features. Each member is usually allowed only one vote in formulating policies. Savings are distributed to members in proportion to the volume of business transacted through the association. Membership is limited to individuals engaged in the same type of business undertaking. Such characteristics usually apply to both cooperative selling associations and cooperative purchasing associations. However, the term is often limited to associations designed primarily to sell goods produced by members, and this type of organization is the one discussed in this article.

From a social viewpoint a cooperative association is economically justifiable only if distribution can be more efficiently performed by this type of organization than by independent action. Greater efficiency must result in a higher net return to the producer, a better quality of product, or a lower price to the consumer. A cooperative designed simply to raise the price of a product through monopolistic control of the supply is socially undesirable, as it then becomes merely an instrument with which to extract extra purchasing power from the consumer.

Functions of Cooperatives

The cooperative marketing association is not, per se, more efficient than are private middlemen. The marketing functions of assembly, selling, transportation, standardization and grading, risk bearing, and financing must be performed. Performance is both difficult and expensive, requiring skill and experience. A cooperative may eliminate marketing functionaries, but it cannot eliminate marketing functions.

In many fields, however, cooperative marketing associations have been unusually successful.
Particularly has this been true with dairy products, grain, livestock, cotton, fruits, and vegetables. Local, regional, and national groups handling these products have developed. Nationally known associations include the American Cotton Cooperative Association, the Farmers' National Grain Corporation, the National Livestock Marketing Association, the Florida Citrus Exchange, and the California Fruit Growers Association. Marketing functions have been so efficiently performed by these associations that both cooperative members and consumers have benefited.

In addition to performing the customary marketing functions, many cooperative associations have found it desirable to supervise actual production by members. A more uniform and higher grade of material can thus be assured. Likewise, some groups have found it advisable to construct processing plants in order to develop a satisfactory market. Associations of citrus growers, for instance, often supervise the groves during growing season, completely harvest the crop, operate packing and canning plants, all in addition to performing the normal marketing functions.

**Possibilities of Forest Cooperatives**

It is illogical to assume that because of success with other products, cooperative associations will necessarily improve the present marketing system for forest products. A cooperative association, it is true, possesses a number of theoretical advantages, but it also possesses certain specific disadvantages. Efficient managers are often not available. Adequate financial support is difficult to obtain. Inefficient managers and insufficient capital have caused the failure of many cooperatives handling various kinds of agricultural products in past years, sometimes with serious loss to members. Moreover, in many regions there is not sufficient volume of forest products for sale to carry the overhead of a cooperative. And in all regions resistance could be expected to the idea of a new type of marketing agency.

Nevertheless, it is also illogical to assume that because of past failures and theoretical objections to cooperatives the possibility of improving the marketing facilities in given areas by means of forestry cooperatives does not exist. Successful activities of cooperatives in other fields do indicate similar possibilities with forest products.

The success of cooperatives in stabilizing the market for specific products indicates a similar possibility for forest cooperatives. A stabilized market would tend to reduce uncertainty for forest owners, and at the same time increase the reliability of the source of supply for forest industries. Undesirable practices can likewise be more easily eliminated in an organized than in an unorganized market.

In local areas where existing channels of distribution were not efficient for given products, cooperatives have offered improvement. Although this condition may not be as common for forest products as for certain other items, it does exist. For instance, if no satisfactory market exists for a given forest product, or if the market is monopsonistically controlled by utilization plants, a forestry cooperative would probably tend to improve the situation. However, when cooperatives provide facilities merely duplicating efficient existing agencies, only loss can be anticipated.

From a forestry viewpoint, one of the most favorable opportunities for a cooperative appears to be in the uniform grading of product for individual members. Grading, or classification of wood for its highest utilization, is usually impracticable for an individual small producer, but a cooperative could make separate sales to lumber mills, treating plants, and pulp mills. Industrial users would thus have a more stable supply of specific grades of wood, while the returns to the members would be enhanced by selling each grade for its highest use. Grading of many agricultural commodities was uncommon until practiced by cooperatives.

Opportunities for improving the management of forest land are found in many areas. A cooperative association that would supervise the management of forest land and thereby produce a higher grade product, as well as market that product, appears practicable. Cooperatives handling fruit, as previously mentioned, successfully supervise production and perform all harvesting operations. The cooperative not only encourages the production of a higher grade product, but makes such production profitable by providing a market. The expense of hunting a buyer for ten highgrade poles might be uneconomical, but when these poles are combined with others handled by a cooperative, an economical sale may be made.

In some instances cooperatives have found it desirable to develop processing plants to assure a more stable market. Dairy cooperative associations have established creameries; citrus growers' associations have established packing and can-
ning plants; fruit and vegetable groups often operate canneries. In areas with inadequate plants to utilize forest products, cooperative associations may be instrumental in establishing improved facilities.

The possibilities of cooperative forestry associations are not altogether theoretical. Several associations have been organized. The Otsego Forest Products Cooperative Association, Cooperstown, N. Y., and the Forest Products Association, Inc., Grovetown, N. H., are two examples. The Farmers' Federation, Inc., Asheville, N. C., affords an example of a cooperative handling pulpwood along with other farm products. The success or failure of such organizations will show a significant trend in the potentialities of forest cooperatives.

**GOVERNMENTAL ASSISTANCE**

Various governmental agencies have attempted to improve the marketing of a number of products. The Bureau of Agricultural Economics, the old Federal Farm Board, the Extension Service, and the Farm Credit Administration in particular have rendered aid in marketing agricultural commodities. News services, crop reporting estimates, establishment of grades, control of exchanges, and sponsorship of cooperatives are among the important activities. Sponsorship of cooperative associations has been in the form of recommended plans of organization, of active encouragement and support, and of direct financial assistance through loans. At present nothing indicates that legal aids open to cooperatives in general are not available to cooperative handling forest products either exclusively or in conjunction with other agricultural products.

A number of federal acts have been passed encouraging cooperative associations. The Clayton Act passed in 1914 stimulated the formation of non-stock cooperative associations by exempting them from anti-trust laws, while the Copper-Volstead Act of 1922 gave the same privilege to capital stock cooperatives. In 1926 cooperatives were exempted from payment of an income tax. The Agricultural Marketing Act of 1929 in turn established a $500,000,000 loan fund, administered through the Federal Farm Board, from which cooperatives could borrow. The Farm Credit Administration and Agricultural Adjustment Administration have continued the policy of providing credit and encouragement for such associations.

A number of states have special cooperative marketing association laws, usually granting certain privileges to cooperatives organized to handle agricultural commodities. In most such acts forest products are specifically designated as an agricultural commodity. Customarily two types of associations are provided for under state laws—capital stock and non-stock. Of existing cooperatives, slightly more than half are organized as capital stock associations.

Governmental aid in marketing forest products has been limited. The U. S. Forest Service, however, has aided through the work of the Forest Products Laboratory in developing new products and through various activities designed to improve management of forest land to yield products of better quality. The Forest Products Division of the Bureau of Foreign and Domestic Commerce cooperates with private firms in collecting and distributing marketing information. In addition, extension and state foresters have at times furnished market information about forest products to timber owners.

**GENERALIZED CONCLUSIONS**

1. Theoretically cooperative associations offer an opportunity of improving the management of forest land, of improving marketing facilities in areas where existing facilities are relatively inefficient, and of bringing about improved utilization where an expansion in capacity of specific types of plants is practicable.

2. A newly organized forestry cooperative association faces a grave problem in securing efficient management and adequate finances.

3. Existing cooperatives handling forest products offer criteria as to the future possibilities of the success of such a type of organization.

4. Legal machinery exists for the organization and financing of cooperative marketing associations handling forest products.