Large Peach Crop Calls For Organized Marketing

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Present indications point to the largest peach crop in Illinois that the state has ever produced. In fact, Illinois is likely to have twice as many peaches in 1926 as ever before. The most severe competition in the marketing of this crop will be between different growers and different shipping points within the state, rather than with peaches from other states. Arkansas peaches will probably be largely off the market by the time shipments from Illinois begin and the Elberta movement from Michigan and Northern Ohio is not likely to be heavy before Illinois shipments are completed. But Illinois alone will have enough peaches seriously to congest the principal markets available unless organized methods of marketing are employed.

When peaches are scarce, any grower who has a crop can usually secure a good price for his fruit; but in years of heavy crop, such as the present promises to be, the individual grower occupies a very weak position and will usually receive low prices if he attempts to market his fruit alone. In years of heavy crop wider distribution than usual must be secured, and many small markets developed into carlot markets so far as peaches are concerned. The individual grower is not in a position to locate or supply such markets.

Many peach growers are unable to load cars alone. If each grower packs according to his own standards without reference to others, there is so much variation in the different packs that it is impossible for a number of growers to load cars with a uniform grade of fruit. Buyers discriminate against miscellaneous lots of fruit and have a tendency to pay a price determined mainly by the poorest fruit they purchase.

Cooperation Among Neighbors. In localities where commercial peach orchards are numerous, the best way for a peach grower to make money in a big crop year is not to attempt to market his peaches alone, but to join with his neighbors in the formation of a cooperative organization for the purpose of handling the product of all the members.

Such an organization should include all the growers tributary to a given shipping point who desire to avoid the risks of individual mar-
keting and secure the benefits of organized marketing. The organization would provide facilities for grading and packing the fruit at a central point, presumably in a packing shed located at the railway siding. The growers would haul their fruit directly from the orchard to the packing shed, where it would promptly be packed in uniform grades under competent supervision.

The fruit brought in by each grower would be kept separate until it was graded and packed; then the grower would be credited with the actual number of packages of each grade which his fruit packed out. When the fruit was sold, all growers would receive the same price for the same grade of fruit marketed during a given period. That price would be the average net selling price after deducting packing costs and other necessary expenses.

Function of a Local Association. The chief function of a local association of peach growers at a given shipping point is to grade and pack the fruit and load it on board cars. Sometimes such a local association undertakes to sell its fruit to carlot buyers. But if several local associations in the same general producing territory are each attempting to sell their own fruit, severe competition between the different associations arises, inadequate distribution of the fruit results, and the prices received are likely to be lower than the general market conditions warrant. Preparing fruit for market is one function; actually selling it is another. In marketing peaches, the two functions can best be performed by different organizations. The local association of growers is the proper organization for preparing peaches for market; a more comprehensive organization, handling a large volume of fruit, is better equipped for doing the actual selling. Such a sales organization has brokerage or other connections in most of the carlot markets of the country, keeps in touch with those markets daily by wire, and is in a position to sell the fruit where it will bring the most money.

It is better for local associations of peach growers to affiliate themselves with some large selling agency rather than attempt to make their own carlot sales.

How to Form a Local Association. The formation of a local association is not a difficult matter provided the growers really desire to cooperate. As soon as the desire to cooperate becomes quite general among the peach growers in a given community, a meeting may be called for the purpose of discussing plans of organization. Such a meeting might logically be called by the county farm adviser. Arrangements should be made to have someone present who has had actual experience in cooperative marketing lead in the discussion.

After consideration of the benefits to be derived from cooperative marketing, a careful estimate should be made of the probable volume of peaches that might be available for handling thru a local association if one were formed. If the volume of fruit is 30 cars or
more, and the growers feel that they would like to form an organization for handling this fruit cooperatively, a committee should be appointed to prepare a set of by-laws and present plans for financing the organization.

Either the same committee or another committee should make a thorough study of the situation in reference to a packing shed. If some vacant building is available that might be rented the expense of constructing a new building might be avoided. If no existing building is available, plans for the construction of a packing shed should be made, possible sites considered and an estimate made of the probable cost.

The data on cost of packing shed should be furnished to the committee working on plans for financing the organization.

**By-laws Should Receive Careful Attention.** The work of the committee on by-laws will be greatly simplified if copies of by-laws of a few similar organizations are secured to serve as suggestions for the making of a set of by-laws particularly adapted to the needs of the given community.

**Incorporation.**—It is probable that the growers will desire to incorporate their association. An incorporated association has a much better standing in the business world than an unincorporated group. If incorporation is contemplated, it will be necessary to decide under what law to incorporate and to make the by-laws in conformity to the requirements of that law. The "Cooperative Marketing Act" in Illinois which was approved June 21, 1923, provides for the incorporation of cooperative marketing associations either with or without capital stock, and it is probable that associations of peach growers will find the provisions of this law well adapted to their purposes. A copy of the law should be in the hands of the committee on by-laws, as well as by-laws of other associations that have incorporated under this law. Legal advice will be necessary in putting the by-laws into final form.

As soon as the committee on by-laws is ready to report, another meeting should be called for the purpose of reading the proposed by-laws to all the prospective members, and giving an opportunity for making any revisions that may seem advisable.

**Financing.**—The portion of the by-laws outlining the plan for financing the organization should be given special attention at this time. If the capital stock form of corporation is to be employed, the usual method of financing is to sell one share of common stock to each grower at a nominal sum, and obtain the balance of the funds by sale of preferred stock in sufficient amount to cover the initial needs of the organization. If possible such stock should be sold to growers who will make use of the facilities provided by the association. However, if more money is needed than can readily be obtained by the sale of stock to such persons, shares may be sold to bankers and other busi-
ness men of the community who are interested in the successful development of the peach industry in that locality.

If the non-stock form of organization is to be employed, one method of obtaining funds for building a packing shed or defraying other necessary expenses is to require each member to contribute a specified sum for each acre of bearing orchard he owns in that locality. Provision is made for a revolving fund, so that eventually each grower has equity in the property of the association in proportion to the volume of fruit he has actually delivered to the packing shed rather than the number of acres in his orchard. Likewise, in an association with capital stock, provision is made for retiring the original shares of preferred stock and issuing new shares of stock to the growers who have used the facilities provided by the association, in proportion to the volume of business they have contributed to the association.

**Articles of Incorporation Must be Filed.** After the proposed by-laws have been carefully revised and the plan of financing has been agreed upon, the by-laws should be tentatively adopted, incorporating directors should be selected, and articles of incorporation prepared for submission to the Secretary of State. These articles must be drawn and filed in conformity to the provisions of the law under which incorporation is desired. The assistance of legal counsel is needed in properly executing these papers.

If incorporation of the association is approved by the Secretary of State, the articles of incorporation will be returned to the association properly indorsed, and bearing the date of actual incorporation. Within 30 days after the date of incorporation, a meeting of the members or stockholders should be held for the formal adoption of the by-laws. There should also be a meeting of the directors for the purpose of electing officers as provided in the by-laws.

**Selection of a Sales Agency.** As soon as possible after the by-laws are adopted and the officers elected, definite steps should be taken by the local association to complete its arrangements for the handling of the crop. A packing shed should be rented, purchased or constructed; grading machinery and other equipment should be procured; packages should be ordered, and a packing house foreman engaged. A contract should be made with some marketing agency for the selling and distribution of the crop.

The marketing agency selected may be a cooperative organization of which the local association becomes a member, or it may be a commercial agency handling the goods on a brokerage or commission basis. In the former case the local association participates in determining the policies of its sales agency; in the latter case, it accepts the policies determined by others.

Early selection of the marketing agency is important, especially when the crop is heavy.