



# *History of Cooperatives*

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## *Early Forms of Cooperation...*

*Cooperative history has deep roots in agriculture and rural communities worldwide. Some types of the earliest informal cooperative activities include:*

- *Land clearing*
- *House & barn raising*
- *Road building*
- *Threshing ring*
- *Corn husking bee*
- *All kinds of harvest activities*
- *Community protection*



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## *The Rochdale Pioneers...*

- *The Rochdale Pioneers were a group of weavers in Rochdale, England, in 1844, who started a consumer food cooperative which was a supply cooperative that grew and prospered.*
- *The Rochdale Pioneers are credited with the development of the “Rochdale Principles” which became the standard cooperative principles of success for cooperatives throughout the world in the late 1800’s and early to mid 1900’s.*
- *Because they developed these core cooperative business principles, the Rochdale Pioneers are credited worldwide as the founders of the cooperative movement today.*



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## *The first formal cooperative in the United States...*

- *Benjamin Franklin assisted in 1752, in starting what is considered the first formal cooperative business in the United States.*
- *It was a cooperative made up of his friends in which each contributed a certain sum to a pool of monies that would insure each other's property in the case of fire.*
- *The name of his company was "The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire."*
- *This company today is known as the Union Fire Company.*



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*The earliest forms of organized agricultural cooperatives in the United States formed in 1800's:*

- *A dairy cooperative, 1810, Goshen, Connecticut*
- *A cheese manufacturing cooperative, 1810, South Trenton, New Jersey*
- *A hog marketing cooperative, 1820, Granville, Ohio*
- *A cooperative butter manufacturing plant, 1856, Campbell Hall, New York*
- *Grain elevator cooperative, 1857, Madison, Wisconsin*



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- *Farm supply fertilizer cooperative, 1867, Riverhead, Long Island, New York*
- *Fruit marketing cooperative, 1867, Hammonton, New Jersey*
- *Poultry and other farm products marketing cooperative, 1874, Illinois*

*Note: Dairymen set examples in early cooperative activity, and established more than 400 cooperative dairy processing plants by 1867.*



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*The early cooperative leadership  
was developed by...*

- *1869 - National Grange*
- *1880 - Farmers Alliance*
- *1902 - American Society of Equity*
- *1902 - National Farmers Union*
- *1912 - National Council of  
Farmer Cooperatives Association*
- *1919 - National American Farm  
Bureau*



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## *Legislative background of cooperatives:*

- *Smith-Lever Act of 1914: Created the Extension Service in USDA and the state agricultural colleges.*
- *Capper-Volstead Act of 1922: Limited exemption for farmers from antitrust laws for organizing marketing cooperatives.*
- *Cooperative Marketing Act of 1926: Established a Division of Cooperative Marketing, as a part of USDA, to provide research, technical assistance and educational work.*
- *Farm Credit Act of 1933: Resulted in the development of the Farm Credit System.*
- *Rural Electrification Act of 1935: Provided financial assistance to rural electric and telephone cooperatives.*

# *Significant Events for American Cooperative Development and Farmers Union*

- 1756** Benjamin Franklin organizes first successful cooperative: Philadelphia Contributionship for Insurance of Houses from Loss by Fire. By 1800, there would be ten similar mutual fire insurance cos. in existence.
- 1785** First attempt by American farmers to organize on a formal basis by a group called Philadelphia Society for Promoting Agriculture.
- 1810** A dairy co-op starts in Connecticut, a cheese co-op in New Jersey.
- 1820** Hog marketing, slaughtering and packing co-op starts in Granville, Ohio.
- 1844** The Rochdale Equitable Pioneers Society opens a cooperative store on Toad Lane in Rochdale, a suburb of Manchester, England. The principles and practices of the successful organizers on Toad Lane are considered "the beginning mark" for the modern worldwide cooperative movement.
- 1845** First wool depots organized in New York.
- 1853** First irrigation co-op, the Matthew Ditch Company, in Tulare County, California.
- 1856** First successful hog marketing pool forms in Bureau County, Illinois; first butter manufacturing co-op factory starts in Orange County, New York.
- 1857** First grain farmer co-op and elevator opens in Madison, Wisconsin: the Dane County Farmer Protective Union.
- 1862** Students and faculty in Knoxville organize a cooperative bookstore at the University of Tennessee.
- 1865** Michigan passes a law recognizing the cooperative method of buying and selling, a legislative first.
- 1873** Tobacco growers in Kentucky and Massachusetts build cooperative warehouses for storage allowing farmers to wait for a better price.
- 1893** First citrus fruit marketing co-op is formed in California. This exchange and its label would become known the world over as Sunkist. Its official name today: Sunkist Growers, Inc. (Farmer Cooperative).
- 1895** The International Cooperative Alliance (ICA) is established in London with three U.S. co-ops joining.
- 1899** The *American Cooperator* is published for workers and consumers in New England cooperatives.
- 1902** Farmers Union (Farmers Educational and Cooperative Union of America) forms in Point, Texas; begins to promote cooperatives. Group leaders cite co-ops as the cornerstone of their program. Today National Farmers Union is recognized nationally and globally as a general farm organization with a comprehensive plan of development for rural America.
- 1907** Fruit growers in Los Angeles organize the first major, regional supply cooperative.
- 1913** USDA sets up Office of Markets and Rural Organization; first major concern to help farmers with co-op marketing. In Kansas, 5 elevators, 3 creameries and 4 stores and service stations unite to form Farmers Union Cooperative Association. United Mine Workers open a co-op store in Illinois.
- 1914** President Wilson appoints the first members to a commission originally ordered by President Taft for the purposes to study European cooperatives and credit societies.



- 1916** The Cooperative League of the USA is organized by absorbing the Consumers' Cooperative Union, becoming the first national cooperative association to serve as a voice for the representation, defense, and advocacy of co-ops. Later would be named the National Cooperative Business Association (NCBA).
- 1917** A turkey co-op forms in Aurora, Colorado, out of demand for meat to supply the United States Department of the Army's new garrison and medical base that would later be known as Fitzsimons Army Hospital.
- 1918** World War I ends and U.S. farmers' interests resume in consumers' cooperation. In Minnesota, 189 stores open, Nebraska opens 114. National Cooperative Wholesale organized in St. Louis.
- 1919** American Cotton Association founded to market cooperatively.
- 1920** First wheat pool in the nation is organized in Washington state with the legal expertise of Aaron Sapiro. Sapiro would write a model law a majority of states in the 1920's would use as a base to adopt state statutes on cooperatives. This legislation has come to be known as the Standard Act. Also, first large-scale purchasing association: Fruit Growers Supply Company.
- 1921** First oil co-op is organized in Cottonwood, Minnesota, to exclusively handle petroleum products.
- 1922** Farmers Union persuades U.S. Senators Arthur Capper of Kansas and Andrew Volstead, Minnesota, to introduce legislation permitting farmers to act together cooperatively to handle, process and market their agricultural products so long as no association unduly monopolizes or restrains trade. Congress passes the measure called the Capper-Volstead Act. Six years later the legislation is challenged in the Supreme Court. In 1928 the high court decision defends the act noting 1) farmers have a right to organize and 2) consumers benefit by the co-op associations permitted in the measure. Also, in 1922, the Division of Agriculture Co-ops is established in new Bureau of Agricultural Economics set-up within USDA.
- 1923** James Peter Warbasse, New York surgeon, author, and founder of the Cooperative League of America (later the Cooperative League of the USA and now NCBA), publishes *Cooperative Democracy*, for years considered the standard text and statement on consumer cooperation.
- 1926** Farmers Union Terminal Association begins operations with headquarters in St. Paul, Minnesota. Establishes practice of paying premiums for wheat protein content.
- 1927** Farmers Union Exchange launches as a subsidiary of Farmers Union Terminal Association. In 1931 reorganizes as the Farmers Union Central Exchange, now known as CENEX, St. Paul. Formed out of a number of state exchanges and an outgrowth of the Farmers Union Terminal Association that had been engaged in efforts to meet purchasing needs of its member co-ops.
- 1929** First cooperative health service in the U.S. organized with the support of Farmers Union in Elk City, Oklahoma: Farmers Union Cooperative Health Association. Led by Lebanese immigrant and Elk City medical doctor Michael Shadid, rural and town residents of the Elk City community won a statewide battle over heavy resistance from local medical professionals and others to set up a prepaid-type medical plan, owned by the people of the community. These early FU efforts inspired a number of health plans across the nation, most notably Group Health Co-op of Puget Sound, Seattle. Farmland Industries, Inc. begins as Union Oil Company to provide fuel for farm machinery. Over the years, its purposes evolve into manufacturing and marketing farm supplies and a broad range of services to its agriculture producer members and to global markets, from Kansas City, Missouri.
- 1930** Record number of farmer cooperatives in operation: 12,000.
- 1934** The Pacific Supply Cooperative sets up headquarters in Walla Walla, Washington. The 12 supply cooperatives would eventually expand their original petroleum line to include tires, batteries, fertilizers and seed. This farm co-op would become a strong regional voice for cooperation in the U.S, eventually merging with CENEX (Farmers Union Central Exchange). Also the National Credit Union Administration (NCUA) begins to coalesce. After 36 years of being under other federal government agencies, Congress finally in 1970 makes the NCUA its own independent federal agency and moves it out from under the Department of Health, Education and Welfare.

- 1935** President Roosevelt establishes the Rural Electrification Administration to assist the 45 electric co-ops already in existence. In 1944 Congress passes the Pace Act and President Roosevelt signs it. The legislation provides 2% interest loans to rural electrics, with a lending period of 35 years. The critical measure extends the life of REA indefinitely and intercepts its expiration date set for 1946. Farmers Union plays a key role in the decisions in 1934 and in 1935 to create a rural electrification program that operates through farmer-owned distribution cooperatives. In 1944 Farmers Union again plays the leading role in the legislation for the permanent loan terms.
- 1936** President Roosevelt sends a commission to study the successful role of cooperatives in Europe and Sweden.
- 1937** The Farm Credit Act passes in Congress assuring permanence of the cooperative idea embedded in the Farm Credit Administration model. The Cooperative League of the USA establishes the Bureau of Cooperative Medicine --- a forerunner and inspiration for the subsequent development of a variety of approaches in providing medical care around the principles of consumer ownership and control. Early Health Maintenance Organizations (HMO's) are reflective of the model.
- 1938** Farm groups seeking to upgrade animal production form Artificial Insemination Associations.
- 1940** Congress passes the District of Columbia's Cooperative Law making it possible for any group in the U.S. to charter as a co-op.
- 1943** "Here is Tomorrow" radio program on cooperatives broadcasts for 10 weeks over 36 stations nationwide.
- 1945** Cooperative Services, Inc. is organized by Fred and Virginia Thornthwaite in Southgate, Michigan, under the name Cooperative Dairy Services. Purpose: to provide goods and services on Rochdale principles, specifically home-delivered milk. Over the years co-op services would move to other fields. Today, CSI is the largest housing co-op of its type: sponsored housing for senior citizens with the facilities owned by the co-op and control in the hands of the member residents.
- 1949** President Truman, who started his career as a farmer in Missouri, leads advocates wanting to add a Rural Telephone Program to the REA. Farmers Union was first in 1944 to urge establishment of the program.
- 1950** The Federal Housing Administration (FHA) creates a Cooperative Housing Division under Section 213 to insure mortgages held by cooperatives. Farm groups among leading lobbies for the measure.
- 1970** National Rural Electrics Cooperative Finance Co. (CFC) is born. The nation's rural electric system leaders organize a financing agency to handle the demand for growth capital of rural electrics across the nation unable to be met by USDA's Rural Electrification Administration (REA). The non-profit cooperative, governed by a board of directors, is structured to provide member systems with an independent source of loans supplementing REA loan funds.
- 1971** First cooperative center is established on the campus of the University of Wisconsin-Madison: The University Center of Cooperation.
- 1974** Farmers Union promotes development of rural health co-ops (Health Maintenance Organizations).
- 1976** American Cotton Growers build the first cooperative textile mill in Littlefield, Texas.
- 1978** With a federal government capital investment of \$184 million, Congress passes the National Consumer Cooperative Bank Act, establishing the National Cooperative Bank. National Farmers Union is a major backer of the legislation.
- 1981** Examples of successful new generation cooperatives are at work in the upper Midwest, four in North Dakota and Minnesota, but the idea is not duplicated until the emergence of the successful cooperative, Dakota Growers Pasta Company in 1991 with their successful equity drive. By the late 1980's resistance to the idea of contributing equity had been built up, especially after several unfortunate failures: a potato co-op in Grand Forks, ND, is forced to sell its processing plant. An ethanol cooperative fails. The North Dakota Farmers Union sells its cooperative feedlot at Sawyer, ND, to a private entrepreneur.

- 1984** U.S. Postal Service issues 20-cent commemorative stamp recognizing credit unions.
- 1987** Two of the nation's major farmer-owned supply co-ops, Land O'Lakes, Minneapolis, and CENEX, St. Paul, enter joint ag services venture to reduce competition and benefit from more efficient methods in purchasing and distribution.
- 1989** CoBank, with a national charter, begins operations out of a merger of regional Banks for Cooperatives.
- 1993** Congress makes first funds available for Rural Cooperative Development Grant program.
- 1994** A bison processing plant begins operations in February in New Rockford, North Dakota, designed with a capacity of approximately 10,000 animals per year and a highly productive and motivated work force. A group of bison ranchers formed the North American Bison Cooperative in 1993. The New Rockford facility is the only USDA and EU approved facility in the United States exclusively for bison processing. Also in 1994, USDA creates new Rural Business-Cooperative Service Division after combining its Agricultural Cooperative Service with Rural Development Administration (RDA) as its cooperative service and then merging RDA into the new division to fulfill the department's rural development mission area.
- 1995** Declared "The International Year of Cooperation" by the UN.
- 1998** Members of CENEX, Inc. and Harvest States Cooperatives overwhelmingly approve the unification of the two co-ops in St. Paul, Minnesota, the largest in U.S. history. Combined annual revenues in 1997 total \$10 billion.
- 1999** In April, Farmland Industries and Cenex Harvest States announce they will work toward complete combination of the two cooperatives by June 1, 2000, as an opportunity to achieve greater growth, efficiencies, and economic value for the farmers and ranchers who own them. By September, the boards of both cooperatives had approved an accelerated timetable to tie the two co-ops by March 1, 2000, under the name United Country Brands. The plan also called for 18 producers and seven local co-op managers to direct the new company with an anticipated gain of \$500 million in efficiencies during the first six years. However, the merger failed when members of the cooperatives voted November 23 on the proposed unification. Farmland members approved the consolidation, with 89 percent voting in favor. The Cenex Harvest States vote fell just short of the two-thirds needed, at 64 percent. Leaders of the cooperatives said the results did indicate, however, that the majority of members want the organizations to work more closely together. Also in 1999, stockholders of St. Paul Bank and CoBank approve a plan to merge July 1, 1999, in an effort to withstand the consequences of a cyclical agricultural economy. The merger finally unites the nation's original 13 banks for cooperatives. Part of the nation's farmer-owned U.S. Farm Credit System, the two banks have combined assets of approximately \$22 billion.
- 2000** The Federal Reserve Bank of Kansas City plans to study rural America. Opening a new Center for the Study of Rural America, the Federal Reserve said it would look at all businesses affecting the rural economy, not just agriculture. The intended effort was described by one farm loan official to address the concerns of where it is America wants the rural economy to be. Prices for farm commodities are the same as they were 20 or 30 years ago, and there is a marked increase in vertical integration within the agriculture industry where more farms are producing for major food corporations.