

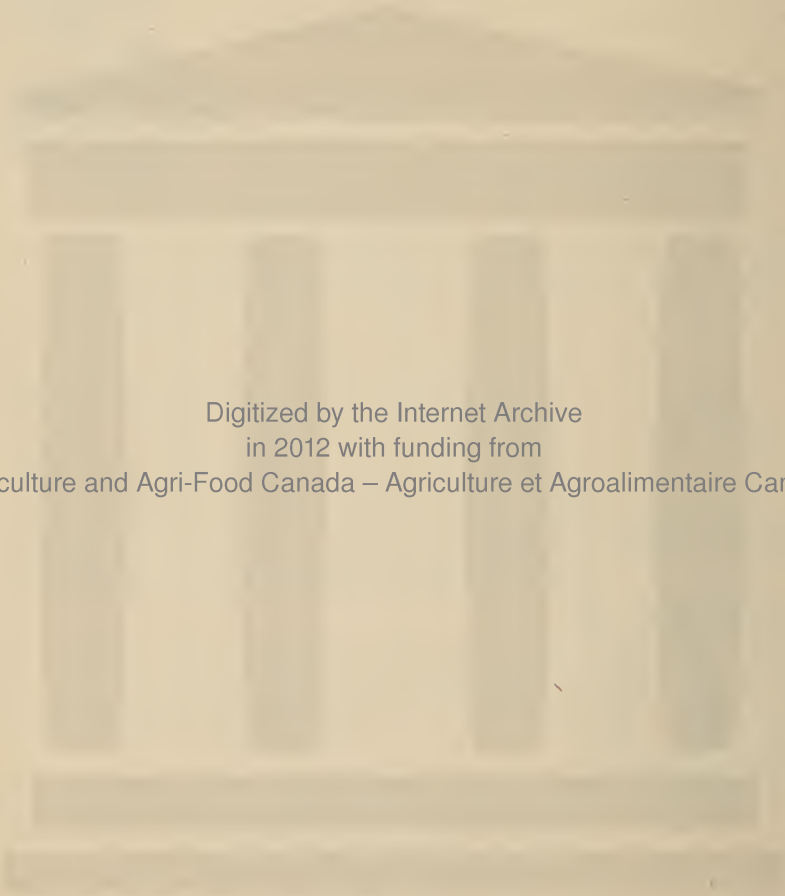
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DEPARTMENT OF AGRICULTURE

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**DAIRY AND COLD STORAGE
COMMISSIONER'S SERIES**



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DEPARTMENT OF AGRICULTURE
OTTAWA, CANADA.
BRANCH OF THE DAIRY AND COLD STORAGE COMMISSIONER.

CO-OPERATION
IN THE
MARKETING OF APPLES

By A. McNEILL.

BULLETIN No. 18.

DAIRY AND COLD STORAGE COMMISSIONER'S SERIES

PUBLISHED BY DIRECTION OF THE HON. SYDNEY A. FISHER,
MINISTER OF AGRICULTURE, OTTAWA,

MAY, 1907.

LETTER OF TRANSMITTAL.

The Honourable

The Minister of Agriculture.

SIR,—I beg to submit Bulletin No. 18, Dairy and Cold Storage Commissioner's Series, entitled "Co-operation in the Marketing of Apples" which has been prepared by Mr. Alex. McNeill, Chief of the Fruit Division of this Branch of your Department. The bulletin presents a very timely subject, and one of much interest to fruit growers. The success which has attended the operations of a number of co-operative fruit growers' associations, already organized in Canada, has attracted considerable attention, and has created a desire for the information which this bulletin is intended to supply. It is important that the true principles of co-operation should be recognized, and accepted by those who propose to embark in any enterprise under such auspices. The mere form of co-operation will not be sufficient; the true spirit of the movement must be present in order to ensure success.

I have the honour to recommend that this bulletin be printed for general distribution.

I have the honour to be, sir,

Your obedient servant,

J. A. RUDDICK,

Dairy and Cold Storage Commissioner.



CO-OPERATION IN THE MARKETING OF APPLES.

By A. McNeill.

INTRODUCTION.

Co-operation is no new thing on Canadian farms. The pioneers, finding that twenty men working together for one day at clearing land could do more work than one man working alone for twenty days, co-operated in logging bees until the necessity for these passed. They still co-operate for threshing grain, for dairy work and to less extent for other purposes. There is no special virtue in co-operation except in certain lines of work. These lines, however, Canadian farmers do not quickly recognize. They apply co-operative methods to some extent in butter and cheese making, but not to the production of bacon, though one cannot see any fundamental reason for the difference. The Danes, our greatest competitors in butter and bacon, co-operate with great success in the production of both. In both industries there exists the necessity for larger quantities of the finished product of a uniform grade, and also the necessity for greater economy in production.

It would be interesting but irrelevant at this time to enquire why these necessities were met in Canada largely by a semi co-operative system for cheese making and for the production of bacon by a factory system, owned and managed exclusively by capitalists in no way engaged in the production of the raw material. It is worthy of note that both systems are developing in the apple industry as the result of a slight difference of conditions in different parts of the country. The most important feature of the new development is a central packing house system. In some cases capitalists own and manage central packing houses, though they are in no way engaged in the production of the fruit.

The purely co-operative apple packing and selling associations in Canada had their origin in the south-western portion of the province of Ontario, and inasmuch as the application of the co-operative method came in the way of a natural development, arising out of the condition of the industry in that section of the country, a brief reference to the origin and progress of apple growing in Canada and the varying conditions of the market for Canadian apples, during the past forty years, is necessary if the circumstances attending the origin of the associations are to be properly understood.

APPLE CULTURE IN ONTARIO.

Forty years ago the Ontario farmer found a ready sale for the fruit grown in his orchard in the local markets, and no part of the farm yielded a more profitable return for the money and labour expended. As new settlers came into the province they adopted the common practice of setting out trees, and eventually the planting of an orchard in the establishment of a farm became as much a matter of course as the clearing of the land or the erection of farm buildings. The varieties to be grown were selected with a view to covering the entire season ranged from early harvest to late winter. A few novelties were almost always added at the instigation of tree agents, whose methods were frequently open to question. The result was a great admixture and confusion of varieties but nevertheless there was an orchard planted on every farm.

In this manner originated during a quarter of a century, the numerous small orchards that aggregate today from 6,000,000 to 7,000,000 bearing trees in Southern and

Western Ontario. The varieties were not selected with care nor were the interests of the individual owners sufficiently important to encourage them to become experts in apple growing. Natural conditions, on the other hand, were very favourable; insects and fungous diseases were at first not numerous; and as long as the local market absorbed the entire product, the multiplicity of varieties was found to be an advantage. About the years 1865-1870, however, the pressure of over-production began to be felt, and in the following five years apples became almost wholly valueless, especially in the thousands of orchards that were somewhat remote from the larger cities.

BEGINNING OF THE EXPORT TRADE.

It was at this juncture that the export trade in Canadian apples, which now aggregates from \$4,000,000 to \$5,000,000 in value annually, began. The price received was at first very low, but the cheap fruit was quickly introduced into the British market, where it was classed with American apples and found ready sale. In a short time the trade became firmly established, and the buying of apples in Canada for the British market, became a regular business with a large number of fruit dealers. The apples in the first few years of the trade, were bought in barrels ready for the market. The inexperience of the farmer in the grading and packing of the fruit, however, and the difficulty of inspecting a large number of small lots, led eventually to a change in the method of buying. Henceforward the buyer bought the apples on the trees and organized gangs of packers who proceeded from orchard to orchard picking and packing as they went. The farmer at first furnished board and lodging for these gangs and often did the picking; of late years this in many cases has been discontinued.

RESULT OF THE EXPORT TRADE.

The immediate result of the establishment of a profitable export trade in apples was that the orchard again became a very profitable portion of the farm. New plantings began to be made, more especially along the Northern shore of Lake Ontario and on the shores of the Georgian Bay. These orchardists, profiting by the experience of their predecessors, exercised greater care in the selection of varieties, the industry being directed almost entirely with reference to the foreign market. The number of varieties was limited in most instances to three or four, while at the same time the average acreage of orchards was increased from three or four to plantations of ten, twenty or even thirty acres. As the new orchards came into bearing, it naturally happened that the more accessible foreign markets began to feel the pressure of the increased supply. The result was that when the phenomenal Canadian and American crop of 1896 was put on the market the demand was again more than supplied; once more apple prices in Canada fell so low that little or no margin of profit remained for the grower, and thousands of barrels in the year named were fed to stock or allowed to rot under the trees.

THE DECLINE OF PRICES.

The extent of the waste of apples in 1896 and succeeding years will be appreciated when it is stated that the apple yield of the Province of Ontario was, on the authority of the Ontario Bureau of Statistics, placed over 12,300,000 barrels in the year 1900; the exports from the entire Dominion for the same year were 678,651 barrels, and as it is hardly probable that more than 4,000,000 barrels were consumed locally, a total of over 7,620,000 is left to be accounted for. Doubtless the most of these were entirely wasted. A feature of the situation which it is important to note, however, was that the waste of fruit was by no means evenly distributed over the Province, but was confined largely to the older orchards. The reason for this was not that the fruit of the older orchards was poorer in quality, or the yield much less abundant, but that the methods of harvesting and selling the crop were too expensive to enable the owners to maintain the contest with their competitors who owned newer orchards. As a result,

reputable buyers practically abandoned all except very limited portions of Southern and Western Ontario, except in years of scarcity. The field was given over instead to irresponsible buyers whose method was frequently to secure the confidence of the growers during one season and defraud them in the following year, many having in this way taken from a few hundred to thousands of dollars out of a single neighbourhood. It is not a matter of wonder that many farmers chopped down their orchards, though for the most part wiser counsels prevailed.

INQUIRY INTO SITUATION.

An earnest inquiry was made at this juncture by both governmental and private authorities to determine why orchard planting should go on with vigour in one part of the province, while in other parts orchards were being chopped down. The conclusion reached was that the requirements of the foreign market were being met by the newer and larger orchards, where the industry was in consequence profitable, whereas it was impossible to fulfil these conditions in the older and smaller plantations.

The most important requirements for successful catering to the foreign demand were found to be four in number, namely:—

1. Large lots of fruit.
2. Few varieties.
3. Uniform packing, grading and marking.
4. The employment of skilled labour.

SYSTEMS OF PACKING AND SELLING.

To meet these conditions a variety of methods are in vogue for each of which something may be said.

- (1.) The grower of the fruit may pick, pack and sell on his own account.
- (2.) The grower sells on the tree, the buyer doing the picking and packing.
- (3.) The grower sells, picking the fruit, the buyer doing the packing.

The selling may be "by the lump" or at a price per barrel with a level price for 1st and 2nd, or a different price for each grade.

The first method does not enable a sufficient quantity of fruit to be gathered to impress the market. The expense of securing a suitable market is considerable and is almost as much for a small quantity as for a large, and there is no opportunity of securing uniformity for larger lots. This method is largely confined to the local market.

The second and third methods permit a larger quantity of fruit being gathered under one brand with some degree of uniformity. But the cost of doing so is excessive and must ultimately be borne by the grower.

The men employed in apple-picking are hired for only a few weeks annually, and it can be readily understood that high wages and indifferent services frequently prevail. It is not uncommon for a single buyer to have ten or fifteen gangs. It is asserted that a well known operator employed at one time 70 gangs working hundreds of miles apart. A proper supervision under such circumstances is impossible. As a result time and money are wasted partly as a necessary result of the methods of working, partly as the result of the class of help obtainable which cannot be trusted except under close supervision.

In 1904 many thousands of barrels of apples were bought at fifty cents per barrel, whereas it frequently cost no less than forty-five cents per barrel to pick and pack the same apples.

In 1905 and 1906 prices for apples were higher but there was no reduction in the cost of packing. It is asserted too by the buyers, that where the apples were bought by the barrel, the growers either by cajolery or bribery induced the packers to put in many inferior apples to increase the number of barrels.

In the older orchards in which varieties covering the whole season were grown, it was also found impossible to visit the orchards at the intervals necessary to pick and

pack the different varieties at the proper stage of maturity. A heavy source of loss, in consequence, was the waste which resulted from picking apples either before or after they were matured, or in allowing them to go to waste entirely. It not unfrequently happens too that the buyer through failure to barrel promptly, and leaving the fruit exposed to sun and frost, caused a partial or total loss. Generally the grower is the immediate loser. In a very few cases does the average farmer have an agreement so drawn as to cover these points and if he does secure judgment, the buyer too often has no assets upon which he can levy.

The method of selling 'by the lump' is very unfair to the grower, inasmuch as the buyer is likely to be very skilful from long practice in estimating the quantity of fruit in an orchard. The buyer and seller are thus not dealing on equal terms. In the few cases where a grower gets more than the orchard is worth he is in the dishonourable position of receiving money for which he has given no equivalent.

Lump buying is also responsible for having placed upon the market an exceedingly poor grade of apple. As has been pointed out frequently the average buyer has poor facilities for disposing of his culls and lower grades. The temptation, therefore, is very strong—too strong to be resisted in many cases—to include inferior apples with the better grades, and to pack everything in the orchard with the hope of getting some price for the poorer qualities. But inspectors under the Fruit Marks Act, have frequently drawn attention to the fact, that the packages upon which they are obliged to make an adverse report were very frequently from these lump orchards.

It is said by the buyers that sometimes when the orchard is bought by the lump the growers are very careless of the fruit after the sale. Stock are allowed to break in and eat all the fruit in their reach. No precautions are taken against theft, if it is not actually invited, nor can the buyers depend in all cases on proper protection in case of frost or other contingency. Of course the buyer is the loser in these particular cases but he provides for this in the average price he gives. The losses therefore in the last analysis do not fall altogether upon those who are responsible for them, but upon the whole body of apple growers who sell in this way.

SELLING BY THE BARREL.

In selling by the barrel the grower is often defrauded by a very simple device on the part of the packer if he does not do his own picking and packing. The packer will set a very high standard for his No. 1's with the result that the grower will find probably not more than ten per cent of his orchard product graded No. 1. The standard of the No. 2's will also be high, making a large percentage of culls. The bargain as understood by the grower, presumed the ordinary grading; but there being no written contract, the buyer usually has his own way. Of course the presumption is that these apples are afterwards re-marked, but if not, they are sent to special customers where their extra quality will secure an extra price.

On the other hand buyers are sometimes deceived by their own packers. These packers by personal friendship or by direct bribery are induced by the grower to put in a poorer quality of fruit than the grade would call for. There is no possibility of a proper inspection by the buyer in most cases, and these packages go forward to the market bearing the buyer's brand that are nevertheless fraudulently marked by his subordinate. The fraudulent nature of the marking is not discovered until it is too late to punish the perpetrator of the offence even if it were possible to identify him. The various packs are mixed in such a way that it is not often that the individual workman can be properly identified. It will thus be seen that the method of buying apples is a hazardous one both for the buyer and the seller and should be replaced by something better.

CO-OPERATION AND THE FRUIT MERCHANT.

In a great many cases the co-operative associations have been vigorously assailed by the apple buyers, and in some cases by the commission merchants. It is taken for granted that the co-operative associations will eliminate the middleman. This is only

partially true. Co-operative associations will reduce the number of middlemen undoubtedly. This is in the interest both of the grower and the legitimate fruit merchant. The middleman who will be dispensed with is in most cases unnecessary to the legitimate fruit merchant, as well as to the grower. The co-operative associations do not aim to sell to the consumer direct. They appreciate the fact that there is an absolute necessity for the fruit merchant to come in direct contact with the consumer. Their only object is to reach this fruit merchant as directly as possible. This direct selling will undoubtedly prove a very great benefit to growers, merchants and consumers. A secondary object of the co-operative association is undoubtedly to prevent an unscrupulous buyer from playing off one weak-kneed grower against his neighbour for the purpose of lowering the price of the fruit below its actual value.

THE VALUE OF A GUARANTEE.

Confidence in the uniformity and honesty of the quality and grading of the fruit is the basis of successful trade. The buyer must be perfectly confident that the box which he is getting is exactly as the markings upon the outside would indicate, and the package should be so marked that it would describe accurately the fruit which it contains. It should also have marks to indicate whether the packer or the shipper was to blame. It is of course distinctly understood that where the fruit is not as represented for any reason, the association will make good. A guarantee of this kind that is faithfully carried out will require of course protection on the part of the association. They will have to adopt devices against unscrupulous buyers who may make false reports. Wherever it is possible a trusted individual makes personal examination. Where that is not possible the fruit is taken out of the hands of the person complaining, immediately and completely, even where it is sold for less than the person complaining is willing to give for it. By making this rule, trivial complaints are not likely to be made. Until the brand becomes well known it is certainly a good advertising device to place a slip in each package stating clearly the association's guarantee. These slips may in all such cases carry the number of the packer as well.

SELLING BY COMMISSION.

There are different methods of selling fruit. The perishable nature of fruit and the uncertainty in the quantity and in the quality of it until it is packed ready for market, makes it very difficult to sell except by consignment. Consigning fruit is a necessary evil as the fruit trade is organized at the present time. One of the objects of organization among fruit growers, is to do away with this method of selling except to a very limited degree. It is perfectly true that there are many reputable commission merchants whose record for fair dealing is unimpeachable. On the other hand, there is scarcely a fruit grower in business to-day who has not suffered severely in consequence of too great a trust in the commission business. It is absolutely impossible for the average fruitgrower to tell whether he has been dealt with fairly or not. He cannot audit the accounts nor follow his fruit to the next purchaser, and he is practically obliged to take the word of the commission man for all facts connected with the sale of his fruit. He says in fact to the commission man, here is my fruit, give me what you please for it. It would be strange indeed if some commission men did not yield to the temptation and send returns far below what was received for the fruit. It is not a question of the responsibility of the commission merchant. His standing may be high in financial circles, but if he wishes to be dishonest he need not want for a plausible excuse to return almost any sum to the grower. The first device is to report the fruit arriving in bad condition. This is usually accompanied by a request for instructions how to deal with the fruit. The fruit grower hundreds of miles away and exceedingly busy with the remainder of the crop, can only reply, do the best you can with it. Not unfrequently the commission merchant even reports that the sales did not equal the charges and asks the fruit grower to remit a further amount.

But presuming that the commission man is perfectly honest and has done his best with the fruit, the system is yet a very bad one. There is no regulation of the amount of fruit which is shipped to any particular point. There may be twice or three times as much fruit as the market can absorb at profitable prices, yet the commission merchant is obliged to lower his price until his sales take place.

The evils are still worse where the commission merchant also buys upon his own account. Then he is sure to push his own goods first and hold the goods sold on commission for the poorer market, probably after it has seriously deteriorated by the delay in selling.

Another evil has been frequently commented upon. Goods on consignment can be used very effectively to undermine the trade of a competitor not in the same combination with the commission merchant. It frequently happens that a stranger appears in the city with a few car loads of fruit which he endeavours to sell. This of course is an invasion of the territory of the merchants already established there. But if they were obliged to meet the competition of this new comer with their own goods, they might hesitate before they lowered the price so as not to yield a profit. But where they have goods on consignment they have no hesitation in forcing this upon the market with the object of lowering the price below the legitimate point upon the newcomer's fruit.

These evils alone would be sufficient to condemn sales upon consignment. All these evils are intensified where the sales are made by auction. In such cases not unfrequently there is an easy combination of buyers that limits the price so as to give them an unwarranted profit on their sales.

SELLING BY TENDER.

Selling by tender is an excellent plan after a reputation has been established. This plan is adopted by the Hood River (Oregon) Apple Growers' Union, and also by some of the Ontario associations. This method is only possible where the organization is fairly perfect. The manager must know very definitely the quantity of fruit which he has for sale, and the quality of it. Of course this would be impossible without very stringent rules, both as to the growing of the fruit and the selling of it. It is reported that the Hood River people selling by this method have been able to raise the price of their apples from eighty cents per box to \$2.00 per box.

It takes a number of years to secure an organization as well as a reputation, consequently this is probably not the best method of selling for new organizations.

DIRECT BUYING.

Whatever method of disposing of the stock is adopted, it may be taken for granted that the only safe way is to sell at the point of production.

A more serious defect of all these methods is that the interest of the buyer in an orchard does not continue from year to year and does not begin early enough in the season to permit him to improve the crop in any way.

The methods of harvesting and selling account in some degree for the want of improvement in orchard culture in all its branches. This want of improvement is of course intimately associated with small profits. Indeed so small have been the returns from certain sections of the country that in years of low prices, thousands of bushels of good apples, and those that might have been good with proper care, have been allowed to go to waste.

INTRODUCTION OF THE CO-OPERATIVE METHOD.

It was with the object of providing at least a partial remedy for the evils above referred to that the co-operative method of selling apples was first adopted. The experiment has been to a certain extent successful. In Ontario the original purpose of organization was for the combining of a number of small lots of fall apples into car lots for shipment with the object of securing thereby a reduction in freight charges. Each

member of the original associations graded and packed his own apples, while the selling was entrusted to one of the members having a business connection in Western Canada, or some of the large commercial centres. The adoption of this method was the means undoubtedly of securing a considerable saving to the producer, but it was only a partial remedy, and related only to one of many evils, namely, a high freight rate. Among the disadvantages which it failed to mitigate were, a lack of uniformity in grading that militated against good prices, and the absence of general interest among fruit growers and of incentive to secure many much needed improvements. It was decided therefore by the pioneers of the movement to obtain more formal organization and added definiteness of aim by incorporation. It was found in the case of Ontario, where the movement for co-operation originated, that legislation sufficiently comprehensive in character to meet the needs of the situation was already on the statute books of the province in the form of an Act passed in 1900 to provide for the incorporation of co-operative cold storage associations, and up to the present time no additional legislation has been sought with the exception of one or two amendments to the Act passed during the present year to secure its adaptation to the requirements of the developed form of the association.

CO-OPERATION IN PACKING.

It is proposed to substitute for the ordinary methods mentioned above, co-operation in packing as well as selling, and incidentally in any other phase of apple growing that will lend itself readily to this mode of operation. The following advantages will be gained by the adoption of co-operation :—

- (1) Large stocks will be controlled by sellers who will act as a unit.
- (2) Uniform packing, grading and marking will be practiced.
- (3) A reputation associated with a permanent brand or trade mark will be established.
- (4) The cost of picking, packing and marketing will be reduced.
- (5) Fruit will be picked and packed at the proper time.
- (6) Less common varieties will be utilized.
- (7) Storing facilities will be better provided for.
- (8) Direct selling at the point of production will be encouraged.
- (9) Packages will be bought in large quantities or manufactured on the premises with a material reduction in cost.
- (10) The placing of the purely commercial part of the industry in the hands of competent men whose interests are connected with those of other members of the association.
- (11) Spraying by power outfit, co-operatively, will in most cases be adopted.
- (12) The manager and the better growers among the patrons will have every inducement to stimulate the less progressive members to better work.

LARGE QUANTITIES.

The influence of what merchants call "long lines" is seldom appreciated by the producer. The cost of selling is almost as great for a small quantity of produce as for a large; but the commission on a hundred barrels is ten times the commission on ten barrels. It is easy to see the incentives that prompt merchants to look for long lines of goods. Again the large quantities give a customer a choice. It also gives the merchant an opportunity to sell upon sample. Nothing offers a greater hinderance to sales than new or unknown brands. Retailers are obliged to make an individual explanation for each sale in such cases.

UNIFORMITY IN PACKING AND GRADING.

Of course the value of large stocks is lost if the sample is not perfectly uniform throughout. Hence the necessity of having apples not only in large quantities, but uniformly packed and graded. This can be secured only by co-operation, when the fruit is grown in small orchards.

REPUTATION.

With large quantities of any particular article uniformly marked and packed, a reputation is very soon established, and even if the quality is not the highest it will secure a price much above small lots that are not uniformly even, though of higher quality than the other. Under the co-operative method there is every incentive to maintain this uniformity in packing and grading, and to better it if possible. Under the ordinary system of buying and selling, the whole machinery of commerce from the tree to the markets, offers inducements for fraudulent packing and marking. The manager of a co-operative concern is personally interested in securing the uniformity of marking and packing. But of more importance than this, is the fact that he has the power by means of the central packing house system and a direct personal oversight of all the work of the packers to enforce uniformity, not only for a single season, but from year to year. It is not too much to say that the extraordinary prices procured by the growers on the Pacific coast, is the result largely of a reputation for perfect uniformity in grade and marking. It must be added at once, however, that the only grade shipped is that of practically perfect fruit; but the quality of it tested either by the eye or by the palate is certainly not better than the same grade grown in the east. If there were no other inducements than simply the securing and preservation of a reputation for a brand, co-operation would justify itself.

ECONOMIES IN HARVESTING.

The history of Canadian orchards presents hundreds of examples of wasted fruit, because the varieties were not grown in sufficiently large quantities to pay for picking and packing at the proper time by the ordinary methods. For years the Red Astrachan, Duchess, Colverts and Jennetings have been allowed to go to waste in nearly every orchard in western Ontario. It would be too much to say that the only reason for this was want of organization; but it is well within the mark to say that organization in co-operative societies would have made it possible years ago to harvest these varieties at a profit. During the seasons of 1904, 1905 and 1906, the Fruit Division has received numerous letters from growers of these earlier varieties complaining that they could find no market for their fruit at a profitable price. During the same seasons the co-operative societies in Chatham, Forest and Walkerton were selling these varieties for a price, all things considered, equal to the best winter varieties. One large grower having from two to three thousand barrels of Duchess for sale says, that he has never found any difficulty in selling his output at good prices. All these facts emphasize the importance of the economies which can be practiced by dealing with large quantities. Even the less common varieties of summer and winter fruit become under the co-operative system a marketable product.

ECONOMIES IN PACKAGES.

Following directly upon co-operation in selling, comes co-operation in buying packages. Packages form a very important part of the fruit business. The cost of these is often twenty per cent and even twenty-five per cent of the value of the fruit which they contain. It is therefore of the utmost importance that every economy in connection with these should be practiced. The co-operative methods enable these to be produced at a minimum cost; the quantities needed can be more accurately estimated; the orders can be given earlier in the season; both these considerations are conducive to the interests of the cooper. He can buy his stock in the best market, can keep his men employed for longer periods during the year, and, perhaps more important still, he can rely upon the contracts which he makes with these associations.

STORING FACILITIES.

It must be taken as a fundamental principle in the production of apples, that each variety should be harvested and placed on the market when it is mature. This, how-

ever, must be modified to the extent of saying that occasionally it is desirable to hold for a few days in the case of early and fall fruit; and it is desirable to hold winter fruit so as to supply the market as late as possible. It is therefore with no thought of holding early varieties for long periods, that storehouses are suggested. Nevertheless large quantities of fruit cannot be properly assembled and prepared for shipment without storehouses and packing sheds involving the expenditure of comparatively large amounts of capital. These storehouses and packing sheds have not been provided at the points of shipments under the present system of buying and selling apples; and it is fair to assume there never will be, notwithstanding the importance of such buildings. The matter becomes easy under the co-operative system. It is one of the best evidences of the permanency of this co-operative movement, that we can point to excellent storehouses and packing sheds in the case of all older associations; and it can be taken for granted that ample storing facilities will be a feature of every one of the successful associations.

SELLING AT THE POINT OF PRODUCTION.

Closely connected with this matter of storehouses is the very important one of selling at the point of production. Too much cannot be said for this method of doing business. It is desirable both for the grower and for the fruit merchant. That it has not been adopted in Canada is solely the fault of the producer. The fruit merchant cannot be expected to travel long distances involving large expense, upon the mere chance of getting something that will suit his trade. He must have a certainty of large quantities of uniformly graded goods, packed in standard packages, designated by thoroughly reliable grade marks. These cannot be furnished under the present system of apple selling. It can be accomplished by co-operative methods. Already more than half the co-operative associations sell their entire product directly from the packing houses, receiving the cash before the goods are shipped. Fruit is so perishable in its character that it becomes necessary to deal with it on a somewhat different basis from ordinary staple commodities. If fruit is moved from the original packing house without a definite agreement as to the price of it, the shipper is at the mercy of the consignee. It cannot be held at the market end, and in very few cases can the representations of the dealer to whom it is consigned be effectively examined; the shipper has simply to accept whatever the seller remits. Hence the necessity of having all questions of price and quality settled before the goods leave the shipping station, because it is only then that buyer and seller are acting upon terms of equality. At that point the seller can accept or refuse an offer without jeopardizing the condition of his fruit. The buyer is equally free to accept or refuse an offer without running risks with reference to quality and condition. The co-operative method promises to make possible the sale of apples at the point of production, a reform which will enable apples to be placed before the consumer at a very great reduction in price.

UTILIZING THE BEST BUSINESS ABILITY AMONG THE GROWERS.

It is a matter of common observation that ability varying in character is developed to a very different degree in different men. It is saying much in favour of co-operative methods that we can utilize the highest ability of each man in his special line. The ability to grow excellent fruit may not be associated with the ability to sell it; and it is quite possible the contrary of this is true. A co-operative organization enables the man with the ability to sell fruit and to manage business concerns, to take charge of the business end of apple growing, leaving the others skilled in the growing of fruit to follow their bent. This may not seem important at first sight, but a careful survey of the apple industry shows that there is a marked deficiency in business methods of the growers. In few industries are all rules of the commercial world so persistently ignored. It is not too much to say that one of the chief benefits of the co-operative movement will be to place the business men among the apple growers at the head of the concerns.

THE INFLUENCE OF THE MANAGER.

This consideration should be one of the strongest inducements for co-operation. Its value is certainly underestimated if not altogether overlooked.

It has often been pointed out that under the present system of buying and selling, the buyer has no incentive to improve the product of the individual grower. There is only a remote possibility of his buying the same orchard two years in succession because his inducements do not bind the orchardists to him personally. If he did secure any improvement either by advice, the investment of money, or in any other way, none of the advantages would accrue to him. He therefore does nothing to improve methods, although from his position as a middleman, he is frequently most competent to give useful information. Not so with the manager of the co-operative association. In most cases he possesses not only the best business ability, including the same information as the ordinary apple operator, but at the same time he is a thorough fruit grower. Unlike the buyer he has a direct interest in the improvement of the fruit and therefore he takes advantage of every opportunity to induce his patrons to improve their methods. His reputation as a manager is at stake and it is therefore reasonable to suppose that the ability which placed him at the head of the association will be exercised to improve the product of the organization. His patrons remain with him from year to year. Of necessity he suffers from the mistakes of each, but the nature of the business makes it necessary for him to meet them frequently, giving him ample opportunity to admonish and advise on the defects noticed.

INFLUENCE OF THE BETTER GROWERS.

The manager will not be alone in striving to improve the product of his individual patrons. He will have the help of his best patrons in the general improvement of all. The reputation of the fruit and the price following it depends in the last analysis upon its quality. If therefore, the patrons who grow good fruit can improve the quality of their neighbours' fruit, they are directly benefiting themselves, which, considered with the fact that they are benefiting their neighbours, becomes a powerful incentive towards the improvement of the product. It is not remarkable, therefore, that there has been a very great improvement in the fruit grown by the members of the co-operative associations already established.

The benefits which have accrued to the dairy interests by the adoption of co-operative methods have often been cited. Although it is true that Canadian dairymen have in a very large number of instances indeed departed from the true co-operative principles, they have adopted the best methods of these principles in the factory system of making butter and cheese.

FRUIT AND DAIRY PRODUCTS.

Co-operation in apple packing corresponds to cheese and butter making by the factory system, and it may be reasonably expected that the same benefit will follow its adoption. Indeed the apple and dairy industries have so many things in common that the analogy becomes almost an identity. Both industries are incidents of the system of mixed farming likely to be followed in Canada. It is hardly conceivable that milk will be produced at one point in large quantities on a scale comparable to the manufactures of wood and iron. Ten, twenty or even thirty cows to the farm may be kept with profit. More than this will require a rare combination of skill and favourable conditions to yield a dividend. It is equally certain that the small apple orchard of five or ten acres will be the rule in this country, although it must be conceded that the large orchard is more likely to be successful than the very large dairy. In both industries the individual interests in the raw material are likely to be small, and producers, therefore, cannot profitably follow their finished product to a distant market. There is then an equally strong incentive in each industry for co-operation, which has been acted on in the case of dairy products but only to a small extent in the apple industry.

CO-OPERATION IN OTHER LINES.

The co-operation movement cannot be stopped simply at the selling point. It will extend certainly to nearly all the work connected with apple production. It has already developed in the direction of co-operative spraying, co-operative packing and the storing of apples as well as the co-operative buying of packages. It is therefore confidently to be expected that where co-operation in the apple industry has proved successful, it will be a comparatively easy matter to introduce co-operative methods in other lines. There is still much to be done in perfecting the co-operative system in connection with dairying. The poultry industry is one that might be developed to enormous proportions in Ontario, in connection with fruit growing and dairy interests; and yet it is almost impossible that the poultry industry can succeed except by the introduction of co-operative methods in the selling of poultry products, as well as in the development of poultry stock. Having developed the true co-operative spirit in these branches of farm work where co-operation is comparatively easy, we may then hope for co-operative methods in bacon production with the certainty of great improvement in the quality of the product as well as in the profits to the farmer.

VALUE OF ORGANIZATION.

The successful orchardist that always sells better than his neighbour, sometimes hesitates to throw in his lot with his less progressive neighbour. He feels that by averaging with such he is lowering the price to himself. Such is not often the case. As a matter of fact, his less progressive neighbour by his want of knowledge of markets and possibly of the relative merits of his own products, is an easy victim for the shrewd buyer, and sells his output often below the market value. After a few actual deals of this kind have been closed, it is almost impossible for the best sellers to realize proper prices. Every well informed grower has had experiences of this kind which emphasize the fact that the only way to secure proper prices, is to place the selling of the whole as far as possible in the hands of skilled salesmen. Thus the growers who lack the commercial instinct are protected from the wily ways of the apple buyer, and the best salesman will be able to improve his prices.

The members of the co-operative association in Ontario sold the greater portion of their crop for 1906 at \$2.25 per barrel. Many of the outside growers did not succeed in selling their earlier varieties at all, and on any sales they did make, they did not secure more than \$1 per barrel, the equivalent of \$1.50 free on board. One apple buyer reported that he had secured two thousand barrels in Southern Ontario at fifty cents per barrel. The only explanation for this is want of organization among the growers.

ORGANIZING AN ASSOCIATION.

To organize an association is a comparatively simple matter. It is expected of course that the whole subject has been discussed in the neighbourhood and that the expediency of organizing is conceded. In such cases a preliminary meeting is usually held for the purpose of selecting officials. The officers that are usually appointed are a president, vice-president, secretary and treasurer, together with five or more directors. Sometimes the office of secretary and treasurer is combined. It will be found better, however, to combine the office of secretary and manager. It is desirable that all the officers should command the confidence of their fellow fruit growers. Perhaps the most difficult office to fill would be that of manager, nevertheless it is a matter of experience that men who have made a success of their own business by generous methods, do not fail when they are placed in charge of a co-operative association. Having decided upon the officers, the next step is to secure incorporation. The exact steps for this purpose will be somewhat different in each province. The secretary should write to the Provincial Department of Agriculture asking for information with reference to the incorporation of apple sellers' associations, and he will receive full instructions how to proceed. In British Columbia incorporation will probably be under the Agricultural

and Horticultural Society's Act. In Ontario the Co-operative Cold Storage Association's Act will be available. There is no special Act for such societies in the Maritime Provinces; but the General Stock Company Corporation Act will cover the case, though the fees are larger than in the case of Ontario and British Columbia.

In the appendix will be found samples of constitutions and by-laws suitable for the organization of co-operative associations. Of course in all cases the constitution and by-laws must be in accordance with the Act under which the association is incorporated. With this limitation the provisions of the constitution and by-laws may vary to suit the circumstances of each particular case. In Ontario most of the co-operative associations have a constitution and by-laws similar to that of the Forest Fruitgrowers and Forwarding Association which is given in the appendix. It will be noted that the by-laws in this case anticipate trade in apples only. The constitution and by-laws of the Kelowna Association of British Columbia, given also in the appendix, will furnish hints in the case of associations that may wish to handle general produce. The appendix also contains the constitution and by-laws of the Island and Gypsum Fruit Company of Ohio. This will exemplify the methods of a very successful company handling all classes of fruit, but more especially peaches and grapes.

Of course where the business is small it is quite possible to ship and sell co-operatively without incorporation if the members have perfect confidence in each other and in their manager. It may be expedient sometimes to delay incorporation until such time as a larger business would warrant it.

The advantages of incorporation are evident. Until the association is incorporated some one member must be legally responsible for all obligations connected with the business, but may not legally be able to get the usual compensations that go with such responsibility. A claim for breach of contract or for damages might arise through no fault of the one who took the responsibility. He would not only have to go to the expense of defending the suit, but also would have to depend on the generosity of his associates for re-imbursement. The risk is not great when the business is small and all the members well known to each other. Incorporation, however, costs nothing practically, and places the responsibility where it belongs, on all in proportion to the benefits derived.

GENERAL PRINCIPLES.

DIVISION OF PROFITS.

No dividends on stock greater than the rate at which money could be borrowed should be paid. This is only another way of saying that the association should be purely co-operative. All money received should be paid out to the shareholders in proportion to the fruit shipped by each, less the actual expenses incurred in operating the association. A concrete example will illustrate the justice of the principle. Two growers have each one share of stock. One ships one hundred barrels of apples, the other a thousand barrels, bringing equal prices. The association makes a charge, let us say, of 15 cents per barrel for selling, but the actual cost is found to be only 10. There will thus be a surplus from the shipments of the two men of 5 cents per barrel or a total of \$55. If it is divided according to stock, that is if dividends are declared, then each gets \$27. This would be a manifest injustice to the shipper of the thousand barrels. He should receive \$50 and the other shipper \$5.

Sometimes the excuse is made that more capital is required than can be conveniently raised on stock among growers, and that outside capital can be most easily secured by selling shares to non-growers. This is a mistake. Outside capital cannot be induced to invest in co-operative association stock, and should not be expected to, except on the promise of dividends. If these dividends never exceed the usual interest on money, then there is no injustice done. But it is the history of associations having such shareholders that sooner or later they join forces with the fruit growers in the company whose shareholders' interests are larger than their fruit interest, and gain control to manage

all the operations to make dividends. When this occurs, all or nearly all the direct money advantages of co-operative associations accrue to the capitalist and not to the fruitgrower as it should.

If outside capital is needed, it is better to secure it on the credit of the association and its assets, paying for it at the regular rate of interest, which will appear in the accounts as one of the expenses of managing the association.

Bankers usually prefer to make loans on the personal notes of the directors, who have the management of affairs in their hands and can thus protect themselves from loss.

All members should be bound to ship their fruit through the association. This may be done in two ways. First, by having a clause in the constitution, or by laws binding the membership so that no sales can be made except by the association, and second, by a special contract. The binding clause should be inserted in the by-laws of every association, even when it is deemed expedient to use the special contract. The latter is somewhat more easily enforced, but is apt to be neglected. The contract clause in the by-law established the principle and membership will imply the contract.

Too much stress cannot be laid on the value of the contract. Without it the manager does not know what he has to sell. He is not safe in arranging for sales ahead, as he may not be able to fill his contract. This uncertainty would deprive the association of the great advantage of arranging with the best class of customers in advance.

The contract is necessary because of the many influences that will be brought to bear to divert the fruit of members into the hands of outside operators. There are many men who derive very large incomes by levying toll for small services between the growers and the regular fruit merchants. Such men will offer extra inducements, such as a price above what the market would warrant, for the purpose of introducing discord into the association and breaking it up if possible. In Nova Scotia it is said that the co-operative movement has been greatly impeded by agents for transportation companies and British selling firms. These men get a rebate on all fruit that they can divert to particular steamship lines and selling agents, and naturally do not like to lose this income as they most certainly would if co-operative principles were adopted. In Ontario the apple buyers have so long enjoyed a revenue from this industry for a few weeks work each year, that any invasion of the selling end of the apple business by the co-operative association, looks to them like a destruction of vested interests. For want of the contract clause some of the Ontario associations saw some of their best growers dispose of their fruit outside of the organization. Some of these found out later in the season that they did not get as good a price as they could have secured through the association. In some cases they individually got slightly more. But if the association should be broken up, the little advantage they get this season will be lost many times over in succeeding years. It is not even good business to desert a co-operative association having once joined. Neither is it honourable, inasmuch as the losses in the aggregate to all the members may be many times the gain to the deserter.

SURETIES.

For officers and directors, choose only men whom you can trust. Officers such as the treasurer, or the manager who have the handling of large sums of money will inspire confidence by insisting on giving the usual sureties whether the patrons ask for this or not. There are few positions of trust in the business world where such a guarantee is not required. If the association does not take guarantees from outside parties, it must be prepared to take the risk itself. This can be done in most cases with safety and economy. The value of the personal element in the case can be estimated more accurately by the association than by the outside company.

AUDITING.

In all cases and under all circumstances there should be the most careful auditing of the work by competent auditors. Every member of an association should try to

make himself familiar with the details of the business. He should remember, however, that bookkeeping and the auditing of books is as much a profession as fruit growing. Therefore whether in his estimation the books are right or wrong, he should withhold his judgment till it is confirmed by men of ability who have made it their business to examine into the correctness of books.

CO-OPERATIVE BOOKKEEPING.

Co-operative bookkeeping does not differ in general principles from bookkeeping of any other kind. Many associations, however, will have its bookkeeping done by those who have had little experience in bookkeeping involving the interests of others than themselves. To such it may be said that every material fact should be a matter of record. Contracts should be in writing. Verbal agreements should be confirmed by letters. An entry should be made immediately of money paid and received. Receipts noting exact amounts or quantities should be taken and given for money or produce interchanged. Whenever a transaction is at all complicated a written statement of all the facts should be on record in addition to the bare entries in the regular accounts.

It will usually be found that much time is saved and more satisfactory work is done by having printed forms for receipts, stock lists, packing table records, etc. In the case of receipts for fruit they may be padded so that a carbon paper between two leaves will give duplicates, one of which can be filed at the office and the other given to the patron.

It will usually pay an association to consult an expert accountant who will suggest books and forms to suit the special needs of the circumstances. Each association has something peculiar in its mode of working that needs a special provision, but no device will take the place of conscientious carefulness on the part of the bookkeeper and a record of all material facts.

APPENDICES.

APPENDIX 1

The following Co-operative Associations were in successful operation during the season of 1906 :—

ONTARIO CO-OPERATIVE ASSOCIATIONS.

Name of Association.	Name of Secretary or Manager.
East Lambton Fruit Growers' Association.....	W. J. Seymour.
Belleville Apple Growers' Co-operative Association..	F. S. Wallbridge, Belleville.
Brant Packing Association.....	F. M. Lewis, Burford.
Bruce Fruit Growers' Association.....	A. E. Sherrington, Walkerton.
Burgessville Packing Company.	S. R. Wallace, Burgessville.
Burlington Fruit Growers' Association.....	Clarence Emigh, Burlington.
Canadian Apple Exporters, Limited.....	W. H. Dempsy, Trenton.
Chatham Fruit Growers' Association.....	W. D. A. Ross, Chatham.
Dunwick Co-operative Association	R. Campbell, Cowal.
Forest Fruit Growers' and Forwarding Association..	D. Johnson, Forest.
Georgetown Co-operative Association.....	F. J. Barber, Georgetown.
Grimsby Fruit Growers', Limited.	J. D. Biggar, Grimsby.
Ilderton Fruit Growers' Association ...	E. T. Caverhill, Ivan.
Newcastle Fruit Growers' and Forwarding Association.....	W. H. Gibson, Newcastle.
Meaford Fruit Growers' Association.....	Dr. J. D. Hamill, Meaford.
Norfolk Fruit Growers' Association ...	Jas. E. Johnson, Simcoe.
Oakville Fruit Growers', Limited.....	W. R. Davis, Oakville.
Orillia Fruit Growers' Association.....	R. A. Lehmann, Orillia.
Oshawa Fruit Growers', Limited.....	Elmer Lick, Oshawa.
Owen Sound Co-operative Association.....	W. P. Telford, Owen Sound.
Parkhill Farmers' Growers' Association.	Wm. Leary, Parkhill.
Georgian Bay Fruit Growers' Association ..	J. G. Mitchell, Thornbury.
Sparta Fruit Growers' Association.....	J. A. Webster, Sparta.
St. Catharines Cold Storage and Forwarding Company, Limited.....	R. Thompson, St. Catharines.
Ingersoll Co-operative Fruit Growers' Association...	J. C. Harris, Ingersoll.

BRITISH COLUMBIA CO-OPERATIVE ASSOCIATIONS.

Okanagan Produce Association, Limited	Thos. G. Wanless, Vernon, B.C.
Chilliwack Farmers' Exchange, Limited.....	Chas. W. Webb, Chilliwack, B.C.
Kaslo District Horticultural and Fruit Growers' Association	D. Wm. Cockle, Kaslo, B.C.
Mission Fruit Union.....	P. E. Lazenby, Mission, B.C.
Hammond Fruit Growers' Union, Limited.....	N. G. Knotts, Hammond, B.C.
The Kelowna Farmers' Exchange, Limited.....	C. Quinn, Kelowna, B.C.
Armstrong Farmers' Exchange, Limited.....	O. D. Ranks, Armstrong, B.C.
Kootenay Fruit Growers' Association, Limited.....	D. C. McMorris, Nelson, B.C.
Peachland Fruit Growers' Association, Limited.....	R. J. Hogg, Peachland, B.C.

'Farmers' Exchange' in course of organization at Salmon Arm B.C.

APPENDIX 2.

THE FOREST FRUIT GROWERS AND FORWARDING ASSOCIATION.

CONSTITUTION.

1. This Association of Fruit Growers shall be known as 'The Forest Fruit Growers and Forwarding Association.'
2. The object of the Association is the better production and sale of fruit grown by its members.
3. The Annual Meeting of the members of the Association shall be on the first Monday in December in each year; Special Meetings may be held at any time upon the call of the President by written notice.
4. At the Annual Meeting the Directors of the Association shall be elected.
5. At any meeting of the Directors a two-thirds representation of the Directors shall constitute a quorum for the transaction of business.
6. The Officers of the Association shall consist of a President, Vice-President and Secretary-Treasurer.
7. Immediately after the Annual Meeting and the election of Directors it shall be the duty of the Directors to elect Officers as named in by-law six, the President and Vice-President to be chosen from the Directors.
8. The President or in his absence the Vice-President shall preside at all meetings of the Association. In the absence of both a presiding officer shall be chosen from those present.
9. The Secretary Treasurer shall keep a record of the proceedings of all meetings of the Directors and the Association. He shall also keep a record of all the receipts and disbursements of the Association.
10. Any Fruit Grower within a radius of eight miles of Forest shall be eligible to become a member by a two-thirds vote of the Directors of the Association.
11. The constitution or by-laws may be amended at any regular or special meeting upon a two-thirds vote of the Directors.

THE FOREST FRUIT GROWERS AND FORWARDING ASSOCIATION.

BY-LAWS.

1. The Board of Directors shall meet semi-monthly or monthly or at the call of the President, such meetings not later than July 1st of each year.
2. It shall be the duty of all officers to attend regular or special meetings of the Association and hold office until their successors shall be elected.
3. When a vacancy shall happen by death or resignation in any of the offices, it shall be filled at the next regular or special meeting.
4. At the annual meeting of the Association in each year the President shall render a statement of the business of the season in full.
5. Each and every member of the Association shall pick his fruit in prime condition and deliver same at Packing House or shipping point,
6. An Inspector or Manager of the Association shall be appointed by the Directors to supervise the work of grading and packing of the fruit of the Association, the salary of the said Inspector to be determined at the time of appointment.
7. The Manager shall give personal instructions in their orchards to every shipper shipping through the Association how to grade and mark their fruit according to the Fruit Marks Act.
8. That he will see to the ordering of, and securing of cars, and will obtain whatever necessary Refrigerator cars, which he sees are properly iced.

9. He shall keep in constant communication with the Salesman, and shall receive orders and communicate them to the members of the Association.

10. He shall see to the making up of Car Lots and notifying members when to pack and deliver fruit at Packing House or shipping point.

11. He shall keep a record of name and grade of fruit of each shipper in each car and forward a copy to purchaser.

12. He shall also inspect a certain number of each shipper's barrels in each car and immediately before shipment in order to ascertain if the Fruit Marks Act has been carried out, and if he finds that any shipper has intentionally disobeyed the Fruit Marks Act he shall be refused acceptance of fruit and held responsible for space in car.

13. It is agreed that shipper shall be responsible for space ordered in car whether he fills it or not.

14. If the Inspector disagrees with shippers regarding grade apples, for the settlement of such disagreement he shall choose one Director, the shipper one Director and both jointly any disinterested person, who shall decide, basing their decision on the Fruit Marks Act.

15. All charges for icing cars to be paid before car leaves, such charges to be collected by a levy on each barrel the car contains.

16. Each and every member shall have the right to give away such fruit of his own raising as he may elect, but he shall not make sale of fruit outside the Association except windfalls and cull grades or any fruit that may not be accepted by the Association. Any member so doing shall pay into the Association treasury the sum of 50 cents per barrel for all fruit so sold excepting grades aforesaid.

17. Whenever in the opinion of the Directors it is impossible for the Association to receive at its packing house all fruit grown by its members, they may permit individual members to grade and pack the same for shipment through the Association, such grading and packing to be subject to the inspection of the Inspector appointed by the Association.

18. All members of the Association shall spray their orchards at least four times, and as often beyond that as they deem proper.

19. No fruit grower shall be admitted as a member of the Association except by a two-thirds vote of the Directors.

APPENDIX 3

KELOWNA FARMERS' EXCHANGE, (LIMITED.)

CONSTITUTION AND BY-LAWS.

1. The object of the Kelowna Farmers' Exchange is the marketing of all kinds of produce grown by the Members of the Exchange.

2. The points of shipment for the produce shall be decided upon by Members of the Exchange.

3. At the Annual Meeting the Members shall elect a board of 5 (five) Directors, who shall at their first meeting elect the President, Vice-President, and 2nd Vice-President from their number.

4. The Directors shall be elected annually by ballot and shall hold office for one year unless removed for cause.

5. Any director may be removed from office at any time for any cause when two-thirds majority of the Members of the Exchange consider the removal of such Director in the best interests of the Exchange. In the event of such removal of a Director, the vacancy so made shall be filled by the election of another Director by ballot at the same meeting, for the unexpired term of office.

6. The general work of the Exchange shall be carried on by a Secretary, chosen by the Directors, whose work shall be the general management of the Exchange, the soliciting of orders, over-seeing the receiving of produce and inspecting the same, loading of cars for shipment, keeping of accounts, and shall receive all sums of money due or payable to the Exchange, and shall deposit all moneys received in some chartered Bank, approved of by the Board of Directors; no payment to be made without the written order of the Secretary-Treasurer and the President, or in the case of his absence, of the Vice-President, or in his absence of the 2nd Vice-President; give due notice of all meetings of the Association and of Board of Directors; keep a record of all proceedings of same; write all letters in the name of the Association and conduct its correspondence; shall keep copies of the same in a book to be provided for the purpose.

7. That the books of the exchange be open to inspection of Directors at all times, and one specified day of the week to ordinary members.

8. The Secretary shall be required to give bonds to an amount satisfactory to the Board of Directors.

9. Each member shall have a number or mark, which shall be placed on every sack, box, crate, or other parcel or thing shipped by him. The Directors shall decide how such mark shall be placed.

10. All produce for shipment shall be inspected before shipment, and if any produce is not in good quality and in good condition for shipping, such produce shall be sorted or otherwise prepared for shipment at the expense of the party to whom such produce belongs.

11. A fund shall be created by assessment on each sale to cover all losses by frost, transportation, or bad debts, or any other cause, not due to the shipper.

12. Payment for produce will be made to the shippers on the receipt by the Exchange of returns for the sale of their produce, unless otherwise ordered by the full Board of Directors.

13. In case of their being more of a certain class of produce on hand than the orders for such produce for the time being demand, each member shall, as far as the proper filling of orders and convenience of shippers will permit, ship proportionate amounts.

14. No Member's claim for shipment of produce shall be considered unless such produce shall be delivered at the determined point of shipment, has been inspected and found fit for shipment, or has been prepared for shipment as provided for in rule 10.

15. The standard of quality required in produce and the condition in which it is to be delivered for shipment, including the kind and quality of the sacks, crates, boxes, or other packages used, shall be decided by the Board of Directors.

16. The amount of salary to be paid to the Secretary appointed under Rule 7, shall be decided by the Board of Directors.

17. Three members of the Board of Directors shall form a quorum.

18. Any member of the Exchange obstructing the work of the Exchange, causing loss or inconvenience, may be suspended by the Secretary until such question shall have been dealt with by the Board of Directors. Any member agreeing with the representative of the Exchange or the Board of Directors on the price he will take for any certain produce shall not dispose of it at another price unless he first gives to the Exchange the refusal of the same.

19. All complaints must be made in writing to the Board of Directors.

20. Two Auditors shall be elected annually who shall audit the books and accounts of the Exchange at the end of the shipping season, or oftener if required by the Board of Directors.

21. The value of each share in the Kelowna Farmers' Exchange shall be \$5, and each member shall subscribe for not less than one share.

22. A meeting of Shareholders shall be called at any time to give the price which they are prepared to accept for their produce, and in no case shall it be deviated from unless the Board of Directors see it is in the interests of all parties to do so.

23. The expenses of the Exchange shall be met by a percentage on returns for produce sold by the Exchange, the amount of such percentage to be decided by the Board of Directors.

24. A two-thirds majority vote of the members of the Exchange shall over-rule any action or decision of the Directors, and any member may appeal from the Decision of the Board of Directors to the Members of the Exchange. In such case the decision of the Board of Directors shall be final.

25. Any changes to these rules may be made by a two-thirds majority vote of the members of the Exchange, taken at a meeting called to consider such change, of which at least ten days' notice shall be given.

25 (a) A majority of the stock subscribed, upon which all legal calls or assessments are paid in full, shall constitute a quorum at any Shareholders' meeting, and no vote shall be counted which is not represented by one share of stock upon which all calls or assessments have been paid.

25 (b) The Directors shall have power to levy and collect assessments on the capital stock, the same to become delinquent in thirty days from day of notice in local paper of such assessment. The Directors may sell such delinquent stock at public auction to the highest bidder for cash, first giving thirty days' notice of such sale in a local newspaper, such sale to be made at the door of the office of the Exchange.

25 (c) That no dividend of more than 5 per cent be paid on the stock of the Exchange, any surplus funds to be applied to the running expenses of the Exchange.

25 (d) The President or Chairman shall vote upon all business, and shall have no casting vote or dual vote.

26. The annual meeting of the Kelowna Farmers' Exchange shall be held on the first Monday in January in each year.

APPENDIX 4

CONSTITUTION AND BY-LAWS OF THE ISLAND AND GYPSUM FRUIT COMPANY, INCORPORATED UNDER THE LAWS OF IDAHO. CAPITAL STOCK, \$5,000. ACT AMENDED JUNE 13TH, 1900.

CONSTITUTION.

Section 1. This association of fruitgrowers, being incorporated under the laws of Ohio, shall be known as the Island and Gypsum Fruit Company, its capital stock being in the sum of \$5,000.

Section 2. The object of its organization is for the sale of the fruits grown by its members, also to buy and sell such fruits during the season as opportunity presents.

Section 3. The annual meeting of the stockholders of this company shall be on the first Saturday in December of each year. Special meetings of the stockholders may be held at any time upon the call of the President by written notice mailed to each stockholder of record.

Section 4. At the annual meeting of the stockholders five Directors shall be elected.

Section 5. At any meeting of the stockholders a two-thirds representation of the stock, either in person or by written proxy, shall constitute a quorum for the transaction of business.

Section 6. The officers of the company shall consist of a President, Vice-President, Secretary and Treasurer.

Section 7. Immediately after the annual meeting of the stockholders and Directors are elected, it shall be the duty of the Directors to elect the officers as named in Section 6.

Section 8. All elections of this company shall be by ballot, plurality electing, conducted by two tellers, appointed by the President.

Section 9. The President, or in his absence, the Vice-President, shall preside at all meetings of the stockholders. In the absence of both, a presiding officer shall be chosen by the stockholders.

Section 10. The Secretary shall keep a record of the proceedings of all the meetings of stockholders and directors, and shall receive as remuneration the sum of \$ for each and every meeting, when such services shall be duly rendered by said Secretary.

Section 11. The Secretary shall keep a correct record of all the receipts and disbursements and report the condition of the finances annually, or as often as the Directors shall desire.

Section 12. The Directors may select not to exceed three of their number to act as an Executive Committee (the President to serve as Chairman of this Executive Committee), to have general charge of the affairs of the corporation during the fruit season. This committee shall order all purchases of supplies. The Directors shall regulate the amount of compensation this committee shall receive.

Section 13. Any fruit grower in Ottawa County, this State, shall be eligible to become a member by a two-thirds vote of the stockholders of record at the time the application is made, also a two-thirds vote of members shall determine the value of each share of the stock that such party shall pay into the treasury, if he or she shall be admitted as a member.

Section 14. The Constitution or By-laws may be amended at any regular or special meeting upon a vote of two-thirds of the stockholders or stock in the affirmative.

BY-LAWS.

Article 1. The Board of Directors, during any season when there is not a failure of fruit, shall meet in session semi-monthly, beginning such meetings not later than July 15th of each year.

Article 2. The Executive Committee during the fruit season of each year, shall meet at least once a week, or oftener if the interests of the company shall demand.

Article 3. The President shall have a general supervision of the business of the company.

Article 4. On or before the first of May of each year, when the fruit crop is not a failure, the Directors shall meet and name their Manager for the season.

Article 5. The Manager shall have charge of the business of the company in its detail, under the supervision of the President.

Article 6. Manager and Treasurer shall give bonds in such a sum as shall be acceptable to the Directors.

Article 7. The Treasurer shall receive all moneys from the Manager and deposit the same in such bank to the credit of this company. Such depository of the funds to be designated by the Directors. The Treasurer shall check the same upon order from the President, countersigned by the Manager, or upon order from Manager, as may be directed by the Directors.

Article 8. It shall be the duty of all officers to attend all regular or special meetings of the company, and to hold office until their successors shall have been elected.

Article 9. When a vacancy shall happen, either by death or resignation in any of the offices established by the constitution or by-law of the company, it shall be filled at the next regular or special meeting.

Article 10. At the annual meeting of the stockholders each year, the Manager shall render a statement of the business for the season in full.

Article 11. Any member of the company may withdraw at any time, between December or the first day of April. Such notice of withdrawal must be given in writing to the President or any Director of this company. Thereafter it shall be the privilege of such retiring member to sell and dispose of his or her fruits as they shall elect, but this company shall not take or handle any of such member's fruit thereafter, during that season, unless it shall be determined by a two-thirds vote of all members in the affirmative.

Article 12. In consideration of the several assessments which have been placed upon the present stock of record, previous to 1900, to each and every member holding such stock there shall be issued (gratis) another share (\$50.00) for every share so held.

Every member shipping not more than 5,000 bushels of fruit shall hold two shares (\$100.00) of the capital stock for increased output, as follows:—

- 1 share for all over 3,000 bushels up to 5,500.
- 1 share for all over 5,000 bushels up to 8,500.
- 1 share for all over 8,500 bushels up to 12,000.
- 1 share for all over 12,000 bushels up to 16,000.
- 1 share for all over 16,000 bushels up to 20,500.
- 1 share for all over 20,500 bushels up to 25,500.
- 1 share for all over 25,500 bushels up to 31,000.

Article 13. The stock shall pay a dividend of 7 per centum, less incidental expenses, as repairs, insurance on buildings and taxes. This 7 per centum shall be collected from each member's fruit account in proportion to the number of bushels of fruit with which each has been credited.

Article 14. Dividends on stock, as provided for in the preceding article, shall not apply in time of a failure of fruit crop. In such times dividends shall be void.

Article 15. No transfer of stock shall be lawful unless duly recorded upon the books of the company.

Article 16. All peaches, pears, plums and quinces grown by each and every member of this company shall be delivered to the company's packing house for grading, packing and shipment.

Grapes and other small fruits may be delivered to the company for sale or disposal, and shall be disposed of for the grower on commission of one cent per basket.

Article 17. Each and every member shall pick his fruit in prime condition and deliver same promptly to the company's packing house. In case green and immature fruit or overripe fruit, or windfalls, be delivered by any member, same may be accepted and said members shall be credited with average price such fruit may bring.

Article 18. Each and every member shall have the right to give away such fruit of his own raising as he or she may elect ; but shall not seek, solicit or make sale of fruit outside of the company, excepting windfalls and cull grades of any fruit that may not be accepted by the company. Any member so doing shall pay into the company's treasury the sum of fifty cents per bushel for all such fruits sold, excepting sales of aforesaid grades.

Article 19. All fruit delivered each day shall be credited to the person furnishing the same at the average price which the fruit brought that day.

One-third of the amount so credited may be retained by the company until the close of the season for final settlement, and from the aggregate of the amount so retained from each person there shall be, at the end of the season, before paying the same over to the respective members of the company, deducted all expenses and losses. All expenses of handling, packing and marketing fruit shall be borne by the several members of the company, in proportion to the number of bushels of fruit with which each has been credited. All losses and rebates shall be deducted in proportion to the money credit of each member.

Article 20. Whenever, in the opinion of the Directors it is impossible for the company to receive at its fruit house all the peaches grown by its members, they may permit individual members to grade and pack the same for shipment through the house, such period to be limited by the directors. Reasonable compensation will be allowed for such grading and packing.

Article 21. Permanent or temporary additions, extensions or any new buildings from time to time that may be constructed by the company including the present ice house, the cost of same shall be paid by the stock of issue by a fund sufficient to meet such costs by an assessment upon the said stock as it shall appear against each and every member, and not as an item of general expense.

Article 22. The cost of ice and cost of putting same into ice house as it now stands, and each and every season when the said ice house shall be filled, shall go into the general expense and be paid for as named in Article 19 to the By-laws.

Article 23. Before the annual meeting, as named in Section 3 of the Constitution, if there shall be available funds in the treasury after all debts shall have been paid, the Board of Directors then, if in their opinion it shall be deemed best, can order a cash dividend to be declared and paid to each stockholder of record up to the first day of December of each year.

DEPARTMENT OF AGRICULTURE
BRANCH OF THE DAIRY AND COLD STORAGE COMMISSIONER
OTTAWA, CANADA

THE PACKING OF APPLES IN BARRELS AND BOXES

BY
ALEX. McNEILL

Bulletin No. 19, Dairy and Cold Storage Commissioner's Series

