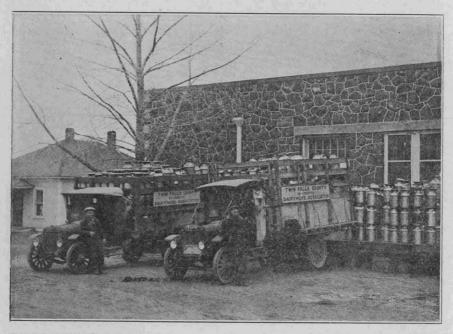
# UNIVERSITY OF IDAHO AGRICULTURAL EXPERIMENT STATION

Department of Dairy Husbandry

# Cooperative Cream Pools in Idaho

By F. W. ATKESON and D. L. FOURT



Trucks delivering cream from cooperative cream pool to Jerome Cooperative Creamery.

**BULLETIN NO. 144** 

AUGUST, 1926

Published by the University of Idaho, Moscow

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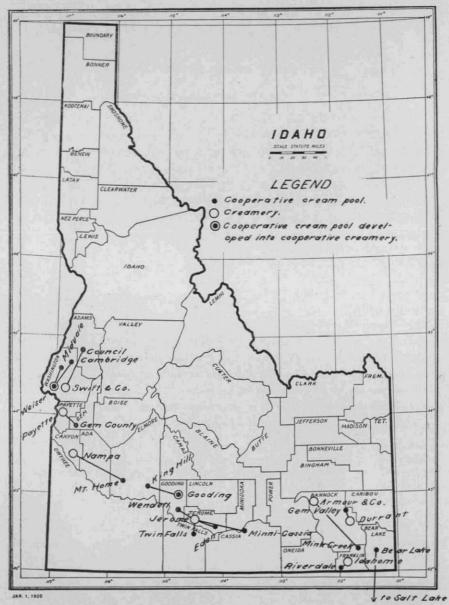


Fig. A.

Distribution of cooperative creameries in Idaho, showing outlet for products of pools and indicating cooperative creameries that developed out of cream pools.

By F. W. Atkeson, Dairy Husbandman, and D. L. Fourt, Field Dairyman.\*

# INTRODUCTION

In Idaho, as in many other states, occasional movements are started for the establishment of cooperative creameries in communities where either the volume of butterfat produced is too small, or where other conditions exist to make chances for success too small to justify risking the necessary capital. Sometimes these movements are the result of local pride on the part of some citizens who have observed the success of cooperative creameries in other sections but who do not understand the essentials for such success. In other instances outside parties wishing to sell creamery equipment may capitalize the good intentions of farmers and build and equip a creamery where conditions do not warrant it. The cooperative creamery is a fine thing if successful but if it is a failure it is no credit to the farmers or to the community, regardless of how convincing the theory may be.

The cooperative cream pool thus far has proven very successful in Idaho. It is an excellent marketing agency for communities having unsatisfactory markets and may serve as a temporary substitute for a cooperative creamery. It also gives the producers experience in cooperative effort and points toward a successful cooperative creamery in the future.

A cooperative cream pool is a group of dairy farmers organized for the purpose of selling their cream collectively. The cream is gathered at a central point, weighed and tested by the association, and sold on the weights and tests of the association; or, the weights and tests are checked by the association. Where the cream is sold through a cooperative creamery, the pool becomes a member of the cooperative creamery and is on an equal basis with other individual patrons.

#### HISTORY OF CREAM POOLS IN IDAHO

The first cream pool in Idaho was the Weiser Valley Dairymen's Association, organized at Weiser, Washington County. It began operating in February, 1922. Mr. R. T. Davis of Weiser, and Mr. Harry Soulen, former County Agricultural Agent of Washington County, were instrumental in perefecting this organization. It was such a success in solving the local marketing problem that farmers in other communiities of the state became interested in starting similar organizations. The next cream pool organized was the Eden Cream Association. It began operation at Eden, May 13, 1922. Two others, one at Gooding and

<sup>\*</sup>The writers wish to acknowledge the services of Professor M. R. Lewis, Agricultural Engineer, Idaho Agricultural Experiment Station, in preparing the drawings in this bulletin. They also wish to thank Mr. B. H. Critchfield, Agricultural Economist, U. S. D. A., who read the manuscript and gave several valuable suggestions.

one at Wendell were established during the summer. No more were started until June, 1923 when one was organized at Emmett. During 1924, five more were started. One new pool was organized in 1925 and four more in 1926 up to May 1. The following table gives a list of cream pools in Idaho and the dates on which operation began:

## TABLE I-Cream Pools in Idaho.

Name

Weiser Valley Dairymen's Association*
Eden Cream Association
Wendell Cream Association
Gem County Dairymen's Association
Gooding Grange Cream Association*
Midvale Cream Association
Cambridge Cream Association
Council Cream Association
Twin Falls Dairymen's Association
Minkcreek Cream Association
Bear Lake Co. Dairymen's Association
King Hill Project Cream Association
Mountain Home Cream Association
The Gem Valley Dairymen's Association
Minidoka Project Dairymen's Association
Riverdale Cream Association

Location	Date Organized
Weiser	February 1922
Eden	May 13,1922
Wendell	June 1922
Emmett	June 1923
Gooding	1922
Midvale	November 1924
Cambridge	June 1924
Council	1924
Twin Falls	October 1924
Minkcreek	November 1924
Paris	March 1925
King Hill	February 1926
Mountain Home	February 1926
Thatcher	March 1926
Rupert	April 1926
Preston	April 1926

\*Developed into cooperative creamery.

The increase in number of cream pools by years is shown in the following table:

#### TABLE II-Increase in Number of Cooperative Cream Pools.

Years		1	Number	of	Cream	Pools*
1922					. 4	
1923					- 5	
1924		 			.10	
1925		 			.11	
1926	(May)	 			14	

\*This table does not include the two pools changed into cooperative creameries indicated in Table I.

## RESULTS OBTAINED IN IDAHO Growth In Membership

# TABLE III-Increase in Membership by Years

김 영화 영화 영화 이 영화 영화	1	Number of	Members	
Name of Association	1922	1923	1924	1925
Weiser Valley Dairymen's Association         Gem County Dairymen's Association         Midvale Dairymen's Association         Cambridge Dairymen's Association         Twin Falls Dairymen's Association         Wendell Cream Association         Wendell Cream Association         Eden Dairymen's Association	150	306 61 43 35	415 276 108 150 400 60 65	320* 415 144 216 700 150 125

\*Divided and two additional associations formed.

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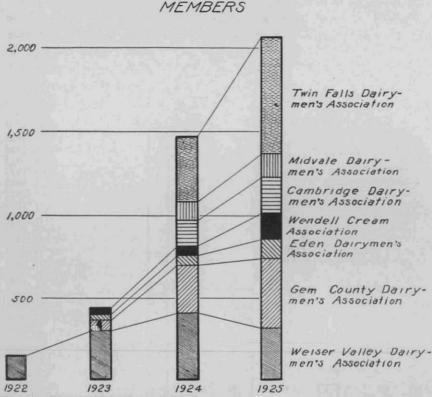


Fig. 1. INCREASE IN MEMBERSHIP. The data represented in this graph are found in Table III. The graph shows an increase in membership each year for each cream pool with the exception of the Weiser Valley Dairymen's Associa-tion in 1925. For cause of this exception see note on Table III.

The increase in membership reflects the success of these pools. In every instance the officers in charge report practically no loss of membership due to dissatisfaction.

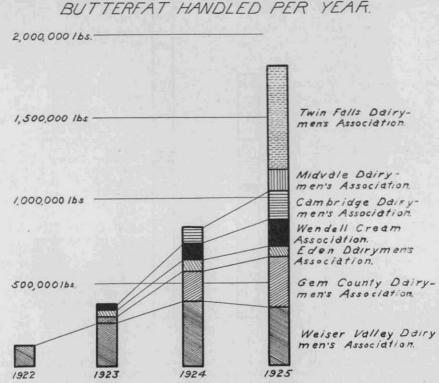
#### TABLE IV-Pounds of Butterfat Handled by Years.

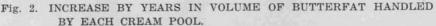
Name of Association	1922	1923	1924	1925
Weiser Valley Dairymen's Association Gem County Dairymen's Association Eden Dairymen's Association Wendell Cream Association Cambridge Dairymen's Association Midvale Dairymen's Association	132,426	267,882 29,886(2) 43,814 42,798(4)	396,345 176,974 70,703 100,476 93,406(5)	356,787 (1) 298,524 68,869 (3) 163,975 162,007 130,545 632,311

Divided and two additional cream pools formed.

- Six months operation.
- Cheese factory started in territory. Six and a half months operation.
- Seven months operation.

The volume of butterfat handled by each pool is shown in Table IV. In fact, some of the pools increased their volume to such an extent that some changes were made in the methods of operation.





The data represented in this graph is found in Table IV. The graph shows the growth in volume of butterfat handled by years by each cream pool, with a few exceptions indicated by notes at bottom of Table IV.

In the case of the Weiser pool the volume increased and other conditions arose, such as shorter haul, to make advisable subdividing the pool into three pools: Weiser, Cambridge, and Midvale. The total volume was increased through subdivision to such an extent that a cooperative creamery was created to handle their products. Another example of growth in volume necessitating a change is found in the Gooding Grange pool which was reorganized into a cooperative creamery.

The satisfaction on the part of the members with cream pools is also indicated in the following table showing the increase in volume

during the first year of operation. The increase in average monthly volume of cream handled during the last three months over that handled the first three months was very marked.

TABLE V-Increase in Volume	of	Product	Handled	During	First	Year	of
Operation of Cream Pools.							

Name			Per Cent Increase	
Weiser Valley Dairymen's Association         Gem County Dairymen's Association         Wendell Cream Association         Eden Cream Association         Midvale Cream Association         Cambridge Cream Association         Twin Falls Dairymen's Association         *Bear Lake Co. Dairymen's Association	10,890 4,597 6,999 3,306 7,244 15,258 35,142 4,028	$\begin{array}{c} 14,312\\ 13,361\\ 7,113\\ 3,501\\ 11,241\\ 15,295\\ 54,339\\ 6,393\\ \end{array}$	31 29 13 15 15 55 58	

\*Operated only two quarters.

#### **Increased Returns to Producers**

In comparison with the unorganized individual direct shipping method, or selling to cream sations operated by non-cooperative creameries, greater returns are obtained for the producer by selling through cooperative cream pools.

The following table shows the amount of butterfat handled by each cream pool and the amount received above the local station price for the year 1925. In most cases the cream pool prices were net at the farmers' door, while the station quoted prices on butterfat delivered at the station.

TABLE V	VI—Increased	<b>Returns from</b>	Cream I	Pools	During	Year	1925.
---------	--------------	---------------------	---------	-------	--------	------	-------

	Butterfat	Amount Received by Pool Patrons* above station prices		
Name of Pool	Handled Lbs.	Total	Butter- fat per lb. c	
Weiser Valley Dairymen's Association Cambridge Dairymen's Association Midvale Dairymen's Association Gem County Dairymen's Association Eden Dairymen's Association Wendell Dairymen's Association Twin Falls County Dairymen's Association Bear Lake County Dairymen's Association	356,787 192,018 130,545 298,524 68,869 163,976 632,311 106,660 49,970 (9 Mos.)	\$26,293.41 11,213.85 8,669.87 14,926.20 2,231.36 5,617.85 20,534.21 3,199.80 1,429.14	7.34 5.84 6.64 5.00 3.24 3.42 3.24 3.00 2.86	
Total	1,999,660	\$94,115.69	1	

Average increased price of cooperative cream pools above station prices, 4.7c.

\*Data from respective cream pools, and from published quotations in newspapers.

The published annual reports including average monthly price have been compared with price quotations in newspapers. It is apparent that

during the year 1925 the cream pools were able to obtain a much better price for their products than the local market afforded the individual producer. An average increase in price for butterfat of 4.7 cents per pound, or a grand total of \$94,115.69 received by the farmer over local station price, is very significant. Whether or not the spread in price will remain advantageous to the cream pools in the future is difficult to say, but certainly the cooperativie cream pool will always have a tendency to attract competitive bidding, thereby maintaining a strong market.

#### **Reduced Overhead in Marketing**

Pooling of the cream of a community or of a large group of farmers and selling through one agency tends to reduce the overhead in marketing. Many communities have several cream buying stations competing for the purchase of cream which could be handled in one station. The burden of operating cost of these stations falls on the producer. The history of cream pools in Idaho shows that when a pool is organized the number of stations maintained is reduced. The following table shows the number of stations before and after the organization of cream pools:

TABLE VII—Cream Pool Reduces Number of Cream Buying Stations in Community.

Name of Association	No. Cream Stations or Cream Buyers Operating in Terri- tory before Organ- ization.	No. Cream Stations or Cream Buyers Operating in Terri- tory after one year operation of pool.
Weiser Valley Dairymen's Association Gem County Dairymen's Association Wendell Cream Association Eden Dairymen's Association Midvale Dairymen's Association	8 3 3 2 2	2 2 1 1 1
Bear Lake County Cream Pool Minkcreek Cream Pool Total	4 4 29	2
Average	3.6	1.4

(NOTE-The above data were reported but was not verified in all cases).

After one year of operation the number of cream stations or cream buyers was reduced to slightly more than one third the original number. Previous to organization an average of 3.6 stations were required, while after organization an average of 1.4 stations handled the product, or, the average number of stations was reduced 61 per cent.

Not only has the cream pool reduced the number of stations necessary but the station operating cost per pound of butterfat was reduced, largely due to greater volume of cream handled. The cost per pound of

fat for operating privately owned cream buying station varies from 2 cents to 12 cents, usually from three to five cents.\*

The following table shows the cost of operating some cream pools in Idaho for the year 1925.

TABLE VIII—Operating Expen	se of Cooperat	ive Cream F	Pools in	1925.
----------------------------	----------------	-------------	----------	-------

Name of Association	Pounds Butterfat Handled	Operating Exp. lb. But- terfat		Exp. per lb. for collection, testing, & sta- tion operating
Wendell Cream Association	163,975 68,869	1.5	1.75	Commission 3a
Minkcreek Cream Association Weiser Valley Dairymen's Ass'n.	106,660 356,787	1.9		Commission 3c
Gem County Dairymen's Ass'n Cambridge Dairymen's Ass'n Midvale Dairymen's Ass'n	298,524 162,007 139,545	1.9 2.3 2.5 2.5	24,231	1.1

The weighted average cost per pound of butterfat for operating the stations was 2.11 cents for the cream pools. The three cream pools reporting on collection cost had an average cost of 2.5 cents for station operation and collection combined.. The above table indicates the cream pools handling the larger volume operate at lower cost than those of smaller output.

## Improved Quality of Gream

Where farmers sell through cream pools, they can be more effectively reached in educational campaigns for better quality cream. When selling collectively they seem to appreciate more quickly the financial importance of good quality cream and take steps individually and as a group to improve their products.

The following table shows the increase in percentage of sweet cream handled by three cream pools in Idaho over a period of years:

\*H. M. Jones, South Dakota State College Extension Service-published material for farmers debates in 1926, also report to the writers from northwest creameries.

Association		Sour Cream Handled		Sweet Cream Handled		Increased value of
	Lbs.	Per Cent	Lbs.	Per Cent	Cream per lb. fat	Sweet Cream
1. Wendell Cream Association 1923 1924 1925 Total increased value	17,548 40,994 19,843	41.2 40.8 18.2	25,250 59,482 144,172	58.8 59.2 81.8	3c 3c 3c	\$ 757.50 1784.45 4323.98 \$6865.93
2. Weiser Valley Dairy-	2672				t. Kil	N. The
men's Association 1922 1923 1924 1925 Total increased value	86,074 139,189 118,903 78,493	65 52 30 22	46,347 126,693 277,441 278,294	35 48 70 78	3c 3c 3c 3c 3c	1390.41 3860.79 8323.23 8348.82 \$21,923.25
3. Gem County Dairy-						
men's Association 1923 1924 1925	8,966 38,935 65,666	30 22 22	20,920 138,039 232,858	70 78 78	3c 3c 3c	621.60 4141 <b>.17</b> 6985.75
Total increased walue	1	1. 1. 12				\$11,748.52

## TABLE IX-Increase in Sweet Cream Volume and Increased Value to Producers in Three Selected Associations.

The table shows a gradual improvement each year in quality of cream until nearly 80 per cent was graded sweet.

In most Idaho cream pools it has been found more satisfactory to collect the cream at the farm by the use of trucks which travel over certain routes at regular intervals, as shown in the following table:

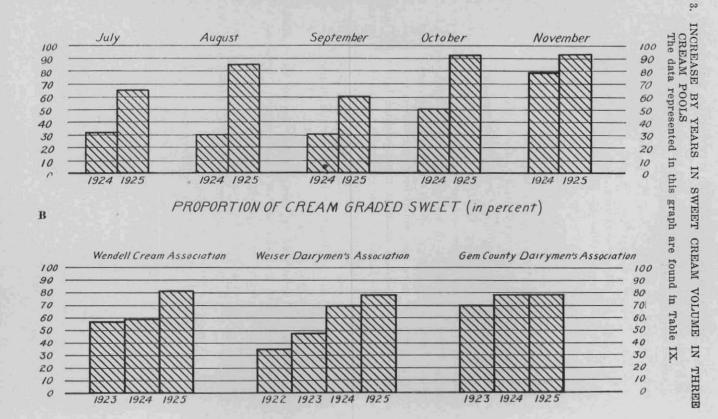
TABLE X-Influence of Frequent Delivery on Quality	of (	Cream*.
---	------	---------

	Individual Delivery 1924		After collectio	
William Street 1	Total	Cream	Total	%Sweet
	lbs. fat	%Sweet	lbs. fat	Cream
July	7707	32.8	16,869	65.9
August	7613	30.6	15,643	86.7
September	7387	31.6	14,109	60.4
October	8422	50.5	13,351	93.0
November	8784	79.1	10,978	94.4

\*Report from Jerome Cooperative Creamery on The Wendell Cream Pool.

The above table not only shows a great improvement in the quality of cream but it is of interest to note that the improvement was made coincident with an increase in volume. PROPORTION OF CREAM GRADED SWEET (in percent)

A



COOPERATIVE CREAM POOLS IN IDAHO

Fig.

## ADVANTAGES OF COOPERATIVE CREAM POOLS

The study of the records and field observations indicate that cooperative cream pools have several outstanding advantages as a marketing medium.

# 1. Cost of Marketing Reduced

The overhead cost of marketing cream must be borne by the producer. In some communities the competition among buyers causes several buying agencies to be maintained in one community when fewer agencies could more efficiently handle the product. The cream pool tends to reduce the number of buying agencis supported by farmers, as shown in Table VII. The efficiency of the larger selling units in the form of cooperative cream pools is shown in Table VIII.

# 2. Quality of Cream Improved and Profits Increased

Returns to farmers for their dairy products were increased by greatly improving the quality of products. The increase in the percentage of sweet cream is shown in Table IX. These increases were due to educational campaigns sponsored by the association, and to better organized and more frequent delivery as shown in Table X. This improvement in quality of products made possible better markets and higher returns to the farmers. The competitive bidding of buyers for the large volume of high quality product of the cream pool not only raises the price received by the members but it also tends to raise the general price level for all butterfat bought in the district.

# 3. Small Capital Required

Financing a cream pool requires a small amount of capital. The necessary equipment and supplies are usually either furnished by the purchaser of the cream, or the product is handled in such a way as to require very little equipment. Even where the pool owns its own equipment (See page 21) the investment is relatively small compared with many cooperative enterprises.

# 4. Farmers Get Experience in Cooperative Effort

The cream pool serves as an excellent medium for farmers to gain experience in cooperative marketing, and develop leadership. During the trial period no large investment of capital is at stake as is the case in some other cooperative enterprises. The successful operation of a cooperative cream pool for a period of time assures more chance of success to a cooperative creamery or other cooperative enterprise requiring considerable capital that may be organized in the community in the future. The cooperative cream pool also tends to stimulate cooperative efforts along other lines. This is illustrated by several of the Idaho cream pools which have established cooperative cream collecting routes.

These assure more rapid and regular delivery of cream at a reduced cost and a higher quality product.

# 5. Volume of Cream and Regularity of Supply Attracts Buyers

All creameries are constantly expending money and efforts to increase their volume. Naturally any organization with considerable volume of cream which can be obtained over a definite period is an attractive customer to the creamery and usually special consideration is given the organized group. The stabilized supply, through continuous shipment over a period of time, has almost as much appeal to the buyer as the volume of products.

# 6. Few Farmers With Small Volume May Organize a Cream Pool

A comparative small group of farmers will have sufficient cream when pooled to make the cream pool a valued patron of any creamery. Some of the Idaho cream pools started with comparatively few members (See Table III.) and small volume and gradually built up their supply (See Tables IV. and V.). However, the larger the volume the greater the bargaining power of the organization.

# 7. Stabilizes Marketing Practices in the Community

The cream pool tends to bring the market closer to the community and to the producer. The proximity of an organized marketing agency where the farmer knows he is getting the market price for his cream less the actual handling expenses tends to place the dairy industry in that community on a more satisfactory basis. The practice of periodically changing marketing agencies due to alleged unfair treatment is eliminated.

# 8. The Cream Pool is an Efficient Unit of a Creamery

Volume of products handled is one of the most important factors in successful and efficient operation of a creamery. When a creamery contracts for the entire supply of a cream pool it is assured of a certain volume over the contract period. The influence of volume of business on the cost of manufacturing is shown in the following table:

	Farmers' Coopera of Pay	tive Creamery ette	Jerome Cooperative Creamery	
Year	Pounds Butter	Manufacturing	Pounds Butter	Manufacturing
	Manufactured	Cost per lb.	Manufactured	Costs per lb. butter
1921	614,948	5.6	177,271	7.24
1922	807,594	4.9	327,605	5.23
1923	1,185,569	4.3	488,206	4.73
1924	1,917,269	3.7	839,604	4.06
1925	2,539,487	3.6	1,562,436	3.09

#### TABLE XI-Influence of Volume of Business on Manufacturing Costs\*.

\*As reported by creameries.

The examples reported in the above table are both cooperative creameries but the results should be just as effective in any creamery. In the case of cooperative creameries the reduction in manufacturing cost of from three to four cents per pound of butter merely means that the creamery is able to pay a higher price for butterfat and in this way greatly benefit the producer.

# 9. Cooperative Creameries May Increase Valume Through Cream Pools

Cooperative creameries have a struggle to compete with large privately-owned plants during the years of small volume of business. Sometimes cooperative creameries fail before they can develop sufficient supply of raw product to give them the same business advantages enjoyed by their competitors. In Idaho several cooperative creameries have made phenomenal growth in a comparatively short time by assisting in the organization of cream pools and by using the latter as subunits of their organizations. This system makes possible expansion over a larger territory, with the same high quality of cream, than would otherwise be made. The following table shows the proportion of butterfat obtained through cream pools by two cooperative creameries during the year 1925.

TABLE XII—Proportion of Volume of Business Obtained Through Cream Pools in 1925.

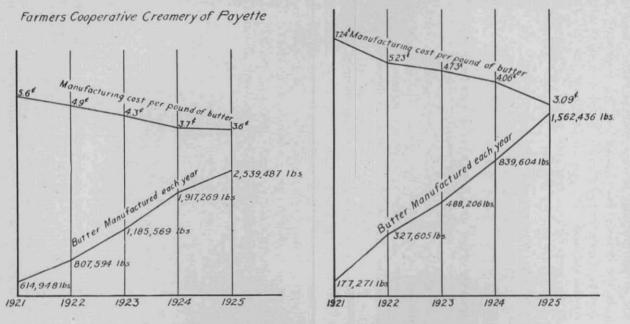
a dia farita di ana di	Pounds Butter Manufactured in 1925	No. cream pools supplying but- terfat in 1925	Pounds Butter supplied by cream pools in 1925	% of total Volume sup- plied by Cream pools in 1925
Farmers Cooperative Creamery of Payette	2,539,487	6	1,396,718	55
Jerome Cooperative Creamery	1,562,436	3	1,046,832	67

By comparing the rapid growth (Table XI.) and the large percentage of cream obtained through cream pools (Table XII.) it is evident that much of the increase in business of these two cooperative creameries took place outside of the territory immediately adjacent to the creamery.

The map on page 4 shows that many of the cream pools in Idaho have been organized tributary to cooperative creameries.

#### 10. Cream Pool is Stepping Stone to Cooperative Creamery

The Gooding Cooperative Creamery and the Weiser Dairymen's Association Creamery are examples of creameries which grew out of cooperative cream pools. The former was developed from the Gooding-Grange Pool while the latter is the result of combining the product of three pools and forming a cooperative creamery. These cream pools started in a small way and gradually increased until the volume was sufficient to make possible the organization of a creamery. The one or more years of successful operation of a cooperative cream pool inB Jerome Cooperative Creamery



A

Fig. 5. INFLUENCE OF VOLUME OF BUSINESS ON MANUFACTURING COSTS.

The data represented in this graph are found in Table XI.

stills the members with a sense of the value and results of cooperative enterprises and strengthens their faith to such an extent that they gladly paricipate in the broader undertaking of the cooperative creamery. The cream pool convinces the skeptics of the value of cooperation.

Often community pride demands home industry in the form of a creamery but the cooperative cream pool serves the purpose until the volume grows to a point where a creamery can operate successfully. The small investment in cream pools and the low overhead cost in marketing as shown in Table VII makes this an efficient method of selling, and in many cases safer than trying to maintain a small creamery.

## ORGANIZATION OF COOPERATIVE CREAM POOLS Survey of the Situation

In the organization of cooperative cream pools in Idaho several plans or variations of plans have been used. The study of these pools has shown the merits of the various types of organizations.

A survey of the situation to determine whether a cream pool is feasible is the first part of the organization plan. This survey should include such factors as the present marketing methods and conditions, local prices compared to those received in organized communities with similar conditions, and the degree of satisfaction of the farmers with the present market. If it is found that the producers are content with the existing markets, it is doubtful that a change would be advisable. If the bulk of the product is sold as whole milk to a cheese factory, condensary, or other whole milk markets, it is seldom advisable to urge a change.

The location of the markets, both primary and local, should be given consideration, as well as the location of the community and the volume of cream produced in the community. Sometimes the majority of the cream is being shipped direct a great distance; hence a higher express rate is incurred than by shipping to the logical primary market. When the cream is pooled, the volume may cause a nearer creamery to offer the highest price with less delivery cost. Some communities may not receive proper consideration from competing companies due to being isolated or away from the railroad, or to the volume being much divided by direct shipping to several different companies. In other cases several companies may be operating cream stations or have trucks picking up cream in the same community. Table No. VII indicates the disadvantages of this as the overhead in handling the cream is greatly increased due to the division of the volume among several companies. Reports from non-cooperative creameries indicates that the cost of operating a non-cooperative cream station is usually from 3 to 5 cents per

pound of butterfat. The producer indirectly pays this operating cost by receiving a lower price, while if all the product were combined and handled at one station the total operating cost of the single station often is not greatly increased and the handling cost per pound butterfat is greatly reduced as indicated in Tables No. VII and VIII, the difference being returned to the producer.

The sentiment of the producers must be toward cooperative enterprises to make the cream pool the most successful. If sentiment is against cooperative enterprises additional educational work is necessary.

Another factor is the volume that can be obtained. This does not necessarily mean the volume available in the community as all the cream in the community may not be available for the pool. The volume should be estimated on the actual pounds of butterfat that can be secured and not on the number of cows in the community as the production of the individual cows varies greatly and allowance must be made for home consumption and calf feeding.

Some of the most successful cream pools started with a small volume and gradually increased. The volume will determine the method of handling the product but may be a minor factor as to the success of the plan. The greater the volume the lower the handling charges per pound of butterfat, within limits, and the greater the consideration from competing purchasers. However, a group of farmers with small individual volume may band themselves together and create sufficient volume of butterfat to be attractive to competing creameries.

## Method of Organization

Should a preliminary survey indicate that a cooperative cream pool is feasible, some local leader must then take the initiative and call a meeting of the producers to discuss all phases of the cream pool plan. If the sentiment of those present at the meeting is in favor of an organization, a temporary board of directors or committee should be elected to develop the plan. This board of directors should draw up a suitable membership agreement, constitution and by-laws, contract, etc., (suggested legal forms on pages 23 to 30). It is recommended that the cream pool be incorporated in accordance with the statutes of the state. Contract No. 1 is for an incorporated organization. The next step is to sign up the members. This often requires considerable individual work.

The board of directors decides upon the method of handling the product, that is, whether (1) the cream shall be assembled at a station, weighed, tested and sold, (2) collected and delivered to a creamery, or

(3) shipped direct by each member to the purchaser. These three methods of handling cream are being successfully used in Idaho. The marketing facilities, the volume of cream secured, the wishes of the purchaser, and the attitude of the members will determine the method to adopt. However, the first or second methods are recommended if conditions are suitable.

Three methods of selling are employed in Idaho cream pools: (1) The cream pool operates a station; (2) The cream is collected and delivered to the creamery; (3) Each producer ships direct to the creamery. The average amount of butterfat handled the first month by the six pools operating stations was 6,970 pounds. This would indicate that unless at least 7,000 pounds of butterfat per month are available and twice this amount accessible that the station would probably not be practical unless some special condition existed. Sometimes the producers demand a local test and weight, or it may be necessary to operate a station in order to meet the competition of private cream buvers who operate on a cash basis. Where the station is operated, the equipment is usually supplied by the purchaser, but the association hires the manager or tester and the product is sold on the weights and tests of the association. The equipment will depend upon conditions and volume handled. The average cost of equipment will be from \$550.00 to \$750.00. The cost of equipment depends upon the size of machines. The following list of equipment is in use in several stations:

Equipment in several cooperative crea	un stations	
Boiler	\$150.00	\$200.00
Complete Set of Glassware	15.00	25.00
Platform Scales	25.00	50.00
Testing Scales	40.00	60.00
24-Bottle Babcock Tester	40.00	60.00
Cream Saver	25.00	35.00
Can Washing Vat	15.00	20.00
Desk		30.00
Typewriter	125.00	125.00
Adding Machine		125.00
(Come stations supply success same which a	ant PEED and	1

# Faninment in Several Cooncretive Creem Station

(Some stations supply cream cans which cost \$5.50 each)

The second method of selling is used by seven Idaho cream pools. In this case the organization collects the cream by truck and delivers or ships direct to the creamery where it is tested. If practical this plan is recommended as the quality of the cream is higher due to more frequent delivery and the cost of operating a station is eliminated.

The third method of handling the product is used in cases where the volume is small or where other conditions make it more desirable. In this case each patron ships direct to the purchaser. Where this method is used it is well to have a portion of all payments made through the

treasurer of the cream pool in order to keep the organization intact. In each of the latter plans the association reserves the privilege of checking weights and tests. Either of these plans may be adopted where the volume is not large enough to justify a station.

The operating expense in the different pools varies from 1.9 cents to 3 cents per pound of butterfat, depending upon the volume handled, method of handling, and local conditions. The larger pools favor monthly salary for the station operator while the smaller ones usually pay a commission on the cream handled. This commission averages about two and one-quarter cents a pound of butterfat.

The board of directors either sell through a cooperative creamery or ask for bids from several competing creameries over a definite period. of time. The period covered by contract is often six months but is sometimes an indefinite period with 30 days notice given by either party before termination of agreement. Cooperative creameries, centralizers and private creameries compete for the product. The centralizers and private creameries base their price over the period on a primary market; if the primary market changes, their price to the pool changes accordingly. Where cooperative creameries secure the product, the cream pool becomes a member of the cooperative creamery and is considred collectively. One half of the cooperative cream pools in Idaho are marketing through cooperative creameries. The other half sell to private creameries or centralizers. However, 85 per cent of all cream handled by cream pools in this state in 1925 was in the pools marketing through cooperative creameries. The directors are charged with the responsibility of selling the products to the best advantage after due consideration of prevailing conditions. In most cases, the market price is paid to the producer at the time of delivery or soon after. The bonus is paid by the purchaser to the association, which in turn pro-rates the bonus either monthly or semi-annually to the various members in proportion to the pounds of butterfat marketed.

The investment, depends upon the method adopted in handling the cream. In most cases where stations are operated, the building is rented. The building does not have to be expensive but should be located so as to be easily accessible. It should be attractive, cool, well ventilated, well lighted, and large enough to handle the cream from day to day until shipped. Usually the equipment is supplied by the purchaser. Often the purchaser provides trucks which pick up the cream two or three times per week. In other cases, the cream is collected and handled on contract.

Copies of business forms suitable for use by the cream pool are

given on pages 30 to 33. These forms will, of course, vary with the method of marketing, volume of business, etc.

# IMPORTANT FACTORS IN THE SUCCESS OF A COOPERATIVE CREAM POOL

Factors affecting the success of a cooperative cream pool are in general similar to those of other cooperative marketing organizations, although they differ in some particulars.

The need for such an organization and the conviction on the part of the members that cooperation will benefit them is essential. The need for organization will be shown by the preliminary survey.

Contracts between the members and the association are desirable to insure continued cooperation. Contracts create confidence in the organization, instill each member with responsibility, and insure his cooperation and continuous patronage.

Fair-minded officers with business ability, who are interested in the development of the dairy industry in the community, are necessary, since the officers are charged with the responsibility of managing the business of the association. They must secure a manager or tester who has the ability to get results, and must pay him according to his ability and responsibilities. Too often changes in managers due to a shortsighted view of officers, who begrudge an increase in salary for the manager, have resulted in weakening the organization.

Efficient management is essential to any business. The manager or tester where this method is adopted must be a person who can secure the absolute confidence of the dairymen and who is enthusiastic regarding the value of cooperative marketing, and loyal to the organization. He must be more than merely a clerk or milk tester. He must have the farmers' point of view, must be a fast worker, and must be very accurate in weighting, testing, and bookkeeping.

# LEGAL FORMS FOR ORGANIZATION AND OPERATION OF COOPERATIVE CREAM POOLS

Each cooperative cream pool should be organized and incorporated to meet the requirements of the Idaho State laws. The by-laws of the organization should be inclusive enough to enable proper management. By-laws and membership agreements vary slightly according to local conditions and the wishes of the members. The following forms are typical of those being used by cooperative cream pools in Idaho.

#### ARTICLES OF INCORPORATION

KNOW ALL MEN BY THESE PRESENTS: That, we, the undersigned, hereby associate ourselves for the purpose of forming a corporation in accordance with Chapter One Hundred Twenty-four (124) of Idaho Session Laws of 1921 and acts amendatory thereto, commonly known as the "Co-operative Marketing Act."

#### Article I.

The name of this Association shall be.....

#### Article II.

The purposes for which said Association is formed are to buy, sell and generally deal in the dairy and poultry products of its members with all the powers given by law to such associations.

#### Article III.

The place where the principal business of said Association shall be tramsacted is \_\_\_\_\_\_

#### Article IV.

#### Article V.

The number of directors of said Association shall be five (5) each with a term of office for three (3) years, except the first board of directors of which one member chosen by lot shall serve for a term of one year, two (2) other members chosen by lot shall serve for a term of two (2) years, and the remaining two (2) members shall serve for a term of three (3) years.

#### Article VI.

Said Association shall have no capital stock, but each member thereof shall be given a certificate of membership and the property rights and interest of each member shall be equal.

***************************************	***************************************
***************************************	
*************	******
TATE OF IDAHO	

SS.

STATE OF IDAHO County of.....

known to me to be the persons who executed the foregoing instrument and acknowledged to me that they executed the same.

WITNESS MY HAND AND SEAL the date aforesaid.

WE, THE UNDERSIGNED, producers of dairy and poultry products of County, Idaho, hereby subscribed for membership in a Co-operative Association to be formed under and by virtue of the laws of the State of Idaho, commonly known as the "Co-operative Marketing Act," and the amendments thereto, each subscribing his name hereto in conscription of each of the others whose names are hereto subscribed.

#### (Signatures)

#### BY-LAWS

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, being a majority of the members of the .....Cream Association have and hereby adopt the following as the By-Laws of the said Association:

#### Article I.

The officers shall consist of a president, vice-president, a treasurer and a secretary, who shall be chosen by the Directors from among themselves with the exception of the secretary and treasurer who may be appointed by the Directors from without their number, and provided that the offices of secretary and treasurer may be held by one person.

#### Article II.

At the next annual meeting of the members of said Association there shall be elected one (1) new Director for a term of three (3) years to succeed the director whose term will expire at that time; and at the annual meeting next following here shall be elected two (2) directors for a term of three (3) years to succeed the two (2) directors whose terms will expire at that time. At the next annual meeting thereafter there shall be elected two (2) Directors for a term of three (3) years to succeed the two (2) Directors whose terms shall expire at that time. Provided, that all Directors shall hold office until their successors are elected and qualified.

No person shall be eligible for election as a Director unless he is a bona fide member of the Association at the time of the election

Nominations for Directors must be in writing prior to taking of any ballot thereon.

#### Article III.

The president shall preside at all meetings of the members or Directors. He shall sign, "as president," all certificates of membership, and all contracts, and other instruments in writing which have been first approved by the Board of Directors. He shall call a meeting of the Directors whenever he deems it necessary. He shall have, subject to the advice and control of the Board of Directors, the general superintendency of the affairs of the Association.

In the absence of the president, the vice-president shall perform his duties.

It shall be the duty of the treasurer to keep safely all moneys belonging to the Association, and to deposit the same in such bank or banks as the Directors may direct, and disburse the same under the direction of the Board of Directors, on warrants signed by himself. At each annual meeting of the members he shall submit a complete statement of his accounts for the preceding year, with the proper vouchers for their information. He shall discharge such other duties pertaining to his office as shall be prescribed by the Board of Directors.

It shall be the duty of the secretary to safely keep all the records and documents as well as the seal of the Association and to keep a record of the meetings of the Board of Directors and of the members. He shall keep the blank certificates of membership, fill up and countersign all certificates issued, and keep a membership ledger in debit and credit form. He shall keep proper account books, and discharge such duties pertaining to his office as are prescribed by the Board of Directors, as well as such duties as are usually incident to the office of secretary.

#### Article IV.

The Board of Directors shall have the power:

1. To call meetings of members when they deem necessary, and they shall call meetings of the members at any time upon a written request for that purpose, of persons representing ten (10) per cent of all members.

2. To appoint and remove at pleasure all employees and agents of the Association, prescribe their duties, fix their compensation and require from the security for the faithful performance of their duties; to make rules and regulations for the government of the affairs of the Association consistent

with the laws of the State of Idaho and those By-Laws; to cause to be issued certificates of membership of the Association to the members.

3. If any proceeds remain undistributed at the end of the year they shall be distributed to the members on a patronage basis at such times and in such manners as the Board of Directors may determine, but in proportion to the produce delivered to the Association by such member.

4. To cause to be audited at such time as may be deemed necessary the books of the Association.

#### Article V.

It shall be the duty of the Board of Directors:

1. To cause to be kept a record of their meetings and acts and also of the proceedings of the members; to present a full statement at the annual meeting of the members, showing in detail the assets and liabilities of the Association, and, generally, the condition of its affairs.

2. To cause the moneys of the Association to be safely kept, directing from time to time where they shall be kept or deposited.

#### Article VI.

The members of the Board of Directors shall receive as full compensation for their services the sum of \_\_\_\_\_\_\_per meeting while engaged in the business of the Association, and in addition reasonable expenses incurred in the Association's business.

#### Article VII.

No contracts by any officer of the Association, other than such as pertain to the usual and ordinary course of business of the Association, shall be valid without the previous authorization or the subsequent ratification of the Board of Directors.

#### Article VIII.

The regular annual meeting of the members shall be held on the second Saturday of December of each year in \_\_\_\_\_Idaho.

And it is expressly provided that at any or all of the regular meetings of the members of said Association that no members shall be entitled to more than one vote.

At meetings of members, except where otherwise provided by 1aw, at least ......members must be present in person or by proxy to constitute a quorum for the transaction of business.

In the election of Directors all persons who on the first ballot receive a vote representing a majority of the members voting are thereby elected. If more than one ballot is necessary, the vote thereat shall be confined to the nominees having the highest vote, and not exceeding twice the number yet to be elected. In case of a tie vote the priority of those tied shall be determined by lot.

Special meetings of the Board of Directors may be called by the president whenever he deems it expedient. A majority of the Board shall constitute a quorum for the transaction of business.

Special meetings of the members may be called at any time by the president. It shall be the duty of the president to call a special meeting of the members whenever requested in writing to do so by ten (10) per cent of the members. If the president fails for three (3) days to comply with such request duly filed with the secretary, the said members may call such special meeting.

Notice of all regular or special meetings of members shall be given by publication in a newspaper of general circulation published at the principal place of business of the Association for a period of ten (10) days prior to such meeting.

On all matter not otherwise required by law, the Directors may submit written or printed questions to the members entitled to vote, and the answers of such members shall be taken and considered as the vote of such members on questions with the same effect as if said vote had been cast at a members' meeting. In case such written or printed questions are submitted, the

questions shall be sent to each of the members by mail, and shall be mailed to him at his last known address, such mailing to be at least ten (10) days prior to the time fixed for closing the vote on the question submitted. No member shall vote more than ..... proxy votes.

#### Article IX.

Certificates of membership shall be in such form and device as the Board of Directors may direct, and such certificates shall be signed by the president and the secretary, and express on their face their number, date of issuance and the person to whom issued.

No person shall be a member of said Association except he pe an actual bona fide producer of products then being handled by said Association; and no member shall be entitled to more than one vote.

#### Article X.

The Association and its members may make and execute marketing contracts, requiring the members to sell, for any period of time, not over ten (10) years, all of any specific part of their agricultural products or specified commodities exclusively to or throught the Association or any facilities to be created by the Assocation. The contract may provide that the Association may sell or re-sell the products of its members, with or without taking title thereto; and pay over to its members the re-sale price, after deducting all necessary selling, overhead and other costs and expenses, including interest at not to exceed eight (8) per cent per annum.

The marketing contract may fix, as liquidated damages, specific sums to be paid by the members to the Association upon the breach by him of any provision of the marketing contract regarding the sale or delivery or withholding of products; and may further provide that the member will pay all costs, premiums for bonds, expenses and fees in case any action is brought upon the contract by the Association; and any such provisions shall be valid and enforceable in the Courts of the State of Idaho.

In the event of any such breach or threatened breach of such marketing contract by a member, the Association shall be entitled to an injunction to prevent the further breach of the contract, and to a decree of specific performance thereof. Pending the adjudication of such action and upon filing a verified complaint showing the breach, or threatened breach, and upon filing a sufficient bond, the association shall be entitled to a temporary restraining order and preliminary injunction against the member.

#### Artcle XI.

These By-Laws have been prepared in accordance with and pursuant to Chapter 124 of Idaho Session Laws, 1921, and all matters and things provided in said Chapter as being within the scope of these By-Laws are hereby expressly ratified and made a part hereof.

#### Article XII.

The books and papers in the office of the secretary and treasurer shall at all times during the business hours be open to the inspection of the Board of Directors and any member.

#### Article XIII

These By-Laws may be amended or altered at any annual meeting of the Association or at any special meeting called for that purpose.

#### Article XIV.

These By-Laws shall remain in the possession of the secretary of the Association.

IN WITNESS WHEREOF, We have hereunto set our hands this ..... day of December .....

STATE OF IDAHO )
County of
On this
said State, personally appeared
known to me to be the persons whose names are subsribed to the foregoing instrument, and acknowledged to me that they executed the same. IN WITNESS WHEREOF, I have hereunto set my hand hand and affixed my official seal the day and year in this certificate first above written.
Notary Public residing in. 
We, the officers and Board of Directors of theCream Association hereby certify the foregoing to be the By-Laws duly adopted by a majority of the members of theCream Association, on the day of, 19
President.
Vice-President.
ATTEST:
Constant

Secretary.

#### (Original)

#### MEMBERSHIP CONTRACT

#### Twin Falls County Dairymen's Association

This agreement made between the Twin Falls County Dairymen's Assoclation, a non-profit corporation, with its principal office at Twin Falls, Idaho, hereinafter called the Association, first party, and the undersigned dairymen in said state, hereinafter called the member, second party.

WITNESSETH, in consideration of the mutual obligations herein and of the admission of the producer to membership in the Association, and in pursuance to the express aims of the Association in co-operative marketing and buying, for eliminating speculation and waste and for stabilizing food markets in the interests of the members and the public, and in accordance with similar obligations undertaken by the producers.

1. The Association agrees to buy and the member agrees to sell and deliver to the Association all cream and dairy products produced by or for him at any place in Twin Falls County, Idaho, during the years 1925, 1926, 1927, 1928 and 1929.

2. Provided, that the member may withdraw and terminate this contract on the first day of January 1926, or on the first day of July, 1926, or at the close of any six months' period of the term of this contract, these periods endtract on the first of January 1926, or on the first day of July, 1926, or at the ing on the first of January and the first day of July of any year, beginning January 1, 1926, by giving written notice thereof to the Secretary of the Association on or before the first day of November, or, on or before the first day of May, preceding the withdrawal dates herein named. Such notice must be delivered to the Secretary in person or by registered mail, and the Secretary's receipt of such notice will terminate this contract. For all matters of signature and for all statements of facts in connection herewith, the written statement of the Association, signed by its secretary, shall be absolutely conclusive.

3. The member may retain cream and dairy products sufficient for his own domestic use and the domestic use of his immediate family. All other cream and dairy products shall be sold and delivered to the Association at such point or points as it may direct, and be re-sold by and through the Association only. The member expressly warrants that he has not heretofore contracted to sell, market, consign or deliver any of his said cream or dairy products to any person, firm or corporation, except as noted at the end of this ageement. Any cream and dairy products covered by such existing contract shall be excluded from the terms hereof for the period and to the extent noted.

4. The Association agrees to re-sell such cream and dairy products together with cream and dairy products of like variety and grade and butterfat content, delivered by other members under similar contracts, at the best prices obtainable under market conditions; and to pay over, upon receipt of said products from the members, the net amounts received thereby as payment in full to the members named in contracts generally similar to this contract, according to the re-sale value of the products delivered by each of the producers, after deducting therefrom the costs of maintaining the Association and of transporting, handling, testing, storing, selling and marketing such products, and of other proper activities and also reserving for advertising, credits and other general commercial purposes, said expenses not to exceed a sum deducted from any one member greater than 5 cents per pound

5. Any deduction or allowance or loss that the Association may make or suffer on account of inferior products, quality or standard or condition at delivery, shall be charged against the member and deducted from his net returns hereunder.

6. The Association may make rules and regulations and provide inspectors to standarize the quality, methods and manner of handling, packing, hauling and shipping such products; and the member agrees to observe and perform any such rules and regulations prescribed by the Association.

7. The member further agrees that the Association shall have the power, without limitation, to borrow money in its name and on its own account for any purpose on the products delivered to it on any ware-house receipts or on any accounts for the sale thereof, or on any drafts, bills of exchange, notes, or acceptances, orders or any other commercial paper delivered therefor and to exercise all the right of ownership, without limitation, and to pledge in its name and on its own account such cream or products or receipts, or accounts or drafts, bills of lading, notes acceptances, orders or other commercial paper as collateral therefor. The Association shall have the right to pro-rate the money so received among the members and to pay to each member his proportionate amount thereof, or to use the same for any proper association purpose or activity.

8. The member expressly agrees that the Association may handle in its descretion some of the cream and dairy products in one way and some in another, but the net proceeds of all cream and dairy products of like variety and grade and butterfat content less all charges shall be divided ratibly among the producers in proportion to their deliveries or shipments of such varieties and grades and butterfat content. Such division or distribution shall be made as nearly as practicable as follows: upon the delivery of any cream or dairy products by the member he shall receive therefor the then market price, less a sum equal to five cents per pound thereof; the balance due the member shall be paid him thereafter and on the first day of the following month after deducting the proportionate part of the expenses and reserves as hereinbefore stated.

9. This agreement is one of a series generally similar in terms, comprising, with all such agreements, filed by indivdual members, one single contract between the Association and the said member, mutually and individually obligated under all of the terms, hereof. The Association shall be deemed to be acting in its own name, for all such producers in any action or legal procedure arising out of this contract.

10. In consideration of the terms hereof and of the mutual obligations

herein stated, the member does hereby promise and agree upon signing this instrument to deliver to the Association, or its proper office, a membership fee of \$1.00.

11. It is further agreed by and between the member and the Association that the strict performance of the terms hereof is intended and that, in the event of the failure of the member to sell and deliver his cream and dairy products as herein provided, the sum, of \$150.00 shall be paid such member to the Association as liquidated damages suffered by it on account of such default of the member. Such sum of \$150.00 shall be paid upon demand and if not so paid, to bear interest at the rate of ten per cent per annum thereafter until paid. In the event suit or action be instituted to enforce any of the provisions of this contract as against the member, the member agrees, in addition to costs allowed by law, to pay such sum as the court may deem reasonable as attorney's fees in such suit or action.

12. And the Association and the member expressly agree that this agreement is not a contract for personal service, or demanding exceptional capacity, or talents; and that this contract is for the purchase and sale of personal property under special circumstances and conditions and that the buyer cannot go into the open market and buy cream and dairy products to replace any which the member may fail to deliver; and that this contract will be the proper subject for the remedy of the specific performance in the event of a breach thereof.

13. The parties agree that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof, and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

MEMBER'S LOCATION:

#### (SUBSCRIBER)

(POST OFFICE ADDRESS)

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TWIN FALLS COUNTY DAIRYMEN'S ASSOCIATION

By	۶	Pres.
AT	TTEST:	Sec'y.

Twin Falls, Idaho, .....,192.....

#### BUSINESS FORMS

The system of records used by cooperative cream pools need not be complicated. A definite system of record keeping should be adopted so that all essential facts pertaining to the transactions of the organizations as a whole, or to transactions with individual members may be checked at any time. The following forms are typical of those in use by cooperative cream pools in Idaho.

## WENDELL CREAM ASSOCIATION Truck Driver's Daily Report

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# WENDELL CREAM ASSOCIATION

# Daily Report First Grade Cream

Date ....., 192.....

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Total Amount and Price of each Grade Butter Fat Received Price P Second Grade, Price	aid per 1b	Amt Amt	Less Deductions for	Month Balance				
CE—Correcting Entry MDS– OD—Overdraft ICE—	Buttermilk —Merchandise	haracters BTR—Butter SWC—Sweet C CR—Credit BAL Balance	ream CSH—Ca TNT—Tr	rnal Entry tsh cansportation				

# WEISER VALLEY DAIRYMEN'S ASSOCIATION

	Weiser, Idaho,	192
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Address		
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Deduct previous balance		
Deduct notes		
Deduct current account		
Deduct transportation charg	es	
Deduct advances made during	g month	
We enclose check for the ba We charge your account with	dance due you in adjustment	
balance due us in adjustmen	it	

Annual Dividends Are Paid December First

				Weiser,	Idah	0,						
Cream   T			Test	Butterfat	Price	Amount	The Butter	Deductions	Amount of Check			
Sweet	Sour	Under- Grade	-				Dos. Dutter	Deductions	Amount of Check			
				<b>VALLE</b> Weiser	Y DA	ho,	NS ASSO					
Weise	Be Su	re the Pa e Bank	ayee N		nature	and Amou	nts Correspo	ond with Ba	S Dollars			