

THE EARLY DEVELOPMENT OF THE KANSAS COOPERATIVE ELEVATOR MOVEMENT:  
ECONOMIC GROWTH AND POLITICAL ENVIRONMENT

by

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## PREFACE

This thesis represents an attempt to analyze the development of the Kansas cooperative elevator movement from the establishment of the first cooperative elevator success in the 1890's up through 1922. Such a study required a brief history of Kansas cooperative activity from 1870-1890, followed by an attempt to define the general environment that produced the Kansas cooperative elevator movement. In my analysis of this environment I have found that as the cooperative elevator movement progressed, it involved two different phases of activity--economic business activity and political reform activity.

These dual phases of activity have made chronological presentation difficult. In the second chapter, I have attempted to point out the economic development of the cooperative elevators as aided by the organizational activity of farmers' organizations, but this involved a problem because most of the farmers' organizations were interested in political reform, as well as cooperative organization. Consequently, this chapter has involved the organizational development of cooperatives with a slight reference to reform political activities.

In the third chapter, I have concentrated on the Farmers Cooperative Commission Company, an advanced stage in the cooperative elevator movement because it represented a federation of cooperative elevators in the primary market place where the grain sold directly to the manufacturer or exporter. This operation was an advanced service beyond buying and shipping of grain which



was the extent of the local elevator's operations. Although the Farmers Cooperative Commission Company had no political affiliation, it was the result of an environment which reform legislation produced; consequently, the third chapter also involved mention of the commission company's relation to political reforms. These political reforms which related to the cooperative elevator movement were, for the most part, the results of the Progressive movement; therefore, at the expense of some repetition, I have devoted the entire fourth chapter to the relation of the Kansas cooperative elevator movement to the Progressive movement.

As for method of research used, I have had access to the Farmers Cooperative Commission Company's files and the governors' speeches at the Kansas State Historical Library. Otherwise, my research has been limited to newspapers, secondary sources, and interviews.

It is now my pleasant duty to acknowledge my deep appreciation to Professor W. T. K. Nugent, my major advisor, for his patient understanding and constructive criticism; Professor Phillip M. Rice, head of the Department of History, Political Science, and Philosophy, for making this study possible; Mr. James Dean, secretary of the Farmers Cooperative Commission Company, for the availability of the Company's files; and the late A. B. Graham whose interest in the cooperative elevator movement prompted me to make this study.



## CHAPTER I

### EARLY COOPERATIVES IN KANSAS, 1870-90

The Farmers Cooperative Service, an information and research sub-division of the United States Department of Agriculture which relates to farmers' cooperatives, has divided early cooperative activity in American history into three eras. The first involved informal cooperative activity which lasted up through the Civil War; the second period was from 1870 through 1890, when farm protest matured, and the third was from 1890 through 1922, when organized cooperative activity came into being.<sup>1</sup> Kansas cooperative activity does not begin until the 1870's; consequently, the 1870-1890 division contains the events covered in this first chapter. The 1890-1922 period marks the historical setting of the Kansas cooperative elevator movement and its development during the Populist and Progressive eras. The cooperative activity which is covered in the last three chapters of this thesis occurred during the latter period.

The Kansas cooperative elevator movement did not become a force until after the turn of the century; furthermore, the evolution of this movement had its antecedent within the organizational activities of earlier cooperative societies. Consequently, it is necessary to trace the development of the early Kansas

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<sup>1</sup>R. H. Elsworth took notice of these three divisions of cooperative history in The Story of Farmers' Cooperatives, Farmers Cooperative Service Educational Circular No. 1 (Washington: U. S. Government Printing Office, 1954), p.p. 1-25, and offers analysis of cooperative organization during those stages and significant characteristics of each.

cooperative movement.

The first cooperative societies in Kansas grew out of the organizing efforts of the Patrons of Husbandry, a national organization dedicated to the improvement of the farmer's social and educational isolation. The Patrons of Husbandry improved the individual farmer's isolated situation by bringing him into more frequent contact with his neighbors at monthly meetings. These meetings resulted in the formation of local associations or granges. The first Kansas Grange formed at Hiawatha in 1872 with the help and advice of General Daniel Wilson, a national organizer of the Patrons of Husbandry. The Hiawatha association became active politically and voiced its opposition to the mortgage system and to the railroads,<sup>2</sup> an indication that the early Grangers almost immediately accepted collective political action in order to register a unified protest against the high interest rates and transportation costs that prevailed at that time. Also, this activity provided the farmers with a plan for banding together in large numbers to accomplish things collectively which could not be achieved individually.

The State Agricultural College assisted the Granger realization of a need for group activity when it called a farmers' institute meeting in Manhattan, Kansas, on January 23, 1873. The institute, an educational service of the College, adopted a resolution to "call a delegate Farmers State Convention, so that

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<sup>2</sup> William Frank Cernow, Kansas, A History of the Jayhawk State, (Norman: University of Oklahoma Press, 1957), p. 191.



the farmers can meet to devise ways and means for their relief and future protection".<sup>3</sup> Thus, at the instigation of the College, a statewide meeting assembled to unite the newly organized Granges and the various Farmers' Clubs.

The Farmers' Clubs were simple organizations that had no constitution or by-laws; moreover, they were only informal agreements between at least six men and their wives to meet at least six times a year and discuss general farm topics.<sup>4</sup> These individual clubs were not disciplined enough to act as an integrated regional unit, and the newly organized Kansas Granges had not, in January of 1873, organized into a State Grange. Consequently, the Manhattan meeting called a statewide convention to bring all farm organizations in the state together for the first time.

The Farmers' State Convention met in Topeka on March 26, 1873, in an effort to bring the different types of farm organizations together. This meeting hoped to unite the farmers' organizations and to formulate a plan whereby the farmers could improve their inequitable position in relation to railroads and credit facilities. The Convention proposed to implement these hopes by forming a permanent organization that could act as the farmers' official voice and express their concerted views. The recorded view points at this statewide meeting, varied according to the

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<sup>3</sup>Kansas State Board of Agriculture, First Annual Report, (Topeka: State Printer, 1878), I:25.

<sup>4</sup>J. H. Miller, "The State Farmers Institute", Kansas State Agricultural College: The Industrialist, Vol. I, No. D, (Topeka: State Printer, 1904), p. 42.



individual speaker; but there were constant appeals, by all speakers, for farmers to join some type of farm organization. Such appeals were so strong that they provoked a resolution calling for "every farmer in the state to become a member of some Farmers' Club, Grange of the Patrons of Husbandry, or other local organization auxiliary to the state organization."<sup>5</sup> This resolution intended that these local associations organize to enable the farmers to act in concert on the local level and that these locals were to be responsible to a state organization.

Such control by a state organization, however, could not function until the cooperative movement had succeeded beyond its early stages of development. The stages of growth upon which depended a statewide cooperative organization, such as this convention tried to construct, were threefold. First, a cooperative venture depended upon the local needs of the community, and success on this level was the first step toward an integrated statewide cooperative association. Second, these successful locals needed to unite on a regional basis. Third, a unification of the various regional units then produced a state organization which the 1873 resolution of the Farmers State Convention called for so hopefully.

Although the convention took an inverted approach to the development of statewide organization, it realized that collective action in the business field was necessary to gain more

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<sup>5</sup>Kansas State Board of Agriculture, First Annual Report, I: 28.

equitable prices on farm machinery and lower rates of transportation on railroads. Another resolution showed this realization.

Resolved: That this Convention elect a corresponding agent whose duty shall be to communicate with the principle manufacturers of and dealers in agriculture implements, with a view to obtain low rates of purchase, and also make application for reduced rates of transportation on all the different railroads, and forward a statement of advantages obtained monthly to each of the different organizations of farmers within the state.<sup>6</sup>

The Convention, therefore, understood the need for consumer cooperation--a business principle which helped early cooperative ventures to unite and to remain enduring institutions. Moreover, this early consumer cooperative activity provided the first cooperative successes from which the entire Kansas cooperative movement developed.

The forty counties that sent representatives to the 1873 convention demonstrated the importance of Farmers Clubs and regional representation. Only five of these counties did not have Farmers' Clubs. Seven of these forty counties had a combined population of 115,235, almost thirty-two per cent of the 1879 Kansas population of 364,399, and had fifty-three per cent of the Farmers' Clubs that were registered in 1872.<sup>7</sup>

Further analysis of the counties that attended the 1873 convention, showed that delegates from only four counties west of the sixth principle meridian attended this 1873 convention. Thus, by

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<sup>6</sup>Ibid.,

<sup>7</sup>These seven counties as listed in Kansas State Board of Agriculture, First Annual Report, op. cit., pp. 24-25, were Atchison, Douglas, Jefferson, Johnson, Leavenworth, Osage, and Shawnee.



1873 it appeared that farmer organization had taken place in the more populated areas of Kansas and that the collective attendance of the organizations produced the Farmers Cooperative Association--the official result of the Farmers State Convention.

The Farmers Cooperative Association adjourned sine die, and its next meeting was January 13, 1874. This session placed renewed stress upon farmers political activity and Grange membership. President John Davis of Junction City, later a Populist Congressman from 1891-95, reviewed the farmer efforts in the political field and gave strong defense of the Grange and its secret features which had been criticized by some of the Farmers' Clubs.<sup>8</sup> Consequently, it seems that the Grange had become the dominant influence in the Farmers Cooperative Association. This supposition corresponds with the rapid growth of the Kansas Grange, which in September of 1874, had 1,084 Grangers per 100,000 Kansas population.<sup>9</sup>

The rapid Granger growth pushed cooperative activities toward a number of local successes, and these successes appear to have decreased statewide enthusiasm for the Farmers Cooperative Association. As a result, after 1874, there seems to be no further record of subsequent meetings of the state cooperative association, and cooperation in Kansas seems thereafter to have been largely left up to the Grange, at both the state and local levels.

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<sup>8</sup>Topeka State Journal, January 14, 1874.

<sup>9</sup>Solon J. Buck, The Granger Movement, 1870-1880, (Cambridge: Harvard University Press, 1913), p. 306.



For example, the Linn County Patrons Cooperative Association was one of the first and most enduring of Kansas' local cooperatives. This organization started in 1873 in the home of one of the members of the Cadmus Grange, located in the northern part of Linn County. In 1876, the Association received a state charter and it enjoyed a successful decade of business, until 1886 when credit collection became a problem; at that time a decision was made to do all business on a "cash only" basis.<sup>10</sup> This decision helped the Linn County Patrons Cooperative Association remain a solvent and growing institution, and it is still doing business.

Other examples of early cooperative success centered around Granger activity in Johnson County. This activity produced three types of cooperative enterprises. They were a general store organized by the Johnson County Cooperative Association, a Patrons Cooperative Bank, and a Patrons Fire Insurance Association; furthermore, all three originated in Olathe, Kansas.

The general store cooperative organized in 1876. At that time its charter members decided to do business on a "cash only" basis, and the resultant effect of such action produced sound profits which were divided and pro-rated to stockholders. In 1880, the cooperative store voted to set apart one-half of the net profits of the store as a surplus fund. The surplus fund grew and by 1882 the Olathe cooperative had organized three other cooperative stores in Johnson County. Following this, these stores were able to do a larger volume of business and benefited

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<sup>10</sup>Elsworth, op. cit., p. 6.

from wholesale purchases with a Kansas City, Missouri wholesale agency.<sup>11</sup> Consequently, the cooperating patrons of the Johnson County cooperative stores received larger prorrations and the stores became successful establishments.

The federation of the four Johnson County Cooperative Association stores introduced a new cooperative innovation that later helped complete the evolution of cooperative elevator services. The combined volume of this federation was great enough to permit wholesale transactions with a Kansas City, Missouri firm. The increased purchasing power of these transactions led to greater profit and the ultimate success of the federation. Similar benefits accrued to the Kansas cooperative elevator development of Southwest Kansas when they formed the Farmers Cooperative Commission Company in 1915. Thus, the Johnson County cooperative stores pioneered in a phase of development that later enabled cooperative elevators to federate and do a cooperative business in the primary market place where the grain was sold to the manufacturer.

In 1883, the second of these Johnson County cooperatives organized as the Patrons Cooperative Bank, but by 1912 it had lost most of its cooperative features.<sup>12</sup> Apparently, banking was a field of business where cooperative activity could not succeed

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<sup>11</sup>A. G. Kittle, "Thirty-five Years of Cooperative in Johnson County", Kansas State Board of Agriculture, Nineteenth Biennial Report, (Topeka: State Printer, 1912), XXIV: 209.

<sup>12</sup>A. G. Kittle noted this loss of cooperative features in "Thirty-five Years of Cooperation in Johnson County", Kansas State Board of Agriculture, Nineteenth Biennial Report, (Topeka: State Printer, 1912), XXIV: 215, and commented, "The only remaining feature about the bank is the voting privilege of stockholders. Every individual has one vote, regardless of the number of shares held."



until the basic principles of credit unions had materialized, and these principles did not evolve until after the 1920's.

The Patrons Fire and Tornado Insurance Association was the third Johnson County cooperative to be formed. It was organized in 1899 and insured only property of Grange members; furthermore, only local Grange members were permitted to act as salesmen and agents. These exclusive features helped establish a mutual insurance company that could sell insurance at cheaper rates than were offered by other contemporary insurance companies. This cut-rate service developed the Patrons Fire Insurance Association into a highly successful local cooperative, and this operation helped draw attention to the new importance that was given cooperative organization after 1890.

These early cooperatives, of Johnson and Linn Counties, were outstanding developments in the 1870-1890 period of cooperative history, and their achievements served as examples for succeeding cooperative institutions. Another aid they gave the cooperative movement was a new hope for farmer cooperation, and the successes of these cooperatives played an influential role in the maturation of the Kansas cooperative movement.

The Grange, however, did not have cooperative activity entirely to itself during the 1870-1890 stage. The development of farmer cooperative organizations was also aided by the political activities of the Farmers' Alliance and similar groups. Although this political activity did not establish flourishing examples of cooperatives, it helped to unite the political protest of the farmers; and it was this political protest that played an



important role in the evolutionary success of the cooperative movement. As Theodore Saloutos has remarked,

The federal government gave slight attention to the farmers marketing problems until the farmers themselves had taken the initiative in setting up their associations and had exerted considerable political pressure in their respective states.<sup>13</sup>

The major political action of Kansas farm organizations centered around the political party activities of the Farmers' Alliance, which began in Kansas during the early 1890's. This type of interest was revealed in 1898, by W. F. Rightmire in a speech before the executive committee of the State Reform Association, a remnant organization of the disbanded Union Labor Party in Kansas. In this speech, Rightmire gave his version of how to enlist local support for the growth of the Farmers Alliance in Kansas:

If possible, some Republican farmer in each county who had been honored by elections to two terms in the state house of representatives, and then retired, and who had become dissatisfied because his ambition and self-esteemed qualifications of statesmanship received no further recognition at the hands of the nominating conventions of his party, he was engaged to organize the farmers of his county, in the order, so that if the order should conclude to take political action, he, as founder of the order in his county, could have any place he desired as the reward for his faithful services at the hands of his brothers of the order.<sup>14</sup>

This comment, by a Farmers' Alliance spokesman, emphasized the importance of political activity in local agrarian organi-

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<sup>13</sup>Theodore Saloutos and John D. Hicks, Agricultural Discontent in the Middle West 1900-1939, (Richmond: Wm. Byrd Press, 1951), p. 60.

<sup>14</sup>Frank W. Blackmar, "Farmers Alliance", Kansas, A Cyclopaedia of State History, (Chicago: Standard Publishing Company, 1912), I:625.

zations. Political activity, however, was not the Alliance's sole interest in farmer organizations, it also indicated an interest in cooperative business principles; this fact was evidenced by a Rice County Farmers Alliance meeting on August 2, 1888, which adopted a plan

to establish exchanges or purchasing agencies with a sufficient paid up capital stock, through which members could purchase implements and supplies at lower prices than through the ordinary mercantile channels.<sup>15</sup>

This resolution of the Rice County subordinate Alliance indicated an interest in cooperative principles of business organization, and this interest was re-inforced by events of the Farmers Alliance State Convention which met a year later. The Convention met at Newton on August 15, 1889, with over 150 delegates present from different counties and although the meeting was in secret, it was learned that there was a discussion of cooperative exchanges.<sup>16</sup> Thus, it appears that while the Alliance men were primarily interested in political activity, they had begun to realize the importance of cooperative business organization and how it added strength to farmer organizations.

By 1890 the Kansas cooperative movement had begun to be understood and accepted rather widely; accordingly, cooperative organizations began to mushroom. This fact was pointed out by Edwin Snyder, Secretary of the State Board of Agriculture, when he admonished the state meeting in 1890,

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<sup>15</sup>Ibid.

<sup>16</sup>Topeka Daily Capital, August 16, 1889.



It seems as if the intelligence of the people ought to be equal to the task of devising some means whereby the present enormous costs of our exchange may be reduced to one-fourth of the present cost....Cooperation is no experiment or untried theory, but a subsisting fact.<sup>17</sup>

This statement indicated the solid, if as yet immature, position that the cooperative movement had reached by 1890. From that turning point there followed three decades of rapid cooperative development, a thirty-two year period which culminated in the actual evolution of the Farmers Cooperative Commission Company and great improvements in the Kansas cooperative elevator movement due to legislative reforms of the Progressive era.

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<sup>17</sup>Edwin Snyder, "Cooperation", Kansas State Board of Agriculture, Seventh Biennial Report, (Topeka: State Printer, 1890), XII: 206.



## CHAPTER II

### THE DEVELOPMENT OF KANSAS MARKETING COOPERATIVES, 1890-1915

The span of cooperative history between 1890 and the 1915 establishment of the Farmers Cooperative Commission Company was one of rapid growth. During this growth, the cooperative movement experienced many economic and political changes as it underwent the metamorphosis of the Progressive movement. Consequently, this reform era greatly affected cooperative activity and its effort to change old marketing formulas that did not fit the changing society of the period.

Farmers' cooperatives grew steadily during the last of the nineteenth century, and along with this there developed a rapid increase in cooperative marketing. By 1915 there were an estimated 553 farmers' cooperatives in Kansas, 384 of which were marketing types. Of these 384, seventy-five percent were grain elevators.<sup>1</sup>

This large proportion of elevator activity indicated that grain marketing was an area of operation in which cooperation developed quickly. On the other hand, the local cooperative had certain limitations. First, the local elevator's only functions were the purchase and shipment of the commodity. Second, commission companies exacted considerable costs for storage and terminal

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<sup>1</sup>Theodore Macklin, Cooperation Applied to Marketing, Kansas State College Experiment Station Bulletin No. 224 (Topeka: State Printer, 1920), p. 50.

marketing. Consequently, realization of these handicaps produced the Farmers Cooperative Commission Company in 1918; but before the birth of this terminal facility there were a number of years in which cooperative marketing experienced an economic and political upheaval.

The development of shipping associations in Kansas experienced a great deal of difficulty in a struggle for existence during this period of cooperative growth. Some of these marketing agencies undertook the shipment of carload lots to a central market where consignment companies or exchanges handled the marketing of a commodity.

An early Kansas development in this field of activity was the 1889 formation of the American Livestock Commission Company, an organization in which the Kansas State Grange and the State Farmers Alliances of Kansas, Nebraska, and Missouri were major shareholders. This organization established firms in Chicago, Kansas City, St. Louis, and Omaha, where large marketing outlets existed.

Following the establishment of these commission companies, cooperating farmers secured better prices through a reduction of consignment costs. This principle eliminated certain middle-man profits of the meat packing monopolies. The farmers' profits, however, were soon rescinded when the Chicago Livestock Exchange suspended the membership of the American Livestock Commission Company. As a result of this Chicago loss, the American Livestock Commission Company's business activities ceased operation in December of 1890. In that same year the Secretary of the State Board of Agriculture referred to the plight of the American



Livestock Commission Company and said that he had only to say that the right of the people to freedom of a public market was undeniable, and could not long be abridged.<sup>2</sup> This statement and the American Livestock Commission Company's experience suggested an impending need for certain reforms--reforms to give the individual farmers more opportunity to open access of the market.

An even earlier example of the Kansas struggle for open access of the market began in 1885 when the Farmers Cooperative Milling Exchange organized at Arkansas City. This enterprise built a flour mill that served as an exchange and did a general milling business.<sup>3</sup> Although the achievements of this cooperative were not long enduring, they marked an initial trend toward local marketing exchange; also, the Farmers Cooperative Milling Exchange revealed an attempt to give the farmer a less restricted approach in the exchange of his product.

Four years later, an 1889 Topeka meeting of the Farmers Federation, a federated association of farmers' organizations of Northeast Kansas and Northwest Missouri who attempted to organize a crop-holding plan under the direction of James Butler, proposed that farmers of the Mississippi Valley combine like manufacturers to hold the surplus off the market. Following this, the Federation reasoned that farmers might set their own price. Although this was a rather hopeless objective, it seems to indicate an

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<sup>2</sup>Edwin Snyder, op. cit., p. 206.

<sup>3</sup>Arkansas City Democrat, February 27, 1885.

awareness of the fact that if a better market were secured it would be accomplished through more orderly methods of farmer exchange.

Cognizance of the need for more orderly marketing methods helped develop the first farmers' elevator at Wilson, Kansas in 1892.<sup>4</sup> Apparently the proximity of the Wilson elevator to the Union Pacific Railroad and the cooperative desire of Ellsworth and Russell County farmers produced this cooperative enterprise, an initial success that remained in operation for over fifty years. Furthermore, the 1891 passage of "Populist oriented" grain laws probably played an equally important role in the success of the Wilson cooperative.

This 1891 legislation defined and restricted the business activities of public warehousemen, established maximum rates for the storage and handling of grain, appointed state-approved weighmasters, and created a state grain inspection staff. These reform measures aimed at the grain syndicate and attempted to stop further growth of the grain trust in Kansas. Although they failed to halt the growth of Kansas grain monopolies, they probably permitted the Wilson cooperative enough advantages for initial success. Consequently, this initial success enabled the Wilson cooperative to compete and survive as the grain monopoly grew stronger and more vicious.

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<sup>4</sup>Harold Hedges, Operation of Cooperative Grain Elevators in Kansas and Oklahoma, Farm Credit Administration, Bulletin No. 1 (Washington: U. S. Government Printing Office, 1939), p. 1.



Apparently the grain monopoly was not too concerned about the isolated success of the Wilson elevator. It was only after more cooperatives succeeded that the grain monopoly became aware of the cooperative's threat to its supremacy. This awareness was not effected until 1897 when the grain combine organized to halt the growth of cooperative grain elevators.

In the mid-nineties the cooperative viewpoint was not universally held, as was made clear when the Kansas Cooperative Congress met in Topeka, April 9, 1896. This cooperative meeting had been called by the Farmers State Alliance at their 1895 convention; thus it had a farmer, as well as labor, outlook on cooperation. The Congress opened with Governor Edmund Morrill making the opening address. In his speech he gave cooperatives the following "reserved" endorsement:

The object of you meeting, as I understand it, is to throw new light upon this subject; to point out clearly the wisest and best ways to economize labor; and thus produce the best results with the least effort. That it may be productive and of much good, and awaken a new interest all over our state in these enterprises, it is my earnest wish.<sup>5</sup>

In this statement Governor Morrill gave his approval to statewide organization. The Congress heeded the Governor's wish and adopted a resolution calling for educational, social, and business advancement of cooperation. The Morrill statement, however, said nothing of the monopolistic enterprises and a clear omission appeared when his speech was contrasted with one made by

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<sup>5</sup>Topeka Daily Capital, April 19, 1896.

A. O. Grigsby before the same convention two days later:

The producers of wealth must secure the full value of their labor in the products created, and eliminate the elements of interest, rent, and profit, which are rapidly concentrating the entire wealth created by the labor of the people into the hands of a small fraction of wealth accumulators.<sup>6</sup>

The Grigsby statement mentioned the monopolistic combines and their effect upon the individual producers of wealth, whereas, Governor Morrill's message contained no reference to the monopoly problem or its relationship to the cooperative movement. Probably the Governor failed to mention the trust problem because it was a Populist "talking point", as well as one on which he found it politically expedient to remain silent. The Kansas Cooperative Congress evidenced a Populist "inclination" when it called a National Cooperative Congress meeting for St. Louis on July 24, 1896, the same time the Populist nominating convention met in that city. Furthermore, the ladies of the Progressive League of Topeka served the final reception for the Kansas Cooperative Congress.

The reform policies of the Populist party played an important part in the activities of the Kansas Cooperative Congress. On the other hand, this Congress was not entirely devoted to political activity; accordingly, they acknowledged the importance of independent cooperative action and adopted a resolution asking special cooperative lines of activity to form state associations for their special work. Thus they understood the need for specialized divisions of cooperation and realized that regional cooperation

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<sup>6</sup>Ibid., April 11, 1896.



depended upon a number of specialized locals. This was a necessary understanding if cooperative marketing agencies were to succeed and compete with highly developed and well disciplined private grain combinations. It was, however, nearly two decades before the Kansas cooperative movement produced the Farmers Cooperative Commission Company--an advanced stage of business organization which the grain combination possessed as early as the 1880's.

By 1897 the Kansas grain monopoly realized that the cooperative movement was an impending threat to its economic supremacy. In that year a record wheat crop caused the rapid expansion of elevator activity. This activity increased competition between the line elevator companies and the local cooperative elevators.

The line elevators were individual elevator operations of large grain corporations. These corporations usually limited their chain of operations to one line of railroad. Thus, they could monopolize the grain business in the area served by the railroad.

Beyond the operations of the individual line company, the grain trust combined the operations of several line companies. This combination gave the grain monopoly a large share of the entire grain business. Accordingly, this volume of business helped the grain trust achieve special favors with commission companies, terminal warehouses, and the railroads.<sup>7</sup> As a result of these special favors, the grain trust was in a favorable position to

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<sup>7</sup>Oscar N. Reissell, "The Farmers' Elevator Movement", Journal of Political Economy, XIV 1914, pp. 872-96.

force most of its competitors out of business or to coerce them into the monopolistic combination that operated throughout the grain growing states.

In 1914, Oscar W. Reissell published one of the first studies on the cooperative elevator movement and used the case, *State vs. Omaha Elevator Company*, to define the workings of the grain monopoly. He said:

The organization and work of the Nebraska Grain Dealers Association was similar to the organization and work of other grain-dealers' associations found in other states. These associations consisted of a majority of the grain dealers throughout the different states in the grain-producing section of the country. Included in them were the large line elevator companies together with smaller line companies and independent dealers. The policies of the associations, however, were dictated by the large line companies.<sup>8</sup>

The grain trust organized the Kansas elevator line companies October 13, 1897. The official name of this organization was the Kansas Grain Dealers Association. This organization followed a record wheat crop and the progressive legislation of the 1897 session of the Kansas legislature. This legislative session had a Populist governor, as well as Populist majorities in both houses. These forces passed a law permitting cooperative livestock shippers lower railroad rates as their volume of shipment increased and exacted penalty if the railroads refused the cooperative shippers these better rates. Also, this 1897 session of the state legislature enacted an anti-trust law, under which the secretary of the Kansas Grain Dealers Association was convicted four years

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<sup>8</sup>Ibid.



later. Both of these measures are discussed in more detail in the final chapter which relates the cooperative movement to reform legislation.

Apparently the Kansas grain trust sensed an impending threat from the activities of the 1897 Populists, but the railroad segment of the combine was the first to sense any need for modification. A Chicago news release revealed this fear:

Representatives of Kansas roads are having a conference here today with the Board of Administration of the Western Freight Association, with a view to having such modification made in rates in that state as will prevent Leedy calling an extra session of the legislature to pass a maximum rate law.<sup>9</sup>

The grain combine, however, sensed no need for concession to the farmers cooperative elevator movement. According to a survey by the Kansas State Agricultural College Experiment Station, there was only one cooperative elevator operating in 1915 that organized prior to 1901.<sup>10</sup> Thus, the cooperative elevator movement had little organizational success before the turn of the century.

The 1901-1905 period of cooperative elevator organization was an eventful one. During this period twenty-five cooperative elevators achieved successful formation.<sup>11</sup> But even more important was the light of publicity that came to the aid of the farmers. This publicity revealed many of the monopolistic practices of the Grain Trust. As these activities became common knowledge there arose popular indignation against the grain combine and caused it

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<sup>9</sup>Hutchinson News, March 22, 1897.

<sup>10</sup>Macklin, op. cit., p. 51.

<sup>11</sup>Ibid.

to seek different forms of operation--one of which was sabotage of the cooperative movement.

At first, the Kansas Grain Dealers Association posed as the grain producer's friend. In 1898, the Association had its inspectors check five Kansas City, Missouri, elevators for the condition and weight of Kansas grain. Such activity, however, was "window dressing" to cover their monopolistic operations, and within three years their activities were under the close examination of the Kansas courts.

During the summer of 1901 a number of restraint of trade complaints caused an investigation of the Kansas Grain Dealers activities. Following the investigation, a LaCrosse district court imposed a five hundred dollar fine and six month jail sentence on E. J. Smiley, Secretary of the Kansas Grain Dealers Association.<sup>12</sup> Smiley appealed to the state Supreme Court on the grounds that the 1897 Farrelly Trust and Corporation Law, under which he was convicted, was invalid. On June 7, 1902, the state Supreme Court upheld the prior conviction by a six to one decision.

The Smiley trial aroused a public awareness of the Grain Trust's way of doing business. It even caused the fairly conservative Hutchinson News to editorialize:

The case is being pushed not to punish anyone for their methods of doing business, but to settle the legality of the methods and prevent certain practices should they be found to be in violation of the law.<sup>13</sup>

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<sup>12</sup>Hutchinson News, October 4, 1901.

<sup>13</sup>Ibid., June 7, 1902.



Thus, it was to take Progressive laws, new court interpretations, and an aroused public to halt the monopolistic activities of the Kansas Grain Dealers Association. In addition to these, certain cooperative elevators organized so effectively that they defeated the Grain Trust. On June 15, 1901, a cooperative elevator organized at Solomon, Kansas. This cooperative began operations with a "penalty clause". The "penalty clause" provided a one cent penalty for all grain not sold to the cooperative to which the farmer belonged.

Once the Solomon cooperative began operations, the line elevator began paying three cents more per bushel than the cooperative paid. The farmers let the line elevator have their business. They had the farmers' cooperative weigh their grain and sold it to the line elevator. When they returned to the cooperative and paid the one cent penalty on each bushel sold. This penalty paid expenses and netted the idle cooperative a profit. Within three weeks the line elevator had locked its elevator and gone out of business at Solomon.<sup>14</sup>

After 1901, the Kansas cooperative movement understood the economic advantage of handling grain in large volume. This understanding resulted in a desire to emulate the Grain Trust's more advanced methods of marketing. To grain cooperators the formation of line elevators was an especially attractive principle of operation. Such attractiveness produced the Farmers Cooperative Grain and Livestock Association on January 29, 1903. This organizational

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<sup>14</sup>Hefcull, op. cit., p. 987.

meeting produced a series of resolutions that defined the hopes of this organization.<sup>15</sup>

Three significant features resulted from this meeting. First, a resolution called for repeal of the 1887 cooperative law, but the resolution they tendered to replace it said nothing about the concentration of a maximum of shares with one individual.<sup>16</sup> Second, a resolution favoring the cooperative formation of line elevators passed. The association proposed to buy and sell elevators at suitable sights along different railroads. Third, the election of Christian B. Hoffman as first vice president indicated that large land owners and big businessmen had begun to "use" cooperation for their own private gain at the expense of the farmers' mutual benefit. Hoffman was an extensive land owner and successful miller in Dickinson County. Also, he held directorships in the Dickinson County Bank of Enterprise, and the Arizona Southwestern Mining Company of Kingman, Arizona.

In May of 1901, about fifty delegates from Kansas, Nebraska, and Oklahoma met and formed the Farmers Cooperative Shipping Association. This organization absorbed the Kansas Cooperative Grain and Livestock Association, but the individuals in attendance were

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<sup>15</sup>Topeka Daily Capital, January 30, 1903.

<sup>16</sup>J. E. Musser noted the danger of unlimited concentration of shares with individual cooperative members in How to Succeed with a Cooperative Creamery, Kansas State Board of Agriculture, Fourteenth Biennial Report, (Topeka: State Printer, 1904), XIX: 322, and cautioned cooperatives to take special care to obviate such difficulties through proper application of a cooperative charter. Although Musser referred to dairy cooperatives, the situation was the same for grain cooperatives.



the same ones that attended the January meeting. Christian Hoffman headed a committee of three that prepared the charter and by-laws. Another important personality on the by-laws committee was James Butler. Butler was one of the prime movers in the Kansas cooperative movement, as well as a person sincerely dedicated to the success of cooperation in Kansas.<sup>17</sup>

The results of the by-law committee indicated that Hoffman's influence prevailed over Butler's knowledge of cooperation. Two of the by-laws bear little resemblance to cooperation. First, an organizational resolution called for all farmers grain elevators and shipping associations in Kansas, Nebraska, and Oklahoma to be under one management. This same by-law stated that management of the company would be in the hands of a general manager chosen by the board of directors. A second peculiar by-law stated that the local elevator manager would have charge of his elevator, and in addition to his salary he received a commission according to the amount of grain handled at his station.<sup>18</sup>

Apparently Hoffman had two uses for these particular by-laws. First, if he could control the managership of the company he could monopolize the line elevators for his large milling establishment at Enterprise, Kansas. Second, after becoming manager of the

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<sup>17</sup>C. S. Barret, second president of the Farmers Union, took notice of Butler's qualities in The Mission History and Times of the Farmers Union, (Nashville: Marshall & Bruce Co., 1909), p. 329, and commented: "He is one of the best informed men in the United States on the principles of cooperation".

<sup>18</sup>Topoka Daily Capital, May 22, 1903.

shipping cooperative he then could persuade the managers of local elevators to "deal" with his milling company.

At the 1904 meeting, the board of directors elected Hoffman as manager of the Farmers Cooperative Shipping Association. In that same year the Hoffman Elevator Company was formed and operated, in connection with the mill, thirty-two elevators with a combined capacity of 500,000 bushels.<sup>19</sup> Evidently, Hoffman used his managership to form his own line elevator operations; furthermore, this happened at the cooperative's expense.

In June of 1905, the Farmers Cooperative Shipping Association held its third annual meeting. At this meeting there was a factional fight between the Hoffman and Butler factions. Hoffman had ousted Butler, in 1904, when he took over the managership; but by 1905 Hoffman's dictatorial rule of the company had ceased. Accordingly, the Farmers Cooperative Shipping Association amended its by-laws and prohibited its manager from having any interest in grain and shipping, other than their organization.<sup>20</sup>

The Farmers Cooperative Shipping Association suffered the experience of being "used" by a private manipulator, and its effort to prevent such experiences in the future was to no avail. The association ceased to operate after 1905. Thus, the Kansas cooperative movement learned another lesson.

The Kansas cooperative elevator movement advanced at the same

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<sup>19</sup>Kansas, A Cyclopedia of State History, (Chicago: Standard Publishing Company, 1912), III: 513.

<sup>20</sup>Topeka Daily Capital, June 10, 1905.



speed from 1906 to 1910 as it had during the 1901-1905 period.<sup>21</sup> This latter movement, however, was under more favorable circumstances. By 1905, the Grain Trust changed names and methods of operation. In that year, the Kansas Grain Dealers reorganized as the Kansas Independent Grain Dealers Association. It was no longer a holding company, but only an association of independent elevators.<sup>22</sup>

Although there was less opposition from the grain monopoly, the cooperative elevator movement still had two obstacles to overcome before the evolution of the Farmers Cooperative Commission Company would be complete. First, Kansas cooperation, until 1907, operated without any real sense of direction--local successes remained isolated and out of touch with others. Second, without the help and guidance of state or national organizations, local cooperatives accomplished only the first stage of market exchange--purchase and shipment.

These obstacles indicated a lack of centralized orientation which the cooperative elevator movement needed in order to establish a large network of elevators. But on the other hand, the cooperative elevator movement received the aid of two anti-monopoly laws during Governor Edward Hoch's first administration. These laws prohibited price discrimination by railroads and required railroads to build side tracks to all elevators within one-fourth

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<sup>21</sup>Wacklin, op. cit., p. 51.

<sup>22</sup>Hutchinson News, April 4, 1906.

of a mile of the main railroad line. Thus, although the cooperative elevator movement was rapidly organizing, it was receiving the unnoticed aid of the Progressive movement that enabled it to move more rapidly later on. These laws and their relation to the cooperative movement are discussed in more detail in the fourth chapter of this thesis.

The formation of two national farm organizations in 1902 helped the Kansas cooperative movement to achieve a sense of direction. These organizations originated in different sections of the country; the Farmers Union in Texas, and the American Society of Equity in Indiana. Both were of great importance to the development of the Kansas cooperative elevator movement.

The American Society of Equity split into factions after 1908 and one of these, the Farmers Equity Union, played the major role in the development of the cooperative elevator activity in Southwest Kansas, after 1912. Also, many of its elevators united in 1915 to organize Kansas first cooperative commission company.

While the Farmers Equity Union organized most of the cooperative elevator activity in Southwest Kansas and concentrated in that area, the Kansas Farmers Union's organized efforts concentrated on the northeastern and north central parts of the state. The Farmers Union's activity, however, was most important to the early elevator movement because it began organization as early as 1906. Thus, both organizations were important to the Kansas cooperative elevator movement and each played an important role in the movement's activities after 1915. The Equity elevators organized and represented cooperative elevators of Southwest



Kansas and the Farmers Union was representative of cooperative elevators from the northern parts of the state. These activities fit into a relationship with the Progressive movement and are discussed in that context in the fourth chapter.

The nucleus of the Kansas Farmers Union's early activity centered around a 1906 meeting of the Farmers' Cooperative Business Congress at Topeka, Kansas. The preliminary plans of this meeting were under the direction of James Butler. In August of that year, Butler, as acting secretary, issued the following statement:

We want to limit the stock that any one person can hold in our companies and we want to limit the proxies that any one can vote. We want to free ourselves from capital control by the few. We want to transact business on the cooperative system and we want laws that will protect our interests and remove all question about the legality of our system.<sup>23</sup>

Apparently Butler wanted to obviate any future cooperative experiences such as the Farmers Cooperative Shipping Association once suffered at the hands of C. B. Hoffman and his milling monopoly. Also, there was the hint of farmer agitation for political reform. It seems that at this time the cooperative philosophy of the Kansas movement had matured to such a degree that they sensed the need for larger organization and more political agitation.

During the October meeting of the Farmers' Cooperative Business Congress there was frequent talk of uniting the agricultural interests of the South and West. Also, in accord with the previously mentioned Butler statement, the congress adopted a resolution for the "enactment of a uniform law authorizing and

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<sup>23</sup>Hutchinson News, January 26, 1920

regulating the organization of cooperative societies".<sup>24</sup> In addition to this, the congress suggested that all farmers organizations could greatly increase their status through collectively joining the Farmers Union. Thus, as early as 1906 James Butler demanded a cooperative law for Kansas, but such a law was not forthcoming until 1913.

The Farmers Cooperative Business Congress served as an impetus to the Middle West movement of farmer cooperation. Legislative reforms, however, were equally important. Probably the most important of these was the Hepburn Act of 1906. It permitted the Interstate Commerce Commission to lower railroad freight rates, subject only to court appeal. As a result, the I. C. C. conducted a series of investigations which revealed the relationship of railroads to the grain combine. Consequently, after 1906 the railroads' opposition to grain cooperatives practically ceased.<sup>25</sup> The following year, in another of the Hoch Era's Progressive measures, the Kansas state legislature enacted a maximum freight-rate bill which provided for a fifteen percent reduction on grain rates. Legislative reforms, such as these, caused the thirty-fifth annual meeting of the Kansas State Board of Agriculture to endorse the reform policies of President Theodore Roosevelt and Governor Edward Hoch.<sup>26</sup> Such political action caused future

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<sup>24</sup>Topeka Daily Capital, October 25, 1906.

<sup>25</sup>H. C. Willey, Cooperation in Agriculture, (New York: Wiley & Sons, 1929), p. 64.

<sup>26</sup>Kansas State Board of Agriculture, Fifteenth Biennial Report, (Topeka: State Printer, 1906), XX:993.



presidents, governors, and other political figures to champion additional agrarian reforms--many of which related to cooperatives.

From 1907 to 1915 cooperative elevator activity proceeded at a rapid pace. This followed the organizational work of the Farmers Union which began on a wholesale basis following the Topeka meeting of the Farmers' Cooperative Business Congress. During this time the Kansas farmers afforded the Union a reception similar to that of the Farmers Alliance in 1889 and 1890. William Allen White noted this similarity and commented:

In the 5th and 6th districts newspapers are discussing a new organization called the Farmers Union. The attitude of the newspapers toward this union is exactly that of Republican newspapers all over Kansas toward the Farmers Alliance in 1889 and 1890. It is an attitude of distrust and most newspapers are strongly advising farmers to keep out of the union. The farmers, according to the newspapers--as one reads them between the lines--are resenting this advice, and organization of the Union goes steadily on.

The movement seems to be industrial rather than political, just now, and has for its objective the marketing of farm produce at fair prices. But it is alleged that the organization is about to lead the farmers into the Socialist party, or to establish a state party which shall adopt the tenets of the national Socialist party without adopting the name.

It is a queer movement and one that politicians should consider, who think the Republican party in Kansas can do anything whether the people like it or not. The earth has bucked up in a Kansas earthquake before, and it may be possible that the signs are favorable to another upheaval.<sup>27</sup>

This observation correctly estimated the Kansas farmer's willingness to join the Union. On May 21, 1907, a state convention met to form a state organization. Hutchinson, Kansas served as host to this charter meeting. A resolution passed denouncing

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<sup>27</sup>Emporia Gazette, February 2, 1907.

any political affiliation of the Union with political parties. There were, however, many old Populist politicians in attendance. Also, C. A. Walsh, Secretary of the Democratic National Committee during the two Bryan campaigns, conferred with C. S. Barrett, president of the National Farmers Union. Thus, the White observation seemed correct in its suspicion of the Union's partisan politics and the apathy of the Republican party, but the Union never became a political ally of any political party. The Kansas Farmers' Union and its policies stood for a better deal for farmers.

The Union attested its interest in the wheat farmers by adopting a plan for the collective marketing of wheat. An important principle of this plan called for the establishment of cooperative warehouses for wheat storage.<sup>28</sup> The resultant effect of this plan helped produce many Farmer Union cooperative elevators in the north and eastern parts of the state. These in turn served as a stimulus to the organization of additional cooperative elevators even though they did not bear the Farmers Union label. Especially important among Union activities was the formation of the Mitchell County Cooperative in 1911. This organization incorporated the cooperative activities of six cooperatives in that county under a single management at a Deloit headquarters. Today that cooperative is one of the biggest in the United States. Thus, the Farmers Union played an important role in the formation of early regional cooperatives. Time was on the side of the Southwest Kansas wheat grower, however, and by 1915 there were 130

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<sup>28</sup>Hutchinson News, May 23, 1907.



cooperative elevators in counties served by railroads coming out of Hutchinson.<sup>29</sup> Consequently, Hutchinson was destined to play a more important role in the formation of cooperative terminal facilities.

The grain growers of Southwest Kansas gained additional help from the establishment of regional boards of trade. In 1903, the Wichita board of trade organized with fourteen charter members. By 1909, this establishment handled an amount of wheat equal to one-fifth of all grain produced in Kansas during the 1908 season.<sup>30</sup>

In 1910, Hutchinson organized its own board of trade with a membership of fifty.<sup>31</sup> These boards of trade provided a market for wheat in the region where it grew. This is not to say, however, that cooperatives had immediate access to the board of trade--such was not the case, as the next chapter reveals.

In December of 1911, a number of private milling interests incorporated to do a larger volume of business. They hoped to gain a larger and more economical system of operations. The mills that formed this enterprise were the Moses Brothers Mill and Elevator Company, Great Bend; Kingman Milling Company, Kingman; C. Hoffman and Son Milling Company, Enterprise; Pratt Milling Company and Elevator, Pratt; New Era Milling Company, Arkansas

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<sup>29</sup>Macklin, op. cit., pp. 48-50.

<sup>30</sup>W. I. McCollough, "Wichita as a Grain Market", Kansas Magazine, I (January, 1909), 79.

<sup>31</sup>Shoridan Plouge, History of Reno County Kansas, (Indianapolis: B. F. Bowen Company, Inc., 1917), p. 212.

City; and the Anthony Milling Company, Anthony.<sup>32</sup> It seemed that cooperative marketing had its only hope in increasing its centralized operations.

A little over a year later, in May of 1913, cooperative elevators attempted to centralize through the formation of the Farmers Cooperative Grain Dealers Association. Thirty cooperative elevators and grain companies formed this original association which met at Larned. This organization intended to strengthen and spread the Kansas cooperative elevator movement; also they hoped to implement certain cooperative principles such as penalty clauses, price pools, and better relations with independent commission men.<sup>33</sup> The strengthening of the cooperative movement did not, however, remedy the need for cooperative marketing on a regional basis. Such a need could be remedied only by a regional terminal that took the grain from its federated cooperative and marketed it on a large scale and in an efficient manner.

By 1915 the obstacles to a large, centralized regional cooperative organization had finally been swept away. Kansas was then ready for the organization which climaxed over forty years of cooperation--the Farmers Cooperative Commission Company. At that time there were 276 cooperative elevators in operation; moreover, these represented nearly one-fourth of all Kansas elevators then in operation.<sup>34</sup> Of the total cooperative elevators, fifty-eight

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<sup>32</sup>Hutchinson News, December 4, 1911.

<sup>33</sup>Refsell, op. cit., p. 977.

<sup>34</sup>MacKlin, op. cit., pp. 48-54.



percent were in counties served by railroads coming out of Hutchinson. Thus, Hutchinson became the central location which afforded terminal facilities to eighteen Kansas and two Oklahoma cooperative elevators. On May 5, 1915, the Farmers Cooperative Commission Company, first known as the Equity Union Cooperative Milling and Mercantile Exchange, organized to serve the hard red winter wheat of Southwest Kansas.

## CHAPTER III

### THE FARMERS COOPERATIVE COMMISSION COMPANY:

#### DEVELOPMENT AND ENVIRONMENT, 1915-22

The 1915 formation of the Farmers Cooperative Commission Company gave cooperative elevators of Southwest Kansas an opportunity to market their grain collectively and thus achieve a larger volume of business. At that time, however, a federated cooperative commission company had not succeeded in Kansas. Accordingly, further development of the cooperative elevator movement depended upon the success of this type of federated activity which at that time had not succeeded beyond the county level of operation.

The environmental setting for the 1915 establishment of the Farmers Cooperative Commission Company was more conducive to success than any previous time. This setting resulted from two important factors which developed during the Progressive era--a realization of the need for a cooperative commission company where farmers' cooperatives established their own selling agencies in the primary markets, and an improved legal status for cooperatives.

By 1915 the farmers' elevators were aware of the need for cooperation beyond the local level of operation; furthermore, they understood the need of collective efforts among the various farmers' cooperative elevators. At the time of the commission company's organization there were 160 cooperative elevators in the Hutchinson railroad terminus of Southwest Kansas. This



number amounted to fifty-two percent of the total elevator activity in that area.<sup>1</sup> Many of these cooperative elevators realized that the limit of their local service was buying and shipping only a small volume of grain. Also, the local cooperators knew that a restricted volume of business caused uneconomical business operations which endangered the local cooperative's chances for success.

In 1915, an experiment station survey revealed that the per bushel cost of handling wheat decreased proportionately with an increased volume of business. This survey showed that elevators which handled 100,000 bushels or less had a unit handling cost double that of elevators which handled 300,000 or more bushels.<sup>2</sup> Information of this type helped point up the need for a federated cooperative commission company.

A second factor in the improved environmental setting of the Farmers Cooperative Commission Company was the improved legal status which cooperatives enjoyed at this time. By 1915, federal legislation gave cooperatives two advantages which the Populists demanded twenty-five years before. These privileges were more governmental regulation of railroads and restriction of the grain monopolies. Along with these the Clayton Anti-trust Act of 1914 specifically stated that cooperatives were not conspiracies in restraint of trade. Cooperative farm organizations received further help from the Kansas state legislature with the passage of special cooperative laws in 1913, 1915 and 1921 plus a number of other

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<sup>1</sup>Wicklin, op. cit., pp. 47-56.

<sup>2</sup>Ibid., p. 35.

laws that enabled farmers' cooperatives to advance in their business and political environment. These legislative acts indicated a relationship between the cooperative movement and Progressive movement's constant trend toward changing and improving legislation. Consequently, the next chapter is primarily devoted to this subject.

The Hutchinson cooperative commission company succeeded amidst many of the advantages which the constantly improved legislation of the Progressive era afforded the cooperative movement. This company, however, tried to organize and to separate itself from the political movement that produced the favorable environment in which it organized and succeeded.

The reason for the Farmers Cooperative Commission Company's desire to avoid all political relationships resulted from the direction and orientation it received from the Farmers Equity Union of Greenville, Illinois. This Farmers Equity Union was an offshoot of the previously mentioned American Society of Equity.

In 1907, the Society of Equity experienced some success in the Burley tobacco region of Kentucky where its members organized a well disciplined crop-holding plan. This plan required members to hold their commodity until a certain price was achieved. The next year the discipline of this plan degenerated into widespread violence to the tobacco farmers who did not join the plan's crop restriction features. Consequently, this violence led to internal dissension in the American Society of Equity, the resultant effect of which produced two different factions.

These two factions were led by J. A. Everitt, president of



the organization, and M. Wes. Tubbs, the organization's secretary. The Everitt faction favored crop-holding until farmers could achieve a price which the Society of Equity determined. The Tubbs faction objected to the crop-holding plan and wanted to substitute a cooperative marketing program; therefore, they left the American Society of Equity organization and sought the cooperation of several labor organizations.<sup>3</sup>

In 1907, in New Jersey, the Tubbs' faction chartered an organization to supervise local cooperative exchanges and to guarantee their financial responsibility. This group encountered difficulties and attempted a merger with the National Farmers Union in 1910. The merger failed, but the results caused C. O. Drayton to organize the Farmers Equity Union of Greenville, Illinois.<sup>4</sup>

The Equity Union gave principal attention to organizing cooperative elevators and creameries. Furthermore, it did not concern itself with a large enrollment of individual farmer membership. Its lowest level of interest was the local cooperative organization, and these locals were not organized unless they evidenced a good chance of success. Another important feature of the Farmers Equity Union was its aversion to all "political frills and furbishings". The Equity's president, C. O. Drayton, held the point of view that cooperative success could be achieved much

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<sup>3</sup>Murray R. Benedict, Farm Policies of the United States 1790-1950, (New York: American-Stratford Press, 1953), p. 135.

<sup>4</sup>Robert H. Palmer, "The American Society of Equity," Agricultural History, XIV (January, 1940), pp. 58-59.

easier if more emphasis were placed on business and less on the social and political aspects of organization.<sup>5</sup>

The Farmers Equity Union played an important role in the organization of cooperative elevators in Southwest Kansas. In January of 1915 the Equity claimed about thirty local exchanges in the Hutchinson district of the National Farmers Equity Union. These elevators were located on the Rock Island and Santa Fe railroads located to the southwest of Hutchinson, Kansas.<sup>6</sup>

On May 5, 1915, seventy-four representatives from forty of the Farmers Equity Union's elevators met in the Commercial club-room of the Hutchinson Chamber of Commerce. This meeting selected a committee to draft a set of by-laws for a new cooperative commission company. Following the selection of this committee they met in the hotel room of C. O. Drayton, national president of the Farmers Equity Union. The by-laws of the Hutchinson cooperative commission company were to be completed by June 1, 1915, when a second meeting of all stockholders would vote on the proposed charter.<sup>7</sup>

On June 1, 1915, a second organizational meeting of the cooperative commission company ratified the work of the by-laws

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<sup>5</sup>Forrest Crissey, "The Farmers Equity Union, Its Chief Strength is the Purchaser's Dividend Check", Country Gentleman, LXXXIV (August 2, 1919) pp. 15-25.

<sup>6</sup>"Cooperation Pays", Farmers Mail and Breeze, XLIV (January 9, 1915), p. 2.

<sup>7</sup>Minutes of the Charter Meeting, May 5, 1915, Farmers Cooperative Commission Company, Hutchinson, Kansas. (In the files of the Company).



committee. However, only twenty of the forty elevators that attended the May fifth meeting became members of the Farmers Cooperative Commission Company, first named the Equity Union Commission Company.<sup>8</sup> The name of this company changed to the Farmers Cooperative Commission Company on May 7, 1917;<sup>9</sup> consequently, this paper continuously refers to it as the Farmers Cooperative Commission Company. These twenty members each bought a \$100 share to give the company a capital stock of \$2,000. This amount was only twenty percent of the \$10,000 capital stock that the by-laws provided for.

Another important feature of the Farmers Cooperative Commission Company's by-laws was that its statement of purpose hoped "to do wholesale and retail milling, manufacturing, and mercantile business including the buying and selling of coal."<sup>10</sup> Apparently the company hoped to do more than cooperatively market the local elevator's grain on the Board of Trade.

The fourth article of the Farmers Cooperative Commission Company's by-laws stated that only Farmers Equity Union elevators could be stockholders. This same article specified that part of the company's revenues were to be used to build more Equity Exchanges and unite them with the commission company. Thus, it

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<sup>8</sup>Minutes of the Ratification Meeting of Stockholders, June 1, 1915, Farmers Cooperative Commission Company, Hutchinson, Kansas. (In the files of the Company).

<sup>9</sup>Minutes of Second Annual Meeting, May 7, 1917, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>10</sup>Minutes of Charter Meeting, May 5, 1915, op. cit.

appears that the Farmers Equity Union was primarily responsible for this Hutchinson commission company and intended to use its facilities to further extend the Equity's activities throughout the hard winter wheat area of Southwest Kansas.

At the stockholders ratification meeting on June 1, 1915, they made only one amendment to the submitted by-laws. This amendment specifically stated that no stock could be held by individuals--only collective ownership by farmers cooperatives was permitted.<sup>11</sup> This feature intended to keep the commission company a cooperative organization and eliminated outside "sabotage" by individuals or groups who were against cooperative business organizations. These individuals or groups had sometimes been successful in overtaking cooperative organizations as in the previously mentioned 1904 incident when C. B. Hoffman bought out most of the Farmers Cooperative Shipping Association's line elevators and left that organization with little more than a name.

These enemies of the cooperative movement did not want it to succeed. Primarily these anti-cooperative groups were the private commission companies that handled grain on the various boards of trade, or in the case of Hoffman, they were large millers who conducted business on a basis that did not pro-rate profits back to the farmers according to the amount of business transacted. These private businesses resorted to either taking over the cooperative company or discrimination on the Boards of Trade.<sup>12</sup>

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<sup>11</sup>Minutes of Stockholders Ratification Meeting, June 1, 1915, op. cit.

<sup>12</sup>Refsell, op. cit., pp. 973-85.



These discrimination tactics later caused the Farmers Cooperative Commission Company some difficulty and caused them to realize that their status depended upon an environment of constantly changing cooperative legislation. The commission company, however, did not awaken to this fact until such Board of Trade discrimination had placed its operations in jeopardy.

During the early months of 1915 prior to the Farmers Cooperative Commission Company's formation, the Kansas political scene gave indication of more helpful legislation to the cooperative organizations in Kansas. On January 13, 1915, Governor Arthur Capper told the state legislature that he favored progressive legislation that would allow farmers' cooperative organizations to enjoy the benefits which they enjoyed in other states where cooperatives thrived and helped the entire state. He said:

Farming is our biggest business in Kansas. Our prosperity, our progress, our very existence depends on it. It is a business in great need of financial relief. The farmers of Kansas are sorely in need of a credit system meeting their special requirements, that they may more readily obtain money on short or long time for their farming operations, or that they may be owners of farms.

Our present system of credit is based on business as conducted in cities where capital is quickly turned. In New York, Ohio, and other states this need has been met by legislation providing for rural loan and savings associations in the cities. We should make it possible for our numerous building and loan associations to extend their services to farmers under a law which will encourage and permit rural communities to organize cooperative loan associations to be under the supervision of the state banking department. New York has a very comprehensive law of this kind.

The necessity for a better organized farm industry in the United States is now generally regarded as urgent. Kansas has no adequate law encouraging and providing for the formation and conduct of farmer cooperative societies such as exists in the states of Wisconsin, Minnesota, Nebraska, and Iowa. As we live in one of the foremost agricultural states,

we should not be backward in providing every condition which will aid our greatest industry.<sup>13</sup>

This statement indicated that Governor Capper realized and understood the importance of the Kansas cooperative movement. This fact was further emphasized when the Farmers Mail and Breeze, a farm magazine which Capper published, said:

The cooperative movement among farmers in this country, and especially the Middle West, is making more progress than most men believe. The reason for the remarkable success of the movement is that there is a definite place for it.<sup>14</sup>

By 1915 the cooperative movement of Kansas was beginning to evidence its rapid progress. At that time there were no less than 553 cooperative organizations in Kansas.<sup>15</sup> In addition to this the Kansas cooperative movement had an ally in the statehouse; furthermore, he understood the importance of cooperation and the help it needed.

At this time the Kansas cooperative movement received additional political help and orientation from two state-wide cooperative organizations--the Kansas Farmers Union and the Kansas Cooperative Grain Dealers Association. The Farmers Union held its annual meeting in Topeka on February 6, 1915. An important political relationship was associated with this meeting in that a number of state legislators attended as delegates from their local cooperatives.

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<sup>13</sup>Topeka Daily Capital, January 13, 1915.

<sup>14</sup>"Just About Farming", Farmers Mail and Breeze, XLIV (January 30, 1915), p. 2.

<sup>15</sup>MacKlin, op. cit., p. 7.



The most outstanding of these Farmers Union legislators were Representative John Tromble of Mitchell County, State Senator Harry McWilliam of Ottawa County, and State Senator Benjamin E. Wilson of Johnson County.<sup>16</sup> All were leaders of progressive farm legislation that passed during the 1915-16 sessions of the state legislature. The relationship of these men to the Progressive and cooperative movements will be discussed in the next chapter.

The February meeting of the Farmers Union passed resolutions that endorsed Governor Capper's requests to the legislature earlier in January. First, they adopted a resolution asking for a cooperative bank bill to allow the members of the Farmers Union to act as their own bankers. Second, the Union asked for a law authorizing cooperative associations to invest not more than five percent of their capital stock in the stock of other cooperative associations.<sup>17</sup> The 1915 state legislature enacted this second resolution which four years later permitted the Farmers Cooperative Commission Company to expand and yet retain its cooperative principles.

On March 4, 1915, the Farmers Cooperative Grain Dealers Association, a state-wide association of cooperative grain dealers that intended to spread and to strengthen the Kansas cooperative movement, held its third annual meeting in Wichita. This meeting heard a plea for political participation by the farmer to improve the status of cooperatives when M. R. Rice, a member of the Association's

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<sup>16</sup>"Farmers for Economy Too", Farmers Mail and Breeze, XLIV, (February 13, 1915), p. 15.

<sup>17</sup>Topeka Daily Capital, February 7, 1915.

board of directors, said:

At first farmers began to organize their cooperative associations and they thought they could attend to their own business in their own way without any additional legislation, but they soon found out that the line elevator men were complaining that they were violating the anti-trust law of the state and it was necessary to have a cooperative law passed two years ago.<sup>18</sup>

Rice ended his talk by suggesting that if farmers needed more legislation they should not wait until the legislature meets to talk about it, but they should have bills prepared and ready for the legislature when it convened. This type of philosophy indicated that the Farmers Cooperative Grain Dealers Association placed great importance on its legislative committee, also it revealed that they realized the importance of legislation if the cooperative elevators were to develop and to compete with privately owned grain elevators and commission companies. This type of philosophy and maturity of thought, however, did not manifest itself in the leadership of the Farmers Cooperative Commission Company during its first year of operation.

The commission company's first year of operations was not highly successful. During that time there were no stock dividends or prorations paid to shareholders. The company, however, established a milling arrangement for its members' wheat and let milling contracts to mills at Great Bend and Pratt.<sup>19</sup> This was the

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<sup>18</sup>Topeka Daily Capital, March 4, 1915.

<sup>19</sup>Managers Report to the First Annual Stockholders Meeting, May 6, 1916, Farmers Cooperative Commission Company, Hutchinson, Kansas.



extent of the Farmers Cooperative Commission Company's business transactions during its first year of operations, and it seems that during this period it was a struggle for the company to remain in continuous operation.

At their first annual meeting, the stockholders voted to end their association with the Farmers Equity Union of Greenville, Illinois. Following this a motion carried to allow any legally incorporated cooperative elevator membership in the Farmers Cooperative Commission Company.<sup>20</sup> Thus, the Hutchinson commission company opened its doors to any cooperative elevator that desired membership. This change in membership requirements, however, did not cause a single increase in the commission company's number of stockholders in 1916. Apparently the company's business accomplishments were not conducive to joining after the first year of operation.

A difference of opinion between C. O. Drayton and the Farmers Cooperative Commission Company's board of directors brought about the company's disassociation with the Farmers Equity Union. This difference developed from Drayton's insistence that the commission company provide a "blanket subscription" to the Farmers Equity Unions' national magazine. This magazine was a weekly journal which cost one dollar per year, and Drayton insisted that the commission company subscribe for each elevator member and that elevator's members. Then he wanted the subscription fee to be

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<sup>20</sup>Minutes of First Annual Stockholders Meeting, May 6, 1916, Farmers Cooperative Commission Company, Hutchinson, Kansas.

deducted from each elevator's prorrations at the end of each fiscal period.<sup>21</sup>

The Farmers Cooperative Commission Company's break with the Farmers Equity Union was important for two reasons. First, it gave the farmers' cooperative elevators of Southwest Kansas a "free hand" in directing their own business. Second, this break presented an opportunity for members, other than C. O. Drayton, to express their ideas on how the company should conduct its business. This happened when the stockholders elected W. F. Brown, an independent-minded cooperative exponent from Pratt County, to the board of directors.<sup>22</sup>

Another important event that took place at the Farmers Cooperative Commission Company's first annual meeting was its purchase of a seat on the Hutchinson Board of Trade.<sup>23</sup> The purchase price was \$1,250 and this took sixty-two percent of the company's capital stock at that time. This purchase, however, gave the commission company its first place of business and a method of doing business equal to that of private commission companies.

On June 20, 1916, the commission company held an educational meeting for its stockholders and other interested cooperative elevators at Bucklin, Kansas. This meeting was the first gathering of the Farmers Cooperative Commission Company stockholders

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<sup>21</sup>Interview with Clyde Merton, charter member of the Farmers Cooperative Commission Company and manager from 1923-48, June 18, 1962.

<sup>22</sup>Minutes of First Annual Stockholders Meeting, May 6, 1916, op. cit.

<sup>23</sup>Hutchinson News, May 6, 1916.



following their separation from the Farmers Equity Union in May of 1916.

The main speaker at this meeting was W. F. Brown of Evers, Kansas. He had been elected to the board of directors following the break with C. O. Drayton. Brown reviewed the farmers marketing movement and gave advice on better methods of terminal marketing.<sup>24</sup> Brown's role, as the main speaker, revealed a new leadership for the Farmers Cooperative Commission Company. Although he had been a charter member of the commission company his influence was insignificant until C. O. Drayton's "anti-politics" philosophy had made its exit.

As a politician, W. F. Brown had been a state representative from Pratt County 1893-99. He had been a member of the Populist party and participated in the legislative sessions that produced legislation which restricted the Kansas "Grain Trust"; furthermore, these restrictions helped the cooperative movement to organize cooperative elevators. Apparently, this "Brown of Pratt"<sup>25</sup> was well versed on the accomplishments of the Kansas cooperative movement and understood the obstacles it had to overcome in 1916.

Brown's advice to the local cooperative elevators at the Ducklin meeting was that they should deal with non-members and place the profits from these transactions in a surplus fund. He

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<sup>24</sup>Minutes of Stockholders Meeting, June 20, 1916, Farmers Cooperative Commission Company, Ducklin, Kansas.

<sup>25</sup>The Hutchinson News, May 23, 1907, referred to this Populist "nickname" of Brown in an article that criticized his political activities in the connection with farmers' organizations.

went on to say that the cooperative commission company at Hutchinson should apply these same principles so that it could expand operations without further assessment to its stockholders. He ended his speech by pointing out the need for a cooperative bank. He explained that cooperatives, in 1916, had the good will of their bankers; but he predicted that such would not be the case as soon as cooperatives became a real power in the marketing of their own grain. Consequently, he expressed hope that cooperatives would soon have a bank of their own, but he did not outline a plan of political action to advocate such a reform. Brown's hope for a cooperative bank was not realized until 1933 when the Farm Credit Act created twelve regional banks for cooperatives.

Other speakers who addressed the Bucklin meeting were A. J. Stripp of a Kansas City, Missouri grain commission firm; J. D. Estes, president of the Farmers Cooperative Grain Dealers Association, who spoke on the purposes of that organization; and T. L. Daniel, secretary of the cooperative grain dealers, who spoke on "Cooperation and the Local Elevator".<sup>26</sup> These speeches which the Bucklin meeting heard indicated a series of new trends for the Farmers Cooperative Commission Company.

First, due to the new influence of W. F. Brown, the cooperative commission company began to do business with non-members and applied profits from these transactions to a surplus fund. Also, the commission company began making arrangements to secure better banking credit in the future when a month later it negotiated a

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<sup>26</sup>Minutes of Stockholders Meeting, June 20, 1916, op. cit.



\$30,000 loan with the Farmers National Bank of Hutchinson, Kansas.

The second result of the Bucklin meeting was an attempt to educate stockholders on the commission company's need for more advanced business methods--hedging of purchases and dealings in grain futures. This was an important educational feature since many farmers at that time considered the dealings in futures a practice that destroyed the stability of the farmers' market.<sup>27</sup>

The third new trend that the Bucklin meeting indicated was the commission company's new relationship to the Farmers Cooperative Grain Dealers Association. This Association was primarily interested in lobbying in the state legislature for measures that benefited the cooperative elevator movement. The fact that the Association's president and secretary addressed this stockholders educational meeting indicated the commission company's interest in some type of political activity. The company's motivation at this time, however, inclined more toward business reforms rather than political reforms; accordingly, the Farmers Cooperative Commission Company did not join the Farmers Cooperative Grain Dealers Association during the summer of 1916.

The importance of the cooperative grain dealers association

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<sup>27</sup> Charles S. Barrett, second president of the Farmers Union, explained the evils of futures trading in The Mission, History, and Times of the Farmers' Union, (Nashville: Marshall and Bruce Company, 1909), pp. 58-75, and implied that hedging and futures trading would destroy a stable market. This type of information was commonplace among farmers literature during the first part of this century; consequently, if the commission company wanted to use these more advanced business methods it first had to convert the cooperator who furnished the grain for sale.

did not fit into the commission company's plans at this time. It was a number of years before the Farmers Cooperative Commission Company actually began wholehearted support of the progressive political reforms that the Farmers Cooperative Grain Dealers Association stood for. Consequently, the Farmers Cooperative Grain Dealers Association's activities will be discussed in greater detail in the next chapter which relates the Kansas cooperative movement to its political setting in the Progressive era. The Association was not a cooperative but a federated organization of cooperative elevators and apparently it desired the commission company's membership because the company embodied an advanced stage of cooperation.

The commission company's board of directors continued their interest in the Farmers Cooperative Grain Dealers Association and at their autumn meeting in 1916 they conferred with the Association's secretary, T. L. Daniel. He told them of the organizational plan which the cooperative grain dealers used to solicit new members and what the association did for its members. The board of directors took no action and the matter of joining the cooperative grain dealers was deferred until the board's November meeting.<sup>28</sup>

At the board of director's November 14, 1916 meeting, they voted that the Farmers Cooperative Commission Company join the Farmers Cooperative Grain Dealers Association. W. F. Brown was elected the company's official delegate to attend the next meeting of the grain dealers. Also, the board of directors recommended

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<sup>28</sup>Minutes of Board of Directors Meeting, September 19, 1916, Farmers Cooperative Commission Company, Hutchinson, Kansas.



that Brown be placed on the Association's legislative committee.<sup>29</sup> In addition to this, the board of directors instructed Brown to investigate the necessary procedure for the commission company to organize its local unions and elevators. Apparently the company placed a great deal of confidence in Brown's political experience and organizational ability.

At the Farmers Cooperative Grain Dealers Association's fourth annual convention, at which the Farmers Cooperative Commission Company was represented for the first time, the cooperative grain dealers passed a resolution asking that the state legislature appropriate \$10,000 out of the State Grain Inspection's surplus fund for the study of marketing conditions. The Association's secretary, T. L. Daniel, said:

We are asking for only \$10,000 of the grain inspection's \$80,000 surplus. This small part can be used in the study of economical marketing conditions for the benefit of the producer.<sup>30</sup>

During the 1917 Kansas legislative session Daniel spent considerable time working with the legislature to obtain these funds to make a cooperative marketing study; accordingly, the Hutchinson commission company became indirectly associated with political lobbying for the improvement of cooperative marketing status. The commission company's main interest, however, was the improvement of its business efficiency.

During the Farmers Cooperative Commission Company's 1916

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<sup>29</sup>Minutes of Board of Directors Meeting, November 14, 1916, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>30</sup>Hutchinson News, February 9, 1917.

fiscal year it handled 1,639,500 bushels of grain. From this volume of business the company accrued a net savings of \$1,869 of which \$1,702 were pro-rated back to its twenty stockholders.<sup>31</sup> This amount of profitable business transactions caused the commission company to place more emphasis on big business.

At the company's second annual meeting the stockholders approved a motion by W. F. Brown that placed twenty-five percent of all pro-rations into a surplus fund.<sup>32</sup> The "old Populist legislator" knew that expansion was necessary if the commission company was to compete and grow, and the stockholders accepted his constant agitation favoring more working capital for the company.

The Farmers Cooperative Commission Company's business operations during its 1917 fiscal year were not too successful. During that time the commission company handled only one-half the volume of wheat it handled the previous year.<sup>33</sup> This was due to a 1917 winter wheat yield that was only forty-two percent of the 1916 winter wheat yield in Kansas.<sup>34</sup> Also, during 1917 the Farmers Cooperative Commission Company experienced difficulty with the

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<sup>31</sup>Managers Report to the Second Annual Stockholders Meeting, May 9, 1917, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>32</sup>Minutes of Second Annual Meeting, May 9, 1917, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>33</sup>Managers Report to the Third Annual Stockholders Meeting, May 10, 1918, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>34</sup>Twentieth Biennial Report, Kansas State Board of Agriculture, (Topeka: State Printer, 1916), XXV: 897, and Twenty-first Biennial Report, Kansas State Board of Agriculture, (Topeka: State Printer, 1918), XXVI: 598.



Hutchinson Board of Trade.

The low wheat yield of 1917 not only restricted the commission company's volume of business, but it also placed the Farmers Cooperative Commission Company's seat on the board of trade in jeopardy. The Hutchinson Board of Trade, in 1917, was an association of twenty-eight grain commission buyers or companies--of which the Farmers Cooperative Commission Company was the only one that prorated profits back to the elevators with which it did business.

It was necessary that the commission company retain its seat on the Board of Trade because the Board was the primary market where the grain was sold to the processors or exporters. If the commission company could not operate in this market it had no facility with which to market the local cooperative's grain. Thus, the company would be useless.

The government of the Board of Trade was vested in its officers and directors in conformity with the by-laws. It was the opinion of the Board's officers that the proration of profits to the farmers elevators was not in the best interest of the entire board of trade; accordingly, the Board informed the Farmers Cooperative Commission Company in the spring of 1917 that it would lose its seat of the board of trade if its proration principles were not changed. It was the Hutchinson Board of Trade's interpretation that proration was the same as a rebate.<sup>35</sup>

Apparently the Hutchinson Board of Trade's reason for

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<sup>35</sup>Interview with Clyde Morton, June 18, 1962.

discriminating against the "Farmers Grain Company", as the Board's stock certificate listed the Farmers Cooperative Commission Company,<sup>36</sup> was that many of the non-cooperative members of the Board of Trade had overexpanded their facilities during the winter and spring of 1917. A grain syndicate had been formed when T. L. Holdredge bought the Kansas Grain Company and formed the Kansas Flour Mills Company.<sup>37</sup> This merged two of the largest milling establishments in Hutchinson, the Larabee Flour Mills and the Kansas Grain Company. In addition to this merger the Kelly Flour Mills of Hutchinson expanded operations in the winter of 1917 as did the C. D. Jennings Grain Company.<sup>38</sup> All of these companies held seats on the Hutchinson Board of Trade.

The 1917 president of the Board of Trade, F. E. Hipple, owned a large number of line elevators throughout Southwest Kansas as did George Gano. Both of these men handled a large amount of business on the board of trade. Also, Gano was the president of the Hutchinson Chamber of Commerce during 1917. All of the above mentioned men and their firms represented a powerful array of wealth and influence on the Board of Trade. Accordingly, when the prospects for a "short wheat crop" appeared in the spring of 1917 in addition to the United State's entry into World War I, these private individuals became fearful they could not meet the market

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<sup>36</sup>Record of Stockholders Certificates, Hutchinson Board of Trade, Hutchinson, Kansas. (In the files of Company).

<sup>37</sup>Hutchinson News, February 8, 1917.

<sup>38</sup>Ibid., February 27, 1917.



demand or fill their storage facilities. Consequently, they did not desire to share their commission facilities with a cooperative firm that did not do business like the other members, and threatened to take a larger share of business because of its cooperative principles.

The Hutchinson Board of Trade's interpretation that prorations are the same as rebates served as an excuse to force the Farmers Cooperative Commission Company to amend its business activities at the end of the commission company's 1917 fiscal year. There is a difference, however, between a rebate and a proration.

A rebate is a refund of a portion of the total charge for doing business. A proration is not made exclusively on the basis of business done, but it is figured according to the cooperative's entire profit that is not added to the company's surplus fund. The profit that is not placed in the cooperative's surplus fund is divided upon the basis of stock owned by each member, and a part in proportion to the business each stockholder has furnished to, or done through, the cooperative.

This interpretation of the difference between rebates and prorations was not forthcoming, however, until 1926 when the Kansas Supreme Court ruled in favor of the commission company in the case of The Farmers Cooperative Commission Company vs. The Wichita Board of Trade.<sup>39</sup> In 1921, the Capper-Tincher Law prohibited boards of trade from rejecting membership of cooperatives

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<sup>39</sup>Farmers Cooperative Commission Company vs. Wichita Board of Trade, Syllabus By The Court (Kansas), 25,050, (1926).

that dispersed patronage dividends.<sup>40</sup> These improvements in the cooperative's environment did not help the commission company in 1917-18; consequently, in order to remain on the Hutchinson Board of Trade, the company in 1917 did not make its usual prorrations.

At its 1918 annual meeting the Farmers Cooperative Commission Company voted to prorate no profits to its members for the 1917 fiscal year. W. F. Brown introduced a motion that all profits for the 1917 fiscal year be distributed to the different member's accounts and payment be deferred until the next annual meeting,<sup>41</sup> and the stockholders approved this motion. Apparently they realized that the commission company had no other recourse if it wanted to retain its seat on the Hutchinson Board of Trade.

This realization indicates that the commission company's directors were sensible and practical. They knew that the company's existence depended on a seat on the Board of Trade and they apparently understood that reformed legislation was needed before the company could keep its seat and yet prorate its profits. Such legislation was not forthcoming for a number of years.

The commission company continued to operate as a cooperative commission firm in that all profits that were not placed in the company's surplus fund were credited to the cooperating elevator members, but these prorated credits were not paid out during the Farmers Cooperative Commission Company's fiscal year. This

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<sup>40</sup>Saloutos and Hicks, op. cit., pp. 299-300.

<sup>41</sup>Minutes of Third Annual Meeting, May 10, 1918, Farmers Cooperative Commission Company, Hutchinson, Kansas.



principle of not prorating profits placated the Hutchinson Board of Trade and the cooperative commission company never lost its seat on the Board.<sup>42</sup>

In addition to the Farmers Cooperative Commission Company's difficulty with the board of trade other cooperatives of Southwest Kansas suffered from the discrimination of private corporations against them. The Farmers Union Cooperative Elevator of Chase, Kansas, appealed to Governor Arthur Capper to help it obtain shipping cars. The Chase cooperative complained that for sixteen days during July of 1918 they received no cars while the line elevators were awarded all of the cars sent to that area. Governor Capper appealed directly to United States Director General of the Railroads, William G. McAdoo, and asked that the farmers cooperatives receive a "square deal".<sup>43</sup> Apparently the Kansas cooperative movement's status became subject to more opposition as the European war needs increased. This increased demand brought higher prices and more scarce transportation facilities--two results that private grain corporations wanted for themselves.

During the Farmers Cooperative Commission Company's 1918 fiscal year, however, the commission company did business quite successfully. In fact, there is no record of the company's board of directors meeting at any time during the 1918 fiscal year. Evidently the strong European demand for wheat and President Wilson's June 18, 1918 use of his authority under the Food Control

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<sup>42</sup>Interview with Clyde Morton, June 18, 1962.

<sup>43</sup>Farmers Mail and Review, LI (August 24, 1918), p. 6.

Act (1917) to raise the minimum price of wheat to \$2.26 per bushel gave the commission company such demand for prosperous business that there was no need for new policies to be formulated. Although the commission company's 1918 volume of business was only seventy-five percent of the previous high in 1916, it had a 1918 net savings of 240 percent more than in 1916. This indicates that 1918 was the most prosperous year for the Farmers Cooperative Commission Company at this time.

The prosperous condition of the Farmers Cooperative Commission Company continued to cause the Hutchinson Board of Trade concern over the cooperative principle and the threat it embodied to the private commission company's monopoly on the Board. During 1918 and 1919 the Hutchinson Board of Trade's president, J. E. McClure, was also president of the Kansas Grain Dealers Association.<sup>44</sup> This was the same organization that had been convicted by the Kansas Supreme Court in 1902 for monopolistic activities.<sup>45</sup>

In May of 1919 McClure and the Hutchinson Chamber of Commerce President, George Gano, brought the Kansas Grain Dealers Association's twenty-second annual convention to Hutchinson. This association was quite in contrast with the previously mentioned Farmers Cooperative Grain Dealers Association. All of the members of the Kansas Grain Dealers Association were non-cooperative grain dealers and they were anti-cooperative in their philosophy.

Two prominent anti-cooperative men played leading roles in

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<sup>44</sup>Hutchinson News, May 27, 1919.

<sup>45</sup>Supra., Chap. II, p. 24.



the Hutchinson convention of the Kansas Grain Dealers. They were E. J. Smiley and T. L. Hoffman. Smiley had been convicted in 1902 for restraint of trade activities in connection with his activities as secretary of the Kansas Grain Dealers Association, and in 1919 he still held the position of secretary of the Association.<sup>46</sup> T. L. Hoffman was the grandson of the previously mentioned cooperative enemy, Christian E. Hoffman.<sup>47</sup> In 1919, T. L. Hoffman headed the Kansas Flour Mills Company, a milling syndicate throughout Southwest Kansas. He also served as president of the Southwest Grain Dealers League, an association of independent millers throughout the hard winter wheat area of Kansas, Oklahoma, and Texas.

In an address before the Kansas Grain Dealers, Hoffman commented that private grainmen should stand together and act in union to make their numbers felt.<sup>48</sup> Another important personality at the grain dealer's meeting was E. O. Cuman, managing editor of the Price Current Grain Reporter. Cuman criticized the "excessive paternalism and crafty espionage of the Federal Trade Commission". He went on to say that the Nonpartisan League of North

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<sup>46</sup>The Hutchinson News, May 23, 1919, commented on Smiley's re-election to the secretaryship of the Association and said, "E. J. Smiley, of Topeka, who founded the organization was re-elected Secretary for the twenty-third year. The association would hardly know what to do without him." The Hutchinson Board of Trade's participation in a group headed by Smiley indicated their anti-cooperative attitude and interest in re-establishing the Kansas Grain Trust in the reactionary period that followed World War I's end.

<sup>47</sup>Kansas, A Cyclopedic of State History, op. cit., III: 513.

<sup>48</sup>Hutchinson News, May 27, 1919.

Lakota was due to discontent over bad elevator conditions. He blamed these conditions on the chairman of the Federal Trade Commission, William B. Colver, because he had started out to get the middleman out of grain handling. Cavan went on to say that the Federal Trade Commission found out that the middleman was an indispensable part of grain marketing.<sup>49</sup>

The idea that grain commission men should handle the grain in a private matter was further emphasized when the vice-president of the Federal Grain Corporation said, "I will be glad when the function of marketing and distribution of the grain is returned, unhampered to the grainmen."<sup>50</sup> Throughout the proceedings of the 1919 Kansas Grain Dealer's convention there was no direct mention of the cooperative movement, but there seemed to be an underlying theme that equated the radicalism of the Nonpartisan League to all farm organizations and then this radicalism was further correlated to Bolshevism. Accordingly the attending grain dealers contributed more than \$1,000 to combat Bolshevism and the Nonpartisan League.<sup>51</sup>

This 1919 Grain Dealer's convention emphasized less government aid to farm organizations and the restoration of marketing to private businessmen. This indicated that the officials of the various boards of trade, who actually composed the Kansas Grain Dealers, sensed the reaction against government aid to agriculture

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<sup>49</sup>Ibid., May 28, 1919.

<sup>50</sup>Ibid.

<sup>51</sup>Ibid., May 29, 1919.



that was forthcoming following the First World War. Apparently they considered 1919 to be an opportune time to halt the rapid growth of cooperatives and to make conditions such that they could not operate in the primary markets where grain passed into the hands of the manufacturers.

In 1919, however, the Farmers Cooperative Commission Company did not care to battle the private grain commission companies over the right of a cooperative to a seat on the Hutchinson Board of Trade and a cooperative's principle of prorating profits back to its members. At the company's fourth annual meeting the stockholders approved a motion, by W. F. Brown, to raise the company's capital stock to \$30,000. To achieve this stock each stockholder's requirement was raised from \$100 to \$500. This increased stock requirement was achieved by crediting each member's proration credit to the increased stock requirement.<sup>52</sup> Thus, the commission company placated the Hutchinson Board of Trade in that no actual prorations were returned to the cooperative's members, while instead the prorations were credited to each member's stock holdings. Apparently the private commission companies on the Board of Trade reasoned that their business was safe as long as no cash prorations were made to the cooperating elevators.

During the winter of 1919 the Farmers Cooperative Commission Company's board of directors, upon the constant suggestion of W. F. Brown, purchased \$1,000 worth of stock in the Victory Flour Mills

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<sup>52</sup>Minutes of Fourth Annual Meeting, May 13, 1919, Farmers Cooperative Commission Company, Hutchinson, Kansas.

at Wichita, Kansas.<sup>53</sup> This apparently was a move to expand the commission company's business activities, as well as an attempt to establish good relations with members of the Wichita Board of Trade that the commission company contemplated joining in the near future.

The constant agitation by Brown seems to indicate that he was impressed with the efficiency of large business operations and it was his greatest ambition to see the Farmers Cooperative Commission Company become of larger service to the farmers of Southwest Kansas.<sup>54</sup> Apparently ex-legislator Brown's early political experiences with the "Grain Trust" revealed to him the efficiency of large business operations; consequently, he consistently advocated that the commission company expand its operations in order to achieve a higher degree of business efficiency.

In March of 1920 the Farmers Cooperative Commission Company's board of directors, again upon a motion by W. F. Brown, decided to open a Wichita branch office in time to handle the 1920 wheat crop.<sup>55</sup> This Wichita office opened for business on May 1, 1920, but it opened without a seat on the Wichita Board of Trade. The company was discriminated against because it prorated profits back

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<sup>53</sup>Minutes of Board of Directors Meeting, December 5, 1919, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>54</sup>Interviews with Clyde Morton, June 18, 1962. Mr. Morton spoke highly of Brown's contribution to the Farmers Cooperative Commission Company. He related how W. F. Brown traveled at his own expense and tried to obtain a larger membership for the company.

<sup>55</sup>Minutes of Board of Directors Meeting, March 9, 1920. Farmers Cooperative Commission Company, Hutchinson, Kansas.



to its members.<sup>56</sup>

In addition to the commission company's attempted expansion into the Wichita area, the board of directors considered expansion into the field of terminal storage; accordingly, they instructed manager A. C. McReynolds to be on the "look out" for a desirable elevator building site in Hutchinson. This desire, however, was not realized until 1938 when federal aid enabled the Farmers Cooperative Commission Company to build its first storage elevator.

The commission company's 1919 fiscal year which ended April 30, 1920, was highly successful. During this year, the company's capital stock increased to \$10,444 and it handled 2,094,000 bushels of grain. From this volume of business \$7,138 were prorated to customers--more than double the amount prorated the previous year.<sup>57</sup> Thus, during the Farmers Cooperative Commission Company's first five years of business it developed from a small concern that let contracts for its members wheat into a business establishment that handled over two million bushels of grain.

The company's growth, however, placed the commission company's expansion into the Wichita area in jeopardy. In the spring of 1920 the commission company applied for membership on the Wichita Board of Trade but was refused because of its cooperative principle of prorating profits to its members. The Board informed the Farmers

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<sup>56</sup>Farmers Cooperative Commission Company vs. Wichita Board of Trade, op. cit., p. 3.

<sup>57</sup>Managers Report to the Fifth Annual Stockholders Meeting, May 11, 1920, Farmers Cooperative Commission Company, Hutchinson, Kansas.

Cooperative Commission Company that it could not be awarded membership until it changed its method of distributing profits.<sup>58</sup> Apparently the Wichita Board of Trade refused the commission company membership because of the company's successful operations which the Board feared might take a large share of the Wichita grain trade.

The refusal of the Wichita Board of Trade to seat the commission company caused the company to amend its by-laws in order to expand its Hutchinson operations. Consequently, the company's fifth annual meeting was devoted to the amendment of its by-laws. The most significant of these amendments permitted noncooperative elevators to derive cooperative prerogatives from the Farmers Cooperative Commission Company. The company's president, J. W. McReynolds, stimulated this noncooperative change as the following resolution indicated:

In as much as Montezuma, represented by J. W. McReynolds, was one of the charter members of this company and that from the start they have supported this company with all of their business and contributed very largely to our service and that their cooperative company has been succeeded by a stock company owned by J. W. McReynolds and other farmers and that the said company is ready at any time to turn over the business to a cooperative company. Therefore, be it resolved: We instruct our board of directors to transfer the stock of the Montezuma Equity Exchange to the Farmers Grain and Lumber Company of Montezuma, Kansas.<sup>59</sup>

The stockholders approved this resolution. Apparently they placed enough confidence in their president that they sacrificed

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<sup>58</sup>Farmers Cooperative Commission Company vs. Wichita Board of Trade, op. cit., p. 4.

<sup>59</sup>Minutes of Fifth Annual Stockholders Meeting, May 11, 1920, Farmers Cooperative Commission Company, Hutchinson, Kansas.



cooperative principles for him. Consequently, this action impaired the cooperative benefits of many farmers that sold to the McKey-nold's elevator. It appears that the commission company's desire for business expansion caused it to change its by-laws rather than lose any of its grain business.

The stockholders meeting made two additional amendments that further indicated a big business trend. First, they passed a motion that increased the commission company's capital stock to \$100,000. Second, the stockholders amended the company's purpose of business. The original by-laws stated:

This exchange is organized to do a wholesale and retail milling, manufacturing, and mercantile business including the buying and selling of grain, coal, feed, and hay.<sup>60</sup>

The company's 1920 statement of purpose was changed to read "this company is organized to do a general commission and mercantile business in farm requirements and farm products".<sup>61</sup> Thus, the commission company decided to specialize its operations rather than diversify them. This decision along with the opening of a Wichita branch office, permitted the Farmers Cooperative Commission Company to more than triple its volume of business the following year.<sup>62</sup>

The amendments of the 1920 stockholders meeting indicated a "big business" emphasis. This emphasis embodied two important

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<sup>60</sup>Minutes of Charter Meeting, May 5, 1915, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>61</sup>Minutes of Fifth Annual Stockholders Meeting, op. cit.

<sup>62</sup>Managers Report to Sixth Annual Stockholders Meeting, May 10, 1921, Farmers Cooperative Commission Company, Hutchinson, Kansas.

changes in the Farmers Cooperative Commission Company's outlook. First, the company stopped handling hay, coal, and feed in order to concentrate on the commission handling of grain. Second, private grain elevators received the same benefits that cooperative elevators received. This feature indicated that the commission company placed more importance on the commission handling of any elevator's grain than on the original impetus of exclusive service to its cooperating members.

Such a change in attitude was not as serious as it appears because of a 1915 law passed by the Kansas State legislature. This law prevented a single member of any cooperative from gaining more than five percent of a cooperative company's capital stock.<sup>63</sup> This relationship will be handled in greater detail in the next chapter.

During the winter of 1920-21 the commission company's board of directors continued their search for larger markets. They made attempts to secure a market outlet at Enid, Oklahoma, and even discussed the surrender of prerogatives in order to gain a seat on the Wichita Board of Trade. Also, the Farmers Cooperative Commission Company bought advertisement space in the Cooperative Journal and the Cooperative Manager.<sup>64</sup> This activity indicated that the Company desired to branch out and advertise its successful operations.

By February of 1921 the Farmers Cooperative Commission

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<sup>63</sup>Kansas, Session Laws, (1915), c. 159, sec. 2.

<sup>64</sup>Minutes of Board of Directors Meeting, February 22, 1921, Farmers Cooperative Commission Company, Hutchinson, Kansas.



Company was enjoying the most prosperous year in its history. Its prosperity, however, was an exception. The agricultural depression was nearly in full swing when Harding took office, and his administration had no solution to the farm problem.<sup>65</sup> The commission company's board of directors realized that their marketing success depended upon widespread agricultural prosperity, and accordingly, they decided that the political environment surrounding their cooperative business needed the active participation of their cooperative commission company. Consequently, for the first time in the company's history the board of directors represented the Farmers Cooperative Commission Company, as an official unit,<sup>66</sup> at the Hutchinson convention of the Kansas Farmers Cooperative Grain Dealers Association.

These cooperative grain dealers concentrated mainly on two important problems. First, they wanted to develop a better state-wide marketing system through terminal markets. Second, they sought to agitate for a financial system that would extend more liberal credit terms to farmers and their cooperative organizations.<sup>67</sup> These were major problems that confronted the farmers' low prices during the farm depression at this time.

The commission company's active participation in the Farmers Cooperative Grain Dealers Association revealed a willingness to

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<sup>65</sup>Saloutos and Hicks, op. cit., p. 320.

<sup>66</sup>Minutes of the Board of Directors Meeting, February 22, 1921, op. cit.

<sup>67</sup>Hutchinson News, February 24, 1921.

lend its efforts to reform legislation for the agricultural situation. In order to accomplish these reforms some type of united farm action was needed. The action which the cooperative grain dealers resorted to was an independent program of bipartisan resolutions calling for specific reforms in the field of agricultural credit.

At this convention a great deal of agitation centered around the poor credit facilities of the farmers. H. R. Myers, editor-in-chief, of the American Cooperative Journal elaborated on this when he said:

I can conceive of a condition where the local bank will be unfriendly to the farmers elevator and absolutely refuse to loan them money when they need it and are entitled to it. It is money that really belongs to the farmers who have grain to sell. I believe that the farmer elevator folks should either become independent in their local banks, with sufficient money and with sufficient influence to control these local banks in a friendly way, or they should organize a bank which they know absolutely will give first consideration, and every fair consideration to them.<sup>68</sup>

This type of discussion was not new to the Farmers Cooperative Commission Company. Five years before W. F. Brown elaborated on this same situation at the Bucklin Stockholders Meeting. The new emphasis, however, was that the commission company through its participation in the Farmers Cooperative Grain Dealers Association was now ready to act. Accordingly, the grain dealers passed a resolution that called upon the federal government to create a cooperative bank law.<sup>69</sup> Thus, the commission company finally awakened

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<sup>68</sup>Ibid., February 25, 1921.

<sup>69</sup>Ibid.



to the fact that their well-being depended on progressive legislation as well as large efficient business operations. The Farmers Cooperative Commission Company had considered expansion into storage but it could not locate the necessary funds, and as previously mentioned, these funds were not forthcoming until the federal government made them available.

Another important resolution passed by the grain dealer's association called upon Congress to broaden the Federal Reserve Law. It stated:

We recommend that Congress be urged to broaden the Federal Reserve Law enabling the Directors of a Federal Reserve Bank to finance the farmer to enable him to hold his products until such a time as he is able to realize a margin of profit over the cost of production.<sup>70</sup>

This type of recommendation complained about short-term credits that made the farmers' operations more difficult. Also, agitation such as this helped produce the Agricultural Credits Act of 1923.<sup>71</sup>

A third important resolution "insisted on immediate passage of Senate Bill No. 251". This was a bill of the Kansas state legislature that became law less than a month later.<sup>72</sup> It provided for making all farmers elevators public warehouses and enabled these elevators to issue warehouse receipts that could be used for borrowing purposes. Through this measure the cooperative grain dealers used bipartisan pressure to help achieve progressive legislation that helped the farmer in his credit difficulties.

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<sup>70</sup>Ibid.

<sup>71</sup>Salutes and Hicks, op. cit., pp. 337-41.

<sup>72</sup>Kansas, Session Laws, (1915), c. 200, sec. 25.

The Farmers Cooperative Commission Company through its association with the Farmers Cooperative Grain Dealers Association participated in bipartisan agitation for better agricultural reforms. This fusion marked an awakening from the commission company's political dormancy. Before this time the company had concerned itself more with progressive business reforms rather than participating in the actual movement that pushed for progressive farm reforms.

On March 3, 1921, the Farmers Cooperative Commission Company continued its association with other farm groups. At that time the company sent W. F. Brown and A. G. McKeynolds as delegates to the Grain Marketing Commission of Federated Farm Organizations at Salina. The president of the Kansas Farmers Union, Maurice McAuliffe, headed this commission that intended to establish joint commission firms in all terminal markets.<sup>73</sup> The meeting accomplished no definite agreements among the different organizations, but a better relationship between these farmer associations resulted. In 1922, the Farmers Cooperative Commission Company and the Farmers Union formed a partnership and attempted to purchase a seat on the board of trade at Kansas City, Missouri.<sup>74</sup> This attempt, however, never succeeded.

At the commission company's sixth annual stockholders meeting in 1921 the "big business" trend continued to prevail and the Farmers Cooperative Commission Company failed to advocate any

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<sup>73</sup>Hutchinson News, March 3, 1921.

<sup>74</sup>Minutes of Seventh Annual Stockholders Meeting, May 9, 1922, Farmers Cooperative Commission Company, Hutchinson, Kansas.



political reform measure on its own. A motion to retain all capital earnings except the six percent paid on stock dividends passed.<sup>75</sup> Thus, at a time when the farmers needed prorations most, because of the depression, the Farmers Cooperative Commission Company decided to keep the profits of cooperation in order to expand its operations.

In the fall of 1921 the commission company called a special stockholders meeting to amend their proration provisions. On October 21, 1921, the stockholders approved an amendment to the by-laws. This amendment provided that all revenue not paid as eight percent dividends on stock would be permanently retained as working capital for the company.<sup>76</sup> The impetus of this amendment was the commission company's desire for a seat on the Wichita Board of Trade and this change was necessary before the commission company could purchase a right to do business on the Wichita Board of Trade.<sup>77</sup> Apparently the commission company's members realized the need for the retention of profits in a surplus fund if the company was to expand; thus they were willing to sacrifice prorations in order to remain operational. Furthermore, the minutes of the October meeting recorded no complaint from any members because of loss of prorations.

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<sup>75</sup>Minutes of Sixth Annual Stockholders Meeting, May 10, 1921, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>76</sup>Minutes of Special Stockholders Meeting, October 21, 1921, Farmers Cooperative Commission Company, Hutchinson, Kansas.

<sup>77</sup>Farmers Cooperative Commission Company vs. Wichita Board of Trade, op. cit., p. 4.

As a result of this amendment the Farmers Cooperative Commission Company officially stopped proration of profits in order to gain a seat on the Wichita Board of Trade. Consequently, by 1922 the commission company's desire for an expanded business caused it to yield to the pressures of the Wichita and Hutchinson Boards of Trade and it reverted to the same principles of private corporations. There was a difference, however, in that certain cooperative laws kept the commission company from control by single individuals or small groups.

In conclusion, the Farmers Cooperative Commission Company evolved from a gradual growth of the farmers cooperative elevator movement. Following the commission company's formation it concerned itself primarily with business expansion and business innovations; moreover, it avoided most methods of political action for progressive farm legislation. The company's business expansion resulted in its rapid growth until 1922. At that time the Hutchinson commission company realized that its success depended upon the same conditions that had produced it--constantly improving cooperative legislation. Without this legislation a cooperative could not compete. Consequently, it required two pieces of federal legislation and a special cooperative law by the Kansas state legislature before the Farmers Cooperative Commission Company could continue its business efficiency and still complement its cooperative features.

While the commission company "slept politically" there was the slight hint of the need for progressive farm reforms by W. F. Brown, but his major emphasis was on business expansion and



efficiency. The stockholders seemed to follow Brown's lead. Thus the Farmers Cooperative Commission Company's first seven years of operation had little direct association with a movement that advocated political change; but, as stated earlier, there was a relationship between the Progressive era and cooperatives. Consequently, the men and organizations that produced the legislative fight for favorable cooperative legislation held the important association between the Progressive and cooperative movements.

The Farmers Cooperative Commission Company was an important part of the Kansas cooperative movement because it proved that the cooperative endeavors of cooperative elevators could become big business enterprises. This proof, however, almost failed in 1922. The commission company's success depended on more than business efficiency--certain political factors were involved.

## CHAPTER IV

### THE KANSAS COOPERATIVE ELEVATOR MOVEMENT'S RELATION TO THE PROGRESSIVE MOVEMENT

The Kansas cooperative elevator movement's direct relationship to the Progressive movement is difficult to demonstrate because of two factors. First, the Kansas cooperative elevator movement was only part of the state's entire cooperative movement. Second, the political activities of the cooperative movement were only a small part of the many reforms embedded in the entire Progressive movement which resulted in more equal distribution of political, social, and economic rights for a greater majority of the United States' population.

The first part of this chapter omits the distinction between the progressive legislation and political leadership related to the cooperative elevator movement or to the entire Kansas cooperative movement. This omission is necessary because early reform legislation was not specifically concerned with the cooperative movement; instead it intended to destroy the power structure of private monopolies that made the cooperative movement's advance a difficult struggle. Furthermore, it was only after the concentrated power of railroads and other business combinations had been curbed that the Kansas cooperative elevator movement, as such, began its own independent activities.

It was natural that the Kansas cooperative movement sought to preserve and to improve its status through political action. As George Mowry remarked,



Since the progressive was not organized economically as was the capitalist and laborer, he had to fight where he had the most power--in the political arena. And in large terms his political program was first that of the most basic urge, of all nature, to preserve himself.<sup>1</sup>

This self-preservation idea was foremost in the political mind of those who favored improving the cooperative movement's status, but at first glance it seems that Mowry's statement cannot apply to the cooperative movement because cooperatives were economically organized. Such an assumption, however, considers only the individual cooperative business organization and not the entire movement of which it was only a small part. As the foregoing chapters have related, the individual cooperatives struggled for economic success and following these struggles a federated cooperative came into existence--only to find that its environment posed a continuous struggle to compete with private business corporations.

In less than two years following the Farmers Cooperative Commission Company's formation it experienced a business relationship with the Hutchinson Board of Trade that was similar to the type of discrimination which private business combinations had used to oppose the Kansas cooperative movement since its earliest organized efforts. As the Granger cooperatives had found exorbitant railroad transportation rates a discriminatory measure difficult to cope with, and as the early cooperative elevators, before 1900, found it almost impossible to organize because of the monopolistic activities of the Kansas Grain Dealers Association, likewise,

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<sup>1</sup>George E. Mowry, The Era of Theodore Roosevelt 1900-1912, (New York: Harper and Brothers, 1958), p. 104.

Kansas' first federated cooperative commission company experienced similar difficulties in the discrimination it received from the Hutchinson and Wichita Boards of Trade.

The Grangers and other early cooperatives had their difficult environment improved by two acts of Congress. The first of these was the Interstate Commerce Act of 1887. This act authorized a federal commission to regulate the rates which railroads charged, but these early efforts were not immediately successful. Although this act resulted in only a feeble attempt to regulate the railroads, such action was important because it served as the basis for further legislation that became effective during the Progressive era.

The second of these early acts was the Sherman Anti-Trust Act of 1890. This act sought governmental regulation of business combinations but its intended effect did not materialize and later court decisions used this act to declare cooperative organizations as conspiracies in restraint of trade.<sup>2</sup> Nevertheless, the Sherman Anti-Trust Act stimulated later legislation during the Progressive era, and this later legislation definitely stated that cooperatives were not conspiracies in restraint of trade.

On the state level, three "Populist-oriented" laws of the

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<sup>2</sup>Franklin D. Jones took notice of these early court decisions that held cooperatives as organizations in restraint of trade in "The Status of Farmers Cooperative Associations Under Federal Law", Journal of Political Economy, XXIX, (September, 1921), pp. 595-604, and offered analysis of the different court decisions and the need for more specific federal legislation which would give cooperatives a legal right to form marketing associations. This was forthcoming, in 1922, with the Capper-Volstead Act.



1890's aided the Kansas cooperative movement. The first of these became law in 1891 when the Populist party controlled only the lower house of the state legislature; nevertheless, this law was credited to the political demands of the Populist majority in the lower house.<sup>3</sup> This act concerned grain elevators and made it unlawful for any elevator to enter into any type business combination with railroads, other corporations, or individuals.<sup>4</sup> Apparently this law enabled cooperative elevator organizations to become effective because it forbade combinations between railroads and grain companies; subsequently, the state's first cooperative elevator, of lasting success, organized the following year.<sup>5</sup>

Two other "Populist laws" that helped the Kansas cooperative movement became law in 1897. This session of the legislature had Populist majorities in both the House and the Senate and a Populist governor, John W. Leedy. The first of these acts helped cooperative livestock shippers and proved to the railroads that they were subject to state control and regulation. This act provided shippers with free passage of the second freight car that they shipped and the same privilege for every third car thereafter.<sup>6</sup>

The second important act of the 1897 legislature was the Farrelly Trust and Corporation Law, and as previously mentioned

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<sup>3</sup>William E. Connelly, A Standard History of Kansas and Kansans, (Chicago: Lewis Publishing Company, 1918), II:1157 and 1158.

<sup>4</sup>Kansas, Session Laws, (1891), c. 248, sec. 34.

<sup>5</sup>Supra., chap. II, p. 18.

<sup>6</sup>Kansas, Session Laws, (1897), c. 167, sec. 1.

this act provided the legal grounds for the anti-trust indictment of the Kansas Grain Dealers' secretary, E. J. Smiley, in 1901, in a Rush County District Court and the following year when the Kansas Supreme Court upheld the district court's interpretation of the 1897 statute. This law defined trusts as binding agreements between two or more parties, who so combined, for the purpose of restricting business and preventing competition in order to increase prices. The punishment for violation of this law was a six month jail sentence and a \$500 fine,<sup>7</sup> both of which Smiley received in 1902.

Between 1900 and 1910, the Kansas cooperative elevator movement advanced until there were an estimated fifty-one cooperative elevators in operation at the end of that period.<sup>8</sup> Much of this growth resulted from the organizational activities of the Farmers Educational and Cooperative Union and the Farmers Equity Union; on the other hand, federal and state legislation of the progressive administrations of President Theodore Roosevelt and Governors Edward Hoch and Walter Stubbs created a legal environment in which the cooperative movement found its situation much improved.

On the national scene the cooperative movement benefited from the Elkins Law of 1903. This statute outlawed rebates and compelled railroads to publish transportation rates and charge according to these rates. The second important law of the Roosevelt era, which helped the cooperative movement, was the Hepburn Act of 1906.

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<sup>7</sup>Kansas, Session Laws, (1897), c. 265, sec. 1 and 3.

<sup>8</sup>MacKlin, op. cit., p. 51.



This act gave the Interstate Commerce Commission power to lower railroad rates, subject only to court appeal. Consequently, this law curbed the railroad's independence to charge as they desired, and this fact helped the cooperative movement to achieve a more equitable method of doing business through open competition--under the supervision of governmental regulation.

These two federal laws served the cooperative movement through the restrictions they placed on the railroads. Moreover, these restrictions placed the railroads in a position where it was more difficult for them to discriminate for or against certain shippers; accordingly, this helped to restore competition and to create an environment in which cooperatives could grow and compete with private business organizations.

The Kansas cooperative movement does not have a direct and corresponding political relationship with the Progressive movement as was the case in Wisconsin. In 1900, when Robert M. LaFollette scored his first gubernatorial triumph his anti-monopoly philosophy corresponded with that of the Wisconsin Society of Equity, the leading cooperative farm organization in Wisconsin. According to LaFollette, monopoly and graft were the corrupting influences in government; to the Equity these identical forces in the form of middlemen, boards of trade, bankers, and railroad interest were responsible for depressed agricultural prices.<sup>9</sup> Consequently, both of these movements fought monopolies and LaFollette championed the

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<sup>9</sup>Theodore Saloutos, "The Wisconsin Society of Equity", Agricultural History, XIV, (April, 1940), pp. 80-81.

cause of the Progressive movement as well as the cooperative movement.

In Kansas, Progressivism and the cooperative movement had much of the same anti-monopoly philosophy, but Kansas did not have a statewide cooperative organization that became active in politics until after 1918. Also, Kansas Progressivism did not have a flamboyant reform leader such as LaFollette; nevertheless, in 1904, Kansas insurgent Republicans succeeded in overthrowing the "boss-ridden" Republican party. This insurgent rebellion resulted in Edward Hoch's gubernatorial election.

Hoch's election served notice on various monopolies in the state that their influence in Kansas politics would not prevail. The governor's anti-monopoly philosophy helped produce an anti-discrimination law during the 1905 legislative session. This law prohibited price discrimination within different sections of the state and exacted a stiff penalty if such discrimination existed.<sup>10</sup> Although this law did not apply directly to the cooperative movement, it intended to stop business discrimination and to restore competition which was all that the Kansas cooperative desired.<sup>11</sup>

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<sup>10</sup>Kansas, Session Laws, (1905), c. 2, sec. 1.

<sup>11</sup>Stuart C. Blythe noted this "square deal" philosophy of the Kansas cooperative movement in, "Is Kansas the Greatest Cooperative State?", Country Gentleman, LXXXV, (September 11, 1920), p. 50. In an interview with Maurice McAuliffe, first president of the Kansas Farmers Union, Blythe quotes McAuliffe as saying, "We have never asked for anything that carried with it an appropriation, that interfered with other lines of endeavor, or that trampled on the rights of others. We want no special privileges". This statement indicated that the Kansas cooperative movement desired only an equal opportunity to do business on an equal basis with other types of business.



Also, during Hoch's first administration the state legislature enacted a law that directed the State Board of Railroad Commissioners to make certain that railroad companies constructed sidetracks to all grain elevators within a distance of one-fourth mile from the main railroad line; furthermore, this law carried a fine of \$100 for each day that the railroad company failed to comply with the Railroad Commission.<sup>12</sup> Such Progressive legislation used the speedy implementation of commission decisions to enforce compliance with the law; moreover, this law intended that all elevators were to receive equal advantages from the railroads. This type of reform and the implementation of it produced an environment in which cooperative elevators could begin business without discrimination and thus compete on an equal basis.

The anti-monopoly attitude of the first Hoch administration continued during his second term. In 1907, the state legislature passed a law that reduced railroad transportation rates on grain fifteen percent. Also, this act required that all railroad companies publish their transportation rates with their fifteen percent reduction and charge accordingly. Those companies which failed to comply with this law by April 15, 1907, were subject to a fine ranging from \$500 to \$5,000.<sup>13</sup>

The 1907 legislature also enacted a law that forbade demurrage understandings or agreements between railroads and elevators.<sup>14</sup>

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<sup>12</sup>Kansas, Session Laws, (1905), c. 351, sec. 1.

<sup>13</sup>Ibid., (1907), c. 273, sec. 1.

<sup>14</sup>Ibid., (1907), c. 279, sec. 1.

Demurrage occurs when an elevator shipping or receiving grain or any other commodity detains the freight car for an unreasonable length of time. When this occurred, the railroad was entitled to charge an additional fee. Apparently there had been some agreements between the railroad companies and individual elevator companies that did not load or unload the freight cars within a reasonable length of time; accordingly, this 1907 statute intended to stop these agreements and prevent railroad-elevator combinations.

In November of 1908, Walter R. Stubbs was elected to succeed Edward Hoch as governor. Stubbs had played an important role in the anti-monopoly reforms of Hoch's first administration when he served as Speaker of the House. The Stubbs administration continued the anti-monopoly legislation, of the preceding Hoch administrations, with two important acts that indirectly aided the cooperative movement.

Probably the most important act of the Stubbs era, as far as the cooperative movement was concerned, was an act relating to unlawful monopolies, trusts, and combinations in restraint of trade. This act reinforced the 1897 "Populist" anti-trust act by attaching a \$100 per day fine for each day that violation of the 1897 statute occurred. This act circumvented the slow judicial process of the courts by saying:

It shall not be necessary to convict any firm, person, corporation or association of persons before commencing suit to recover the penalties provided for this section, but said penalties shall apply to any such firm, person, corporation or association whether they or any of them shall be prosecuted criminally or not.<sup>15</sup>

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<sup>15</sup>Kansas, Session Laws, (1909), c. 261, sec. 1.



Thus, it appears that the Progressive reform spirit of swift and bold action manifested itself through this act. From this time on the monopolistic businesses could not legally continue their operations until they appeared before the court.

Another important legislative act of the first Stubbs administration established maximum freight rates which railroad companies in the state could not exceed. These rates determined the maximum amount that railroads could charge for the transportation of any commodity; also, the rate charged changed every five miles. Thus the "long and short haul" discrimination ceased.

During Stubbs' second administration there were no statutes enacted that concerned the cooperative movement. There was, however, a statute enacted that stated fifty-three reasons for which a corporation could be formed, and among the reasons given, three related directly to agriculture. The three specifications relating to agriculture were; first, a corporation could be formed for the purpose of encouraging agriculture and horticulture; second, for the construction and maintenance of rural telephone lines; and third, for the conversion and disposal of agricultural products by means of mills, elevators, markets and stores, or otherwise.<sup>16</sup> Apparently there was concern over the law under which Kansas Cooperatives were organized; consequently, this statute resulted as an attempt to codify a manner in which agricultural cooperatives could be formed as private corporations.

As for the Kansas cooperative movement's relationship to the

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<sup>16</sup>Kansas, Session Laws, (1911), c. 125, sec. 1

Progressivism of the Stubbs administrations, the previously mentioned acts of 1909 helped through the enactment of a stronger anti-trust law and the establishment of maximum rates that railroads could charge. During the second administration, the enactment of a law codifying reasons why an agricultural corporation could be formed indicated that there was concern over the organization of agricultural businesses. The cooperative elevator movement was growing rapidly<sup>17</sup> but before it could continue its growth and become an independent movement it needed an improved legal status. This improved legal status could only come from political action and political leadership.

In 1912, all cooperative organizations in Kansas organized under the Cooperative Societies Act of 1907. This act provided:

That twenty or more persons in this state may organize and incorporate a cooperative society or company in the manner and form provided by law in other cases for the purpose and to the end of more successfully promoting and conducting any industrial pursuit.

Every such society or company when so organized shall enjoy all the rights, privileges, and powers conferred by law on other chartered or incorporated companies in this state.

The shareholders in any society or company shall each have but one vote in all matters pertaining to the business of such society or company, without regard to number of shares owned.<sup>18</sup>

This act did not state what constituted a cooperative society

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<sup>17</sup>F. O. Odell noted the rapid growth of the Kansas cooperative elevators in, "When Farmers Shorten The Road To Market", Farmers Mail and Broker, XLIII, (July 5, 1913), p. 3, and stated that there were 180 cooperative elevators by the end of 1912.

<sup>18</sup>Kansas, General Statutes, sec. 1904, 1905, and 1906.



or company except to say that shareholders should have only one vote. Such a law was inadequate, and this became an item of concern during the spring of 1912. On May 11, 1912, the Farmers Mail and Breeze devoted its feature article to Nebraska's new cooperative law and pointed out how this law provided for the exclusive incorporation of cooperative business organizations.<sup>19</sup>

This feature article on cooperatives had the following editorial comment emblazoned, with large bold type, in the center of the page. It said:

One thing Kansas needs is a better law for cooperatives. In a later article to appear in the Farmers Mail and Breeze James Butler, one of the Kansas pioneers in this form of co-operation, will point out the faults of the Kansas law and suggest amendments for its betterment.<sup>20</sup>

It is interesting to note that Butler's article did not appear until the following February when the legislature was in session. Nevertheless, the cooperative movement became actively embroiled in politics during the campaign of 1912. Arthur Capper, publisher of the Farmers Mail and Breeze, was the Republican candidate for governor and during his campaign he admonished farmers to give more attention to choosing farmers for the state legislature to enact better agricultural laws of which a cooperative statute was one.<sup>21</sup>

Also, during the 1912 political campaign the Progressive League, a nonpartisan political discussion group, was formed by

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<sup>19</sup>C. Vincent, "How Nebraska Farmers Market Their Crops", Farmers Mail and Breeze, XLII, (May 11, 1912), pp. 3-8.

<sup>20</sup>Ibid.

<sup>21</sup>Farmers Mail and Breeze, XLII, (April 20, 1912), p. 16.

James Butler. Some of the subjects that Butler listed for discussion were conservation, cooperation, and taxation.<sup>22</sup> Apparently cooperative law reform was considered a nonpartisan subject.

The subject of cooperation, however, was not left exclusively to nonpartisan discussion. In the last stages of the 1912 gubernatorial campaign the Republican party noted the precarious status of Arthur Capper's candidacy that had been caused by the split in the Republican party between William H. Taft and Theodore Roosevelt. Furthermore, Capper's partisan support became even more endangered when he endorsed Roosevelt and thus alienated many Taft Republicans. Realizing this, the Republican party's State Central Committee came up with an anti-cooperative "pink sheet" or documented accusation against Capper's Democratic opponent, George H. Hodges.

The Republican State Central Committee's anti-cooperative accusation declared that the Hodges Brothers Lumber Yard of Olathe, Kansas, of which Hodges was part owner, held membership in the Southwestern Lumberman's Association, a monopolistic combine of independent lumber dealers in Missouri and Kansas. According to this accusation the independent lumberman's association was under indictment for attempting to force wholesale lumber mills to withdraw trade from the various Farmers Cooperative Lumber Yards in Missouri because these cooperative yards undersold the private lumber dealers by a substantial margin. The Southwestern Lumberman's Association considered the cooperative lumber yards a danger

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<sup>22</sup>Ibid., October 12, 1912, p. 4.



to their business and thus desired them out of business.<sup>23</sup> Evidently the Capper political organization reasoned that revelation of Hedges' anti-cooperative activity would retain many farm voters who might consider protest votes for Hedges because of Capper's endorsement of Roosevelt.

The 1912 election saw Hedges defeat Capper in an extremely close contest with a plurality of twenty-nine votes. Also, the Democratic party had majorities in both houses of the state legislature. On the national level Victor Hardock, the only Kansas Congressman to be endorsed by the Kansas Farmers Educational and Cooperative Union,<sup>24</sup> was elected from the eighth district. This election and endorsement portended a great cooperative champion in the fight to secure benefits for cooperatives in the Clayton Anti-trust Act of 1914.

The Kansas cooperative movement attempted to organize on a united and statewide basis shortly after the 1912 election. On November 18, 1912,<sup>25</sup> the Kansas Agricultural and Industrial Congress organized at Hutchinson, Kansas. This Congress hoped to become a statewide cooperative association, but this hope was shortlived and it failed to achieve permanent status. Nevertheless, a speech by H. J. Waters, president of Kansas State

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<sup>23</sup>"Hedges and The Lumber Trust", Farmers Mail and Breese, XLII, (October 26, 1912), p. 23.

<sup>24</sup>Letter from J. H. Patten, General Counsel of the Farmers' Educational and Cooperative Union, to the Farmers Mail and Breese, ibid., p. 23.

<sup>25</sup>Ibid., (November 27, 1912), p. 6.

Agricultural College, gave encouragement to the Kansas cooperative elevator movement that organized the following year. Waters said:

If the farmers start a cooperative elevator at some good grain center, they find themselves unable to compete with a corporation owning a string of elevators, because the corporations can outbid the farmers at one point and make up at the other ten or twelve points what they may have lost in destroying the competition at the one point. To meet this kind of competition, the farmers' elevator should do what the privately owned elevators have done-- unite.<sup>26</sup>

This statewide unification of cooperative elevators did occur in the spring of 1913, but in January of that year the most important issue facing the Kansas cooperative movement was the problem of improving its legal environment. Just what Governor Hedges intended to do about this change in cooperative law was a question, and the only agricultural reform he mentioned in his 1913 message to the state legislature concerned the need for a more effective grain inspection law.<sup>27</sup> Thus, the responsibility for a Kansas cooperative law reform fell upon the legislature.

In the legislature, Senator Harry McMillan, chairman of the Railroads and Corporations standing committee, introduced a bill that authorized the incorporation of cooperatives which was more specific than the Cooperative Societies Act of 1907. McMillan was an extensive landowner around Beaverington, Kansas and had served a previous term in the Senate from 1901-03.<sup>28</sup> In politics he was a

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<sup>26</sup>"Address of H. J. Waters to Kansas Agricultural and Industrial Congress", Farmers Mail and Breeze, XLII, (February 1, 1913), p. 16.

<sup>27</sup>George H. Hedges, "Message to State Legislature", January 14, 1913, Topeka, Kansas, (In Kansas State Historical Library).

<sup>28</sup>Connelley, op. cit., pp. 1180-81.



Democrat, and in farm organizations he was an active member of the Farmers' Union and used his legislative position to introduce many of the Union's resolutions to the state legislature.<sup>29</sup>

McMillan introduced the new cooperative bill on February 13, 1913. This bill did not repeal the old Cooperative Societies Act of 1887, but it did clarify certain points. First, this bill defined a cooperative as:

A business concern that distributes the net profits of its business by: First, the payment of a fixed dividend on its stock; second, the remainder of its profits are prorated to its several stockholders upon the purchases from or sales to said concern or both such purchases and sales.<sup>30</sup>

Also, the McMillan bill specified that no individual could own more than five percent of the cooperative's stock, but this provision was increased to ten percent when the final version of the bill passed a conference committee.<sup>31</sup> Thus, the five percent maximum stock limitation on the amount of a cooperative's stock which a member could own was not included in the 1913 law.

In the lower house of the state legislature the McMillan bill was under the direction of John Tromble a Democrat from Mitchell County. Tromble was a specialist in the county-unit system of co-operation and a member of the Kansas Farmers' Union board of directors at this time.<sup>32</sup> Thus, under the direction of two

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<sup>29</sup>Farmer's Mail and Freeze, XLV, (January 30, 1913), p. 16; Topeka Daily Capital, February 2, 1913.

<sup>30</sup>Kansas, Session Laws, (1913), c. 127, sec. 1.

<sup>31</sup>Kansas, Senate Journal, (1913), p. 750.

<sup>32</sup>Wichita Eagle, January 14, 1913.

Farmers Union Democrats, Kansas' first real cooperative law became a reality on March 19, 1913, when it was signed by Governor Hodges.

The 1913 cooperative law, however, did not go far enough to satisfy all Kansas cooperators. As previously mentioned, the Farmers Mail and Breeze carried a feature article on Kansas' inadequate cooperative law during the same week that McMillan introduced his measure. The magazine's article was written by cooperative pioneer, James Butler. Butler was the same individual who had tried to prevent C. W. Hoffman from taking over the Farmers Cooperative Shipping Association during its short-lived operation from 1901-1905; also, he was the same person that had been instrumental in organizing the Kansas Farmers Union in 1907. Consequently, Butler's experience qualified him to fully comprehend the type of cooperative law that Kansas needed in 1913.

In Butler's article, his opening statement was that the 1887 Cooperative Societies Act was limited to the industrial field and should be repealed. Second, he stated that a cooperative law should define a cooperative and legalize its distribution of profits. Third, he wanted a law to regulate the maximum amount of stock a shareholder could acquire. Fourth, Butler stated that a cooperative law should authorize every cooperative organization with the power to make its own by-laws and be able to enforce them in courts of equity.<sup>33</sup>

Butler's ideal cooperative law was not embodied in the 1913

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<sup>33</sup>James Butler, "Kansas Has No Effective Law For Cooperators", Farmers Mail and Breeze, XLII, (February 15, 1913), p. 3.



cooperative law. This law provided only a definition of a cooperative and stated the maximum amount of stock each member could own. Under the 1913 cooperative law the charter of a cooperative was still granted under the State's corporation laws and the 1887 law was not repealed. Consequently, the 1913 cooperative legislation did not satisfy all of the desires of those who wanted an exclusive cooperative law.

Whether the 1913 cooperative law satisfied Butler is not known because he died on March 4, 1913, shortly after returning from the state legislature where the law was under consideration.<sup>34</sup> But it is clear that the 1913 cooperative law did not satisfy Arthur Capper's Farmers Mail and Breese. On March 22, 1913, this publication editorialized,

The Butler measure for an improved cooperators law in Kansas failed of enactment. The legislators were either afraid of it or underrated its importance. The same law has been in operation in Nebraska for several years and appears to be working well.<sup>35</sup>

Thus, the matter of an improved Kansas cooperative law became a progressive political issue and was not resolved until Capper moved into the governor's mansion two years later. Also, during the spring of 1913 Capper indicated his continued interest in cooperative marketing reform when he wrote:

It is my opinion that an organized or cooperative system of direct marketing need not be feared by any class of men. It is not unlikely that nearly as many handlers will be needed under the new system as is required by the old,

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<sup>34</sup>Ibid., (March 14, 1913), p. 16.

<sup>35</sup>Ibid., (March 22, 1913), p. 11.

and readjustment will be gradual. The chief difference, in my opinion, will be a more equitable distribution of rewards, in which the producer will receive a deservedly greater share than he now does.<sup>36</sup>

This statement of policy preceded a meeting between Capper and Secretary of Agriculture David F. Houston. Also, it indicated that the Kansas cooperative movement had its own champion in the making and these indications bore testimony years later during the agricultural depression that followed the war. It was during this time that Capper introduced and fought for federal legislation to improve the cooperatives' environment and this legislation enabled them to continue growing at a time when it appeared they might be ruined by the national administration's big business attitude. This will be discussed in the last part of this chapter.

On May 15, 1913, the Kansas cooperative elevator movement organized on a state wide basis at Larned, Kansas. Thirty cooperative elevators, mostly from Southwest Kansas, attended this meeting and formed the Farmers Cooperative Grain Dealers Association. This organization actually resulted from the work of Frank Odell, secretary of the Nebraska Rural Life Commission. The Commission had organized cooperative elevators in Nebraska shortly after the turn of the century and through these organized efforts the united cooperative elevators of that state had become a powerful organization able to compete with the monopolistic activities of the Grain Trust.<sup>37</sup>

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<sup>36</sup>Arthur Capper, "A New National Policy", Ibid., (May 17, 1913), pp. 3 and 27.

<sup>37</sup>Odell, op. cit., p. 3.



The purpose of the Kansas Cooperative Grain Dealers Association was to organize cooperative elevators for mutual protection from line elevators and private commission firms and to enable better cooperation between the various cooperative elevators.<sup>38</sup> The association hoped to work through the state agricultural college, but this hope was eliminated at the opening meeting when its featured speaker, Dean J. H. Miller of Kansas State Agricultural College, failed to make his address on "The Relation of the State Agricultural College to Cooperation". Miller sent his regrets and stated that the State Board of Administration had not decided on a policy toward cooperative organizations, and he did not think it advisable to speak on the subject until the Board expressed itself.<sup>39</sup>

Thus, the actions of different representatives of the State Agricultural College seemed to contradict each other. First, in the fall of 1912, the College's president advised cooperative elevators to unite and the following spring a college representative refused to attend the unified efforts of the Kansas cooperative elevators. This contradiction seemed to have a political basis in that Governor Hodges and the Board of Administration reasoned that officials of state institutions should not take an active part in contributing to different publications or different organizational activities.<sup>40</sup>

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<sup>38</sup>The Larned Chronoscope, May 22, 1913.

<sup>39</sup>The Larned Tiller and Toller, May 23, 1913.

<sup>40</sup>"Peanut Politics", Farmers Mail and Breeze, XLIV, (January 10, 1914), p. 5.

Thus, the Farmers Cooperative Grain Dealers Association organized without the help of the State Agricultural College or encouragement from the governor and indicated its interest in political activity with the adoption of a series of resolutions. These resolutions asked for a revision of the present grain grading system, the establishment of a cooperative marketing bureau at the State Agricultural College, and endorsed a Federal Bureau of Markets.<sup>41</sup>

These resolutions indicated that the cooperative grain dealers association understood the necessity of using bipartisan political agitation to improve their business environment. Thus, in 1913, the Kansas cooperative elevator movement indicated an interest in improved agricultural reforms, but it was not until 1915 that the movement became actively engaged in political action.

During the interregnum of the Kansas cooperative movement's political dormancy the reform activities of President Woodrow Wilson occupied the attention of progressive agricultural reformers. When Wilson took office in March of 1913, he had three reforms which he considered most important. They were: first, a lower tariff which was enacted in the Underwood-Simmons Act on October 3, 1913; second, currency reform which became a reality with the enactment of the Federal Reserve Act of December 23, 1913; third, an anti-trust measure which was embodied in the dual enactment of the Clayton Anti-trust Act in September of 1914 and the creation of the Federal Trade Commission in September of 1914.

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<sup>41</sup>The Larned Tiller and Teller, May 23, 1913.



Of these measures the cooperative movement was most concerned with the anti-trust reforms. This was primarily due to recent court decisions that had declared that cooperatives were illegal combinations in restraint of trade.

The cooperative movement's interest in Wilson's anti-trust legislation centered around the case of Loewe vs. Lawler (1908), when the United States Supreme Court was asked to invoke the Sherman Anti-Trust Act against labor organizations seeking higher wages and agricultural organizations striving for higher prices. The Court ruled against the labor unions and cooperatives and declared that they were in illegal restraint of trade.<sup>42</sup> Consequently, this decision worried cooperatives about their legal status.

In the Congressional debates over how labor and cooperative organizations should be exempt from anti-trust laws a new champion of the cooperative movement appeared. He was Congressman Victor Murdock, Progressive-Republican, from Kansas' eighth Congressional district.

Murdock was an ally of the Farmers Educational and Cooperative Union and as previously mentioned he was the only Kansas Congressman endorsed by the Union in 1912. In April of 1914, he introduced a Farmers Union resolution that asked for a new anti-trust law that corrected the "judicial legislation of the courts which have wrongfully decided things Congress never intended".<sup>43</sup> This resolution meant the Union wanted a law that specifically stated cooperatives

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<sup>42</sup>Jones, op. cit., pp. 595-96.

<sup>43</sup>U. S., Congressional Record, 65rd Cong., 2d Sess., LI, Part 7, 7146.

were not organisations in restraint of trade.

During the House debate on the Clayton Anti-trust Bill (H. R. 15657), Murdock stated that he wanted cooperative associations to be exempt from prosecution under the Sherman Anti-Trust law. This statement prompted Congressman Augustus P. Gardner of Hamilton, Massachusetts, to ask Murdock why he was advocating exemption of cotton planters and wool growers associations. Responding to this implication that he represented the cotton and wool lobbies, Murdock replied:

I have made no statement about the growers of cotton or the growers of wool, and I have not spoken for anybody but myself this morning. But I will say to the gentleman from Massachusetts that I am in favor of a law which will directly exempt farmers organisations and labor unions from the provisions of the Sherman Anti-Trust law.

I do so because I believe, in the first instant, that labor is not a commodity, and because in the second instant, that agriculture is so highly individualized that it is in no sense a menace to society; and I believe that the Sherman Anti-Trust law was passed not to reach the farmers organisations and not to reach the labor unions, but to reach monopoly.<sup>44</sup>

This record of the House debate indicated Murdock's progressive philosophy and revealed that this philosophy played an important role in the enactment of section six of the Clayton Anti-Trust Act which reads as follows:

That the labor of a human is not a commodity, or article of commerce. Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agriculture, or horticultural associations instituted for the purpose of mutual help, and not having capital stock or conducted for profit or to forbid or restrain individual members

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<sup>44</sup>U. S., Congressional Record, 63rd Cong., 2d Sess., 1914, LI, Part 6, 9566.



of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organization, or members thereof, be held or construed to be illegal combinations or restraints of trade, under the anti-trust laws.<sup>45</sup>

Thus, this law exempted cooperative organizations from dissolution by anti-trust legislation if they were organized only for mutual help and not conducted for a profit. It was not until 1922, however, when Arthur Capper cosponsored a bill, that cooperatives incorporated for gaining larger profits were legalized. But, in 1913, the Clayton Anti-Trust Act marked a reform innovation in that cooperatives, as such, gained exemption from anti-trust legislation.

Regardless of the dubious advantage which the Clayton Act afforded the cooperative movement, it does stand out that Victor Murdock championed the exclusion of cooperatives from anti-trust legislation. In addition to Murdock's role favoring exemption of cooperatives from anti-trust legislation he also served on the Federal Trade Commission from 1917-24. During Murdock's tenure on the Commission it made a series of investigations of the marketing activities in the larger grain markets and their connection with smaller elevators. These investigations revealed a tightly knit combination between line elevators and boards of trade in the various primary markets.<sup>46</sup> Thus, the entire cooperative movement benefited from the leadership and agitation of this Progressive--Victor Murdock.

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<sup>45</sup>U. S., Statutes at Large, XXXVII, Part I, 731.

<sup>46</sup>U. S., Federal Trade Commission, Annual Report for Fiscal Year Ending June 30, 1921, I, 40-42.

The Kansas cooperative elevator movement concerned itself with no political activity during 1914. Apparently this was due to the budget session of the state legislature when there was no opportunity to better the 1913 cooperative law; also, Kansas harvested 160,924,325 bushels of wheat during 1914 which produced prosperous conditions that are not conducive to agricultural agitation.<sup>47</sup> Thus, the only political action during 1914 was a relatively quiet election campaign in which Arthur Capper easily defeated the incumbent Governor George W. Hodges.

During the campaign Capper's platform encouraged the Kansas farmers to cooperate in an attempt to secure a better market for their products.<sup>48</sup> This statement indicated that, as governor, Capper would demand a better cooperative law to help secure a better market for their products.

In Capper's first message to the legislators he told them of the need for credit reform for the farmers and on the subject of cooperative law change he said:

Kansas has no adequate law encouraging and providing for the formation and conduct of farmer cooperative societies such as exists in the states of Wisconsin, Minnesota, Nebraska, and Iowa. As we live in one of the foremost agricultural states, we should not be backward in providing every condition which will aid our greatest industry.<sup>49</sup>

The lawmaking conditions under which agricultural reforms could be enacted during the 1915 legislative session were highly

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<sup>47</sup>Hutchinson News, May 5, 1913.

<sup>48</sup>Farmer Mail and Greeze, XLIV, (August 1, 1914), p. 28.

<sup>49</sup>Arthur Capper, "Message to State Legislature", January 12, 1915, Topeka, Kansas. (In Kansas State Historical Library).



favorable. In addition to a pro-agriculture governor, farmer and stockman legislators in the Kansas House of Representatives lacked only three votes of having a clear working majority in that body.<sup>50</sup> Consequently, a number of legislative reforms favorable to agriculture resulted--two of which related directly to the Kansas cooperative elevator movement.

The first of these measures that related directly to the Kansas cooperative elevator movement concerned further change of the existing cooperative law. This 1915 cooperative law change which Capper had asked for, became a bipartisan measure when the same author of the 1913 cooperative law, Harry McMillan, introduced a new cooperative bill on February ninth.<sup>51</sup> Also, McMillan responded to the wishes of his fellow-Farmers Union members when he introduced this bill to place a five percent maximum on the amount of cooperative stock each member could hold. This maximum had been exacted a few days previous when the Farmers Union's 1915 state convention passed a resolution favoring such a five percent limitation.<sup>52</sup> Also, in the lower house of the state legislature, the 1915 McMillan bill had the same sponsorship from John Tremble that he had given the 1913 cooperative bill.<sup>53</sup>

The 1915 cooperative bill was more in line with what James

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<sup>50</sup>Farmers Mail and Freeze, XLV, (January 23, 1915), p. 6; Topeka Daily Capital, January 14, 1915.

<sup>51</sup>Kansas, Senate Journal, (1915), p. 230.

<sup>52</sup>Topeka Daily Capital, February 7, 1915.

<sup>53</sup>Wichita Eagle, January 14, 1915.

Butler had desired two years before. This bill in its final version as signed by Capper repealed the Cooperative Societies Act of 1887, and provided:

That 20 or more persons, citizens of the United States, all of whom shall be residents of Kansas, may organize and incorporate a cooperative corporation in the manner and form provided by law in other cases for the purpose and to the end of more successfully promoting and conducting any business or industrial pursuit.

That every such corporation when so organized and incorporated may issue stock to its share holders in such amounts and with such limitations as hereinafter defined. That the share holders in any such mutual or cooperative corporation, shall each have but one vote in all matters pertaining to the business of such corporation, without regard to the number of shares owned, and no share holder may own to exceed 5% of the total capital stock of any such cooperative corporation, organized under the provisions of this act; and no cooperative corporation shall own to exceed 5% of the total capital stock of any other corporation.

That no corporation hereafter organized and doing business for a profit in this state shall be permitted to use the word cooperative as part of its corporate name unless it shall have complied with the provisions of this act.<sup>54</sup>

This law, however, did not legalize or define the distribution of prorrations and it was to take another cooperative law, in 1921, to resolve this difficulty. The 1915 omission of a definition on the distribution of profits provided a way for Boards of Trade to object to cooperative prorrations later on. Nevertheless, the 1915 cooperative law improved the legal status of cooperatives in that at least twenty cooperators were needed to form a cooperative and none of these could own more than five percent of the stock. Thus, Kansas cooperatives had a definite law upon which they could base their legal status.

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<sup>54</sup>Kansas, Session Laws, (1915), c. 139, sec. 1, 2, and 3.



Another law that the 1915 legislature enacted and which was equally important to the Kansas cooperative elevator movement concerned discrimination and unfair trade. This statute stated:

Any person, firm or corporation, foreign or domestic, doing business in the state of Kansas, and engaged in the production, manufacture, distribution, sale or purchase of any commodity in general use, that shall intentionally for the purpose of destroying competition, discriminate between the different sections, communities, or cities of this state, by buying at a higher rate or selling at a lower rate any such commodity, shall be deemed guilty of unfair discrimination.<sup>55</sup>

This act made it illegal for a line elevator company to raise their purchase price of a commodity only in a community where they were competing with a cooperative elevator. According to this statute unless all of the line company's elevators raised their purchase price, neither could the line elevator that was competing with the cooperative elevator. This act had the strong support of the Farmers Cooperative Grain Dealers Association which met in Wichita on March 4, 1915.

During the Farmers Cooperative Grain Dealers Association's 1915 convention, it was decided to hire a full time secretary to work on legislative matters and present bills to the legislators which the Association wanted to become law. Also, this convention endorsed the 1915 anti-discrimination law which was pending legislation at the time of this meeting; accordingly, the Association sent a message to House Speaker Robert Stone, author of the anti-discrimination bill, bearing this endorsement.<sup>56</sup>

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<sup>55</sup> Ibid., (1915), c. 638, sec. 2.

<sup>56</sup> Wichita Eagle, March 3, 1915.

Thus, by 1915, the Farmers Cooperative Grain Dealers Association actively began participating in bipartisan action for legislation to improve their legal environment. Furthermore, they realized that their legal status depended upon a continually changed environment--as changed by legislative reforms.

It might be well to point out that in tracing the crystallization of the cooperative elevator movement's reform activities, it is necessary to concentrate on the recorded formal activity of annual meetings. Therefore, it seems that the cooperative elevator movement progressed through a series of uneven surges of activity occurring at the Farmers Cooperative Grain Dealers Association's or the Kansas Farmers Union's annual meetings.<sup>57</sup> Such was not the case. These annual meetings expressed an opinion of the cooperative elevator dealers that had resulted from each year's business and political activity, and it was only at the annual meeting that the different experiences of all the elevator members of these organizations coalesced into an expression of opinion. This united opinion expressed itself in the resolutions and speeches of the annual meetings.

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<sup>57</sup>As the second chapter pointed out, the Kansas Farmers Union was an organization that concentrated most of its early organizational activity in the northeastern and north central parts of Kansas and the Farmers Equity Union concentrated its organizational efforts in the southwestern part of the state. This same pattern held true in the cooperative elevator movement's political activity except that the Farmers Cooperative Grain Dealers Association became the political exponent of the Equity elevators in Southwest Kansas. Thus, both the Farmers Union and the Farmers Cooperative Grain Dealers Association were important to the cooperative elevator movement's political activity and in many instances their individual activities complemented each other.



In February of 1916, the Kansas Farmers Union, for the first time in its history, organized a legislative committee to head-quarter in Topeka during each legislative session; also, this committee was supported by the treasury of the Union.<sup>58</sup> Another important political act of the Union's 1916 convention was the adoption of a resolution favoring the passage of President Wilson's Rural Credits Bill.

This bill provided for the federal government to establish and to supervise federal land banks in twelve regions throughout the United States. These banks were to be centrally controlled by a nonpartisan Farm Loan Board. The regional land banks would authorize ten or more land owners to form a cooperative loan association. Then these cooperative loan associations could borrow a working capital from the government which could not exceed fifty percent of the local association's total mortgaged value. Following this, any farmer who desired to borrow from the association had to first join the association by subscribing five percent of his total loan value as stock in the local land bank; thus, the borrower became part owner of the bank. Also, these were long-term loans not to exceed forty years or to be less than five years, and interest could not exceed five percent.<sup>59</sup>

The Kansas Farmers Union's interest in this type of legislation, which became law during the summer of 1916, indicated that they realized the necessity of the federal government's direct

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<sup>58</sup>Topeka Daily Capital, February 5, 1916.

<sup>59</sup>"Millions for Agriculture", Country Gentleman, LXXXI, (August 26, 1916), p. 3.

participation in helping settle the farmers' credit problems which directly influenced the cooperative movement. It was such naturalization of thought that helped the cooperative elevator movement become part of the Progressive movement which had made possible the rapid growth of cooperative elevators.

On March 10, 1916, the Farmers Cooperative Grain Dealers Association met at Salina, Kansas. During this meeting, the Association indicated that it desired federal and state help in advancing the cooperative elevator movement. In this respect two important resolutions passed. The first one asked that the federal government establish a grading and inspection service, under civil service, to supervise the marketing activities of grain in the primary markets.<sup>60</sup>

The Association realized that the advance of the cooperative elevator movement depended on federal control and enforcement of marketing activities and this meant that the cooperative grain dealers were beginning to understand the need for further development of statistical work and economic research--a job which only the federal and state governments could handle.

The second important resolution of the grain dealer's 1916 convention asked Kansas State Agricultural College to make a comprehensive study of the marketing of Kansas grain. Also, this convention heard an address by Theodore Macklin.<sup>61</sup> Macklin was

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<sup>60</sup>Salina Semi-Weekly Journal, March 10, 1916.

<sup>61</sup>Ibid.



the first student of Kansas cooperation to attempt a statewide study of the Kansas cooperative situation prior to 1920.<sup>62</sup> These two resolutions of the 1916 Farmers Cooperative Grain Dealers Association's annual meeting showed a maturity of thought similar to the Farmers Union's. Such maturity of thought enabled the federal government to aid the cooperative elevator movement; accordingly, by 1922 the number of cooperative elevators in the Middle West was estimated at more than 4,000 and of this number nearly 400 were located in Kansas.<sup>63</sup>

During 1916, the cooperative elevator movement began to receive direct help from the federal government when the Office of Markets and Rural Organizations, a sub-division of the U. S. Department of Agriculture, published a bulletin on methods of accounting for cooperative elevators. This publication, "A System of Accounts for Farmers Cooperative Elevators", advised cooperative elevators on efficient accounting procedure and cheaper methods of finance. The bulletin stated statistics which showed that farmers' elevators were not using the wisest form of raising money when they sought financial aid from banks and commission men instead of raising the needed capital from the cooperative's own members.<sup>64</sup> Thus, with this publication, the federal government

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<sup>62</sup>Wacklin, op. cit., p. 7.

<sup>63</sup>A. J. Kress, Introduction To The Cooperative Movement, (New York: Harper and Brothers, 1941), p. 228; M. C. Fuhr, Farmers in Kansas, Farm Credit Administration, unnumbered bulletin (Washington: U. S. Government Printing Office, 1939), p. 16.

<sup>64</sup>Farmers Mail and Breeze, XLVI, (January 29, 1916), p. 12.

began to play a more active role in the farmers cooperative elevator movement and sought to give better advice to these elevators so that they might succeed.

The 1916 election campaign saw the Kansas cooperative elevator movement becoming involved in partisan politics. Arthur Capper stood for re-election and during the election campaign, he once again spoke of the virtues of the cooperative movement. In a campaign speech before the Douglas County Farmers Institute he said:

Cooperation in countries like England and Denmark has enabled consumers to deal directly with the producers or with one or two larger middlemen, thus the consumers dollar is divided among fewer people and the farmer gets more of it. I think we must sooner or later follow along a similar line in this country.<sup>65</sup>

The Democratic party, however, had its own pre-cooperative gubernatorial candidate in 1916. He was W. C. Lansden, a member of the Kansas Farmers Union's board of directors.<sup>66</sup> Also, the Union endorsed the re-election of President Wilson and ran a full page advertisement so stating in the pre-election publication of the Farmers Mail and Breeze.<sup>67</sup> Thus, by 1916, it appeared that a segment of the Kansas cooperative elevator movement had become involved in partisan politics; nevertheless, Capper was re-elected with a large plurality.

By 1917, the Kansas cooperative elevator movement had become a definite force in its own right. The Farmers Cooperative Grain

<sup>65</sup>Ibid., (August 8, 1916), p. 5.

<sup>66</sup>Topeka Daily Capital, February 7, 1916.

<sup>67</sup>Farmers Mail and Breeze, XLVI, (November 4, 1916), p. 19.



Dealers Association and the Kansas Farmers Union had begun to postulate their own demands for legislative reform and actively supported political officials to implement these demands; consequently, the cooperative elevator movement had become an integral part of the Progressive movement.

One writer, however, has said that after 1918 the Progressive movement in Kansas was finished.<sup>68</sup> Thus, accepting the validity of this statement, it would seem that the Kansas cooperative elevator movement's relation to the Progressive movement had ceased, but this was not the case. The Progressive movement continued to exist within the cooperative elevator movement which it had produced. While the Progressive movement stopped with the United States' entry into World War I, likewise, during the war the cooperative elevator movement concerned itself more with patriotism than with legislative reforms.<sup>69</sup> It was not until after the war that the cooperative elevator movement continued its reform demands which began to express themselves during the agricultural depression that began in 1920. Consequently, the extension of the cooperative elevator movement's reform activities was also an extension of the Progressive movement which had set the cooperative elevator

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<sup>68</sup>Zernow, op. cit., p. 224.

<sup>69</sup>The 1917 and 1918 annual meetings of the Farmers Cooperative Grain Dealers Association and the Kansas Farmers Union advocated such things as minimum support prices for wheat and changes in grain inspection, but the prevailing attitude was patriotic support of the Wilson administration and the United States' war efforts. See the Topeka Daily Capital, January 6, 1917; February 7, 8, and 9, 1917. See also the Wichita Eagle, January 14, 15, 16, 17, and 18, 1918; March 15 and 16, 1918.

movement in motion.

Following the war the United States' farmers enjoyed a year and a half of high agricultural prices until Europe re-established the normal trade channels that existed prior to the war.<sup>70</sup> During this time the Kansas cooperative elevator movement began to concern itself with advance preparation to continue the prosperous conditions it enjoyed. The Kansas Farmers Union annual meeting of 1919, however, met on a note of optimism and expressed little concern that the post-war prosperity would not continue. John Trumble made the opening address in which he predicted that within five years the Kansas cooperative movement "would put every ounce of the farmers' product on the market".<sup>71</sup>

Other speakers at the Union's 1919 convention included Senator-elect Arthur Capper and Kansas' new governor, Henry Allen. In Capper's address to the convention he said that as soon as he took office he would support every measure that was in the best interests of the producing class.<sup>72</sup> This statement held true and the Kansas cooperative movement was soon to see its own champion advocate progressive reforms on the national level that would help cooperatives in their struggle during the agricultural depression.

In his speech, Allen mentioned the farm tenant problem as being the most important issue facing Kansas farmers. He expressed concern over the issue of absentee land ownership and asked the

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<sup>70</sup>Benedict, op. cit., pp. 170-72.

<sup>71</sup>Topeka Daily Capital, January 15, 1919.

<sup>72</sup>Ibid., January 16, 1919.



Union to support a state constitutional convention to change Kansas' landholding laws.<sup>73</sup> Governor Allen, however, said nothing about changing the state's cooperative law and it was two more years until such a change was enacted.

At this convention the Union adopted no resolutions that concerned reform legislation to insure the prosperous conditions that existed in 1919. Apparently they did not realize that the post-war prosperity would not last after the European market had re-established its pre-war trade system.

The 1919 Farmers Cooperative Grain Dealers Association's annual meeting, however, indicated that the Association understood the precarious status of the agricultural economy; accordingly, a number of speakers indicated that the federal government should continue to support agricultural prices as had been done during the war. G. W. Smith, a member of the Association's board of directors, spoke against a recent resolution of the Indiana Independent Grain Dealers association that asked the government to completely withdraw its agricultural assistance. Smith said the private grain dealers wanted this to happen so "they could buy the grain as cheap as possible and make the greatest possible trouble for the farmers".<sup>74</sup>

The Farmers Cooperative Grain Dealers Association also indicated its interest in agitating for legislative reforms when it heard W. F. Brown, chairman of the Association's legislative

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<sup>73</sup>Ibid.

<sup>74</sup>Ibid., February 13, 1919.

committee, state that the farmers were going to receive nothing during the 1919 legislative session because they did not work for it.<sup>75</sup> These speeches before the 1919 cooperative grain dealers meeting indicated an understanding of the necessity of continued legislative agitation and support from the federal government. Accordingly, the Association adopted a resolution favoring continuation of the federal government's support of the wheat price which had been established at \$2.26 by President Wilson under the authority granted him in the Food Control Act of 1917. This support price did continue until May 31, 1920, when the federal government's guarantee on the price of wheat was removed.<sup>76</sup>

During the summer and fall of 1919 the farmers' prosperity continued until January of 1920 when the agricultural depression began. This depression occurred at a time when the country as a whole was enjoying almost unprecedented prosperity.<sup>77</sup> Such a situation caused the farmers' purchasing power to be reduced at the very time when more income was needed for the upkeep of modern machinery and general maintenance of the farming occupation. Thus, the agricultural economy encountered a situation that portended two different alternatives. First, this inequitable situation made possible a condition in which farmers might try to undertake the political enactment of socialistic measures within

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<sup>75</sup>Ibid., February 14, 1919.

<sup>76</sup>Saloutos and Hicks, op. cit., p. 95.

<sup>77</sup>Arthur Capper, The Agricultural Bloc, (New York: Harcourt, Brace and Company, 1922), p. 39.



political majorities composed of farmers; or second, the launching of a more vigorous independent program of bipartisan action to enact needed legislative reforms.

The Kansas cooperative elevator movement sought to use bipartisan political pressure rather than the more radical form. In January of 1920 the Kansas agricultural depression was tightening its grip on the farmers' economy. A Meade County delegate to the Kansas Farmer Union's 1920 annual convention was quoted as saying:

The farmers of Southwest Kansas are having to sell chickens, eggs, and whatever they can get ahold of in the way of small products in local markets to pay their bills and buy groceries now days.<sup>78</sup>

Thus, it seemed that the Kansas situation was ripe for some type of agricultural reform by the Union. The Union officially opened its 1920 convention on January 28 and its president, Maurice McAuliffe, requested the delegates to remain aloof from radical action and not to seek violent changes in our government. He said:

We are facing a peril which threatens to throw all of the democracies of the world into class warfare. There is an economic contest to be waged. Everybody is asking where we are going and what influence is needed to settle conditions which have become, if not alarming, at least disheartening.

The answer must come from the farmer. It is he, by bulk of numbers and by economic force in the nation and by unfaltering faith in his government, who shall find the solution for the problems which are vexing the soul of humanity.<sup>79</sup>

The Union delegates accepted the plea of their president and adopted two important resolutions favoring legislative reform.

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<sup>78</sup>Hutchinson News, January 26, 1920.

<sup>79</sup>Ibid.

The first of these asked the next session of the state legislature to improve Kansas' existing cooperative law. The second resolution endorsed the Capper-Hershner Bill to make collective bargaining by cooperatives lawful.<sup>80</sup> This Capper-sponsored legislation, however, was never enacted by the Sixty-sixth Congress.

These two resolutions of the Union's 1920 annual meeting indicated that the Kansas Farmers Union was not inclined to follow the course of state ownership of railroads and elevators such as the radical Nonpartisan League of North Dakota had attempted to do.<sup>81</sup> Instead, the Union sought to improve its position through organizational agitation to encourage their governmental representatives to enact favorable legislation.

W. V. Morgan, editor of the Hutchinson News, noted the non-radical tendencies of the Kansas Farmers Union and editorialized,

I have had special opportunity to hear of the Union's work and to watch its methods. Time and time again it has been forced to come to the legislature to remove from its pathway the stumbling blocks which certain laws imposed upon cooperation and to secure enactments that would enable its membership to all their united strength and effectiveness....It has always turned away from political opportunism to keep its objectives and held fast to the principles which it proclaimed.<sup>82</sup>

This editorial indicated that the Kansas cooperative elevator movement was not only gaining better environmental conditions through its bipartisan action, but this nonradical bipartisan

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<sup>80</sup>Ibid., January 29, 1920.

<sup>81</sup>Theodore Salutes, "The Rise of the Nonpartisan League in North Dakota 1915-1917", Agricultural History, XX, (January, 1946), pp. 43-61.

<sup>82</sup>Hutchinson News, January 28, 1920.



action was also gaining the respect of the nonagrarian community. It was this type of status that eventually permitted the cooperative elevator movement to achieve a better relationship with the public which made the movement's advance easier.

On March 12, 1920, the Farmers Cooperative Grain Dealers Association held its annual meeting. This was a short one day affair and the attendance was small; consequently, no outstanding resolutions or speeches were recorded. The Association, however, did re-elect its legislative committee for 1921 and reappointed W. F. Brown, of Pratt County, as chairman.<sup>83</sup>

Although the Farmers Cooperative Grain Dealers Association's 1920 activities were not outstanding the Association, nevertheless, received an editorial commendation. The Salina Evening Journal said:

It is to find out and improve what is going on between the time the grain leaves the producer and it comes to the consumer that the Farmers Cooperative Grain Dealers Association meets, and if they can solve it, the farmers and consumers, comprising a majority of the people, will have been greatly benefited.<sup>84</sup>

Thus, by the spring of 1920, the two main exponents of the Kansas cooperative elevator movement began to gain recognition for their organized efforts. Recognition, however, was not enough--results were needed.

During the winter of 1920 Senator Arthur Capper attempted to use his individual leadership and introduced another bill to

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<sup>83</sup>Salina Evening Journal, March 13, 1920.

<sup>84</sup>Ibid.

authorize collective bargaining in farm products, but like the Capper-Hershner Bill this bill was referred to committee and did not become law due to pressure tactics used by the various Boards of Trade.<sup>85</sup> Consequently, a cooperative law change exempting profit seeking cooperatives from the Clayton Anti-Trust Act was forced to wait until the Sixty-seventh Congress enacted such a measure.

During the presidential campaign of 1920 the Republican candidate, Warren G. Harding, made a speech on how his administration would improve the agricultural depression. One of the points he postulated favored the formation of more cooperative associations for the sale of agricultural products.<sup>86</sup> Harding, however, did not say how he proposed to aid the cooperative marketing movement; consequently, the only aid that the cooperative movement received from him, after his November election, was lip-service and encouragement--but no leadership.

The leadership was to come from the "Farm Bloc". This "Bloc" originated in the United States Senate and was a nonpartisan group who recognized the economic crisis of the agricultural depression and united on a plan of action to help solve this crisis. The two main leaders of the "Bloc" were Senators Arthur Capper of Kansas, and W. S. Kenyon of Iowa.<sup>87</sup> This original "Bloc" of Senators grew

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<sup>85</sup>U. S., Congressional Record, 66th Cong., 2d Sess., LIX, Part 1, 345; Capper, The Agricultural Bloc, op. cit., pp. 97-9.

<sup>86</sup>New Republic, XXIV, (September 22, 1920), p. 64.

<sup>87</sup>Salutes and Hicks, op. cit., p. 324.



to include a similar organization in the United States House of Representatives; and from the combined efforts of the House and Senate groups a number of agricultural reforms became a reality--two of which directly affected the Kansas cooperative elevator movement.

In 1921, the Kansas cooperative elevator movement used its legislative committees to exact better laws from the state legislature;<sup>88</sup> accordingly, the state legislature enacted a new cooperative law. This act was introduced on March 1, 1921, by the Senate Committee on Agriculture and there was no opposition to this bill in the upper house of the state legislature.<sup>89</sup> In the lower house, however, the bill received opposition from the private enterprise lawyer group.<sup>90</sup> Consequently, the bill made its way through the House under the management of Representative Ralph Snyder of Jefferson County. Snyder had been a former member of the State Board of Agriculture and was the son of Edwin Snyder, one of the early cooperative pioneers in Kansas cooperation.<sup>91</sup>

Representative Snyder told the lawyer anti-cooperative group that the farmer-legislators had gone along with them earlier in the session, it was their turn to return the favor. Finally, after he

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<sup>88</sup>Topeka Daily Capital, January 19, 20, and 21; Hutchinson News, February 23, 24, 25, and 26, 1921.

<sup>89</sup>Kansas, Senate Journal, (1921), pp. 370, 490, and 509.

<sup>90</sup>Interview with Ralph Snyder, member of the 1921 House of Representatives, and later appointed to the Kansas Bank for Cooperatives in 1933, August 4, 1961.

<sup>91</sup>Supra., Chap. I, p. 14.

persuaded lawyer Robert Garvin of Stafford County to vote for the bill the anti-cooperative opposition ceased, and the cooperative bill passed the House on March 16, 1921, and became law when signed by Governor Henry Allen five days later.<sup>92</sup>

The 1921 Cooperative Marketing Law, as it was officially named, was more specific than the 1915 cooperative law in that it defined the business activities of a cooperative. It stated:

Associations organized hereunder shall be deemed non-profit, in as much as they are not organized to make profit for themselves, as such, or for their members, as such, but only for their members as producers.<sup>93</sup>

Thus, Kansas cooperative elevators could now organize to make profits for their producer-members, and this was a legal stimulant which the Kansas cooperative elevator movement needed because grain producers were the cooperative elevators' only members. Also, the main purpose of a cooperative elevator was to make a larger profit for its producer-member and this was done through the proration of profits.

On the national scene, however, the status of cooperative elevators was not so clearly defined. Under the Clayton Anti-Trust Law, cooperatives were not organizations in restraint of trade only if they did not have capital stock or were not conducted for profit.<sup>94</sup> Consequently, before the cooperative elevator movement could proceed, with the same privileges granted in the 1921 Kansas

<sup>92</sup>Kansas, House Journal, 790; Interview with Ralph Snyder, August 4, 1961.

<sup>93</sup>Kansas, Session Laws, (1921), c. 148, sec. 2.

<sup>94</sup>Supra., Chap. IV, p. 100.



Cooperative Marketing Law, changes on the national level were necessary.

During the summer of 1921 the "Farm Bloc" improved the status of cooperative elevators by enacting legislation which made it illegal for boards of trade to discriminate against cooperatives because of their proration principle. This law was known as the Capper-Tincher Law. This law provided the Secretary of Agriculture with the authority to designate boards of trade as "contract markets" who could deal in grain futures trading. Also, this law stipulated six different conditions upon which the "contract market" award depended. One of these related directly to cooperatives and stated:

When the governing board thereof ("contract markets") admits to membership and all privileges thereon on such boards of trade any duly authorized representative of any lawfully formed and conducted cooperative associations of producers having adequate financial responsibility: Provided, That no rule of a contract market against rebating commissions shall apply to the distribution of earnings among the bonafide members of any such cooperative association.<sup>95</sup>

Thus, this law exempted cooperatives from the type of discrimination which the Farmers Cooperative Commission Company experienced at the hands of the Wichita Board of Trade in May of 1921. The Wichita Board, however, maintained its stand against cooperative prorations and was within the limits of the Capper-Tincher law because the Board was not a "contract market".<sup>96</sup> Consequently, the cooperative elevator movement's status was not entirely

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<sup>95</sup>U. S., Statutes at Large, XLII, Part I, 138.

<sup>96</sup>Farmers Cooperative Commission Company vs. Wichita Board of Trade, op. cit., p. 4.

remedied by the Copper-Tincher law, but it did serve as the basis for a 1925 Kansas law that specifically stated that no board of trade could refuse membership to a cooperative because a cooperative prorated profits to its members. Accordingly, the Kansas cooperative elevator movement had its position clarified after 1925, but before this turning point became a reality the cooperative elevator movement needed national legislation to help the movement's 1922 status.

By 1922, the Kansas cooperative elevator movement began to suffer the reverses embodied in the agricultural depression. The Kansas Farmers Union's business volume dropped quite noticeably from the previous year and there were indications of Nonpartisan League radicalism within the Union at its 1922 annual meeting.<sup>97</sup>

At the Farmers Cooperative Grain Dealers Association's 1922 annual meeting the Association concerned itself with its declining membership and discussed the possibility of using field workers or public relations men to encourage the cooperative elevator movement. Also, at this convention a delegate from Fowler, Kansas introduced a resolution condemning the boards of trade. This resolution, however, was quickly voted down, but it did reveal an antagonism between the cooperative elevator movement and the boards of trade.<sup>98</sup>

There was an interesting coincidence in the farml activities of the 1922 Kansas cooperative elevator movement and its relation

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<sup>97</sup>Salina Evening Journal, January 20, 1922.

<sup>98</sup>Ibid., February 24, 1922.



to the national political scene. At no time during either of the 1922 annual meetings did a resolution or speech mention the important cooperative legislation that was pending in Congress during January and February of 1922. Apparently, the Kansas cooperative elevator movement reasoned that their most important problem was to improve the precarious Kansas cooperative situation, and that the "Farm Bloc" could enact the needed national legislation to improve the cooperative movement, in general.

The important national legislation that the Kansas cooperative elevator movement failed to notice in 1922 was the Capper-Volstead Bill. This bill had been introduced by Congressman Andrew Volstead of Minnesota and had passed the House of Representatives by February of 1922. In the Senate, the bill became involved in a bitter struggle and Senator Capper had to fight to secure its passage. He referred to the Clayton Anti-Trust Law as an ambiguous statute that left the producers at the mercy of the buyers who controlled the markets. He then went on to say:

With the legal status of their organizations already defined farmers can do something to cut down the spread of price they now receive and those paid by consumers. The Capper-Volstead Bill was designed to give to the growers or the farmers the same opportunity for successful organization and distribution of their products that the great corporations have enjoyed for many years.<sup>99</sup>

The "Farm Bloc" and Capper won their point and the cooperative movement gained the right to distribute its business for a profit. On February 18, 1922, the Capper-Volstead Bill became law. This law clearly stated that the producers of agricultural products

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<sup>99</sup>U. S., Congressional Record, 67th Cong., 2d Sess., LXI, Part 7: 2061.

could organize with capital stock and for profitable benefits.

The law stated:

That persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce such products of persons so engaged. Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes.<sup>100</sup>

Thus, the Capper-Volstead Law cleared the air of any doubt that cooperatives could not be organized with capital stock or for a profit. The law also stipulated a one vote limitation on all members and specified an eight percent dividend maximum. Consequently, this law was closer to the progressive cooperative law, which James Butler desired, than any enacted up to this time.

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<sup>100</sup>U. S., Statutes at Large, XLII, Part I, 303.



## CONCLUSION

The development of the Kansas cooperative elevator movement resulted from the organizational activities of farmer groups and an improved legal environment made possible by progressive legislation which sought to remedy inequitable monopolistic conditions and to advance into a more equitable and competitive future. Each of these activities, however, owed its existence to early cooperative activities that established the principles of cooperation upon which the cooperative elevator movement built.

Following this, the cooperative elevators, when formally organized, found it difficult to compete and to survive in an unequal contest with the more established private grain business. The equalization of this contest depended upon progressive legislation intent on restoring an equilibrium of competition, and as the situation came into balance the cooperative elevator movement found itself in a favorable position because a cooperative prorated its profits to the producer instead of returning them to a nonproducing stockholder. Consequently, the cooperative elevator movement gained constant favor with the farmers.

The local cooperative elevator, however, could not advance beyond the local level of operation--buying and shipping; thus, there arose the need for a federation of cooperative elevators to market their commodity in the primary market place. This resulted in the formation of the Farmers Cooperative Commission Company in 1915. Following the commission company's formation it concerned itself primarily with business expansion and business innovations;

moreover, it avoided most methods of political action advocating progressive farm legislation. The company's business expansion resulted in its rapid growth until 1922. At that time, the cooperative commission company realized that its success depended upon the same conditions that produced it--constant improving cooperative legislation. Without this legislation a cooperative could not compete.

As the cooperative elevator movement took more definite form, after 1915, it began its own political activities which sought to reform existing inequities and advance into a more promising future. This task was not easy, but nevertheless, the cooperative elevator movement persevered and constantly demanded better reforms. Fortunately, the Kansas movement's demands were not radical but bipartisan in nature; thus, the movement gained in numbers, as well as stature in the eyes of the public until by 1922 its status was much improved from any previous time.

The year, 1922, marked an epoch in the Kansas cooperative movement's history. By this time the cooperative elevator movement had grown through its difficult infant stage during the Granger and Populist eras; advanced into an improved adolescent environment during the Progressive era before World War I; and, in 1922, following the war and during the trials of the agricultural depression, the cooperative elevator movement's adult status received the aid of postwar progressivism--the "Farm Bloc's" Capper-Volstead Law.

In conclusion, the Kansas cooperative elevator movement was part of the Progressive movement because Progressive reforms



provided an environment in which the cooperative elevator movement grew and developed. The early Populist reforms gave birth to a constantly improving legal environment in which cooperative elevators could organize and compete. Following this, these reforms continued during the Progressive movement and eventually better cooperative laws, themselves, resulted.

Many authors limit the Progressive movement's activities to the pre-World War I era, but as Professor Arthur Link referred to the Progressive movement "as an outgrowth and fulfillment rather than a beginning", likewise, the Progressive movement gave birth to the cooperative elevator movement which returned a more equitable sale price to the grain producers of Kansas. Consequently, as the postwar cooperative elevator movement continued to improve and to develop it was an outgrowth and fulfillment of the earlier Progressive movement. The cooperative elevator movement owed its mature status, in 1932, to Progressivism.

In spite of the difficult development of the cooperative elevator movement it survived, and this survival embodied a tempered institution of the Progressive era that continued to grow throughout the agricultural depression of the early 20's. This evidence portrayed the evolution of an institution which represented the basic trend of the Progressive movement--more equal distribution of political, social, and economic rights for a greater majority of the United State's population. The cooperative elevator movement represented a more equal distribution of these rights to the grain producing farmer through equal voting rights for all

cooperative members, a limitation on stock ownership, and profits returned to the producer. These principles destined the cooperative elevator movement to continue and to grow because of the services rendered.



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THE EARLY DEVELOPMENT OF THE KANSAS COOPERATIVE ELEVATOR MOVEMENT:  
ECONOMIC GROWTH AND POLITICAL ENVIRONMENT

by

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B. A., Kansas State University, 1959

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AN ABSTRACT OF A MASTER'S THESIS

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## ABSTRACT

The Kansas cooperative elevator movement has developed until it handles a majority of the grain produced in Kansas. This development indicates that cooperative elevators are accepted and important institutions within the farming community.

Much has been written on the economic structure, general growth, and working mechanics of the cooperative venture; but little has been done with the early cooperative ventures that resulted in the Farmers Cooperative Commission Company, Kansas' first federation of cooperative elevators beyond the county level, and the political environment that aided the many cooperative elevators that were organized between 1900 and 1922.

This thesis represents an attempt to analyze the early development of the Kansas cooperative elevator movement and to place it in a political relationship to the Progressive movement.

The early growth of the Kansas cooperative elevator movement resulted from two different phases of activity, each of which occurred simultaneously. First, much of the actual formation of cooperative elevators resulted from the organizational activities of two national farm organizations, the Farmers Educational and Co-operative Union and the Farmers Equity Union. The organizational results of these two organizations, however, were subsequent to important organizational attempts of the general cooperative movement.

It was from the earlier successes and failures of the general Kansas cooperative movement that cooperatives learned the need for



an improved legal environment. Moreover, it was the awareness of this need that produced the Kansas cooperative elevator movement's second phase of development--political agitation for laws that sought to restrict the monopolistic combinations between railroads and private grain companies.

Most of the laws that benefited the cooperative elevator movement passed unnoticed until 1913. Nevertheless, three important "Populist-oriented" laws passed during the 1890's as did a number of Progressive statutes during the Edward Hoch and Walter Stubbs administrations, 1905-1913. These laws laid a legal foundation upon which the cooperative elevator movement rapidly matured after 1913. In 1913, the Kansas state legislature passed a cooperative law that attempted to define a cooperative organization. The 1913 cooperative statute received a clearer and more specific clarification in 1915 when the legislature passed another cooperative law.

The 1915 cooperative law received the official blessing of Governor Arthur Capper. This law and a "pro-cooperative" governor helped produce a climate in which the Farmers Cooperative Commission Company was organized in 1915. The commission company represented a more highly developed stage of cooperative organization in that twenty cooperative elevators throughout Southwest Kansas federated to collectively market their grain on the Hutchinson Board of Trade. This principle of collective marketing enabled the cooperatives to eliminate the "commission charge" that private Board of Trade members charged for marketing individual cooperative elevator's grain. Thus, cooperative elevators began to

market their grain through their own cooperative rather than private "commission men".

The Farmers Cooperative Commission Company's principle of marketing its members' grain caused the non-cooperative members of the Hutchinson Board of Trade to discriminate against the commission company. The discrimination used by the Board of Trade was to require that the Farmers Cooperative Commission Company could not prorate its profits to its members, if the company wanted to retain its seat on the Board. The commission company tried to cooperate with the Board's requirements and withheld prorations but the company soon learned that its profitable business operations caused continued difficulties with the Board of Trade. Consequently, after six years of attempted compatibility with the Board of Trade the Farmers Cooperative Commission Company learned that its status rested on political reforms in cooperative legislation and not continued concessions to the Boards of Trade.

During the decade from 1912 to 1922 the Kansas cooperative elevator movement, with the exclusion of the Farmers Cooperative Commission Company, became politically active and attempted to agitate for bipartisan political reforms. These bipartisan activities resulted in a number of post-World War I state and national laws that more clearly defined cooperative organizations and their right to do business without being discriminated against. These laws were a continual outgrowth and fulfillment of the Progressive legislation, favorable to cooperatives, that began during the 1890's and continued throughout the first fifteen years of this



century. Then, following World War I the cooperative elevator movement continued to improve and to develop. This development was an outgrowth and fulfillment of the earlier Progressive movement. Consequently, in 1922 the cooperative elevator movement owed its mature status to Progressivism.

## Date Due

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