

General Articles

"WHY FARMERS SHOULD COOPERATE"

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Ladies and Gentlemen: As you may have noted from the program, the title for my talk today is "Why Farmers Should Cooperate." I am not unmindful of the rather deep cleavage of opinion among agricultural producers engaged in the avocado industry on the question of marketing through farmers' cooperatives. It was therefore with some trepidation that I accepted the kind invitation of your program committee to be with you today.

During the weeks prior to today's meeting, I was comforted somewhat by the recollection of the story of the Yankee who was invited to address a group of Texans, this being the Yankee's first trip into the South. Some of his remarks met with something short of favor on the part of the audience, but when one of the Texans placed a six-shooter on the table, the Yankee speaker was reduced to a state of incoherence. The Toastmaster, noticing the problem the speaker was having, leaned over and tugged at his coattails and said, "Don't worry, Son, they're not waiting for you. They're laying for the Program Committee." So, if any of the remarks today offend any of you who don't believe quite as I do, I trust you will look for the Program Committee and let me escape unscathed.

It should be said, as I think it should be said in the case of everybody who imposes on your time at a meeting like this, that I have a bias. My bias, however, toward farmer cooperatives is not a bias of ideology; it's not a bias of sociology, nor is it a bias of religious fervor. It is a bias of pure economics as I see them.

Looking at some of these economic factors, the thing that is of most interest to you is what's going to happen to your crop once you have produced it and are ready to put it through your farm gate. A good starting point is to look at who buys your avocados. Well, the consumer, of course, buys them. As a seller, it's only natural that you would want the broadest possible base for exposure of avocados to the consumer so that she may have full opportunity to spend her grocery dollar for an avocado.

Now what does a consumer want? She wants wholesome, nutritious, interesting foods. We all know that avocados rank high on all of these counts. And so far, these are familiar things that have been with us for many, many years in marketing of agricultural

commodities. But when we ask the question, "Where does she buy avocados?" and we answer, "retail stores," we have opened a Pandora's Box that encompasses developments in the distributive and selling trade, the like of which this country has never before seen.

No one needs chapter and verse on the changes in retail stores today. Every town, every hamlet has its supermarket or superette, at the very least. No extensive statistics are required. It suffices to say that 10% or a little less of all the stores sell two-thirds or a little more of all the groceries that are sold every year. In the super-market today, it is not unusual to find them stocking six to eight thousand items. I am informed that there is one supermarket in Texas that handles over twelve thousand items, including, if you please, airplanes.

Now, coupled with this development, is the fact that the consumer now finds herself in a self-service store—no longer is there a clerk at hand to tell her what is today's good buy or to suggest that avocados would be tasty in a salad tonight— it's up to the consumer to make her choice among these thousands and thousands and thousands of items. It thus comes about that point of purchase material, merchandising in the store, assumes extremely great importance. In order to accomplish the objective of carrying this message to the housewife, we must rely on the cooperation of the retailer. The retailer wants to work with organizations that can provide a steady supply of good quality product with sufficient resources to engage in cooperative merchandising with the retailer. When you look through the total list of organizations that are capable of doing this in the field of marketing of agricultural commodities, I think, inescapably, the answer is that the cooperative is the one organization that is equipped to work with the retailer to obtain the maximum impact at the retail level.

I wish you had all had the opportunity of hearing a recent address by Mal Ellison, Produce Manager of Super-Valu Stores in Minneapolis. Mal Ellison, addressing a group of Sunkist growers, frankly avowed that he was a "fresh" man. It was his whole life. He believed that fresh produce should receive prime importance in the grocery stores. He wants to sell fresh produce; he wants to sell avocados, and oranges, and apples, and potatoes, and everything in fresh form. But he had some very interesting comments to make about what the retailer, interested as naturally he should be in his profit picture, expects from the agricultural groups that will provide him with his fresh produce. He expects those things that were mentioned above—a steady supply of good quality product, with sufficient resources to engage in cooperative merchandising efforts with the retailer. Those of you who don't market through cooperatives would do well to ask yourselves if your marketing agency can provide these things which are increasingly being demanded by retail outlets.

Going behind the retail outlet one step, let's examine for a moment how this produce gets to the retailer. There are three major ways: through chains, through cooperative buying groups, and through what are known as voluntary buying groups or voluntary chains. Through these three major avenues of distribution, we will cover the great majority of all the retail outlets in the country. This means that there are fewer and fewer buyers for the things that we produce on our farms.

Let's contrast this to the early days of the development of farmer cooperatives. Back in

the early 1900's, agricultural producers in California began to realize that when there were literally thousands of sellers, individual farmers, that the comparatively few buyers were able to whipsaw them on price, on quality, on conditions of delivery, and the other things that piled up red ink entries year after year. This led to the development of our agricultural marketing cooperatives here in California. The result—not thousands of disorganized sellers, but one unified, authoritative voice speaking in the market place for these growers. Thus, the situation was reversed. Compared to the single selling group, there were a multitude of buyers and it takes no great knowledge of economics to know that this is desirable from the standpoint of the seller. With the development of the chains and the cooperative buying groups and the voluntary groups, the buyers are beginning to equalize the scale. There are still relatively few marketing associations in agriculture, but the number of buyers is beginning to match up pretty well to the number of these selling groups. If the grower permits the merchandising of his agricultural commodity to become fractionalized into numerous competing selling groups, he will be turning his back on the lessons of history and will become lost in the hurly burly of the market place.

What underlies meeting the demands of the market? First of all, there must be sales and packing facilities. Don't kid yourself! These facilities are an economic cost. Someone pays for them. They aren't delivered like manna from heaven and you don't need to tell any group of growers that one way or the other it's his pocket that this money comes out of. So the question is, "Paying for these sales and packing facilities as you are, do you want to be a renter or an owner?"

When you do own your own facilities for packing, handling, selling, distributing your agricultural commodities, what advantages do you have? It seems to me there are several. First of all, you have physical control of the fruit. It's more than just a flip comment that possession is nine points of the law. Without physical control of the fruit as far along the distribution pattern as the grower can possibly arrange it, you are not capable of realizing the maximum return for your farm production. If you own your own facilities, you can control the fruit quality that is put on the market. Here, again, is something that is being demanded at a higher level by the retailers in the distributive channels. With you own facilities, you can control the quality of the pack and the appearance of the pack. This becomes particularly important when we reflect back on the fact that these are self-service stores where the consumer today buys her groceries, and an attractive pack is sometimes exactly the thing that creates the impulse on the part of the buyer to pick up avocados for dinner tonight. With your own facilities, you can schedule harvesting and delivery of the fruit for maximum quality and for optimum plant efficiency.

With your own facilities, you can experiment with size of fruit, discover what the consumer likes; you can experiment with packs; you can experiment with containers—to make sure that all of the efforts that are expended in the marketing channels are really accomplishing the objective of hitting the consumer with greatest impact. With you own facilities, you can conduct research all the way from production through distribution and have immediate application of the favorable results of such research. All of these things can be accomplished through a cooperative where the growers mutually own their own packing facilities and their own sales and distribution facilities. Again, for those of you

who aren't marketing through a cooperative, it might be well to examine your present marketing outlet and see whether it matches up on the advantages that can be obtained if you owned your own facilities.

Now it should be made clear that cooperatives are not for everyone. There are several different types of growers who shouldn't market through a cooperative. First of all, there are those who quite frankly like to gamble in the market place. A cooperative is in the market every day on what they term in the stock market a dollar averaging operation. It has well been said that a grower should prefer to receive an average price at a higher average level than to receive a favored price at a lower price level. Cooperatives, also, are not for the man who is big enough to supply, through his own operation, a profitable outlet; that is, it's not for him if he doesn't worry about the apron strings being cut. Cooperatives are not for the grower who can't stand imperfection. Unfortunately, cooperatives, like other institutions, are run by people and when people are involved, except for my lovely wife and two or three others whose names I can't recall at the moment, I don't know of any of us humans who are perfect. Cooperatives are not for the grower who is demanding competitive returns every day of the year. At this point, however, it would be interesting to explore what is a competitive return. This subject in itself, of course, would be the topic for the day on another occasion. It does remind you a little bit, however, of the shoeshine boy who allowed as how he averaged fifty cents a tip for every shoeshine, but nobody yet had come up to the average.

Even so, were we able to get good accurate, comparable figures on returns, it is true that independents may from time to time do better than a cooperative. In fact, independents may perhaps do better for an entire season. There are several reasons why this may occur. A cooperative, of course, must take all of the fruit of its members. It can't pick and choose in amount or the time of purchase. It must provide a home for the fruit produced by its members. The cooperative, to use a familiar expression, holds the umbrella. Without a strong cooperative, there is no question that the entire price structure is lower. There are certain things that the; cooperative, as a business organization, can, should, and must do in order to keep this price level as high as possible not only for its own growers but for those who are not willing to share the expense that it takes to accomplish this objective. So the cooperative has certain expenses—advertising, promotional expenses, research expenses. Those are costs that the independents do not undertake, and yet in the long run, these independents benefit, of course, from the activities of the cooperative. Also, an independent can often single-shot a market. Because of greater flexibility in its operating procedures, it is possible that an independent with good business judgment and some good luck can skim the cream off of a given market or series of markets. Now, this is true from time to time and, as indicated, perhaps even over any one given total season. But those who are in the business of agriculture on more than a day-to-day basis should take a look at history which will prove conclusively that cooperatives are the best, most effective way to maximize returns to growers over a reasonable period of time.

Diamond Walnut, Blue Diamond Almonds, Sunsweet Prunes, Sunmaid Raisins, Calcot (the cotton marketing cooperative) and, with some pardonable degree of pride, Sunkist are names that represent hundreds of years of cooperative marketing experience in the wide variety of crops that are produced here in our own State of California. Their very

existence is proof of determination by growers that cooperatives are the best avenue through which to market their farm production. The title, "Why Farmers Should Cooperate"; the answer, "He Who Helps Himself Helps Best."