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U S GRAIN GROWERS

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U. S. Grain Growers, Inc.

A Farmer-Owned, Non-Stock,
Non-Profit Association to
Handle and Sell Grain at
Cost for its Farmer Members

* * *

Providing Facilities for the Grain Growers of the
United States To Enter Upon a Program
of Conducting Their Own Business
in a Business-Like Way

* * *

DISTRICT SALES OFFICES
EXPORT CORPORATION
TERMINAL WAREHOUSE CO.
FINANCE CORPORATION
SERVICE DEPARTMENTS
OTHER SUBSIDIARIES

* * *

Department of Information

U. S. Grain Growers, Inc.



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Farmers Marketing Committee of Seventeen

A Short Story About the Greatest Cooperative Effort in the History of Agriculture.

ON July 23rd and 24th, 1920, for the first time in the history of organized agriculture, a truly representative group of grain growing farmers from all different farmers' organizations, and from all parts of the United States met in a national get-together marketing conference in Chicago. Time and again some farmer leader with a vision had made an attempt to unify the efforts of different cooperative farmers' organizations. And time and again, the aims of such a cooperative movement had been defeated. Selfish organizational purposes or personal ambition on the part of leadership have made difficult the progress of national cooperation.

It is fortunate for agricultural cooperation in America that the five hundred men in that conference were broad-gauged men. They were men who could see beyond the local cooperative elevator, the district market terminal or even state and national associations of cooperative elevators. Many of them were men who had pioneered in the establishment of cooperative elevators and bore the brunt of the fights made by boards of trade, commission companies and line elevators, until the local cooperative elevator has become an established fact, operating on a strictly business basis, contributing to the prosperity of the local farming community and furnishing a fertile field for the development of agricultural cooperation. There were also men in that conference who had had a part in the attempts made by farmers' cooperative associations to enter the central grain markets and faced the closed door to all farmers' organizations.

But the conviction remained that the farmers of America could market their grain to their advantage—honestly, uprightly, and in a businesslike way—as well as manufacturers of farm machinery, harness and clothing merchandise their products. The men in this national conference had that conviction. They believed in the good sound business ability of the rank and file of the farmers of the United States. They trusted in the conservative judgment and cautiousness that is inherent in the man who tills the soil and must correlate weather conditions, crop

pests, soil conditions and price fluctuations in the conduct of his annual business. Unity had been the weak point in their cooperation. As between the cooperative efforts of the different cooperative organizations they realized that the greatest weakness had been that they had not cooperated with each other.

So it was that out of this national marketing conference there came the Farmers' Marketing Committee of Seventeen. These seventeen men represented state and national organizations of farmers who were interested in the marketing of grain. Some members of the committee selected, either wholly or in part, represented the interests of the public—the consumers of grain. The provision for such public representation on their committee, which was entrusted with the responsibility of working out the problem of how the farmer could best market his grain, reveals the broad, moral character of the farmers of the United States.

The American farmer was honest enough to recognize a principle, too often disregarded in commercial enterprises, namely, that the agencies which distribute either the basic necessities of life or those necessary to content and happiness in our modern age, need to protect themselves against human selfishness to avoid injuring others. The public representation on the Committee of Seventeen is a most important section of the brief in the case of the U. S. Grain Growers, Inc., as it now comes before the bar of public opinion of America, and also of European countries who will likewise be its customers. The instance is without precedent. The United States Steel Corporation, the Standard Oil Co., cotton and woolen manufacturers, and like industrial entrepreneurs or so-called captains of industry, do not invite public representatives to sit on their committees when they are considering the incorporation of a new company.

The Committee of Seventeen represented the following organizations: Nebraska Farmers' Union, Iowa Farmers' Grain Dealers' Association, Illinois Agricultural Association, Equity Cooperative Exchange, Michigan Farm Bureau, Missouri Farmers' Grain Dealers' Association, National Farmers' Equity Union, American Agricultural Editors Association (public), Missouri Farmers' Clubs, Oklahoma Farmers' Union, State Agricultural Colleges (public), U. S. Department of Agriculture (public), Farmers' National Grain Dealers' Association, Kansas State Farm Bureau, Ohio State Grange, American Farm Bureau Federation, South Dakota State Bureau of Markets (public).

Nearly seven months were spent in an exhaustive study of cooperative grain marketing by the Committee of Seventeen. With money furnished by different farmers' organizations, sub-committees visited every sue-

cessful cooperative agency in the United States and Canada. A study of reports from foreign cooperative enterprises was included. Four of the best statisticians and investigators from the Federal Trade Commission and the U. S. Department of Agriculture were secured to compile exhaustive data on the grain trade, both domestic and export, and to tabulate and chart the information so that the facts could be readily understood. The best informed men on the grain trade, those opposed to cooperation as well as those who favored it, met and talked with the committee. Those opposed to cooperation tried to tell the committee that the farmers could never hope to get nearer the central markets than the local cooperative elevator—but the Committee of Seventeen thanked them for their suggestions and kept on sawing wood.

They found that seventy-two per cent of our wheat is marketed within ninety days after harvest. And they incorporated as one of the first basic principles of their marketing plan the fact that there must be a more orderly movement of grain to market so as to avoid market gluts that play into the hands of the speculator. They found that some of the greatest profits are made in mixing, re-grading and conditioning grains, and they incorporated the fact that the farmer must do these jobs himself if he is to realize more nearly the market value of his crops.

They found that false market reports of foreign crop conditions give the farmer low prices and do not lower the price to the consumer. And the principle of an unbiased crop reporting service to be gathered and disseminated by the farmers themselves was added as a part of the marketing plan. They found that over fifty times as much "grain" is sold in the pits of the Chicago Board of Trade every year as is actually marketed in the Chicago market and that these transactions in imaginary grain effect the cash price of real grain to the detriment of producer and consumer. They included in their plan the fact that by selling direct from farmer to miller or exporter, both producer and consumer would be benefited. They found that a Canadian cooperative export company had effected savings of from three to five cents a bushel over what privately owned export companies had exacted, and they included an export company in their plan.

They found numberless instances of wastage in transportation and equipment—Nebraska wheat shipped to Chicago, thence to Minnesota to be milled and then back to Nebraska as flour; wheat received in Chicago from Kansas City and reconsigned to St. Louis; only twenty-three per cent of terminal elevator capacity ever used and grain forced to bear the burden of such short sighted investment and needless duplication of overhead expenses, over and over again.

Gradually, the marketing plan of the Committee of Seventeen shaped itself into a national farmers' cooperative marketing company—a non-stock, non-profit corporation which “differs chiefly from existing marketing methods in that it recognizes capital only as a servant, remunerating it for its service value only, and returns to the producer the proceeds of his toil in proportion to his patronage.”

The by-laws and contracts were then left in the hands of a committee of lawyers who were retained to draw up these documents in accordance with the plan which the committee had completed. The best legal talent was none too good and the committee retained the most eminent legal authorities on agricultural cooperatives in America. Clifford Thorne, Chicago, member of the Committee of Seventeen, a general legal counsel of note, and the outstanding authority on transportation in the United States, as well as the most successful counsel on farmers' cooperatives in the Midwest, was chairman of the committee of attorneys. Aaron Sapiro, San Francisco, attorney for the California cooperative organizations, wheat growers of the northwest and southern agricultural cooperative associations, who has attained a national prominence, likewise served on the committee. J. H. Broady, Lincoln, Nebr., lawyer of prominence in that state, attorney for various cooperative organizations and a member of the law faculty of the University of Nebraska; George E. Farrand, Los Angeles, Calif., general counsel for the California Fruit Growers Exchange, and other farmers' marketing companies; Fred W. Lehman, St. Louis, Mo., former Solicitor General of the United States, and Judge John G. Park, Kansas City, Mo., a former circuit court judge, were equally expert and capable attorneys who assisted in this work.

On February 17, 1921, the plan of the Committee of Seventeen was announced. Then followed the National Ratification Conference in Chicago, April 6-8, where official delegates from every farmers' organization in the twenty-three grain states were called to consider and adopt or reject the plan. There was only one point in the plan upon which there was a difference of opinion; namely, pooling of wheat. The committee plan offered the grower the choice of selecting the pooling method, direct sales method or consignment. Some delegates wished to make it compulsory for every wheat grower to pool one-third of his wheat. Such an amendment was proposed and for more than a day and a half it was the one subject before the conference. It was determined that, in view of the fact that a national pool of any food commodity had never been tried, it would be unwise to accept the proposed amendment to the committee's plan in that it might jeopardize or prevent the successful opera-

tion of the national cooperative plan. The original report of the Committee of Seventeen was then unanimously adopted.

The delegates to the national conference then elected the board of twenty-one directors who were to proceed with the organization of the new company. On April 16th, the U. S. Grain Growers, Inc., was incorporated as a non-stock, non-profit corporation. It is now open for business. It is an organization of farmers, by farmers, for farmers. Its success depends upon the cooperation of all grain growers. It is purely a business proposition—on a cooperative basis—designed to secure more satisfactory and stable marketing conditions and better prices through the practice of efficient and economic marketing methods, without disadvantage to the consumer.

Extracts from Addresses

National Ratification Conference

Chicago, April 6-8, 1921

HENRY C. WALLACE

Secretary of Agriculture

“There are some good people who seem to think that the farmer should not concern himself with matters of marketing. * * * There is no more reason why the farmer should be expected to confine his efforts solely to the production of his crops than why the manufacturer should be expected to confine his attention solely to the mechanical process of manufacturing his goods. * * *

“As to the plan which you have come here to consider, * * * there are several features which appeal to me strongly. First: You seem to have avoided the weaknesses which have broken down many previous organizations. * * * Second: You do not attempt to wipe out our great marketing machinery which has been built up through a long period of time. * * * Third: You are neither attempting to create a monopoly nor to fix prices.

“This nation cannot hope to maintain its agriculture on a sound economic basis unless our farmers give attention to the business end of their business. As large producers they have been the best in the world. As salesmen they have been very, very poor. * * * We have come to a

time in our national life when our agriculture must be put on a sound economic basis. This is imperative if production is to be maintained and our people are to be fed at reasonable costs."

J. R. HOWARD

President, American Farm Bureau Federation

"This is the first national step in sending to the rear the impedimenta of distribution adjusted for private benefit. Cooperation brings the producer individually face to face with the consumer. It profits both. More than profit, it makes contacts which result in the better understanding each of the other. It increases vision. It removes the farmer from the narrow path of the individual worker and gives him the realization that he is not an underling, but a world character. It does not seek selfish economic advantages; it does, in a very broad sense, stimulate character and promote citizenship. I am for it. The combining of time and effort, of capital and of commodity, cooperatively, is not alone our privilege—it is our right."

C. H. GUSTAFSON

Chairman, Farmers Marketing Committee of Seventeen

"We believe that, while recognizing and protecting the rights of the consuming public, this cooperative marketing plan insures the farmer an equitable and just return on his grain crop by effecting savings, avoiding speculation, preventing needless duplication of effort, and eventually stabilizing the market for grain crops. The plan provides purely and simply for the farmer to enter upon a program of conducting his own business of marketing. * * *

"This plan will in no way interfere with the work of existing farm organizations. It recognizes the excellent foundational work that various farm organizations have done and which has prepared the way for such a national cooperative effort as the grain marketing plan which your joint 'committee of seventeen' proposes. * * *

"It is a business proposition—on a cooperative basis—and is based on the fact that the farmer is as able to commercialize his products as are the producers of any other products. * * * The work of the committee is now done and the report is in your hands which will make a straight road to market."

What is the U. S. Grain Growers and what will it do?

The U. S. Grain Growers, Inc., is a non-stock, non-profit association. It will handle and sell grain at cost for its farmer members. No one but a farmer can be a member, sell grain through it or hold office in it. There is no way for any one to make any money out of it except the members themselves who grow the grain.

The U. S. Grain Growers, Inc., is not designed to upset existing commercial institutions. It is not an attempt to either create a monopoly or fix prices. It is imperative, however, that, if production is to be maintained and the people of the United States are to be fed at reasonable costs, agriculture must be placed on a sound business basis. Recognizing those facts, the U. S. Grain Growers, Inc., provides the facilities for the grain growers of our country to enter upon a program of conducting their own business, in a business-like way. With that end in view, the U. S. Grain Growers, Inc., will:

Stabilize prices on a profitable level by steady marketing as demand warrants and by contracts direct with mills and other consumers.

Eliminate short selling and manipulated markets by keeping grain in the farmers control until sold to a legitimate buyer.

Merchandise grain products in a business-like way comparable to that employed in other industries.

Export or pool for export grain not needed for domestic consumption so that speculators can not use a bounteous harvest to beat down the price at harvest time to a ruinous figure.

Furnish credit through the subsidiary finance corporation to grain growers who do not want to sell their crops at harvest time.

Learn the true condition of foreign supply and demand and avoid manipulation that has been made possible by false market reports.

Clean, mix, re-grade and condition the farmers grain in farmer-owned conditioning plants.

Eliminate unnecessary and duplicated freight and handling charges by shipping grain direct from the country station to the miller or exporter.

Pro-rate the savings made by efficient and economic marketing back to the farmer in proportion to the amounts and grades of grain which he sold through the company.

HOW GRAIN WILL BE HANDLED.

Two kinds of contracts are provided in the marketing plan of the U. S. Grain Growers, Inc. One contract is between the individual grain grower and his local cooperative elevator or local grain growers' association (where there is no local cooperative elevator). The other contract is made between the local cooperative elevator or grain growers' association and the U. S. Grain Growers, Inc.

The grain grower executes his contract, by which he agrees to market all of his surplus grain through the marketing organization for a period of five years, at the time that he becomes a member. The membership fee is \$10. This fee is paid but once.

Grain that is required and used by the grower or sold by him locally for local use for seed or feed or sold otherwise with the written approval of the U. S. Grain Growers, Inc., is exempt from the contract. The provision for written approval will allow of quantities of grain to be milled locally to meet the requirements of the local district.

The individual grower may elect to sell his grain under any one of four options provided for in the growers' contract:

1. It may be sold to the farmers' local cooperative company or grain growers association just as at present. The grower will receive the current market price at time of sale just as he does at present. His advantage will be that savings made by the export company, conditioning plants, warehousing company, transportation department, sales department, etc., will increase the average price paid to the grower.

2. It may be shipped on consignment.

3. It may be pooled locally. In that case the time and place of pooling is in the hands of a local pooling committee elected by the farmers who place their grain in the pool. Each grower will receive the average price for the pooled grain of each grade. Two or more local communities may put their grain into a joint pool in which case the control passes to the pooling committee of the U. S. Grain Growers, Inc. Pools may be township wide, county wide, state wide or national. The development of the pooling feature under the contracts depends upon whether the growers find this method of marketing to be most satisfactory.

4. In the case of wheat, one-third or the exportable surplus of each member's crop may be put into an export pool if he so elects. The other two-thirds may be handled under any one of the first three options as the grower may decide.

CONTRACTS WITH FARMERS ELEVATORS.

Contracts with elevators will only be made with farmers cooperative elevators. The requirements which an elevator company must meet in order to be considered truly cooperative, are that it must be organized as a cooperative company under the laws of the state in which it is incorporated. It must distribute its profits to its farmer patrons in proportion to their patronage.

If there is no state cooperative law in the state, the elevator must meet these requirements:

1. Each stockholder can have one vote only.
2. Each stockholder can own only a limited amount of stock.
3. Dividends on stock must be limited to a reasonable rate.
4. The earnings, above cost and surplus funds, must be distributed as patronage dividends.
5. No proxy voting may be allowed unless required by statute.
6. Ownership of stock must be limited to grain growers.
7. Stock must be available for sale to any grain grower in the community who wishes to become a member.

Farmers stock company elevators will be urged to change to a cooperative basis. If impracticable or impossible for such an elevator to immediately do so, the directors or stockholders may form a local growers' association. Such a local grain growers' association will be formed which will consist only of growers who are members of the U. S. Grain Growers, Inc. The elevator contract will then run from the local grain growers' association to the U. S. Grain Growers, Inc. The local grain growers' association will then cross contract with the farmers elevator to handle and load its grain for it at a fair charge. Local grain growers' associations will likewise be formed in localities where there is no farmer-owned elevator.

Where the stockholders or directors of a farmers' stock company elevator do not organize a local grain growers' organization, the U. S. Grain Growers, Inc., will make no attempt to organize that community prior to January 1, 1924.

ADVANTAGES OF THE PLAN.

One of the strongest points about this plan of cooperative grain marketing is the ease with which it can be put into operation. To start with, the grain may be handled locally with no change from the present

method—the grower simply selling his grain to his local farmers' elevator company. The only change anywhere along the line will be that the grain will be sold at the terminals by the selling department of the U. S. Grain Growers, Inc., instead of by a private commission house, as at present.

In an advisory way, the U. S. Grain Growers, through its statistical department, will have full information regarding world conditions affecting supply and demand. It can advise local elevator companies as to the best time and place to ship. It can by lease or otherwise acquire terminal warehouse space for the use of elevator companies which wish to store grain for a later market. Through its finance corporation, it will be able to loan money on stored grain so that financial pressure will not force it onto the market at an unfavorable time.

Again, by the gradual development of pooling, if this method proves by actual trial to be an advantageous way of handling grain. The first step in pooling is the local pool which is easy to start and manage and is wholly in the control of the local growers. This can be followed later by pooling on a larger scale by combining local pools into joint pools and transferring the control over the time and place of marketing to the pooling committee of the U. S. Grain Growers, Inc.

One great advantage of the plan is that the grain is handled at cost from the time it leaves the farmers' hands. Local elevators, in order to be a basic part of the plan, must be truly cooperative. This means that they must do business at cost and that all profits after paying necessary expenses, including reasonable dividends on capital invested in the business, are paid back to the growers in proportion to the amounts and grades of grain delivered.

Another great advantage of the plan is that the grain marketing organization will be owned and controlled by farmers from start to finish. No one but an actual producer of grain can be a member of the U. S. Grain Growers, Inc., or have a vote in the organization. No one but an actual producer of grain can hold office in the U. S. Grain Growers, Inc.

FARMER-OWNED SUBSIDIARY CORPORATIONS.

A number of subsidiary companies have been or will be formed for handling various lines of business connected with grain marketing. The first to be organized will be finance, export and terminal warehousing corporations. Most of the capital of these subsidiaries will be secured by selling stock to farmers. This stock will receive a fixed rate of dividend representing a fair rate of interest on the money invested. The common stock which will be held in the treasury of the U. S. Grain Growers, Inc., and voted by the directors, will represent the voting power. This means

that the Board of Directors of the U. S. Grain Growers, Inc., will control the subsidiary companies.

Chief in importance among the subsidiary companies will be the finance corporation. This finance corporation will not do a general banking business. Its chief function will be to accept warehouse receipts covering stored or pooled grain, and issue its own notes or grain bonds against these receipts. These grain securities of the finance corporation will be a gilt edge, uniform security that can be placed with city or country banks or with private investors. Any member cooperative elevator company or pooling committee which has grain in storage, can turn its warehouse receipts over to the finance corporation and receive cash for the full loan value of the grain in return. In this way funds for the orderly marketing of grain will be provided.

The finance corporation will be a benefit to the local banks. In communities that are short of funds, the finance corporation will help the local banks carry the load of financing the grain movement. Banks, which have surplus funds for outside investment, can secure the best possible form of investment in the grain paper of the finance corporation.

Another important subsidiary is the export corporation. This corporation will have the task of finding foreign buyers for the exportable surplus. At present a number of foreign governments operate at great advantage on the grain markets of this country because they have concentrated all their buying in the hands of one buyer. The export corporation will be able to deal with these foreign buyers on equal terms.

Not only will the export corporation sell grain to existing foreign buyers, but its agents will create new foreign buyers for grain. Our policy in the past has been to sell grain to foreign buyers who came over and asked for it. In the future we will set up agencies of the farmers export corporation in every corner of the world, going after new business just as aggressively as the agents of the International Harvester Company or the U. S. Steel Corporation do. The possibilities of increasing the foreign outlet for American grain in this way are very great.

Another subsidiary will be the warehouse corporation. This corporation will provide storage space at terminals by lease, purchase or by building new terminal elevators. At present there is a great excess of terminal warehouse space, and it is probable that a sufficient amount can be leased at reasonable terms. It is not likely that the warehouse corporation will need to build any terminals for some time to come, unless it may be at new points where grain can be stored to advantage.

The warehouse corporation will also have charge of cleaning, mixing, and conditioning grain. A good deal of this work can be done most

cheaply in conditioning houses along the lines of grain movement, while in transit to the manufacturing or export point, without paying unnecessary freight tolls to points that are out of the way.

WHY EVERY GRAIN GROWER SHOULD JOIN.

The U. S. Grain Growers, Inc., is the greatest undertaking to which the farmers of America ever set their hands. The men who have been entrusted with the direction of the movement for the first year are filled with the spirit of service to agriculture. They have seen the vision of the dawning of a new era for the farmers of America.

But they cannot do the job alone. They must have the earnest support of every grain grower. This task is too great for any group of twenty-one men, however capable, to accomplish. If it is to succeed—and the future of agriculture depends on its success—it must have behind it the united efforts of the farmers of America.

The day has passed when the farmers' task was confined within the boundaries of his farm. His prosperity depends more on what goes on outside his farm than upon his own efforts in the corn and wheat fields. No amount of skillful planning and hard work can make up for a market that goes wrong. The time has come when farmers must not rest content when their crop is produced. They must take it to the markets of the world.

The responsibility for the success of this great undertaking rests on the shoulders of every grower of grain. No man can afford to say that he will let his neighbor do it. Every grower who neglects to join the U. S. Grain Growers is voting against this plan of cooperative marketing.

These are critical days for the man on the farm. We have sold one year's crop at a loss. Our prices have fallen far more than the prices of the things we buy. There is only one bright spot in the sky—the development of cooperative marketing.

The leaders in this movement are only human beings. They will probably make mistakes now and then. But no grain grower can afford to say that, because mistakes are made or because he does not like some individual connected with the organization, he will stay outside. Mistakes were made in the War of the Revolution, in the first Continental Congress, in every great movement that has lifted men from barbarism into civilization. But, by mistakes we learn. *A great movement is far greater than its mistakes, far greater than its leaders.* With the united support of the grain growers of America *this grain marketing movement cannot fail.* The day will come when farming will be the best business in the world, as it is now the most satisfactory life in the world.

We ask you to study this plan. Study the contracts. Pledge your loyalty and support to the U. S. Grain Growers, Inc. Talk it over with your neighbors. When our organizer asks you to join, do so with a word of encouragement. The slogan is "a million members this year."

With *your* help, success is certain.

WHAT ABOUT THE CONSUMER?

Now just a word about the folks who eat the food that we produce. They may look upon this grain marketing plan with suspicion, and who can blame them? They have been exploited and gouged and overcharged so long that they have come to expect it.

It is the hope of the Board of Directors of the U. S. Grain Growers, Inc., to familiarize the consumer with fundamental facts about food production and distribution. We want him to appreciate the fact that a prosperous nation is dependent upon a prosperous agriculture and that a prosperous agriculture will reduce the living costs of the nation. Two-thirds of the people of the United States live in towns and cities. They live and eat only by virtue of the toil of the man on the farm. Unless the farmer receives a fair return for that toil he cannot adopt improved methods of production, he cannot maintain and increase soil fertility, he cannot prepare for the day when the farmers of America will have two hundred million people to feed.

We do not believe that the average city man wants to be unfair to the farmer, or that he wants him to produce food for less than cost. He just doesn't think anything about it. We want him to think. We want him to understand—before he condemns the U. S. Grain Growers, Inc., before he declares that we are unfair, or before he calls it a trust—just how necessary it is that the farmers have better marketing methods and better prices.

We want him to realize, too, how small a part of the dollar that he pays for food ever gets to the farmer—two cents out of the eight or ten he pays for a loaf of bread or three cents out of the 14 he pays for a quart of milk. *We want him to understand how efficient marketing and distribution of farm crops can give the farmer more for his labor and, in turn, cost the city man less for his food.*

We want him to understand, too, that we have no thought of fixing arbitrary prices or limiting production. It isn't in the farmer's nature to cut down his production. He loves to raise a bumper crop. He takes pride in setting a full table for the people of the world. All he asks in return is that he be paid a reasonable wage for his work—a request so fair that no one can justly find fault with him for making it.

We want the consumer to think in terms of cooperation. We want him to know what cooperation means to the farmer. We hope the time will come when consumers, too, will cooperate—when our cooperative organizations can meet theirs in the market places of the world. When that time comes no one need ever pay excessive prices for food, and no farmer will need to dump his crops on the market at a fraction of the cost of production.

These Twenty One Farmers Are Officers and Directors

Who are the men who have charge of this farmers' national grain marketing company? Are they worthy of the confidence of their neighbor farmers in their own states and neighboring states? Each member of the board of directors of the U. S. Grain Growers, Inc., stands on his record as a farmer, as a business man through experience in farmers' cooperative enterprises and as a good neighbor and citizen. These brief facts about the directors are presented as their credentials to the grain growers and consumers of grain products. Information in more detail and bank references will be furnished upon request.

C. H. Gustafson, President, Lincoln, Nebr. Mr. Gustafson has been a leader in the farmers' cooperative movement for years. He was president of the Nebraska Farmers' Union from 1914 to 1921. As president of the Farmers' Union Live Stock Commission Co. of Omaha, he built up a cooperative business of \$40,000,000 annually, which pro-rated fifty per cent of its commissions back to its patrons. He has organized and headed other farmers' cooperative companies that have materially benefited the farmer. Mr. Gustafson was chairman of the Committee of Seventeen and is director of cooperative marketing for the American Farm Bureau Federation. He lived on the same section of land at Mead, Nebr., for forty-seven years, where he still operates a farm.

J. M. Anderson, 1st Vice President, Chairman of Sales Department Committee, St. Paul, Minn. Since its organization in 1911, Mr. Anderson has been president of the Equity Cooperative Exchange of St. Paul, a farmers' grain and live stock marketing organization which operates a line of elevators and owns a big terminal elevator at St. Paul. It did a grain business of nearly \$20,000,000 last year. Mr. Anderson actively managed his farm until his other duties with the

farmers' cooperatives required all of his time. Member of the Committee of Seventeen.

Geo. C. Jewett, 2nd Vice President, Spokane, Wash. For several years Mr. Jewett was secretary of the Federal Farm Loan Bank at Seattle, and is now general manager of the Northwest Wheat Growers Associated, which comprises the states of Washington, Oregon and Idaho. This organization of farmers has nearly 25,000,000 bushels of wheat under contract.

C. H. Hyde, 3rd Vice President, Chairman of Pooling Department Committee, Alva, Okla. Mr. Hyde is prominent in farmers' organizations and cooperative marketing work in Oklahoma and the Southwest. He has lived on the same farm for the last twenty-seven years and has sown at least five hundred acres of wheat every year for the past fifteen years. Member of the Committee of Seventeen.

Frank M. Myers, Secretary, Chairman of the Information Department Committee, Fort Dodge, Iowa. For several years Mr. Myers has been secretary of the Farmers' Grain Dealers Association of Iowa, and the Farmers' National Grain Dealers Association, a national organization of more than three thousand farmers' elevator companies. Prior to that time he was manager of a cooperative elevator at Beamen, Iowa, and farmed near there. His experience in cooperative elevator work has given him an understanding of grain marketing that will be exceedingly valuable to him in his work with the U. S. Grain Growers, Inc. Member of the Committee of Seventeen.

W. G. Eckhardt, Treasurer, Chairman of the Organization Department Committee, DeKalb, Ill. Mr. Eckhardt received his first lessons in cooperation in DeKalb County, Ill., where he organized a cooperative seed company and flour mill. Prior to that time he farmed as high as twelve hundred acres of land and is now operating two farms in Illinois. In 1918 he was seed corn administrator for the Illinois State Council of Defense. For the past year he has been Director of Grain Marketing of the Illinois Agricultural Association. Member of the Committee of Seventeen.

H. W. Robinson, Chairman of Transportation Department Committee, Cleveland, Ohio. For eight years, Mr. Robinson was chairman of a national marketing association and is well acquainted with leading traffic men. He is now president and manager of the Union Coop-

erative Elevator at Cleveland, Ohio, a 300,000 bushel capacity farmers' plant.

P. E. Donnell, Chairman of the Legal Department Committee, Waco, Mo. Presiding county judge in his home county. President of the Missouri Farmers' Grain Dealers' Association. Member of the Committee of Seventeen. He is an active farmer.

R. C. Obrecht, Chairman of the Statistical Department Committee, R. F. D. 28, Topeka, Kans. Leader of Farmers' Union cooperatives in Kansas. Formerly an agricultural college professor. He is an active farmer.

W. F. Schilling, Chairman of Finance Department Committee, Northfield, Minn. Mr. Schilling is president of the Twin Cities Milk Producers' Company. The success of this \$500,000 company is largely due to his efforts and his ability in handling financial matters. He is an active farmer.

U. L. Burdick, Fargo, N. D. President of the North Dakota Farm Bureau Federation. He is an attorney and has served one term as lieutenant-governor in his state. He operates a farm in North Dakota.

F. A. Mudge, Peru, Ill. First vice president Farmers' Grain Dealers' Association of Illinois. Vice president Farmers' Elevator Cooperative Supply Company of Illinois. He is president of one farmers' elevator and a member of the board of directors of another farmers' elevator. President of a farm loan association and a member of the executive committee of LaSalle County (Illinois) Farm Bureau. He is an active farmer.

James Nicol, South Haven, Mich. President of the Michigan State Farm Bureau. He is an active farmer.

Adam Middleton, Eagle Grove, Iowa. President of his local cooperative elevator company. Director in the Farmers' Grain Dealers' Association of Iowa. Member of the executive committee of the Iowa Farm Bureau Federation. President of the American Cooperative Publishing Co.—a farmer-owned publishing plant. He was vice-chairman of the Committee of Seventeen. He is an active farmer.

- Robert N. Clark, Stronghurst, Ill.* Member of the executive committee of the Illinois Agricultural Association. He is an active farmer.
- H. W. Coit, Renner, Tex.* Director of the Texas Farm Bureau Federation. He is an active farmer.
- H. W. Avery, Wakefield, Kans.* A member of the Kansas State Board of Agriculture. He is an active farmer.
- James K. Mason, Milton, Ind.* A leader in the Indiana Federation of Farmers' Associations and Farmers' Grain Dealers' Association of Indiana. President of the Fayette County (Indiana) Federation of Farmers. Member of Indiana Grain Committee. He is an active farmer.
- J. D. Pancake, Loveland, Colo.* An officer of the Farmers' Grain Dealers' Association of Colorado. He is an active farmer.
- Victor H. Smith, Wasco, Ore.* President of the Oregon Wheat Growers' Association. He is an active farmer.
- John T. Belk, Henry, S. Dak.* President of the Farmers' Grain Dealers' Association of South Dakota. He is an active farmer and president of his local cooperative elevator.

Officers

C. H. Gustafson.....	President	Lincoln, Neb.
J. M. Anderson.....	First Vice-President.....	St. Paul, Minn.
Geo. C. Jewett.....	Second Vice-President.....	Spokane, Wash.
C. H. Hyde.....	Third Vice-President.....	Alva, Okla.
Wm. G. Eckhardt.....	Treasurer	DeKalb, Ill.
Frank M. Myers.....	Secretary	Ft. Dodge, Iowa

Executive Committee

C. H. Gustafson, Chairman.....	.....	President
J. M. Anderson.....	.....	Sales Department
P. E. Donnell.....	.....	Legal Department
Wm. G. Eckhardt.....	.....	Organization Department
C. H. Hyde.....	.....	Pooling Department
Frank M. Myers.....	.....	Information Department
R. C. Obrecht.....	.....	Statistical Department
H. W. Robinson.....	.....	Transportation Department
W. F. Schilling.....	.....	Finance Department

Departmental Committees

(The president is ex-officio member of each departmental committee.)

Sales Department	}	J. M. Anderson, Chr.
		G. C. Jewett
		H. W. Robinson
Finance Dept.	}	W. F. Schilling, Chr.
		G. C. Jewett
		P. E. Donnell
Organization Dept.	}	Wm. G. Eckhardt, Chr.
		W. F. Schilling
		J. K. Mason
		H. W. Avery
Transportation Dept.	}	C. H. Hyde
		H. W. Robinson, Chr.
		H. W. Coit
Legal Dept.	}	J. D. Pancake
		P. E. Donnell, Chr.
		U. L. Burdick
Pooling Dept.	}	J. R. Mason
		C. H. Hyde, Chr.
		R. N. Clarke
Statistical Dept.	}	V. H. Smith
		R. C. Obrecht, Chr.
		J. D. Pancake
Information Dept.	}	James Nicol
		Frank M. Myers, Chr.
		J. T. Belk
		F. A. Mudge

Questions and Answers on the Plan

A Discussion of Contracts, Methods and Policies

**The
Member's
Contract**

Q. Why is it necessary to pay \$10 to join the U. S. Grain Growers, Inc.?

A. It is necessary to have adequate funds to pay organization expenses, to get together a sales force to handle the grain, to establish branch sales offices, to establish a news and information service to gather statistics about the world supply of grain and the world demand for it, to establish subsidiary corporations, and to pay operating expenses until a sufficient volume of grain is being handled to carry these expenses. The fairest way to provide this initial capital is to charge each grower a membership fee of \$10. This is not an annual fee, but is only to be collected once—at the time that the grower joins the organization.

Q. Why is it necessary for the grower to sign a contract?

A. The U. S. Grain Growers, Inc., expects to stabilize the business of selling grain by making contracts with millers and other users of grain, including foreign buyers. In order to do this on a business basis it must in turn have agreements with the grower in order that it may be sure of getting the grain.

Q. How long does the grower's contract run?

A. For five years and continued unless cancelled by him.

Q. Is a grower safe in signing away his grain for that length of time?

A. Yes. No one can make a profit out of it. The entire organization is controlled by men elected by himself and other farmers under the same contracts. The farmer's grain is certainly as safe in the hands of the farmer's own company as it is in the hands of private-owned agencies as at present.

Q. What if the grain is mortgaged?

A. The grower must give the elevator company a statement of any mortgages or liens against the grain when he delivers it.

Q. What assurance has the grower that he will receive the money for his grain?

A. All officials and employees handling grain or money for the U. S. Grain Growers, Inc., are adequately bonded.

Q. If a grower does not pool his grain, when must he decide whether it is to be sold to the elevator company or shipped on consignment?

A. When he delivers it to the elevator company.

Q. Why does the grower make a contract with the local elevator company instead of with the national association?

A. We have about 4,000 farmers' elevators which have been very successful in handling the grain marketing problem as far as their influence extends. It was felt that the elevator companies should be made a basic part of the new grain marketing plan, that they should be preserved and strengthened and that control of all grain should be kept in the hands of the local people.

<p>Growers' Privileges</p>

Q. Can the grain grower deliver his grain when he pleases?

A. As already explained, the grain growers in each locality will decide whether to sell directly to the elevator as today or to pool. If the grain is being handled under the first method, the grower can bring in the grain when he pleases, providing the elevator has space to receive it or cars in which to load it. The farmer uses his own judgment as to the best time and manner to sell. Furthermore, the farmer will have the advantage of his own crop reporting service which will enable him to more accurately determine the best time to sell.

Q. When a grower, who is a member of the U. S. Grain Growers, Inc., delivers his grain to the local elevator and wants to consign his grain direct to the sales offices of the U. S. Grain Growers, Inc., who pays him for that grain?

A. Consigned grain will be handled by the selling agency of the U. S. Grain Growers, Inc., just as it is now being handled, with the exception that the farmer will receive the full sale price less handling charges. The farmer will make arrangements for loading with his local elevator. He will receive payment for his shipment direct from the district sales office.

Q. What happens if a grower moves to another community?

A. He can have his contract transferred to the elevator in that community.

Q. What if the grower quits farming?

A. His contract becomes inoperative. It will become binding again, however, if he again becomes a grain grower before the end of the contract period of five years. All grain he has on hand when he quits farming must be delivered according to the terms of the contract.

Q. Can the contract be assigned to some other grower?

A. Yes, by one tenant to a succeeding tenant, or by a man who sells his farm to the man who buys it. In either case the old contract must be delivered to the elevator company and a new one issued.

Q. Can the grain grower sell his grain to a seed company or to a local mill?

A. Yes, by agreement with his local elevator company or grain growers' association.

Q. Does the grower's contract leave the grower free to decide for himself what kind of grain he will raise, and the number of acres of each kind?

A. Yes. The contract reads "nothing in this contract shall deprive the grower of control in any degree over his own acreage, and production."

**The
Elevator
Contract**

Q. What does the elevator company do with this grain?

A. It ships it to any desired terminal or other designated point for sale by the U. S. Grain Growers, Inc.

Q. Does the local elevator finance the movement of consigned grain in part or in full or does the finance corporation finance the movement of the grain?

A. The financing of consigned grain will be handled just as it is at the present time. It is possible, however, that if any considerable number of farmers sell their grain in this way that arrangements can be made so that the farmer can secure a reasonable advance on his grain by presenting his bill of lading at the local bank.

Q. Does the U. S. Grain Growers, Inc., have any control over the time and place of shipment?

A. Only in an advisory way. It acts as a selling company.

Q. Can the elevator company sell this grain through some other commission company?

A. No. It is under contract to sell all contracted grain only through the U. S. Grain Growers, Inc.

Q. Can the elevator company buy grain from growers who are not members of the U. S. Grain Growers, Inc.?

A. Yes, but it cannot sell such grain through the U. S. Grain Growers, Inc. The U. S. Grain Growers, Inc., can handle members' grain only.

Q. If the elevator buys grain outright from members, what price will be paid?

A. The going market price, just as at present. Any profits accumulated by the elevator company or the local grain growers' association will be prorated back to the grower as a patronage dividend.

Q. What does the cooperative elevator company or grain growers' association do with its grain?

A. It is under contract to sell it through the U. S. Grain Growers, Inc. In case the local company buys the grain outright from members, ships on consignment, or handles the grain in a local pool, the U. S. Grain Growers, Inc., will act as a commission house only.

**Definition
of
Pools**

Q. What is meant by a local pool?

A. The local pool is a means of centralizing the selling responsibility and giving each grower the average price received for grain of his kind and grade. Suppose a group of growers around a given point decide to handle their wheat in a pool. When a grower delivers his wheat he will be given a receipt for so many bushels of a given grade. He will also receive an advance payment covering a part of the value of the grain. A separate account will be kept of each grade. The wheat will be sold at various times throughout the period of the pool, according to the judgment of the local pooling committee. When all the wheat of one grade has been sold the balance over and above the handling charges will be paid back to the growers. The same thing will be true of other grades. Instead of waiting until all the wheat of any one grower is sold before paying the grower the balance of his money, it may be paid in several installments as the wheat is disposed of.

Q. What is meant by the one-third pool?

A. This applies to wheat only. The grower may agree to put one-third, or the exportable surplus, of his wheat in a national pool. The balance may be sold, consigned or put into a local pool. The disposition of the one-third, or the exportable surplus, will be in the hands of the U. S. Grain Growers, Inc., and part of it may be sold through the export company.

**Administration
of
Pools**

Q. When is the pooled grain delivered?

A. When the local pooling committee decides. It will be guided by the wishes of the grower so far as possible, however. The local pooling committee may pay growers' carrying charges on an agreed scale, for holding grain from harvest until it is delivered.

Q. Where will the local pooling committee get money to pay advance on grain?

A. It will borrow some of it from the local banks. The balance will be obtained from the finance corporation with warehouse receipts as security.

Q. What will be the relation of the pooling committee to the elevator company?

A. It will probably contract with the elevator company to handle the grain for it on an agreed charge. It will control the grain, however, and handle it in any other way it may find advantageous.

Q. What is a joint pool?

A. Two or more local pooling committees may decide to put their grain of any kind or grade into a joint pool, in which case the control of time, quantity and place of sale shall be in the hands of the pooling committee of the U. S. Grain Growers, Inc.

**Questions
on
Pooling**

Q. What is a local pooling committee?

A. It is a committee of three elected by growers who have grain in the pool. This committee, according to the contract, shall exercise complete control over the handling, shipping and selling of all pooled grain, determining the time, quantity and destination of sales, and effecting all necessary contracts and other arrangements for storage, etc. The person selected by this committee to handle the grain shall be under bond.

Q. Do all growers of grain in the community have to agree to pool before a local pool can be formed?

A. No. Any number of growers who wish to pool can do so.

Q: If a grower pools his wheat does he have to pool his other grain, too?

A. No. He can pool one kind of grain and handle other kinds under any of the other options.

Q. Is the local pooling committee paid for its services?

A. That is up to the members who contribute grain to the pool. They can do as they please about it.

Q. Can the grower pool one year and sell under one of the other options the next?

A. No. Once he decides to pool he must dispose of his grain in that way, during the remainder of the contract period. He can change from the sales or consignment method to pooling at any time, however.

Q. Does any percentage of grain in any particular district have to be signed up with the U. S. Grain Growers, Inc., this year before the farmers can market their grain through the U. S. Grain Growers, Inc.?

A. The time when the growers' contract will become effective in each district will be determined by the Executive Committee and Board of Directors. No arbitrary percentage can be set down for general application for all districts. Smaller quantities can probably be handled in some districts than can be profitably done in others.

**Administration
of the
Company**

Q. Is there any danger that excessive salaries will be paid?

A. The directors are farmers and have the usual farmer's common sense about spending money. They will not pay higher salaries than are necessary to secure qualified men. Farmers now pay the salaries of the men in the grain trade, whether they realize it or not. There are many times as many men in the grain business, especially at the terminals, as are necessary, and many of the salaries paid are far higher than any the growers' association will pay. This does not include the profits made by the present grain companies, all of which are paid by the farmers in the long run.

Q. Will the U. S. Grain Growers, Inc., maintain offices at seaboard markets like Baltimore, New York and Philadelphia and be in a position to compete so far as price and service go with the exporters now operating at these markets?

A. The export corporation, provided for in the articles of incorporation, will set up such offices as soon as practicable. The Canadian farmers were able to export wheat at from three to five cents a bushel less than private exporters had charged. There is no good reason why the farmers of the United States cannot be just as successful. An office will not be set up until the volume of business will allow of giving the same price and service given by private exporters.

Q. Will offices be maintained at points like Buffalo, and Pittsburgh, to take care of the sales of oats and other feeds into the interior points in such states?

A. Domestic demand at consuming points will be considered before that of export demand. Where there is sufficient business to justify a sales office to take care of domestic buyers, an office or a representative, will be established at that point.

Q. How will certain terminal elevator exchanges, that practically control the cooperative selling of grain in their respective localities, join

the U. S. Grain Growers, Inc., with the least expense and elimination of red tape?

A. By effecting a contract with the U. S. Grain Growers, Inc., which will lease their terminal and central marketing facilities to the national cooperative marketing company for the present, anticipating a purchase as soon as the new company is well organized.

Q. What becomes of the profits made by the U. S. Grain Growers?

A. The U. S. Grain Growers, Inc., is organized under the "not for profit" law. It intends to handle and sell grain at cost. To begin with, the regular commission for handling grain will be charged. Any money which might be left at the end of the year, above actual expenses and the amount set aside for the surplus fund, will either be invested in the subsidiary corporations or paid back to the growers in proportion to the amount of grain sold through the organization.

The directors are authorized to deduct not more than one per cent of the selling price of grain for buying terminal elevators, establishing an export corporation and for similar purposes. When such deduction is made, the grower will be given a certificate of investment covering the amount of his money used for such purposes. In case the property is ever disposed of, he will receive his proportionate share of the selling price.

**Election
of
Officers**

Q. What is the voting plan of the company?

A. The voting plan of the U. S. Grain Growers, Inc., vests the absolute control of the company entirely in the hands of its farmer members.

Q. How are the directors elected?

A. During the first week in February of each year, the grower members around each shipping point will hold an annual meeting. Each grower member has one vote. A delegate to congressional district convention will be elected at this meeting.

The congressional district conventions will be held the third week in February and will be made up of one voting delegate from each local shipping point. Each of these delegates will cast as many votes in the congressional district convention as there are members in his local. The congressional district convention will then elect a delegate to the national convention which will be held the third Tuesday in March.

At the national convention, each delegate will cast as many votes as there are members in his congressional district. The business of the national convention will be to elect directors and make any desired changes in the policies and by-laws of the organization.

Q. Who may be directors?

A. Actual grain growers who are members of the U. S. Grain Growers, Inc. No person holding an elective or appointive public office or being a candidate for such office can be a director or officer of the company. In case a director or officer becomes a candidate for any such office, he must immediately resign.

Q. Are officers and employees of the U. S. Grain Growers, Inc., bonded?

A. The treasurer and all other officers and employees of the U. S. Grain Growers, Inc., whose duties include the handling of money, securities and other things of value must furnish adequate bonds. In case the directors fail to require such bonds, they will be personally liable for any losses. Likewise, the men who represent the company in securing memberships are all bonded.

Objects of the Plan

Q. How will the new marketing plan stabilize prices?

A. It will not do so all at once. In time it will very largely wipe out daily and weekly fluctuations and minimize monthly and yearly fluctuations so that they will be slow and gradual, accurately reflecting world conditions of supply and demand. The most important means of stabilizing the price of cash grain is to stabilize the movement. If cash buyers want a million bushels of grain today and a million bushels is offered for sale, the price will not change. If a million and a quarter bushels is offered the bottom goes out of the market.

Farmer members of the U. S. Grain Growers, Inc., will have important help from the statistical department of the U. S. Grain Growers, Inc., in determining the time to sell. This department will gather facts about supply and demand from every source and from all over the world. Its trained experts will interpret these facts. This information will be furnished to each local elevator company by mail and wire. It will be accurate, unbiased information, not colored in the interest of the speculator. The grain will be routed to the best markets, and offered only as rapidly as the market will take it without depressing prices unduly.

The plan is an elastic one. It does not start in a revolutionary way. It provides for a gradual development of distribution by farmers themselves. It will have a stabilizing influence on prices from the start, and that influence will increase rapidly until market manipulation and unnecessary waste has been eliminated.

Q. What are the chief objects of the entire movement?

A. To permit the farmer to own and control the agencies for marketing his own grain; to cause a more even, orderly shipment of grain to the market, thereby preventing gluts in the market, and the violent fluctuations in market prices which exist today; eliminate speculation in grain which further influence market prices to the disadvantage of both producers and consumers; and to furnish adequate financial credit to farmers.

Summary of the Certificate of Incorporation

The U. S. Grain Growers, Inc., filed letters of incorporation on April 11, 1921, with the Secretary of the State of Delaware. On April 18, a certificate of incorporation was granted by that State, creating a corporation.

This Certificate of Incorporation has created an agricultural organization instituted for the purposes of mutual help without having capital stock and not to be conducted for profit, to improve the methods of preparing, storing, and handling agricultural products including grain and products thereof; to reduce the cost of producing and marketing such products; to reduce speculation, manipulation, and waste, and all unnecessary transactions in such marketing; to encourage scientific and advanced farming practice; to stimulate and advocate the planting of the most desirable varieties; to increase the consumption, build up new markets, and develop new uses for such products; to facilitate the transportation and the collection of claims regarding the transportation of such products; to market same directly and with regularity so as to furnish the same economically to the manufacturers and users thereof; to preserve for the growers and the public their proper profits and economies; to establish uniform business administration and accounting methods among farmers, warehouses, elevators, and members of this corporation; to do everything necessary, suitable, and proper to advance the interest and the benefit of the growers of grain and those engaged in allied business.

To carry out these purposes the corporation is authorized to do all things necessary, including the handling and marketing of grain and related products produced by its members, the establishing of trademarks, the organization and control of subsidiary corporations formed to carry out the above purposes, and the distribution of market news.

Membership in the corporation is limited to producers of grain and related products and memberships are not transferable or assignable. Members of the corporation are not liable for any of the acts, debts or liabilities of the corporation and no special assessments can be levied against its members, the cost of operation to be secured by deductions from the proceeds of the sale of grain. The control of the corporation resides in the members, members' voting power being equal. The election of managing officials under a representative plan is authorized. The Board of Directors has general control over the affairs of the corporation. An Executive Committee is authorized, for the transaction of business between meetings of the Board of Directors. In general, the development of the various activities of the corporation is left to the Board of Directors. The directors and officers are disqualified from holding State or Federal public office.

* * * *

The general effect of the Certificate of Incorporation is the creation of a non-stock, non-profit agricultural organization which can market grain produced by its members, and which extends the farmers' elevator movement farther than cooperative methods have thus far gone.

By Laws of the U. S. Grain Growers, Inc.

Adopted by Incorporators, April 11, 1921, and
Approved by Board of Directors, April 20, 1921.

ARTICLE I.

Membership.

Section 1. Qualifications. All persons who shall be producers of grain and related products, who shall execute producers' agreements as specified in Article X hereof, and who agree to conform to, and abide by, the by-laws and regulations of this Association, shall be eligible for membership in this Association; provided, however, that producers of grain who have executed growers' contracts for the exclusive sale of grain through any state-wide or interstate organization now in existence, which is composed exclusively of grain growers, may be admitted to membership in this Association by resolution of the Board of Directors of this Association upon the execution of contracts between this Association and the aforesaid state-wide or interstate organization for the exclusive handling of the grain of the said producers by this Association, the said contracts first having been approved by the Board of Directors of the U. S. Grain Growers, Inc.

Section 2. Fees. Each applicant for membership shall, until otherwise provided, pay to the Association an initiation fee of \$10 for the creation of, and ownership of securities in, subsidiary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for the securing of memberships, for any other purpose authorized and deemed necessary by the Board of Directors of the Association for the immediate handling and marketing of grain and related products, and for organization and other expenses incidental to the completion of the organization of the Association; provided, however, that this section as to the initiation fee may be hereafter modified by at least a three-fourths vote of the Board of Directors of this Association.

Each applicant for membership, as a consideration of the enjoyment of the privileges of membership, and as a term and condition thereof, admits and agrees that his initiation fee shall become and remain the exclusive property of the Association, free of any claim or demand upon his part, and constitute merely evidence of good standing. The right to enjoy the privileges of membership in this Association is personal and not a property right. Membership shall not be subject to execution, is not transferable, and is not liable for the debts of a deceased member.

Enjoyment of the privileges of membership shall continue during good standing and behavior only.

Section 3. Certificate. A certificate of membership shall be furnished to each member in the form, and authenticated by the persons designated by the Board of Directors, with the seal of the Association affixed thereto.

Section 4. Voting Power. The voting power and the control of this Association shall inherently reside in the members thereof. The voting power of all members shall be equal.

Section 5. Exemption from Execution. The property of this Association shall not be subject to execution or liable for the debts of any member of the Association.

Section 6. Termination. The retirement of a member from the business of grain production shall automatically suspend his membership in this Association. Members may be expelled from membership for breach of contract, or for acts injurious to the interests of the Association. Written charges shall be prepared by the Voting Unit, as hereinafter defined, or by any officer of the Association, and served upon such member ten days before the date of the proposed hearing, when the charges shall be tried before the Voting Unit. Upon conviction by the Voting Unit, appeals may be successively prosecuted to the ensuing Congressional District Convention and to the National Convention. Upon final conviction, the member shall be denied further use of membership privileges except to conclude unfinished transactions.

ARTICLE II.

Representative Government.

Section 1. **Voting Units.** The members of this Association, for purposes of the government thereof, shall be organized into Voting Units, whose headquarters shall be at the respective shipping points. The members of the Association who are patrons of each local elevator company or local grain growers' association shall constitute a Voting Unit; provided, however, that the Board of Directors may on the application of any growers, and subject to its discretion, transfer them to some other Voting Unit. Each member shall belong to but one Voting Unit. Each Voting Unit shall meet annually on the first Tuesday of February, and shall have such organization as it shall select, subject to the approval of the President of the Association.

Section 2. **Congressional District Conventions.** The members of each Voting Unit shall assemble and, by a majority vote, elect a delegate to a convention of all such delegates in the Congressional District in which the said Voting Units are located, to be known as the Congressional District Convention, provided that in any Congressional District in which there are not five or more local Voting Units, such District may with the approval of the Board of Directors, meet in convention with one of the adjacent districts; and provided further, that any Voting Unit may secure a transfer to an adjacent Congressional District by application to the Board of Directors and subject to the approval of said Board. Congressional Districts shall conform substantially to the political subdivisions so described and in effect at the time the aforesaid Congressional District conventions shall be held. The Secretary of each Voting Unit shall immediately transmit to the Secretary of the Association the name of the delegate so elected. Each Congressional District convention shall convene the third week of February of each year at a time and place in the said Congressional District to be named specifically in the notice calling said convention. The Congressional District convention shall be called to order by some delegate present appointed by the President of the Association; or in the absence of such delegate, by any other delegate present; whereupon a Chairman and Secretary shall be elected; and if a majority of the members residing in the Congressional District be represented by delegates duly chosen, a quorum shall be declared assembled, and the Convention by a majority vote shall elect one delegate and one alternate to the National Convention. The Secretary shall at once transmit to the Secretary of the Association a transcript of all proceedings, and furnish the persons who shall be elected delegate and alternate proper credentials.

If, for any reason, a delegate is unable to attend the National Convention, the duly elected and qualified alternate for said delegate shall automatically become the delegate in his stead, and all provisions of these By-laws referring to the powers and duties of delegates to the National Convention shall be deemed to refer to such alternate acting in the capacity of a delegate as above stated.

Section 3. **National Convention.** The delegates from the Congressional District Convention shall assemble in National Convention and there shall elect by majority vote directors to fill all vacancies in the Board of Directors. Said National Convention shall be the supreme tribunal and convention of the Association and shall constitute the annual members' meeting. Each of the delegates provided for in this and the preceding section shall be the agent or attorney in fact of each of his constituents, and shall vote the aggregate membership of his said constituency.

Section 4. **Time and Place of Meetings and Conventions.** The annual meetings of the members of this Association shall be held at Chicago, Illinois, commencing on the third Tuesday of March in each year. The members of the Association shall select duly accredited representatives, agents, or attorneys in fact, who shall be known as delegates, to cast their ballots for directors and to cast their votes on all propositions submitted at said annual meetings known as National Conventions, as described in the preceding section.

The places and dates of meetings of the Congressional District Conventions shall be fixed by resolution of the Board of Directors and copies thereof shall be mailed to the Secretaries of the Voting Units in the respective Congressional Districts thirty days prior to the date fixed for Voting Unit meetings. The Secretary of each Voting Unit shall mail to each member of the said Voting Unit a copy of the said notice seven days prior to the date of the meeting. The Secretary of the

Association shall, at least seven days prior to the date of the Congressional Conventions in each district, send by registered mail to each duly accredited delegate to each Congressional District Convention a notice of the time and place of said convention. In case the date set for annual meetings of Voting Units, Congressional District or National Conventions shall fall on a holiday in the State where the meeting is to be held, the meeting shall be held on the second succeeding business day.

Section 5. Manner of Voting. The delegate representing the Voting Unit shall cast one vote for each membership in such Unit, each delegate from the Congressional District Conventions shall cast one vote for each membership in such congressional district, and by joining this Association each member irrevocably assents to this manner of selection of Directors and empowers his Voting Unit delegate and his congressional district delegate to act for him and to cast his vote in the Congressional District and National Conventions. No membership shall be voted at any of these meetings which shall have been acquired within twenty days next preceding such meeting or election.

Section 6. Quorum. At any meeting duly called and held, a majority in number of memberships thus represented shall be deemed a quorum for the transaction of business, except at the annual meetings of the Voting Units duly called, at which time 20 per cent of the members of the Association belonging to that Voting Unit shall constitute a quorum for the purpose of electing a delegate to the Congressional District Convention.

Section 7. Term of Delegates. The delegates and alternates elected to the National Convention shall be deemed elected for the term of one year, and shall serve and sit in any specially called National Convention within the year following their election, in accordance with provisions herein stated.

Section 8. Duties of Secretaries. The secretary of each meeting of Voting Units and of Congressional District Conventions shall make a record of the selection of the delegate and alternate from his constituency and furnish the delegate and alternate so elected a certificate in form to be prepared by the Board of Directors of the fact of the election of such delegate and alternate, transmitting a copy thereof to the Secretary of the Association.

Section 9. Salaries and Expenses. Delegates to Congressional District Conventions and delegates to the National Convention shall serve without compensation from the Association. The Board of Directors may authorize the payment to such delegates of their necessary traveling expenses.

Section 10. Adjourned Meetings. If less than a quorum shall be in attendance at the time for which any meeting herein provided for shall have been called, the meeting may, after the lapse of at least one hour, be adjourned from time to time, or day to day, by a majority of the members or delegates present; after three consecutive days those present shall constitute a quorum.

Any meeting at which a quorum is present may also be adjourned in like manner for such time or upon such call as may be determined by vote.

At any adjourned meeting at which a quorum shall attend any business may be transacted which might have been transacted if the meeting had been held as originally called.

Failure to give proper notice by mail, or any other failure on the part of any local, district or national official, or any local or district convention, to strictly observe the preceding regulations shall not invalidate the actions of the National Conventions. At such time and place as previously stated those delegates who do show proper credentials shall proceed with the transaction of the business of the Association at the National Convention, and their action shall be binding upon the Association.

ARTICLE III.

Board of Directors.

Section 1. Election. The Board of Directors shall consist of twenty-one members, to be elected by ballot at the Annual Conventions for the following terms of office: Beginning with the first annual meeting to be designated the first National Convention, as provided for in these By-Laws, the directors of this cor-

poration shall be divided into two classes, as nearly equal as possible; the terms of office of those of the first class to expire at the close of the annual meeting next ensuing; of the second class, one year thereafter; and at each annual election held after the first convention directors shall be chosen, except to fill unexpired terms, for the full term of two years to succeed those whose terms expire. The Board of Directors may provide for the nomination of directors by districts on an equitable basis. The directors, except those constituting the first Board of Directors, shall subscribe and swear to an oath, before entering upon their duties, binding themselves to the due performance of the same, in such form as may be prescribed by the Board of Directors.

Section 2. Meetings. Regular meetings of the directors shall be held in the City of Chicago, State of Illinois, on the first Tuesday of July, October, January, and at the close of the National Convention of each year. Special meetings may be called at Chicago, or elsewhere, upon order of the President or petition of one-third of the directors, specifying the business to be transacted. Notice of special meetings shall be mailed by the President or Secretary to each director's postoffice address at least 15 days or wired at least 5 days before the date of the proposed meeting.

Section 3. Powers. The Board of Directors shall have complete management of the Association. The Board of Directors may appoint an executive committee from its own membership, and require the said committee to transact such administrative business and conduct such investigation as the Board of Directors may authorize. The power to borrow money shall be exercised only by the authority of the Board of Directors, two-thirds of the members being present and voting for the same. The Board of Directors may fill vacancies in its membership until the next following National Convention. The Board of Directors shall choose, and fix the salaries of, the officers of the Association, as hereinafter named, each of whom, except the Secretary and Treasurer, must be a director, and shall prescribe the form of the Association seal. The Board of Directors shall by resolution provide compensation for directors except as provided in Article IV, Section 1, of these By-laws.

Section 4. Executive Committee. During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise such powers as may be lawfully committed to it by the Board of Directors.

ARTICLE IV.

Officers.

Section 1. Designation. The officers of the Association shall be President, First Vice President, Second Vice President, Third Vice President, Secretary and Treasurer. Each of said officers shall be a director of the Association except, however, the Secretary and Treasurer may be directors or not, subject to the discretion of the Board of Directors. The compensation and expenses of all officers (including the executive committee, President and Vice Presidents, but excluding members of the Board of Directors not occupying such positions) shall be fixed by the Board of Directors. No officer affected by this provision shall be permitted to vote on the amount of compensation to be paid to said officers.

Section 2. The President. The President shall preside over all meetings of the National Convention and of the Board of Directors, shall execute personally or through duly authorized agent, in behalf of the Association all contracts, deeds and other instruments which shall have been approved by the Board of Directors, and shall have general supervision, and administrative control of all of the affairs of the Association, and shall give all his time to the affairs of the Association.

Section 3. The Vice Presidents. In the absence or disability of the President for any cause, his duties shall devolve upon, and be discharged by, the respective vice presidents in the order of their official seniority. The Vice Presidents shall perform such administrative duties as may be delegated to them by the Board of Directors.

Section 4. The Secretary. The Secretary shall be the custodian of all of the books, papers, records, documents, official seal and property of the Association. He shall conduct by himself, or through such assistant secretaries and other subordinates as shall be authorized by the Board of Directors, such correspondence of

the Association as may be delegated to him by the Board of Directors; serve or cause to be served, printed and published such notices as shall be required by law, by these by-laws and by resolutions of the Board of Directors; shall keep the corporate records; shall act as Secretary of the National Convention, the Board of Directors and the Executive Committee; and shall perform such other administrative duties as shall be assigned to him by the Board of Directors.

Section 5. The Treasurer. The Treasurer shall have charge of the funds of the Association, shall perform the duties usually attaching to that position and such other duties as may be assigned by the Board of Directors.

Section 6. Suspension. Any officer who shall be ten days in default in the performance of his duty may be suspended from his position and compensation by the Board of Directors and shall be reinstated only upon satisfactory evidence of the performance of such duty.

Section 7. Qualifications. The President, Vice President and Directors (except the first Board of Directors and officers) must be members of the U. S. Grain Growers, Inc. No person holding elective or appointive political office of the federal or state government, or being a candidate for such office, shall be eligible to become a member of the Board of Directors. In case any Director or officer shall become a candidate for any elective state or federal office or shall accept appointment to such office, his office in the Association automatically shall be vacated.

ARTICLE V.

Employes and Agents.

Section 1. General Authorization. The Association shall have a General Manager and such agents and employes, acting under his direction, as the Board of Directors may from time to time provide. The Board of Directors, directly or through duly authorized representatives, shall appoint or remove such General Manager, agents and employes, shall prescribe their duties, fix their compensation, and shall require those, including the Treasurer, members of Local Pooling Committees and others whose duties include the handling of money, securities, or other things of value, to execute and file with the President good and sufficient bonds in amounts fixed by the Executive Committee with securities approved by it. Failure of the Board of Directors to require such bonds shall make them personally liable for any loss thereby occasioned.

ARTICLE VI.

Departments.

Section 1. General Authorization. There shall be established as deemed advisable by the Board of Directors the following departments of the Association: Sales Department, Transportation Department, Organization Department, Legal Department, Finance Department, Statistical Department, Information Department, a Pooling Department for each kind of grain pooled by any number of grower members, to be under the charge of an expert in the handling of that kind of grain, and such other departments as may from time to time be considered advisable by the Board of Directors.

ARTICLE VII.

Offices.

Section 1. Offices. A principal office of the Association shall be in the City of Wilmington, County of New Castle, State of Delaware; and the name of the resident agent in charge thereof is Herbert E. Latter, No. 7 W. Tenth Street, Wilmington, Delaware.

The corporation may also have an office in the City of Chicago, State of Illinois, and also offices at such other places as the Board of Directors may from time to time appoint or the business of the corporation may require.

ARTICLE VIII.

Financial.

Section 1. Depositories. The Board of Directors shall designate depositories for the funds of the Association, and all interest accruing from funds of the Association shall be the property of the Association.

Section 2. Certificates. The Board of Directors shall provide out of the proceeds from the sale of grain for the acquisition by itself, or through subsidiaries and other agencies, of facilities necessary for the efficient, prompt, and economical handling, processing, transporting, and exporting of the grain of its members; and shall issue certificates of deduction representing the same, in such form, in the manner, and at such times as the Board of Directors shall determine.

The said certificates shall be assignable by endorsement; but shall not be deemed as obligations of the Association with definite or other maturity; they shall not bear interest and shall not represent any obligations or rights other than a proportionate ownership in certain assets held by the Association, which shall not be separable or subject to distribution during the life of the Association, except at the option of the Board of Directors.

Section 3. Audit Report. There shall be an audit of the financial records of the Association made by a reputable and competent accounting firm at least annually, whose reports thereof shall be transmitted to the President and by him reported to the next ensuing National Convention with information concerning the affairs of the Association.

Section 4. Fiscal Year. The fiscal year shall begin the first day of January in each year, until otherwise ordered by the Board of Directors.

ARTICLE IX.

Subsidiary Corporations.

Section 1. General Authorization. The Association may, in the discretion of the Board of Directors, provide for the organization of subsidiary corporations for the carrying out of the purposes of the Association, and for the holding of securities of said subsidiaries. Such subsidiary corporations may include corporations for warehousing, for the export of grain, for the financing of operations contemplated by the Association, and for any other purpose deemed by the Board of Directors essential to the carrying out of the plans for which this Association is organized.

ARTICLE X.

Operations.

Section 1. General. The operations of this Association shall consist of the marketing of grain and related products by virtue of contracts with state-wide or interstate grain growers' associations, with farmers' cooperative elevator companies, or with local cooperative associations to be formed where local farmers' cooperative elevators meeting the requirements established in the contracts with grower members do not exist, which companies and associations in turn have contracted with growers who are members of this Association, or where such companies or such associations do not exist, the Association may contract directly with individual members for direct shipments, and with independent dealers for the weighing, loading, and handling of the grain of such members.

Section 2. The Plan. In furtherance of these operations, the Association may provide, as considered advisable by the Board of Directors:

(a) Branch sales offices at important grain markets to handle the grain for each natural grain district;

(b) Terminal elevator service in connection with sales offices, either by contractual arrangements for same, or through the organization of a company, or companies, which may lease, buy or build terminal elevators;

(c) Facilities for financing the marketing of grain through the organization of a finance corporation whose capital stock shall be subscribed to by the members, so far as possible;

(d) Facilities for marketing the exportable surplus of grain and related products;

(e) Service departments furnishing information covering local, national and world-wide conditions affecting the grain trade; also information and service in connection with transportation, legal, statistical and other problems.

Section 3. Working Capital. The initial working capital of the Association with which to provide for the creation of, and ownership of securities in, subsid-

ary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for any other purpose authorized and deemed necessary by the Board of Directors of the Association for the immediate handling and marketing of grain, for organization and other expenses incidental to the completion of the organization of the Association, and for such other purposes as are authorized by the Board of Directors, within the lawful power of the Association, will be secured through the membership fee of the growers as provided in Article I, Section 2 of these By-laws. Subsequent funds will be secured by deduction of certain amounts or percentages of the receipts from grain sold by or through the Association, as provided in the standard contract between the Elevator Company and the Association.

Section 4. Contracts. There shall be, among others, two series of contracts:

(1) Between the respective members and the local elevator companies or the grain growers' associations; and

(2) Between the respective local companies or associations and this Association.

Local companies or associations shall be construed to include farmers' co-operative elevator companies, paying patronage dividends and organized under the co-operative laws of the State where operating; or where there is no such law then such farmers' elevators as meet the requirements of the Association as to truly co-operative companies.

In communities where there is a stock company farmers' elevator, the stockholders or directors of such elevator who are members of the Association may organize a grain growers' association to become the local contracting body and supervise the handling and financing of members' grain. Where the stockholders or directors of such farmers' elevator do not organize such grain growers' association, the Association shall make no attempt to organize such community prior to January 1, 1924.

Said local associations shall arrange for the use of local elevator facilities, either by contract, construction, purchase or otherwise.

Contracts between the members of this Association and the local farmers' co-operative elevator company or the local association shall be executed in standard form, providing for the exclusive handling of the members' grain through the facilities of this Association.

In all matters connected with the securing of membership and contracts and the handling of grain in local communities, the Association shall co-operate to the fullest possible extent with existing co-operative elevators.

Section 5. Grading and Inspection. The Board of Directors shall prepare and recommend rules and regulations concerning the grading and inspection of grain by local elevators and associations, together with methods for enforcing the same, not in conflict with state and federal rules, regulations and statutes.

Section 6. Sales and Collections. The Board of Directors shall establish methods for the sale of grain by and through the Association, and provide for the collection and remittance of money due.

Section 7. Advisory Sub-Committees. The collection of information from all parts of the earth, and dissemination thereof to the members concerning sowing, planting, preparing of soil, selection of varieties, cultivation, harvesting, storing and marketing of grain, and all other matters pertaining to efficient and profitable farming shall be objects of especial solicitude to the Association, and those subjects in relation to particular grains shall be assigned to such sub-committees of the Board of Directors as to it shall seem fit. The powers of such sub-committees shall be advisory only.

ARTICLE XI.

Notice.

Section 1. Presumption of Notice. Whenever any member, delegate or director is present at any meeting it shall be presumed that he has received legal notice of such meeting.

Section 2. Notice and Waiver of Notice. Whenever any notice is required by law or by these By-Laws, personal notice is not meant unless expressly so stated, and any notice so required shall be deemed to be sufficient, unless otherwise speci-

fled, if given by depositing the same in a postoffice box in a sealed postpaid wrapper, addressed to the person entitled thereto at his last known postoffice address, and such notice shall be deemed to have been given on the day of such mailing. Any notice required to be given under these By-Laws may be waived by the person entitled thereto.

ARTICLE XII.

Conduct of Business.

Section 1. **Order of Business.** The order of business for all meetings shall be as follows:

1. Roll call,
2. Reports of officers,
3. Reports of standing committees,
4. Reports of special committees,
5. Old business,
6. New business,
7. Elections.

Section 2. **Rules of Order.** Roberts' Rules of Order shall govern the deliberations of all meetings herein provided for, except as may be otherwise provided in the Certificate of Incorporation or in these By-Laws.

ARTICLE XIII.

Amendments.

These By-Laws may be altered or amended at any regular National Convention of the Association, by an affirmative two-thirds vote, provided that a copy of the proposed amendment with a request for its consideration shall be filed with the Secretary of the Association, by any member of the Board of Directors, or by any duly elected delegate to the said convention, at least fifteen clear days before the date of the convention. The Secretary shall thereupon mail immediately a copy of the said proposed amendment to each delegate who shall have been duly elected to the convention. No other amendments shall be considered by the convention, excepting slight changes in phraseology, not changing the purport, may be made in the proposed amendment, and the Board of Directors, by a majority vote, may recommend other changes in these By-Laws at the time the convention is in session.

Grain Growers' Contract

Revised Form

THIS AGREEMENT made and entered into this.....day of
....., 19....., by and between.....

(Here insert name of Elevator Company or Grain Growers' Association with whom the Grower contracts)
a corporation (or) an association duly organized and existing under the laws of the State of....., (hereinafter referred to as the Elevator Company), and having its principal place of business at....., party of the first part, and the undersigned producer of grain as owner (entitled to crop rental), or as tenant, of land located in the County of....., State of....., (hereinafter referred to as the Grower), party of the second part,

WITNESSETH:

THAT WHEREAS the Elevator Company is the owner of, or has contracted for the use of, facilities for weighing, grading, storing and shipping grain in the county aforesaid, and has by contract with the U. S. Grain Growers, Inc. (hereinafter referred to as the U. S. Association), appointed the U. S. Association, an agricultural organization, instituted for the purposes of mutual help and not having capital stock or conducted for profit, as its exclusive sales agent in the marketing of grain of the members of said U. S. Association, in order to correct the present wasteful and uneconomic methods of handling grain, and in order that the said grain can be marketed and distributed on a cost basis; and

Whereas the Grower is a bona fide producer of grain by virtue of owning or operating farm land, is entitled to the ownership and control of all or a part of the grain produced thereon, and is a member of the U. S. Association; and

Whereas the Grower desires to sell, and the Elevator Company desires to purchase, or handle for sale, all the grain that shall be produced as hereinafter provided:

NOW THEREFORE, the parties agree:

In consideration of the mutual obligations of the respective parties hereto, of similar agreements between other grain growers and the Elevator Company, of the outlays and expenses incurred, and to be incurred, by the Elevator Company in carrying out the purposes of this agreement, and in consideration of the benefits derivable from the contractual affiliations of the Elevator Company with the U. S. Association:

Section 1. The Elevator Company agrees that it shall provide by ownership, lease or otherwise, facilities for weighing, grading, storing and marketing grain; that it shall receive and handle as hereinafter specified, or shall purchase at prices, and upon such terms, as are hereinafter set forth, all the grain hereinafter mentioned tendered to it by the Grower in accordance herewith; that it shall market all said grain through the U. S. Association according to the terms and conditions of the contract between the U. S. Association and the Elevator Company, which is attached hereto and made a part hereof as though copied herein.

This contract shall govern all the grain named in Section 23, which is controlled by the Grower, and produced upon land described in the preamble of this agreement which he now owns, or shall hereafter own or operate during the life of this contract, and all such grain as he now has in possession, but not grain required and used by the Grower, or sold by him locally for local use for seed or feed, or sold otherwise with the written approval of the U. S. Association.

Section 2. During the life of this contract the Grower agrees to deliver and sell to the Elevator Company, or otherwise market through said company, all the grain covered by this contract, and grown upon the land above described, at a price to be determined as hereinafter set forth.

Section 3. It is hereby agreed that nothing in this contract shall deprive the Grower of control in any degree over his own acreage or production.

Section 4. This contract shall become effective with respect to its provisions concerning grain, 10 days after receipt by the Grower of a written notice to that effect by the Elevator Company.

This contract shall be in effect from such date to June 30, 1927, and shall automatically extend and continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party as to any kind of grain in accordance with the following terms and conditions.

(a) Notice in writing of said termination must be given by such party desiring the termination to the other party at least forty-five days, and not more than sixty days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of such termination, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named; provided, however, such termination shall not affect any uncompleted sales or transactions or uncompleted obligations

on current commitments between the parties hereto; nor release either from any indebtedness then unpaid or hereafter accruing under this contract.

Section 5. The title to the grain covered by this contract shall remain with the Grower, unless otherwise specified herein, until delivered at point of storage or shipment designated by the Elevator Company; at the time of such delivery title to the said grain shall pass to the Elevator Company when paid for, except when otherwise agreed upon by the parties hereto, except as to shipment by the Grower on consignment, in which case title shall remain with the Grower until sold by the U. S. Association, and unless some other arrangement shall be effected by mutual agreement between the parties at the time of the transaction, and provided further that the Elevator Company shall have the option as agent for the U. S. Association, to purchase the grain offered by the Grower for consignment, the price and terms of such purchase being determined by mutual agreement between said parties.

Section 6. Upon notice in writing to the Elevator Company by the Grower, the contract between the Grower and said Elevator Company may be transferred to such other elevator company affiliated by contract with the U. S. Association, as the Grower shall designate, upon such terms as the U. S. Association shall approve.

It is further agreed that the Grower may, from time to time, deliver his grain covered by this contract to another elevator company than the one executing this contract, provided the other elevator company has executed a contract with the U. S. Association for the exclusive handling of growers' grain through that agency, and provided the condition of the roads or the inability of the Elevator Company to handle the grain because of lack of storage, or transportation facilities, renders it necessary.

Section 7. This contract cannot be assigned to any person except to the purchaser of, and in connection with the bona fide sale of, the land owned by the Grower at the time of the execution of this contract, or except as it may be assigned by one tenant to another tenant succeeding to the former in the operation of the land covered by this contract. In case of such transfer, this document may be filed with the Elevator Company, and a new contract may be executed in lieu thereof. Any other attempted assignment shall be of no force or validity whatsoever.

Section 8. This contract shall be terminated whenever the Grower shall for any reason be expelled from membership in the U. S. Association; but such expulsion shall not affect the rights and liabilities of the parties hereto as to the unmarketed grain then in the possession of either party.

Section 9. Whenever the Grower delivers any grain to the Elevator Company, he shall give the Elevator Company a signed statement showing what liens, if any, there are upon such grain; and the Elevator Company shall have the right to pay off all or any part of the said lien or liens in order to perfect further its title to the grain, and thereupon the said Elevator Company shall make proper deductions for the same from the proceeds of the sale of said grain belonging to the Grower. If the amount of said liens is excessive in the judgment of the Elevator Company, the Grower hereby agrees to pay off sufficient to reduce the same to the amount stated by the Elevator Company to be reasonable, or the Elevator Company may handle said grain on the consignment basis, by and with the consent of the mortgagee.

Section 10. The Elevator Company agrees to observe and perform such rules and regulations covering the inspection, grading and weighing of grain as may be established by the U. S. Association not in conflict with state and federal rules, regulations and statutes.

Section 11. From time to time, upon the reasonable request of the Elevator Company, the Grower shall furnish such crop and statistical data as requested, on the forms provided for that purpose by the Elevator Company or the U. S. Association. The Elevator Company, upon the reasonable request of the Grower, shall furnish the Grower for his use such information concerning market conditions and quotations as it shall have in its possession.

Section 12. The Elevator Company shall pay, and the Grower shall accept as payment, for any and all of the grain covered by this contract, a price to be de-

terminated by one of the methods described in Sections 13 and 14, as the Grower may elect. The said right of election applies to each kind of grain separately.

Section 13. METHOD A, Individual Sales Method.

The Grower shall sell to the Elevator Company any grain covered by this contract which is not otherwise provided for by a valid election of the said Grower, in accordance with either of the following methods, Method A-1 or Method A-2, or by any other method mutually agreed upon which is in harmony with the other provisions of this contract. The Grower shall declare his choice of method at the time of the delivery of the grain to, or upon the order of, the Elevator Company.

A-1. He may sell for cash at a price offered by the Elevator Company.

It is expressly understood and agreed that the Elevator Company may resell grain so purchased from the Grower through the U. S. Association at its own discretion in respect to time, place and quantity, and without regard to the action of other companies or individuals employing the U. S. Association as a sales agent.

A-2. The Grower, singly or jointly with other growers, may consign grain through the Elevator Company for sale by any method by the U. S. Association, in which case control of time of delivery, shipment and sale shall remain with the Grower, and the net proceeds of sale, less deductions for costs of handling, as hereinafter provided, shall be returned to the Grower. This is without regard to the action of other individuals and companies employing the U. S. Association or Elevator Company as sales agent.

The Elevator Company is hereby exempted from liability for losses in handling, storing, shipping and marketing grain committed to it on the consignment basis, where the negligence of the Elevator Company is not the proximate cause of such loss or damage.

In all shipments by the Individual Sales Method, the U. S. Association shall act solely as sales agent for the Grower or the Elevator Company, and shall exercise no power of regulation or control over time of sale, time of shipment, destination, quantity of grain to be sold, or over the price at which the grain shall be sold, except as the Grower, under Method A-2, or the Elevator Company, under Method A-1, from time to time may, at their option, delegate to the U. S. Association authority to determine such questions as to individual transactions.

Inasmuch as the failure or refusal of the Grower to deliver to, and market and sell through, the Elevator Company the grain governed by this contract will cause detriment and injury to the Elevator Company, will impair its efficiency and the obligations of contracts to which it is a party, and will increase its expense and liability to damage, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the Grower shall fail or refuse to market or to sell through or to the Elevator Company any grain covered by this agreement, then the Grower agrees to pay to the Elevator Company, and the Elevator Company agrees to accept, the following sums per bushel: wheat, 10c; rye, 10c; flax, 20c; and all other grain, 6c; for all grain covered by this contract which is sold, marketed or withheld by or for the Grower other than in accordance with the terms hereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Company and the members thereof will suffer by reason of such refusal or default.

This option, described as Method A, whereby the Grower may sell individually to the local Elevator Company, is severable and distinct from the provisions contained in Method B, is dependent upon the consideration of the obligation of the Elevator Company to furnish facilities for the efficient marketing of grain through itself and affiliated companies and associations, upon the considerations stated in other sections (excepting therefrom Sec. 14) of this contract, and upon the consideration of the obligation of the Grower to sell all his grain covered by this contract to or through the Elevator Company; and the validity and binding effect

of the provisions contained in this Section (13) shall in nowise be dependent upon, or related to, the provisions contained in Section 14 of this document.

All the provisions of this contract, save those contained in Section 14, shall apply with full force and effect to the sales of grain governed by this Section entitled "Method A."

Section 14. METHOD B, Pooling Method.

B-1. Local Pool. (a) The Grower may agree to have all of any kind of grain delivered by him to the Elevator Company comingled and mixed with grain of like kind and grade delivered by other growers, and the same sold during such period of time as may be agreed upon between the growers, provided storage and transportation facilities shall permit, in which case he shall receive, as payment, the average price secured for all grain of like kind and grade so co-mingled and sold, less deductions for costs of handling, as hereinafter provided, and subject to such equitable differentials as said company may find necessary to establish. The various lots of grain sold under this method shall be known as pools. There may be established as many pools of grain as there are kinds and grades of grain to be handled. The pools shall include all the commitments for any one year.

(b) The price on the grain delivered by the Grower shall be uniform with that paid other growers regardless of any variations in the price received from such sales for the several products of like kind and quality, subject to the differentials applicable, and deductions for the cost of handling.

(c) On or before the first day of May of each calendar year all the growers tributary to the Elevator Company and signing this or other similar contract with the Elevator Company, who have elected to participate in the pooling of any kind of grain, may choose from among their number a committee of three, to be known as the Local Pooling Committee (stating in the blank the kind of grain), hereinafter designated the Local Pooling Committee, which committee shall exercise complete control over the handling, shipping and selling of all pooled grain, determining the time, quantity and destination of sales, and effecting all necessary contracts and other arrangements for storage, etc., which may be deemed necessary for the efficient marketing of said grain; provided, however, that these provisions do not apply to "joint pools," Method B-2, where the U. S. Association shall be in control. The person designated by the Local Pooling Committee to have charge of the handling of grain that is pooled and the proceeds of the sale of same, shall file a bond with the U. S. Association as trustee for the growers joining in the pools subject to their jurisdiction; the said bonds shall be in such form, and amounts, and with such sureties as required by the U. S. Association, guaranteeing the faithful performance of the duties of the said committee and the person so designated. The U. S. Association, on request, shall furnish all necessary plans, contracts, forms, etc., for the proper handling of the pools. The aforesaid Local Pooling Committee, at the option of the majority of said committee, may delegate its powers to the Elevator Company, or other agency, on condition that the grain is marketed through the U. S. Association.

(d) The purpose of these provisions is to secure control over the pooling of any kind of grain in the hands of those who pool. If satisfactory arrangements cannot be made with the Elevator Company for handling the pooled grain, then the said Local Pooling Committee, or committees, handling one or more kinds of grain, shall have the privilege of contracting for the storing and handling of the said grain or grains through any other elevator or warehousing company or agency as they may determine, without any regard to any conflicting provisions in this contract; provided the other agency handling the same shall have a contract for the exclusive marketing of the said grain through the U. S. Association.

In the election of said Local Pooling Committee each of the said growers shall have one, and only one, vote. The period for which said Local Pooling Committee shall be chosen shall be the period which will include all the pools of that kind of grain for that year, or until their successors are elected and qualified. The compensation, if any, of said Local Pooling Committee shall be at the option of the growers so pooling their grain, and shall be paid by them pro rata.

(e) The Local Pooling Committee shall have authority to determine when deliveries of grain shall be made. A Grower may express his preference and the Local Pooling Committee will be guided thereby so far as practicable.

(f) The Local Pooling Committee shall weigh, classify and grade the grain delivered to the pools by the Grower; credit the Grower therewith; mingle or pool said grain with grain of like kind and grade delivered to the pools by other growers; and, at its discretion, clean, condition, blend or process the pooled grain to increase its value as food or as an article of commerce.

(g) The Local Pooling Committee shall furnish the Grower a "delivery ticket," and such other document as may be required, upon the delivery of his grain, which shall show the classification, grade and weight of the grain delivered, the pool to which it has been committed, and any advance payment made upon it, and other information that may be required.

(h) The Local Pooling Committee shall determine the grade and quality of all grain tendered in accordance with rules and regulations established by the U. S. Association for pooling purposes. Regardless of what grade shall be ultimately placed upon said grain at the terminal markets, the aforesaid grading by the Local Pooling Committee shall control the proportional distribution of the net proceeds from the sale of said grain among the growers participating in any pool.

(i) The Local Pooling Committee shall sell through the U. S. Association the grain so pooled, at such times, in such quantities, and for such deliveries, as the Local Pooling Committee shall deem advantageous, and at the best prices obtainable through the U. S. Association under market and transportation conditions, together with grain of like classification delivered to the pool by other growers who have signed this or a similar contract, and pay over the net amount realized therefrom as payment in full to the growers, according to the value of the grain delivered by each of them, due debit and credit being given for all deductions for cost of handling, differentials and adjustments made by the Local Pooling Committee.

(j) In order to compensate properly the holder of delayed shipments, reasonable carrying charges on different kinds and grades of grain may be fixed from time to time by the Local Pooling Committee, to be credited to growers selling on the pooling basis.

(k) The Local Pooling Committee may transfer pooled grain from the local elevator to terminal or other elevators for storage, or other purposes.

(l) The Local Pooling Committee is authorized to exercise, without limitation, all the rights of ownership over the grain covered by this contract; to mortgage, pledge or hypothecate in its name, on its own account, all such grain, or evidences of the ownership or control of said grain, including bills of lading, warehouse receipts, etc. The Local Pooling Committee shall distribute said funds pro rata among the growers participating in the pool, or it may use part thereof for meeting expenses in the handling of the pooled grain.

(m) Any deductions or loss occasioned by the delivery on the part of the Grower of grain of inferior grade or condition, shall be charged against the Grower, and deducted accordingly from the proceeds going to the said Grower.

(n) Losses occurring in the handling, storing, shipping or marketing of pooled grain, not covered by paragraph (m), shall be charged against the pool and not against the individual Grower delivering the grain directly affected thereby.

(o) The Local Pooling Committee shall make as substantial an advance payment on the grain committed to the pool as, in its discretion, market and financial conditions permit, and as soon as practicable after its delivery.

(p) The proceeds from the sale of grain shall be paid from time to time, the final settlement being made within a reasonable time after the proceeds from the sale of all the grain in the pool have been received, and the deductions for costs of handling shall be determined.

B-2. Joint Pool. When a Local Pooling Committee has been created, as above described, it shall be authorized to elect whether the grain delivered under this contract—that may be pooled with the grain of other growers locally—shall be pooled jointly with grain of like grade and variety of the growers in one or more other companies. In case the Local Pooling Committee does so elect, then the undersigned Grower hereby agrees that all of his grain so pooled shall automatically become committed for sale under the joint pooling method on the terms and conditions above specified, and shall be sold in accordance with the provisions cover-

ing joint pools contained in the contract between the Elevator Company and the U. S. Association.

B-3. Export Wheat Pool. (A paragraph is being prepared covering a voluntary pool of one-third or the exportable surplus of the wheat crop, to be inserted at this place.)

Inasmuch as the failure or refusal of the Grower to deliver to, and market and sell through, the Elevator Company will impair its efficiency and the obligation of contracts to which it is a party, will increase its expense, and liability to damage, will hinder the collection of average prices on grain, to the detriment and injury of the other growers participating in the said pool, all of which items it is impracticable, and extremely difficult to fix with precision; therefore, if the Grower shall fail or refuse to market or to sell through the Elevator Company any grain covered by this agreement, then the Grower agrees to pay to the Elevator Company, and the Elevator Company agrees to accept, the following sums per bushel: wheat, 10c; rye, 10c; flax, 20c; all other grain, 6c; for all grain covered by this contract which is sold, marketed or withheld by or for the Grower, other than in accordance with the terms hereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Company and the members thereof will suffer by reason of such refusal or default.

In the event that it shall be necessary to enforce by judicial proceedings this contract as to grain pooled under Method B, the Elevator Company shall bring the action for the benefit of all growers who shall have committed their grain for handling under said method, and any damages recovered thereby shall be the property of said growers.

The Grower hereby elects to market his grain covered by this contract as indicated in Section 23, in accordance with Method B, during the period ending June 30, 1927, or the unexpired portion thereof. This election shall continue from year to year after said date, until revoked by written notice to the Elevator Company, which shall be given within sixty days, and not less than forty-five days, prior to the close of the contract year when the Grower desires this election to terminate.

The Grower reserves the right to make a similar election in the future on other grains if he so desires.

This contract to sell, described as Method B, whereby the Grower may pool his grain for sale, is severable and distinct from the provisions contained in Method A, is dependent upon the special consideration of the receipt of average prices from the sale of grain in the pool; and the validity and binding effect of the provisions contained in this Section (14) shall in nowise be dependent upon, or related to, the provisions contained in Section 13 of this document.

All the provisions of this contract, save those contained in Section 13, shall apply with full force and effect to the sales of grain governed by this section, entitled Method B.

Section 15. In the event that any one or more of the following methods, A-1, A-2, B-1, B-2 or B-3, which may be elected by the Grower, shall be lawfully cancelled or held to be illegal by a court of competent jurisdiction from which no appeal can be, or is taken, then, and in that case the Grower shall have the option of electing one of the other methods named.

Section 16. The Elevator Company, for the sake of uniformity and in order to protect the Grower against the misuse of grain committed to it for sale under any of the methods described herein, and against the improper use of funds owing the Grower as the result of any pools established thereunder, agrees to be governed by and to use such receipts and accounting forms as may be prescribed and recommended by the U. S. Association, and that with respect to such grain to report to, and accept accounting supervision by, the said U. S. Association.

The Elevator Company hereby agrees that all persons responsible for the custody of grain covered by this contract, or handling money derived therefrom, shall

be adequately bonded, and that failing to require such bonds, the officers of the Elevator Company shall be personally liable for any default.

Section 17. Deduction for the Cost of Handling. On all grain governed by this contract, the Elevator Company shall be authorized to deduct from the proceeds of the sale of said grain the following:

(a) The amount charged by the U. S. Association for the handling of said grain, in accordance with the contract between the U. S. Association and the Elevator Company, attached hereto; and

(b) Such reasonable charges as may be established by the Elevator Company for handling, weighing, cleaning, storing or performing such other services in connection with the said grain as the Grower may request, or as may be authorized by the terms of this contract.

Section 18. It is mutually understood and agreed that the services rendered by the U. S. Association and all subsidiary companies are to be rendered to the Grower at cost; that the deductions for the cost of handling made from the proceeds of the sale of grain are payments on account; and that at stated periods the operating expenses will be determined, and any excess may be returned pro rata to the Grower, or invested in facilities for the more efficient marketing of the grain. Annual reports of the said receipts and expenditures shall be made, and copy of same shall be furnished each contracting Elevator Company. Deduction certificates, or other evidences of the same, shall be distributed among the growers in accordance with the provisions contained in the contract between the Elevator Company and the U. S. Association attached hereto.

Section 19. On grain purchased or handled on the basis of a price to be determined upon the net resale value thereof, less deductions for the cost of handling, the Elevator Company, regardless of who holds title, shall be liable for any loss or damage in the handling and storing of said grain, which is due to the negligence of the said company, but not otherwise.

It shall be the duty of the Elevator Company to keep fully insured all grain held in storage.

Section 20. The Elevator Company authorized to contract under this agreement must be a farmers' cooperative elevator company paying patronage dividends and organized under the cooperative laws of the state where operating; or, where there is not such a law, then in accordance with the requirements of the U. S. Association as to the qualifications of a truly cooperative company.

In communities where there is a stock company farmers' elevator, the stockholders or directors of such elevator who are members of the U. S. Association may organize a grain growers association to become the local contracting body and supervise the handling and financing of members' grain. Where the stockholders or directors of such farmers' elevator do not organize such grain growers' association, the U. S. Association shall make no attempt to organize such community prior to January 1, 1924.

Section 21. The Grower shall be permitted to market only that grain, under the provisions of this contract, which he himself, as land owner or tenant, has raised, or to which he is entitled from land which he may own and rent on the basis of a share of the crops raised thereon.

Section 22. If the standard form of contract between the U. S. Association and the Elevator Company, referred to herein, shall be changed as to administrative details or methods of transacting business, said change shall be deemed made in the form of said contract attached hereto, and this contract amended accordingly.

Section 23. The Grower elects to market in accordance with Method B, known as the "Pooling Method," the following grain covered by the foregoing contract:

.....
The Grower elects to market in accordance with Method A, known as the "Individual Sales Method," the following grain governed by the foregoing contract:
.....

Section 24. The signature of the Grower to this instrument shall be considered an application for membership in the U. S. Association, with which the

Elevator Company is affiliated. The said Grower agrees to comply with all the requirements as to membership, subscribes and agrees to the Certificate of Incorporation and By-laws of the U. S. Association, the receipt of a copy of which is hereby acknowledged by the Grower; and the Grower further authorizes the use of any or all of the \$10.00 membership fee, in hand, paid to the U. S. Association, to be used for organization, and other expenses incidental to the completion of the organization of the U. S. Association, the creation of and ownership of securities in subsidiary and affiliated companies and other agencies, the securing of memberships, the acquisition of terminal warehouse facilities and for all other purposes authorized and deemed necessary by the Board of Directors of the U. S. Association for the immediate handling and marketing of grain and for the efficient organization of the grain marketing machinery contemplated in this agreement.

Section 25. No party, his agent, or other representative, has the right to vary the terms of this written instrument; and it is expressly agreed that no oral changes or modifications of the same have been made.

In Witness Whereof, the parties hereto, after a full reading and consideration of the terms hereof, have executed this contract on the day and year first above written.-

Post Office.....

.....
 (Signature of Elevator Company or
 Local Grain Growers' Association.)
 Party of the First Part.

Witness:.....

By

Witness:.....

(President.)

.....
 (Signature of the Grower.)
 Party of the Second Part.

Wheat acreage (1921).....
 Corn acreage (1921).....
 Oats acreage (1921).....

The U. S. Grain Growers, Inc., hereby acknowledges receipt of the \$10.00 membership fee from the above named applicant at the place and on the date last above written, and hereby admits the said Grower to membership. If, for any reason, the said U. S. Association is not effected, or is not engaged in the actual sale of grain within two years from the date hereof, then the portion of the said \$10.00 which is not expended shall be returned to the said Grower who executed the foregoing application for membership.

U. S. GRAIN GROWERS, INC.

By.....
 Agent.

Witness:....., 1921.

The Grower lives in.....Congressional District,
 State of.....

The elevator is in.....Congressional District,
 State of.....

Cooperative Elevator Contract

Revised Form

This Agreement made and entered into this.....day of....., 19....., between the U. S. Grain Growers, Inc., a non-stock, non-profit corporation duly organized and existing under the laws of the State of..... (hereinafter referred to as the U. S. Association), party of the first part, and the....., a corporation (or) association, duly organized and existing under the laws of..... (hereinafter referred to as the Elevator Company), party of the second part, **Witnesseth:**

In consideration of the mutual obligations of the respective parties hereto, of similar obligations between other elevator companies and the U. S. Association, of the expenses incurred and to be incurred by the Elevator Company in providing local facilities for weighing, grading, storing, handling, processing, and shipping grain; of the undertaking on the part of the U. S. Association to provide competent statistical, financial, and other expert assistants, to establish crop and market news gathering agencies, and to acquire the use of marketing facilities for the purpose of providing an efficient cooperative marketing system for grain for the purpose of providing the producers with better credit and storage facilities which will tend to make possible a more even distribution of grain throughout the year, thereby tending to stabilize prices; and in order to reduce waste in handling, to encourage a more efficient production, to reduce transportation costs by more direct shipments from points of origin to centers of consumption, to make less frequent and violent fluctuations in prices due to speculation, and to reduce the excessive costs occasioned by the present wasteful, uneconomic system of marketing the grain crops of the United States:

NOW THEREFORE, said parties agree as follows:

Section 1. The Elevator Company agrees to market through the U. S. Association all the grain committed to it for sale or shipment by members of the U. S. Association (hereinafter called the Growers) under the terms of a contract between the said growers and the Elevator Company (hereinafter referred to as the Growers' Contracts).

Section 2. The U. S. Association agrees to endeavor to sell said grain directly, or otherwise, to millers, manufacturers, exporters, or others within or without the United States at the best prices obtainable by it under market conditions, in accordance with the terms of this contract.

Section 3. Any grain from growers covered by this contract that is in possession of the Elevator Company and unsold upon the effective date hereof may be committed for sale under this contract.

Section 4. The U. S. Association shall make rules and regulations for standardizing the manner of keeping warehouse records and accounts and for making reports required by the U. S. Association; and the Elevator Company shall observe and obey all such rules and regulations and shall permit the examination or auditing of said records, accounts, and reports by the U. S. Association.

Section 5. The Elevator Company agrees to make reasonable requests of growers for such crop and statistical data as the U. S. Association may desire, and to transmit the same promptly to the said U. S. Association, using such forms for that purpose as may be provided by the said U. S. Association; and the U. S. Association, upon reasonable request therefor, shall furnish the Elevator Company for the use of the Grower, market news and other information in its possession concerning the values and market conditions of grains and related products in this and other countries.

Section 6. The U. S. Association may make rules and regulations and provide inspectors and weighers to standardize the methods of weighing, handling, storing, and shipping of grain, subject to this contract; and the Elevator Company agrees to observe and perform any such reasonable rules and regulations as may be

prescribed by the U. S. Association not in conflict with state and federal rules, regulations and statutes.

Section 7. The Elevator Company shall report to the U. S. Association any lien or liens upon the grain covered by this contract, and the U. S. Association may, within its discretion, pay off all or any part of such lien or liens and deduct such payments and any costs connected therewith from the proceeds of the sale of such grain. The Elevator Company shall warrant the title to all grain committed to the U. S. Association for sale, except as to any incumbrances reported to the Elevator Company in writing prior to the time of shipment.

Section 8. Upon that grain which is committed to the Elevator Company to be sold on the basis of a price to be determined from the net resale value thereof, less deductions for the cost of handling, the U. S. Association, within its discretion, may make advance payments as market and financial conditions warrant; provided, the Elevator Company shall fully protect the U. S. Association against losses thereby.

Section 9. It is understood and agreed that the U. S. Association may represent interests that under ordinary commercial conditions might be considered hostile.

Section 10. It is expressly agreed and understood that all debts of the U. S. Association shall be incurred in its own name and without responsibility therefor on the part of the Elevator Company, except when specific authority or approval of the same in writing shall have been given by the Elevator Company.

Section 11. The U. S. Association is exempted from liability for losses incurred in marketing and selling grain covered by this contract that are not due to its own negligence.

The Elevator Company shall be responsible for and charged with allowances, deductions or losses made or sustained by the U. S. Association arising from the negligence of the Elevator Company.

Section 12. **Joint Pools.** In consideration of the mutual obligations of the parties hereto, that the Elevator Company shall furnish the necessary facilities for local handling and shall sell exclusively through the U. S. Association the grain received from members of the U. S. Association, and that the U. S. Association shall undertake to supervise the joint pooling of grain as defined in the Growers' Contracts, and shall undertake to provide the facilities which may be reasonably necessary for the same, it is hereby agreed between said parties as follows:

(a) The Local Pooling Committee, as defined in the Growers' Contracts, shall receive, weigh, process, warehouse, and ship all grain committed to a joint pool by members of the U. S. Association, subject to orders of the U. S. Association which shall be observed and performed insofar as the facilities available to the Local Pooling Committee reasonably permit. The U. S. Association shall classify all pooled grain by variety, quality, grade, or any other commercial standard and mingle or pool said grain with grain of like classification committed to the pool by other Local Pooling Committees participating therein.

(b) The U. S. Association may order the transfer of said grain to any elevator and direct the manner in which it is handled therein.

(c) The U. S. Association shall undertake to sell said grain, together with grain of like classification and grade committed to the pool by other Local Pooling Committees, at its own discretion in respect to time, conditions and terms, at the best prices obtainable by it under market conditions, collect the proceeds, and shall pay over the net amount received therefrom, as payment in full, to the Local Pooling Committees participating in the pool, according to the value of the grain contributed by each of them, after making deductions for the cost of handling and such other charges against said grain as are authorized by this contract, and also making such credits as may be due.

(d) The Growers under contract with the Elevator Company under the Growers' Contracts, participating in a joint pool, agree that their grain shall be so mingled and that the net returns therefrom, less all costs, advances and charges, shall be credited and paid to them on a proportional basis, considering all differentials and adjustments, out of the receipts from the sale of all grain of like classification.

(e) The pool shall be for a crop year, and payment shall be made from time to time, as rapidly as practicable, within the discretion of the U. S. Association, in due proportion until the accounts of the pool are fully settled.

(f) The U. S. Association may borrow money in its name on the grain through drafts, acceptances, notes or otherwise, on any warehouse receipt or bill of lading, upon any accounts for the sale of the grain or on any commercial paper delivered therefor.

(g) Losses due to failure of customers or banks and losses occurring in the handling, storing, shipping or marketing of pooled grain shall be charged against the pool and not against the individual Grower or Local Pooling Committee delivering the grain directly affected thereby, provided the said loss is not due to the negligence of the said individual or Local Pooling Committee.

The foregoing agreement as to the handling of joint pools is severable and distinct from the balance of this contract; and the terms and conditions stated elsewhere in this agreement do not depend upon any of the provisions contained in this section.

Section 13. Deductions for the cost of handling. The proceeds from all sales of grain made by the U. S. Association shall be paid by the purchasers thereof to the said U. S. Association, which proceeds shall be blended into one general fund; and the U. S. Association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the U. S. Association, in order to meet all expenses properly chargeable to the handling of such grain; and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the U. S. Association. The deductions stated in the preceding sentence shall be described in this and all related contracts as: deductions for the cost of handling. The net proceeds from said sales above advances which have been made by a properly constituted authority shall be paid to those entitled to the same, in accordance with the usual customs of the trade in handling such transactions.

The special funds mentioned in the preceding paragraph shall include those deemed necessary by the Board of Directors of the U. S. Association for the acquisition, by purchase, lease or otherwise, of the control over property to be used by the said association; the retirement of obligations incurred in the purchase of such property or in the operation of the business of the said association; the creation of reserves for such retirements, for renewals; and for any other expenditures which the said U. S. Association, its officers or agents, are authorized to incur.

So far as practicable all capital expenditures and interest charges on investments in marketing facilities shall be incurred by self-sustaining subsidiary, or affiliated organizations, and appropriate charges shall be levied against the grain using the facilities furnished by such organizations. All operating and capital expenditures, which are lawfully incurred in accordance with the powers and duties of the U. S. Association, shall be prorated fairly and justly in accordance with the judgment of the officers of the U. S. Association against the grain necessitating such expenditures; provided, however, that if the grain is sold on a grain exchange, and no other service of a substantial character is rendered by the U. S. Association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed one per cent of its value, unless the standard charge for similar service shall be more than one per cent, in which case said total charges by the U. S. Association shall not exceed such standard charge. On other grain where facilities requiring capital investment are used, the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including overhead expenses) in order to acquire the ownership or control over marketing facilities shall in no case exceed one per cent of the value of the grain so handled by the U. S. Association. The distinction, in accounting, between capital and operating income and expenditures, shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission.

The amount of deductions for the cost of handling, as above specified, shall be estimated by the Board of Directors of the U. S. Association, and shall be so established as to yield as nearly as may be a sum of money equivalent to the

operating and capital expenditures and reserves, and such other expenses as may be reasonably estimated as essential to be incurred by the U. S. Association, and its subsidiary organizations, for the ensuing year. In case a sum in excess of such requirement shall be collected during any fiscal year, it shall be set aside or invested to meet the obligations or needs of the future, for the use and benefit of the Growers; unless the same shall be relatively large and substantial, in which case the U. S. Association may distribute all, or a part of the same, to its members in proportion to the grain sold through the U. S. Association, at such time as it shall determine. And the Elevator Company, for valuable consideration, receipt of which is hereby acknowledged, waives all right, title and interest in and to any portion of such funds.

It is understood and agreed that this contract and the contract between the Grower and the Elevator Company provide fully and adequately for the equitable distribution of earnings made by the U. S. Association or its subsidiary organizations, and that any charges and deductions hereunder revert back to the benefit of the Grower through his membership in the U. S. Association.

The U. S. Association shall issue certificates to the Elevator Company indicating the proportionate amounts of the deductions for capital expenditures and of the excess from other deductions attributable to grain received therefrom; and the Elevator Company shall issue proportionate certificates based thereon to the member of the U. S. Association. Such certificates shall indicate a prorata interest in such deductions, distributable only in the form, at a time and in the manner determined by the U. S. Association. The said certificates shall be assignable freely by endorsement; but shall not be deemed as obligations of the U. S. Association with definite or other maturity, and shall not bear interest; and they shall not represent any obligations or rights, other than a proportionate ownership in certain assets held by the U. S. Association, which shall not be separable or subject to distribution during the life of the U. S. Association, except at the option of the duly constituted Board of Directors of the U. S. Association.

Section 14. Term of Contract. This contract shall be in force from its execution to June 30, 1927, and thereafter shall continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the same, to the other party at least forty-five (45) days, and not more than sixty (60) days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of the same, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named. Provided, however, that this shall not affect any uncompleted sales or transactions between the parties hereto, nor release either from any indebtedness then unpaid or hereafter accruing under this contract, nor relieve the Elevator Company from its obligation to sell to or through the U. S. Association, nor the U. S. Association from its obligation to market and sell, as the agent of the Elevator Company, all of the grain committed to it or purchased by it from members of the U. S. Association that was grown during the preceding season or seasons subsequent to the execution of this contract.

Section 15. On all grain which has been delivered to and is under the control of the Elevator Company, and covered by this contract which the Elevator Company fails to market through the U. S. Association in accordance with the terms and conditions herein stated, the Elevator Company agrees to pay to the U. S. Association and said U. S. Association agrees to accept the following sums per bushel as liquidated damages: wheat, 5c; rye, 5c; flax, 10c; for all other grains, 3c.

Section 16. It is mutually understood and agreed that the U. S. Association has a special interest in the enforcements of contracts between its members and

the Elevator Company and may bring action thereon in its own name, in the name of the Elevator Company, or in the name of the Grower, as the occasion may justify.

In Witness Whereof, the parties to this agreement have hereunto set their hands and seals, the day and year first above written.

U. S. GRAIN GROWERS, INC.

ByPresident,
Party of the first part.

.....
Party of the second part.

Postoffice address:
.....

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