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FARMERS' BULLETIN 1032
United States Department of Agriculture

OPERATING A
COOPERATIVE
MOTOR
TRUCK
ROUTE



THE need of some reliable, convenient means of transportation at a reasonable cost whereby the farmer can get his produce to consuming centers and secure the commodities which he must obtain from those same centers has been felt keenly in many rural communities.

In the past few years the motor truck has met the needs of many sections.

While in most places trucks are owned and operated either by the farmers for their personal benefit or by private individuals who hold themselves ready to haul for the public generally at an agreed rate, it is believed that many rural communities would find it more economical to form motor truck cooperative associations.

Before undertaking the formation of such an association, a survey should be made to determine that an actual need exists and that there will be sufficient business to warrant operating at least one truck.

It must be remembered also that the personal factor will in a large measure determine the ultimate success of the association.

Contribution from the Bureau of Markets
CHARLES J. BRAND, Chief
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OPERATING A COOPERATIVE MOTOR TRUCK ROUTE.

H. S. YOHE,

Assistant in Market Surveys.

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THREE METHODS OF OPERATING MOTOR TRUCK ROUTES.

THE MOTOR TRUCK as a means of transportation between city and country has developed rapidly in the last two years. In practically every section where trucks are so used they are operated either by individual farmers and rural merchants to meet their own needs or by private individuals for profit.

OPERATION OF TRUCKS TO MEET PERSONAL NEEDS.

Many farmers who live within 10 to 25 miles of consuming centers raise berries, fruits, and truck crops, and most of them deliver their produce directly to the city markets. During the busy season this requires several trips each week. To make the trip by team means a long, hard day for both men and horses. To make their horses available for more work on the farm and to do away with these tiresome trips, many of these farmers have purchased trucks. Rural merchants have also purchased trucks to bring their wares and merchandise from the city in a reasonable time and to make deliveries to their rural patrons. Farmers and merchants in these cases have had only their own needs in mind.

When the tonnage of these farmers and merchants does not make full capacity loads, they occasionally haul some produce and mer-

chandise for their neighbors and fellow merchants at a nominal price. Because of the limited business of individual farmers and rural merchants, their trucks are idle the greater part of the time. Bearing in mind the initial cost of a truck and the limited time it is actually in use, this method of transportation is somewhat expensive, and, moreover, as the trucks are usually operated only when the owners wish to haul for themselves, the service extended to others is too limited and irregular to meet their needs.

OPERATION OF TRUCKS FOR PROFIT.

Where trucks are operated by private individuals for profit the owner of the truck usually operates between certain points on a fixed schedule. A number of such routes are in existence. Their success depends on the available tonnage, the rate that can be charged, and the character of service rendered. In some States such operators are regarded as common carriers and are subject to supervision by the public service commissions. This supervision usually extends to a regulation of rates, character of service rendered, and competition. Where such supervision is lacking the tendency of the operators is to increase rates or render inefficient service. The want of regulation of competition by some State authority frequently means that a route which has been built up at considerable expense by a business-like operator, may be destroyed by unfair competition on the part of an unbusinesslike or inexperienced operator, who offers rates which are not based on an accurate knowledge of cost of operation. This second operator, thinking he is making a profit, may continue in business for several months only to discover at last that he is losing money and must give up the route. The result is that both operators have failed, and the community is left without service.

OPERATION BY A COOPERATIVE ASSOCIATION.

A third method—the operation of a motor-truck route by a cooperative association—is illustrated by “The Farmers Cooperative Company of Harford County, Incorporated.” This association appears to have met the needs of the rural community it is serving in a very satisfactory manner, and at the same time has eliminated effectively the problems of profit and destructive competition. This method is a decided departure from usually prevailing methods of operating motor-truck routes.

The association operates in Harford County, Md. Its motor trucks offer a daily round-trip service from Churchville and Bel Air to Baltimore, taking milk and other farm products to Baltimore and bringing back to the farmers feedstuffs, salt, seeds, fertilizers, farm

implements, and other articles for use on the farm, together with merchandise shipped from the wholesale houses of Baltimore to rural merchants who are members of the association. The distance covered daily is about 60 miles.

WHY THE COOPERATIVE ASSOCIATION DESCRIBED WAS FORMED.

The territory served by the association is a very productive agricultural region. Many of the farmers produce milk which is shipped to Baltimore, some raise truck crops, and the remainder practice general farming. That section of Harford County in which the association operates has but one railroad.

Prior to the appearance of the commercial motor truck, the farmer hauled his products by team, either to the railroad station or to Baltimore. Except to the farmers near the railroad, hauling to shipping points meant the loss of the use of a team and man for at least half a day. To the farmers producing milk who had to make this trip daily, this loss was appreciable. As the trip to Baltimore was hard on teams and always required at least two days' time, few farmers marketed in this manner.

A few years ago, some of the farmers engaged in large operations purchased small motor trucks to meet their own needs. But such an investment was usually so disproportionate to the returns earned that comparatively few farmers felt that their operations would warrant the expenditure. Commission merchants in Baltimore who owned trucks began about this time to make occasional runs into the district at certain seasons. This service was irregular and not dependable and the usual result was that the farmer did not get the price he should have received for his products.

About the same time a motor-truck owner offered to carry milk to Baltimore and bring back such commodities as might be needed by the farmers and rural merchants. As the farmers were only required to place their milk on the main highway, the hauls from their farms to the highway were negligible when compared with the hauls to the railroad shipping points. This service to the milk producers was satisfactory for several years, but with increased cost of labor and materials for repairs the operator felt obliged to increase rates more than the farmers felt to be justified.

When the new rates were put into effect, a few of the leading farmers and merchants of Bel Air and Churchville determined to organize a cooperative association to furnish reliable transportation at reasonable rates to its members. A canvass among farmers and rural merchants was made for the purpose of learning the sentiment toward the formation of an association and of ascertaining how much

freight each member of the proposed association would have moving into and from Baltimore. The canvass showed that a sufficient number of patrons could be secured and that there would be sufficient tonnage moving in both directions to warrant the operation of one truck of about four tons capacity. Steps then were taken to effect a permanent organization on a business basis.

HOW THE ASSOCIATION WAS FORMED.

That the association might have a permanent legal status and the financial responsibility of its members be fixed, 10 men who were chiefly interested in establishing the route filed a certificate of incorporation under the general laws of Maryland, and a charter was issued for a corporation to be known as "The Farmers' Cooperative Company of Harford County, Incorporated."

Incorporation was deemed wise, that the business might continue irrespective of changes in membership. It was feared also that if some of the members should withdraw or should become bankrupt, and thereafter the project should be terminated and debts remained to be paid, the remaining members would be obliged to pay these debts. With incorporation and the issuance of shares of stock, each member's liability in the event of failure became fixed.

The expenses of incorporation in this case were less than \$35. Incorporation fees vary in the different States. Many States have laws primarily designed for the incorporation of farmers' cooperative associations. Wherever such laws exist, it is usually advisable to incorporate under these laws rather than under the general incorporation laws.

THE CHARTER.

Though the association was primarily formed to provide for transportation, in applying for the charter request was made for broad, liberal provisions so that the association might engage in other lines of work at any time. This obviates the necessity for amendments. In drafting the provisions of a charter care must be taken to observe that they are in harmony with the laws under which the association is formed.

The following extract from the charter indicates the wide field in which the association may operate:

To buy, sell, transport, and otherwise deal in farm products and goods, wares and merchandise of all kinds and description, and any and all parts thereof; to lease, purchase, sell, and otherwise deal in all machinery, tools, implements, apparatus, equipment, and appliances of every kind used in connection with the business carried on by the corporation, or with the selling and transportation of all products sold, owned, or used by it; and to purchase, hold, own, lease, convey, mortgage, pledge, transfer, or otherwise acquire or dispose of all prop-

erty, both real and personal, of every class and description, or any interest therein necessary or desirable for the carrying on of the aforesaid businesses, or any of them.

To acquire by purchase, lease, or otherwise the property, rights, business, good will, franchise, and assets of every kind of any corporation, association, firm, or individual carrying on in whole or in part, the aforesaid businesses, or any of them, or any other business, in whole or in part, that the corporation may be authorized to carry on, and to undertake, guarantee, assume, and pay the indebtedness and liabilities thereof, and to pay for any property, rights, good will, business, franchise, and assets so acquired in the stock, bonds, or other securities of the corporation or otherwise, in the manner provided for by the statutes of Maryland.

To carry on other businesses (whether manufacturing or otherwise) which may seem to the corporation to be calculated directly or indirectly to effectuate the aforesaid objects, or any of them, or to facilitate it in the transaction of any business that may be calculated directly or indirectly to enhance the value of its property and rights.

CAPITALIZATION OF ASSOCIATION.

Membership in the association is based on ownership of stock. The association is authorized to issue 200 shares of stock of the par value of \$25 each, making the total authorized capital \$5,000. As the association is receiving many requests to operate over a wider territory but is unable to comply because of a lack of funds with which to purchase equipment, a larger capitalization might have been warranted.

Capital is most needed at the very beginning of an association. Before it can operate it must have trucks, and trucks are the biggest items of expense. In forming a motor-truck association it should not be forgotten that the price of trucks recently has increased considerably. A new association with too limited capitalization may find itself unable to issue sufficient stock from which to obtain funds to buy enough equipment to meet its present and increasing needs. To assist in determining at what amount capitalization should be fixed, a careful survey should be made to ascertain the approximate tonnage to be moved. To this tonnage a reasonable percentage should be added for growth. Prices of trucks of sufficient capacity to take care of the estimated tonnage should be obtained. Capitalization should be at least sufficiently large to permit issuing enough stock to secure funds to pay for the trucks in cash, to obtain a sufficient amount of cash in hand as working capital, and still have a sufficient amount of stock unissued to provide for future extension of business. Unless capitalization is carefully considered, the association may be limited in its activities for want of working capital, or individual members of the association may be called upon to give their personal notes to secure cash with which to purchase necessary equipment. Want of sufficient capital at the start has wrecked more.

than one enterprise which gave every promise of being successful. On the other hand, as taxes are steadily increasing, overcapitalization is to be avoided.

MEMBERSHIP AND MANAGEMENT.

The management and administration of the Farmers' Cooperative Company of Harford County rests in stockholders, officers, and a board of directors, ultimate control resting in the stockholders.

The officers and directors are governed by a constitution and by-laws which have been approved by the members, the terms of which are very general.

To those contemplating the formation of similar associations, it is suggested that the provisions of both constitution and by-laws should be comprehensively yet clearly and directly stated. As these are the instruments which form the working plans of the association, much thought should be given to the provisions to be incorporated. Valuable suggestions along these lines are given in United States Department of Agriculture Bulletin 541, "Cooperative Organization By-Laws."

THE STOCKHOLDERS.

To become a member of the association it is necessary to own at least one share of stock. Membership is open to both sexes. Each share of stock confers on the owner a vote in the proceedings of the stockholders, but no member may own more than 20 shares. The ownership of one share entitles a member to all privileges of the association. Any distribution of profits is to be made on the basis of stock owned by each member. Thus far no dividends have been paid on stock; in fact no effort has been made to earn dividends. Service at a reasonable price is the sole object of the association. Should the association dissolve or cease operating, the assets will be distributed among the members on the basis of stock owned at the time of dissolution.

In organizations which are strictly cooperative, each member has but one vote, regardless of the amount of stock he may own. In such associations dividends on stock represent merely a fair return on the investment and any additional surplus which it is desired to distribute among members is divided in proportion to the amount of business furnished by each.¹ While the association herein described does not comply with these principles strictly, in spirit it is cooperative.

The association absolutely refuses to haul for nonmembers. As its rates on many articles are lower than those offered by the railroad or by individual truck operators, it has had no difficulty in

¹ See Cooperative Marketing and Financing of Marketing Associations, U. S. Dept. of Agriculture, Yearbook Sep. 637, 1914 Yearbook, p. 185-210.

securing members. Not only do the low rates appeal to those who may wish to become members, but the superior and more convenient service rendered causes those who are fortunate enough to be admitted to membership to do all in their power to strengthen the association.

OFFICERS.

The officers of the association consist of a president, vice-president, secretary and treasurer. The duties of the secretary and treasurer are performed by the same person. These officers are stockholders of the association and are elected annually by the board of directors.

The secretary-treasurer is the principal administrative officer and cares for all details of operation in addition to handling the accounts and finances of the association. He also reports the proceedings of the board of directors and stockholders at their various meetings. To protect the association, the secretary-treasurer is required to give bond in such amount as the stockholders may determine. The premium on this bond is paid by the association.

BOARD OF DIRECTORS.

The management of the association is intrusted to a board of directors composed of ten stockholders. The directors are elected at the annual meeting of stockholders. A majority of stock represented at the annual meeting is necessary to election.

The board of directors authorizes all purchases and sales, attends to the finances, and directs all business. This means simply that the board formulates policies, leaving the details of administration to the secretary-treasurer.

Selection of directors.—As the original policies of the association were to be formulated by a board of directors, the stockholders felt that, if their venture was to be a success, it was essential that the most capable men should be selected as directors regardless of the amount of stock they might own or how much business they might contribute to the association. In selecting directors the stockholders were fortunate in having among their number men of ability and business judgment, who also were capable of harmonizing differences and of sinking their own personal feelings and interests for the benefit of the association.

An officer or director may be removed by the board of directors after consideration of charges formally made, a majority vote of the board being required. As the directors are elected by the stockholders, they should be accountable to the stockholders solely and should be subject to removal by them only.

To those in other communities who may contemplate forming similar organizations it is suggested that the board of directors be carefully selected. Only men who are public-spirited, who show

themselves superior to their neighbors in handling their own affairs, and who are leaders in their community should be considered. Personal friendships can have no place in this selection. Questions will arise from time to time which will require the consideration of men of sound thought and of sterling principles. It must always be remembered that such an association is more or less a community affair, and therefore only men who can lay aside personal differences with their neighbors and who are governed in their actions by that which seems best for all, are proper men to place on the board. A weak, unbusinesslike board will mean failure of the venture.

Meetings of board of directors.—The board of directors meets twice each month. These meetings are always open to stockholders, who are encouraged to attend. If a stockholder wishes to present any matter to the board for consideration, opportunity is always given to do so. In this way the board keeps in closer touch with the individual needs of the stockholders. By this same means the board is also kept informed of the character of service being rendered, as constructive criticism and suggestion are invited.

SOME PROBLEMS IN OPERATION.

SELECTION OF EQUIPMENT.

Office and office equipment.—At the beginning the association had the free use of the office and office equipment of one of its members at Bel Air, as well as his own services and clerical assistance. The public-spirited action of this member not only saved the association a considerable sum of money, but the success of the association was due in a large measure to his untiring efforts. In the formation of any cooperative association a few must take the lead. In the early days of this association there were a few who had to organize and direct and give freely of their time without any hope of reward save such as follows from a knowledge of having helped in the advancement of the common good.

Selection and purchase of a truck.—When the time came to purchase a truck, the board of directors appointed a committee of their own number to ascertain the approximate needs of the association, to investigate the merits of various types of trucks, and to determine what make of truck would be best suited to the business at hand. After considerable investigation a 4-ton truck was purchased. This was sufficient to meet the needs of the members for several months. But farmers and rural merchants who were not members soon saw the benefits of the association and applications for membership came in rapidly. Soon the carrying capacity of the truck was more than reached, while applications for membership continued to come in steadily. It was then decided to purchase a second truck. After considerable investigation the board of directors purchase a 2-ton

truck. Business still grew rapidly and applications for membership continued to come in. The 4-ton and 2-ton trucks could not accommodate the needs of the members. Besides, the 2-ton truck proved costly to operate. The result was that the directors recently disposed of the 2-ton truck and purchased one of more than double its capacity.

From the association's experiences its members make the following general suggestions regarding the purchase of a truck:

1. Before approaching truck dealers, a thorough survey should be made to determine the present and prospective business moving in both directions throughout the year.

2. The capacity of the truck should be somewhat in excess of present needs.

3. If the tonnage is available for full-capacity loads, it is cheaper per ton-mile to operate a 4 or 5 ton truck than a 2-ton truck.

4. Study carefully the leading types of trucks and consider only trucks of proved merit.

5. In determining on a truck, be guided not solely by first cost, but secure figures on cost of operation and upkeep from operators of the various trucks under consideration. The truck of highest initial cost may be the cheapest in the end.

6. Do not buy from an agent simply because he is a member of the community and will give the association his trade.

7. Sufficient funds should be raised to pay cash for trucks. This is highly desirable.

SECURING OPERATORS.

That the truck may make its trip in a minimum of time, it is manned by an experienced operator and a helper. The helper is schooled so that he may take the place of the operator when the latter is absent. An effort has been made by the management to keep a number of applications of operators on file and to have a certain number of men in the community trained in operating, so that some one will always be available to run the truck.

The management has learned that operators must be secured who not only are honest in the handling of goods offered for hauling and in the accounting of moneys received, but also in the service they render the association. For instance, it was observed that when the truck was in charge of one operator it took practically the whole day to make a round trip, while another operator made the trip in considerably less time. Thus the truck was made available for extra work, which meant additional income for the association. It appeared that the operator who required a day to make the trip spent an unnecessarily large amount of time in Baltimore. Other employees of truck operators have had the same experience. Unless operators are carefully checked, they have a tendency, when they get into the cities, to go on errands which are not in the interests of their

employers and to waste considerable time. A daily report card¹ would serve not only as a useful check but as a basis for an accurate cost system.

The board of directors should be free to exercise their own judgment in the selection of operators. They should be encouraged to feel that merit alone should govern their selections. Through the filing of applications by relatives of stockholders and the attempt of stockholders to exert their influence, directors have been placed at one time or another in rather embarrassing positions. The board

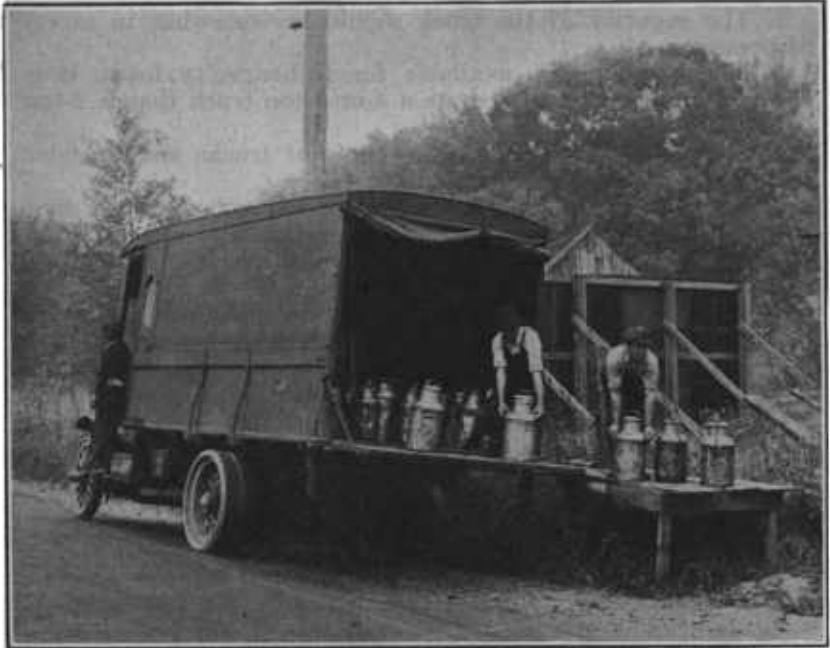


FIG. 1.—Loading milk along roadside. Note height of loading platform is practically even with floor of truck, thus eliminating unnecessary lifting. Similar platforms are placed at frequent intervals for convenience of farmers.

must feel under obligation to no one if friction and ill-feeling are to be avoided.

With the present shortage of labor, many private truck owners have found it almost impossible to man their trucks. The Harford County association has solved its problem by instructing several men in the community in the operation of trucks. This policy, with the payment of a fair compensation, has enabled the association to make its runs regularly. As an additional inducement to its truck operators to remain in its service, the association bought a lot at Churchville on which it has built a house fitted with modern improvements for the use of its operators.

¹ For sample form of daily report card see Motor Transportation for Rural Districts, U. S. Dept. of Agriculture, Bulletin 770, p. 25.

To encourage operators to study their trucks and their methods of operation with a view to reducing operating expenses to a minimum and getting the most service out of each truck, a number of commercial concerns and operators of fleets of trucks have developed various bonus systems. The use of some form of bonus system by farmers' cooperative motor truck associations should serve as an incentive to operators to take the best possible care of the equipment in their hands and at the same time should tend to tie the men to the associations.

COST OF SERVICE OR RATES.

No attempt is made to earn dividends. Rates are made with a view to meeting the expenses, providing for depreciation, and accumulating a surplus to be used as working capital. In case the surplus fund should accumulate faster than the needs of the association require, then it is the purpose to reduce rates. Bearing these facts in mind, it is quite evident that rates and charges are low.

For the convenience of members a schedule of rates on various commodities has been prepared and distributed. The rate on goods classified as first class is 15 cents per hundredweight from either Churchville or Bel Air to Baltimore. Second-class goods bear a rate of 12 cents a hundredweight. The classification shown in the following table was in effect June 1, 1918:

Classification of goods and rates in effect June 1, 1918.

Articles.	Rate.
Apples.....	1st class.
Axle grease.....	1st class.
Axes.....	2d class.
Baskets.....4 times..	1st class.
Butter.....	1st class.
Beans.....	1st class.
Buckets.....	1st class.
Buckwheat.....	1st class.
Barley.....	1st class.
Barrels (empty).....	1st class.
Blankets.....	1st class.
Blacking.....	1st class.
Bananas.....1½ times..	1st class.
Candy.....	1st class.
Canned goods.....	1st class.
Carriages.....1½ times..	1st class.
Cans (cased):	
No. 2.....	2½ cents per case.
No. 3.....	3½ cents per case.
Coffee.....	1st class.
Calves.....	50 cents each.
Cattle (except on special trips).....	50 cents per cwt.
Cabbages.....	1st class.

Articles.	Rate.
Cantaloupes.....	1st class.
Chickens.....	25 cents per coop.
Cream (can to be returned).....	2½ cents per gallon.
Eggs (empties to be returned).....	25 cents per crate.
Fish.....	1st class.
Groceries, except those classified....	1st class.
Glass (glass jars).....1½ times...	1st class.
Glass (panes).....	1st class.
Hardware, common.....	1st class.
Hogs.....	Same as live cattle.
Hogs, dressed.....	1st class.
Household goods.....3 times...	1st class.
Harness.....	1st class.
Hay, baled.....	1st class.
Iron.....	1st class.
Lemons.....	1st class.
Meats.....1½ times...	1st class.
Milk (cans to be returned free).....	2½ cents per gallon.
Molasses.....	1st class.
Machinery, no piece over 400 lbs....	1st class.
Machinery, pieces over 400 lbs.....	2 times... 1st class.
Melons, loose.....1½ times...	1st class.
Melons, crated.....	1st class.
Notions.....	1st class.
Oils.....	1st class.
Onions.....	1st class.
Oranges.....	1st class.
Office furniture.....	Same as household.
Potatoes.....	1st class.
Poultry.....	25 cents per crate.
Poultry, dressed.....	1st class.
Pipe.....	1st class.
Ranges.....	1st class.
Stoves.....	1st class.
Tires, auto.....	1st class.
Vegetables.....	1st class.
Wagons (knocked down):	
1-horse.....	\$2.00.
2-horse.....	\$3.00.
3-horse.....	\$4.00.
4-horse.....	\$5.00.
Wheels:	
Auto.....	1st class.
Auto truck.....	1st class.
Buggy.....	1st class.
Wagon.....	1st class.

The rates in this classification seem reasonable. Prior to June 1, 1918, the rates were somewhat lower. The increases were made to meet increased cost of labor and repairs and to provide for adequate depreciation and surplus funds and interest on investment. With

the increases, however, the rates are generally lower than prevailing railroad rates and considerably lower than the rates formerly paid to motor-truck operators in this section.

The association pays its members for all goods lost or destroyed. A charge of 4 cents per gallon is made for hauling cream if the shipper wishes to be insured against loss. If the shipper is willing to assume the risk, the same charge is made for hauling cream as for milk. In case of loss, all cream shipments made at the milk rate are compensated for on a milk basis. If the shipper pays the 4-cent rate, all losses are settled at the market price of cream. Thus far damages to goods have been paid out of the operating revenues. It would seem to be sounder policy to create a special reserve, or claim fund, to provide for such expenses. If such a reserve were created, it should be taken into consideration in fixing rates.

A still better plan than the creating of a special reserve would be to take out sufficient insurance to cover both the trucks and goods in transit in case of loss. The danger in the plan now pursued by the association, and also in a special reserve for claims, lies in the fact that the association is taking too much risk. If the truck and contents were destroyed in a collision or by some other accidental cause, the working capital reserve would be consumed in making claim payments, while the truck, the earning power of the company, would be destroyed. This would probably mean the end of the association. The cheapest and wisest policy would be to carry adequate insurance covering both equipment and goods in transit.

Before establishing any schedule of rates a careful study should be made of the cost of operating a motor truck, including not only the actual operating cost, but also charges for depreciation, reserves to be set aside for additional working capital, interest on investment, various kinds of insurance, overhead expenses, damages, and claims.

RECEIVING STATIONS.

As many of the members of this association live along the main highway traveled by the truck, receiving stations in the country are not necessary. Platforms have been built along the highway, usually the same height as the floor of the truck, thus making it easy to load. On one end of the association's lot at Churchville, a garage and a repair shop are now in course of construction. For the convenience of farmers who live beyond Churchville, provision will be made for a small receiving station in the garage.

To save expenses and time in Baltimore, a responsible man at first acted as agent to receive all goods consigned to association members by Baltimore merchants and dealers, reasonable compensation being paid him. The business moving from Baltimore has grown to such

an extent, however, that the association recently has rented a building which it uses as a receiving station. The station is open every day during the usual business hours, in charge of a clerk who receives a fixed salary. A larger building than was needed was secured with the object of renting space to other truck operators. At present, motor truck lines running in four different directions are using this station. This plan has reduced the association's terminal expenses.

The central receiving station is a distinct convenience to merchants who ship to rural patrons living in different sections of the State.



FIG. 2.—Supplies delivered to city receiving station by merchants being loaded for delivery to association members. The receiving station makes it unnecessary for truck to spend much time in city getting a return load, and at the same time keeps operating costs low.

The merchants can deliver to the one station goods for patrons of the four different routes. To the merchant this means a saving of about three-fourths of the time that would be required to make deliveries to independent stations.

ACCOUNTING METHODS.

The accounting methods of the association require a minimum of clerical work. As milk and cream form the bulk of shipments from the country to Baltimore, a daily milk ticket forms the basis for reporting charges on these shipments. A specimen ticket follows:

A monthly card is made for each member who ships milk or cream. Both daily and monthly tickets are filed alphabetically. A special form which partakes somewhat of the form of a bill of lading has been devised for reporting shipments of other commodities. From the monthly records and ledger accounts, bills are prepared and forwarded to the shipper at regular intervals for payment. Supplementing these forms are a minute book, stock certificate record, cash book, and ledger. As there is nothing unusual about these records, no description of them will be given.

Suggestions to improve accounting system.¹—To motor truck associations which may be formed hereafter, or to private operators; it is suggested that the keeping of driver's daily report cards, daily operating records, and investment records would enable the association to keep accurate records of cost. This information would also prove invaluable in the revision of rates.

Associations should give consideration to the providing of ample depreciation and surplus funds. In the case of the Harford County association, no consideration was given to the establishment of such funds until within the last few months, and even now the amount to be written off as depreciation has not been fixed definitely. The impression frequently prevails that if repairs are made promptly as they become necessary, depreciation will not begin, at least until such time as it is necessary to give the trucks a general overhauling. This is erroneous.

Depreciation of motor trucks varies considerably, depending upon the make of truck, age and condition when purchased, daily care given it, daily mileage covered, and character of roads traveled. On the average truck operating under normal conditions and covering from 40 to 60 miles daily, depreciation should be figured on such a basis as to write off the cost of the truck in from three to five years after purchase.

A surplus fund usually is created by withholding profits from distribution. The purpose of such a fund is to obtain additional working capital. When the association is strictly cooperative and operates as a nonprofit institution, it is necessary to include in operating costs a special charge to establish a surplus fund. As farmers and rural merchants not members of the association see the advantages which their neighbors obtain through the association, they will seek membership. Additional members will mean more tonnage. If the association trucks are loaded to capacity new members can not be admitted, as the stock they purchase ordinarily will not supply sufficient money to buy the additional equipment they will necessitate. By establish-

¹ For the guidance of those who may be called upon to design accounting systems for motor-truck cooperative associations, it is suggested that they carefully study U. S. Dept. of Agriculture Bulletin 178, Cooperative Organization Business Methods.

ing a surplus, funds will be made available to provide additional equipment as the needs of members increase and as new members are admitted. As this association has heretofore operated with a view to meeting current expenses only and not to making profits, consideration should be given to accumulating a surplus. Cooperative associations, as the term is used in its strict sense, do not aim to make profits, their sole purpose being to serve their members. Motor-truck associations which are strictly cooperative in nature should, however, see to it that their rates are sufficiently high to permit of establishing ample depreciation and surplus funds in addition to meeting current operating expenses.

Thus far no systematic audit has been made of the financial records of the Harford County association. To protect it against errors and fraud, provision should be made for audits at regular intervals. To reduce expense, an auditing committee might be appointed from the membership to examine the accounts at frequent intervals, but a disinterested, competent public accountant should be engaged at least once a year. Such action will tend to enhance the credit of the association materially, and frequently the value of suggestions made by the accountants more than compensates for the cost.

BENEFITS FROM THE ASSOCIATION.

LOWER RATES.

As previously indicated, one of the prime reasons for the organization of this association was the increase in rates made by the private truck operator who served the community. The Harford County association, at the outset, was able to establish a rate lower than that charged by the private operator before making the increase which brought about the formation of the association. This could be accomplished because the association does not plan to make a profit, but gives to its members in the form of lower rates the profits which flow from the business which they contribute.

This association is fortunate in that cooperative motor-truck associations escape the high license fee which the State of Maryland requires of operators who haul for the general public. Under the rulings of the Public Service Commission of Maryland, a truck operator extending his service to the public generally and running regularly between certain points on a fixed schedule is regarded as a common carrier. A cooperative motor-truck association is not regarded as a common carrier in the State of Maryland but is classed as a private individual so long as it hauls for its own members exclusively. The difference in license fee is appreciable in Maryland.

As compared with the service rendered by the railroad, the benefits are very marked. Rates on many commodities are decidedly lower. In addition the congestion and embargoes of the past year

would have greatly inconvenienced the farmers and rural merchants if they had been forced to depend on the railroad. Not only does the association afford a cheaper and more convenient service to milk shippers, but they seldom lose any milk cans. Milk shipments made by rail resulted in the loss of many cans each year.

LABOR AND TEAMS OF FARMERS FREED FOR OTHER USE.

Shipping by motor trucks has saved much valuable time for association members. Previously they were obliged to take milk shipments to the railroad shipping points. Except for those more favorably located, this usually meant the loss of the services of a man and team two to five hours every day. At present the association trucks



FIG. 3.—Delivering harrow at farmer's gate. Harrow was ordered by phone a few hours before from a country implement dealer. Milk will be picked up at same time and taken to Baltimore.

pass the doors of many of the farmers each day and pick up their milk and produce. Those living back from the main highway bring their products to the highway only. This saves considerable time. With the present shortage of labor such service means much to the busy farmer, and, even under normal conditions, it is a real economy. One farmer voiced the appreciation of the milk producers generally by stating that they would rather pay from $\frac{1}{2}$ to 1 cent more per gallon for the present service than to return to former conditions. Another dairyman stated that with the present difficulty in securing competent help, he would be forced to discontinue his business if it were not that the association trucks relieved him of the daily haul to the depot.

DESTRUCTIVE COMPETITION ELIMINATED.

This association has effectually eliminated destructive competition. After a private operator of a truck route has established a business, it is not uncommon for him to encounter keen competition which results frequently in both operators being ruined, leaving the community without service. Each member of the Harford County association has a financial interest in the route; he is a part of the association. As a result practically all goods in which members of the association have an interest, which are shipped out of or into the community travel over the association route, leaving nothing to attract a competitor or private operator.

ASSOCIATION SERVES AS A WHOLESALE PURCHASING AND MARKETING AGENCY.

Purchasing for members.—While the association was formed primarily to furnish a means of transportation to the farmers and rural merchants, it has not confined itself to this field. After the association had been in operation a short time it became evident that the same organization and equipment which was solving the members' transportation problems might be used profitably as a purchasing agency. The secretary made a canvass of the farmers to learn their needs. Wholesale dealers in Baltimore offered to sell to the association at wholesale prices if the association would buy in wholesale quantities. It had been observed that the trucks on their return from Baltimore were not loaded to their capacities. As the association could secure better prices on commodities needed by the farmer than could the individual, it was thought that collective purchasing would not only prove profitable to the members but at the same time serve to build up the return load. Accordingly it was decided that purchases for members should be made through the association.

Each member communicates his needs as they arise to the secretary's office. The secretary then ascertains if other members may be in need of the same commodities. The different amounts requested are listed and are bought at wholesale prices in Baltimore and delivered by the association truck directly to the farmer.

Payment for goods bought through the association may be made at the time the orders are given, or at the time of delivery, or the association will carry the accounts and submit them together with transportation charges to the members at stated periods for settlement. Goods not paid for at the time the order is placed or on delivery are bought on the credit of the association, most wholesalers being willing to extend the association credit for limited periods. As each member is required to settle with the association once a month, it can pay such accounts every month. However, the practice of making purchases for members on the association's credit is generally open to question. It would be much better practice for

the association to insist that cash accompany each order, or at least that payment be made on delivery.

At present this collective purchasing is confined to articles the unit cost of which is rather large, such as farm implements, and to commodities which are usually purchased in bulk, such as fertilizers, feedstuffs, and salt. If the farmer prefers, he can make his purchases himself and direct the merchant to send the articles to the association's receiving station. The articles will then be delivered to him. This quick daily service is a great convenience to the farmer. In the midst of the harvest season he may break a part of a machine. He can not purchase the part locally and he has not the time to make a trip to Baltimore, but he can telephone to a large dealer in Baltimore directing him to send the necessary part to the association's receiving station. That same day the truck brings the farmer his part at a very nominal charge.

Last spring over 100 tons of oyster shell limestone were bought through the association at wholesale prices, as well as many tons of other fertilizer material. Each month tons of feedstuffs and salt are bought for the farmers engaged in dairying. One member of the association who owns several shares of stock saved enough last spring by purchasing his seeds through the association to pay for his stock. Another member some time ago wished to secure a gasoline engine and an ensilage cutter. He had inquired of several dealers regarding prices and finally made his wants known to the secretary of the association. The secretary upon inquiry found that two other members wanted the same equipment. Wholesale dealers in farm implements gave a price which meant a saving of \$200 to each purchaser. The value of this collective purchasing is such that farmers who do not sell in Baltimore but who buy large quantities of fertilizer and implements are applying for membership so as to secure the benefit of wholesale prices.

This cooperative purchasing has resulted in full return loads for the trucks. A full return load means reduction in unit cost of operation and this in turn means lower rates. Thus collective purchasing gives association members the benefit of wholesale prices and minimum rates of transportation.

Selling for members.—Recently the association has undertaken to act as a marketing agent for its members. The secretary endeavors to keep in touch with the more responsible commission merchants and wholesale dealers in farm produce with a view to securing the highest prices for members. Settlements are made directly between the shipper and the purchaser. The success of the secretary's efforts is shown by the following illustrations:

During the first week in August, 1918, fresh eggs were quoted on the Baltimore market at 38 to 40 cents per dozen. During the same period on the same market the association secured 43 cents. Poultry

dealers were willing to pay the extra price because the eggs were strictly fresh and arrived in good condition.

Soon after the 1918 thrashing season a farmer member had 1,500 bushels of wheat he wished to market. At that time local millers were not buying wheat. The farmer did not have the time to haul the grain to the railroad shipping point. When the matter was presented to the secretary of the association he arranged to market the wheat in Baltimore, where there was a strong demand. The association trucks were sent directly to the farm. Thus the farmer was able to sell his wheat at a good price and was relieved of hauling difficulties.

In its marketing activities the association makes no attempt to deal with the consumer directly. Milk and cream, which form the bulk of regular shipments to the city, are delivered to about six different dairies. Poultry and farm produce are delivered in quantity to commission merchants and wholesale dealers. By effecting wholesale deliveries and by the use of a receiving station, little time is consumed in the city.

SUGGESTIONS.

A study of the Farmers' Cooperative Company of Harford County, prompts the following general recommendations to communities who may contemplate the formation of a similar association:

1. Farmers' motor-truck associations can be operated successfully in sections which produce in sufficient quantity to warrant daily operation of trucks and which are not more than 30 or 40 miles distant from consuming centers. The quantity of produce for shipment should be more or less constant throughout the year. In the case of the Harford County association, milk and cream form the bulk of the load to Baltimore.

2. Before undertaking the establishment of a farmers' trucking association a survey should be made to determine the adequacy of present transportation facilities, the reasonableness of rates charged, the approximate daily tonnage which will be available for movement in each direction, the character of roads over which the trucks must be operated, the general sentiment of the community toward such an association, the number of persons who would immediately join the association, the amount of stock for which each person would subscribe, and the amount of cash that would be available for purchasing equipment.

3. Care should be taken to make the provisions of the charter or articles of incorporation broad and liberal, so that the association may extend its activities in such directions as may seem desirable at any time without seeking an amendment to its charter.

4. The capitalization of the association should be large enough to permit issuing enough stock to pay for the trucks in cash, to obtain a sufficient amount of cash on hand as working capital, and still have

a sufficient amount of stock unissued to provide for future sound extension of the business. Unless this is done it will be necessary for members of the association to advance money or put up their personal notes so as to secure sufficient funds to begin operations.

5. To provide funds for replacing worn-out equipment, provision should be made for a depreciation fund at the very beginning of the association's activity. A surplus or reserve fund to meet emergencies and to provide for expansion is also highly essential. Insurance on both the trucks and goods in transit should be carried. In accordance with sound accounting these charges should be considered in fixing rates.

6. Only men who have demonstrated business ability in handling their private affairs and who exercise a good influence among the members of the community should be selected for directors. For the secretaryship a man should be selected who has energy, tact, and business ability and who has shown a keen interest in advancing the association.

7. Trucks should be selected only after a thorough and unbiased consideration of different makes. Records of performance and of cost of operation and maintenance of each make, furnished by actual operators of trucks rather than by agents of truck manufacturers, should be carefully considered, together with the present and prospective needs of the association.

8. In the selection of operators merit should be the sole consideration. Fair wages and fair treatment will go a long way toward making the operators contented and satisfied to continue in the association's employ.

9. Rates should be based on a careful analysis of complete, adequate, and accurate information regarding costs.

10. If one terminus of the route is in a large city, during the early days of the association it will be found more economical to rent limited space rather than to attempt to operate a receiving station. After the association has become well established, it should then consider the operation of a central receiving station large enough to accommodate its own needs and those of several other operators. Such a station would prove more efficient and economical than the operation of individual stations.

11. Accounting methods should be simple but sufficiently comprehensive to show the exact financial status of the association at all times.

12. To make the association a real success, each member must feel that the association is his association. In determining matters of policy the interests of the members as a whole rather than as individuals must be considered. Service must be the watchword.