

**SOME FORMS OF COOPERATION
IN COLORADO
THE COLORADO POTATO GROWERS' EXCHANGE**

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T H E S I S

SOME FORMS OF COOPERATION IN COLORADO

THE COLORADO POTATO GROWERS' EXCHANGE

Submitted by

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for the Degree of Master of Science

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May 10, 1928

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THIS THESIS HAS BEEN READ
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May 10, 1928.

56046

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ACKNOWLEDGMENTS

The writer wishes particularly to express his thanks to Mr. W. F. Heppe, Acting Manager of the Colorado Potato Growers' Exchange, who gave generously of his time in numerous interviews. Thru him was obtained the main mass of the information concerning the form and functioning of the cooperative he represents.

I am specially indebted to Prof. L. A. Moorhouse, head of the Department of Economics and Sociology for guidance in the compiling of this work, and to Prof. D. N. Donaldson for assistance given.

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PREFACE

Cooperation in Colorado, while not extensive, has assumed many forms. These may be classified under five groups:

(1) Independent local associations, (2) Federated exchange formed by local associations, (3) Federated Exchange formed together with locals, (4) Centralized associations without local units, (5) Centralized associations with local units.

Independent local associations are in the majority within the state. They are frequently the result of dissatisfaction with old methods of marketing, but often are formed from necessity. A particular product to be marketed by some grower is of such small volume that shipment by car load lots is possible only in conjunction with a neighbor. Representative forms of this type of organization are: grain elevators, livestock shipping associations, fruit shipping associations and creameries. A few specialty crops such as honey and lettuce are also marketed by local associations of this type.

The federated exchange formed by local associations consists of a group of local associations joined together to contract with one selling agency for the purpose of disposing of their product. In this type the individual grower has no legal connection with the selling agency. In

the early days before the Colorado Marketing Law was passed this form of organization was tried by a few districts which were selling the same product. The marketing of potatoes in the San Luis Valley prior to 1923 was done under this form of organization.

The federated exchange formed at the same time with local associations is practically the same as the above, with this exception, that in this type the grower signs two contracts, one with his local and another with the central exchange. This is a type used where results of a complete marketing organization are desired in a short time. Strictly speaking no organizations of this type are operating within the state at the present time, tho a few have been tried in the past.

In both of the above types of cooperative marketing organizations the exchange acts only as a selling agency. The other processes of marketing such as grading, packing, storage, etc. are distinctly the business of the local associations without supervision or control from the central. Exactly the reverse is true of centralized organizations; in these forms the central not only acts as the selling agency but directs the pooling and functioning of the locals. This feature together with a slightly different form of contract is the main point of difference between a federated and a centralized form of organization.

For the centralized associations with out local units only one contract is necessary, that of the grower directly with his selling agency. This form is the type used in this state by collective bargaining associations, because they act only as agents for their grower members and are not a true type of cooperative.

Under the last classification comes the centralized association with local units. For this type as stated previously, the central exchange not only acts as the selling agency for its local associations but actually controls their various functions. In this respect the local may properly be called a branch of the central exchange. In this type of organization a cross agreement form of contract is usually made between the central and its various locals.

The Colorado Potato Growers' Exchange conforms to the last named type. It is an outstanding example of cooperation in the state and is the most typical illustration of any of the forms named above.

INTRODUCTION

This cooperative (The Colorado Potato Growers' Exchange) was selected for this study because it was the first state-wide cooperative organization to be formed on a commodity basis. It has stood the acid test of time with a history of five successful seasons of cooperative marketing to its credit. These years have been both good and bad from the standpoint of potato production. The structure of the organization and its methods of doing business have proven to be a model for other cooperatives already organized or being organized within the state.

For the purpose of this study, it was felt that a discussion of the structure of the Exchange, together with some details of how this structure functions, with the most emphasis placed on those features which are peculiar to the operation of a cooperative marketing business, would prove of some value. No attempt has been made to analyze the organization's business or draw comparisons. It is assumed that a study of these features is entirely outside the title of this thesis.

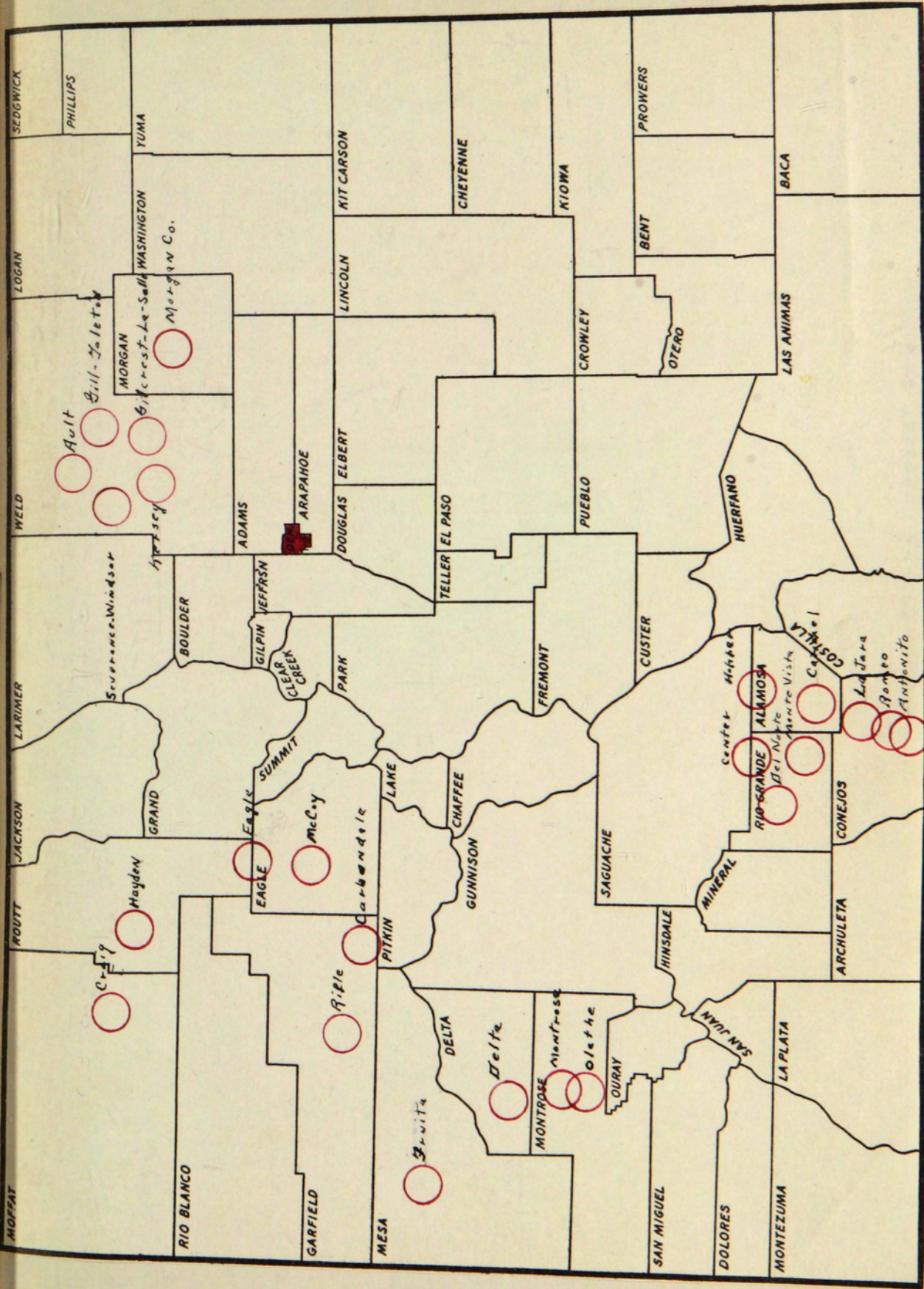
Free use has been made of various special forms used by this cooperative in its affairs. These forms have been incorporated in this thesis under title appendix and reference made to them as occasion demands. By this means it was thought most forms could be made available without

a lengthy written description of the same.

To facilitate the presentation of the facts of this study, a diagram showing the business structure of the organization and its various departments is given. The method followed will attempt to show how these different departments function and something of the results accomplished.

Some additional paragraphs are given on Refunds and Reserves, since it was thought this subject, while not directly a function of any department, is necessary to a clearer understanding of how savings are made and the uses to which they are put.

The statistics covering potato production in the principal late potato areas for the years covered by this study (1923-1928) indicate not only Colorado's place but give also some idea of the industry as a whole.



Antonito	Center	Eagle	Hooper	Montrose	Rifle
Ault	Craig	Fruita	Kersey	Monte Vista	Romeo
Carbondale	Delta	Gilcrest-La Salle	La Jara	Morgan County	Severance
Carmel	Del Norte	Gill-Galeton	McCoy	Olathe	Windsor
					Hayden

THE HISTORY

The history of the Exchange goes back to the spring of 1921, when local units of potato shippers in the San Luis Valley were formed on a cooperative plan. These local associations were of the non-stock, non-profit type and existed solely to expedite the shipping and marketing of potatoes. The four associations formed in the San Luis Valley were federated into a single selling agency. Of the original four units only Monte Vista was a stock company. The idea soon spread to other potato producing sections of the state with the result that, in the spring of 1922, three new associations were formed on the Western Slope. As the result of a regional conference of representative growers, these new associations, namely: Olathe, Rifle and Basalt, became affiliated with the San Luis Valley group and selected the same selling agency.

It soon became apparent to these federated groups, that a central selling agency of the non-profit, non-stock type would be a good thing for all concerned. Such an agency seemed to be needed for the orderly marketing of potatoes, for the standardization of the product, and for the provision of an efficient sales organization, all under one head. As a result of this sentiment the Colorado Potato Growers' Exchange was formed. This was a centralized form

of cooperation that later was to become state wide in its operation.

With the passage, early in the year 1923, of the State Cooperative Marketing law¹ renewed effort was made to perfect this state-wide organization. The general form of agreement following the Sapiro plan was adopted, since this plan had already proved its desirability in the state of Maine. A membership campaign was launched with a view of securing the control of fifty percent of the state acreage of commercial potatoes. During this period much educational work was done. Meetings were held in all potato growing districts. The working plans of cooperatives were discussed. Information concerning all phases of pooling, standardization and orderly marketing was given by the members of the organization committee.

As the result of this intensive work twenty districts were organized. About 34,000 acres were signed up, which it was estimated, was well over the required fifty percent. At meetings of contract signers in these districts, trustees to the state exchange were elected. On the basis of one trustee for each one hundred members or major fraction thereof, thirty-nine trustees from the twenty organized districts were elected. These thirty-nine trustees met in

¹See Appendix, Section IV

Salida, July 31st, 1923, where the state exchange was formally incorporated. Later an executive committee was selected from this board of trustees. At a meeting of this committee plans were formulated for the contracting of potatoes of its grower members, for the employing of managers, and for such other business as was necessary to the normal functioning of the Exchange.

In December 1924 the Board of Trustees met at the call of the President, to discuss the business of the exchange and make plans for the future. At this meeting the following standing committees were appointed: By-laws, Districting and Elections, Resolutions, Finance, Order of Business, Membership, Marketing and Sales, Warehousing and Storage. The officers and directors of the exchange at this time consisted of Thos. Lytle, President; M. I. Chenoweth, Secretary-Treasurer; C. A. Finch, J. P. McKelvey, W. D. Moore, Ben A. Gibson, General Manager, and W. F. Heppe, Field Manager. Mr. Ben A. Gibson assumed active charge of the Denver office September 4th, 1923, and Mr. W. F. Heppe began active charge of the Field Service Department, August 20th, of the same year.

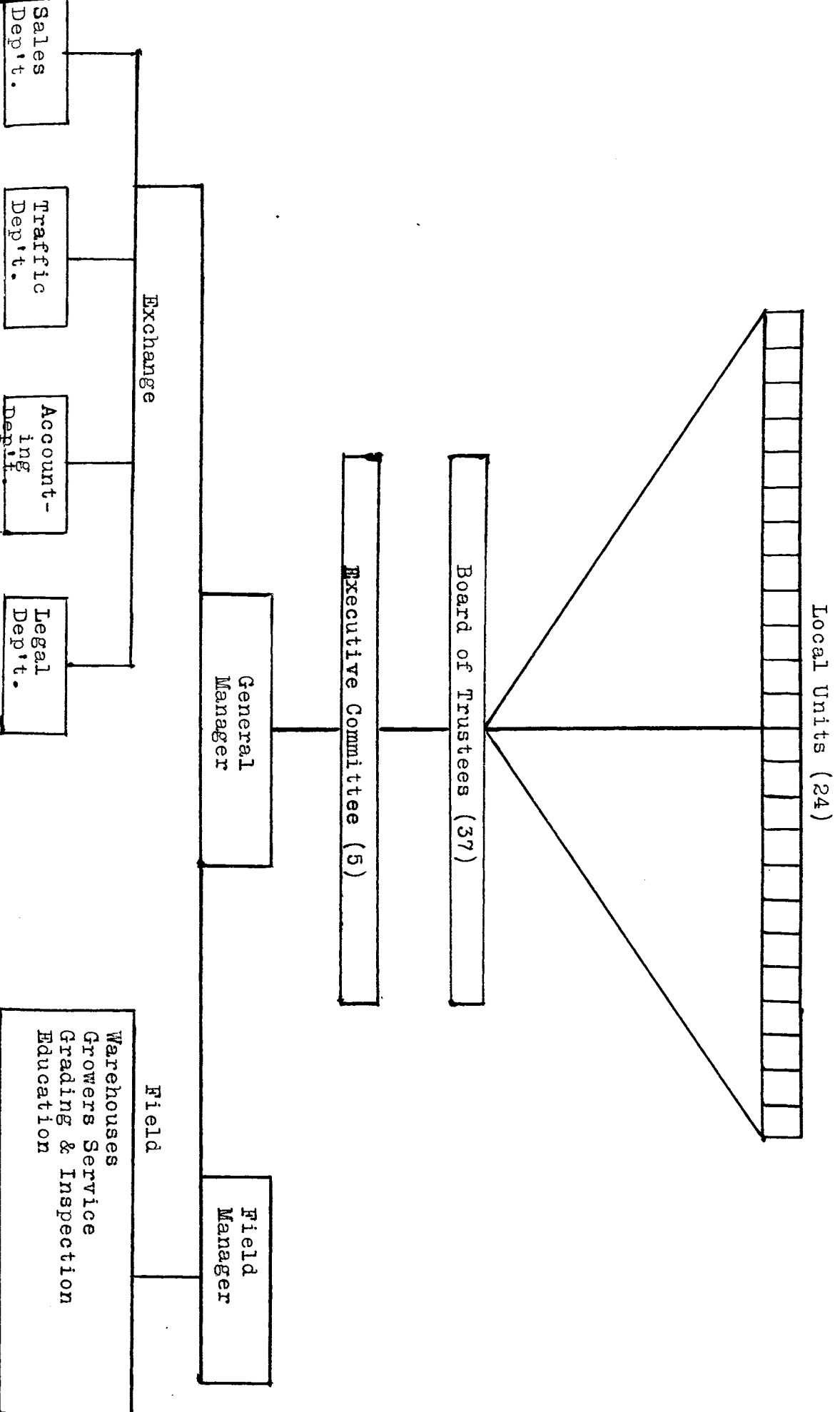
The first car of potatoes shipped by the Exchange was from Fruita, Colorado, July 16th, 1923, and this consequently established Pool Number I. for its first shipping season.

Perhaps some of the early difficulties can best be illustrated by a paragraph taken from the President's report

to the Board of Trustees:

"The Exchange has been confronted by many obstacles when it started the shipping season. We have met the contingencies as they arose from time to time and we have done our best to solve them with these purposes in mind: First, the protection of the grower and his property; second, service to the members of this Exchange; and third, the building up of a successful and durable organization from the grower straight thru to the Exchange. We have faith in the movement. We believe it will go further than any other thing to aid in the solution of the potato growers' problem."

Organization of the Colorado Potato Growers' Exchange



MANAGEMENT

The diagram (Figure I) shows the business structure of the Colorado Potato Growers' Exchange.

Board of Trustees

Article II, Section 1 of the by-laws of the Exchange¹ states, "The corporate powers, business and property of the Exchange, shall be exercised, conducted and controlled by a Board of Trustees of 37 (or such number as will give each member of the Association one vote) together with an additional trustee for every one hundred or major fraction of 100 individual grower members of each member association."

The Board of Trustees shall have the power "to conduct, manage and control the affairs and business of the Exchange; and to make rules and regulations for the guidance of the officers and management of its affairs." The officers of the Exchange are to be a President, Vice President and Secretary and Treasurer and such assistants as the Board may deem necessary. The President and Vice President must be members of the board of trustees but the Secretary-Treasurer need not be.

All powers, duties and other regulations in regard to the Board of Trustees are covered in the By-laws which are hereinafter made a part of this thesis.

¹See Appendix, Section I.

Executive Committee

The executive committee shall be appointed by the Board of Trustees and shall consist of five members, two of which, the President and Vice President, are to be ex-officio. Their duties and powers shall be prescribed by the Board of Trustees. This committee formulates the policies of organization and has direct control of the management of the Exchange while the board of trustees is not in session.

General Manager

The General Manager is appointed by the Board of Trustees and shall perform such duties as may be directed by the Board. He is responsible to the executive committee and the Board of Trustees for efficient operation, and carrying out of all policies laid down by them. Using the term in a broad sense it may be said that he has general supervision of all business of the Exchange, both within the Exchange and in the field. However the work in the field is under the direct supervision of a Field Manager.

The central office of the Exchange is located at 601-606 Cooper Building, Denver, Colorado. It includes the following departments - Sales, Traffic, Accounting and the office of the Field Manager. It is from this office that the entire business of marketing potatoes is conducted after they are loaded on the cars at a local shipping point. The main duties of each department may be outlined as follows:

Sales Department

- a. Selling potatoes on the open markets.
- b. Assembling potatoes from the locals.
- c. Controlling rate of movement of cars.
- d. Purchasing sacks for grower members.

Traffic Department

- a. Collection of claims.
- b. Determine routing of carloads.
- c. Handle diversions.
- d. Furnish rates to the Sales Department.

Accounting Department

- a. Collection of proceeds from sales.
- b. Pooling.
- c. Pool settlements.
- d. Invoicing.
- e. Keep records of all accounts.

Legal Department

- a. Have charge of all legal aspects of the Exchange.
- b. Draw all contracts.
- c. Defend all violations of contracts in the courts.

Field Department

- a. Supervision of grading.
- b. Supervision of warehouse operations including construction.
- c. Purchasing seed potatoes for members.

- d. Buying seed treating chemicals.
- e. Publication of the monthly paper "The Colorado Potato Grower."
- f. Educational work in getting new members and improving crop conditions.
- g. Investigation of complaints and contract violations.

SALES DEPARTMENT

Sales come directly under the control of the general manager. In fact Mr. Gibson who acted in the capacity of general manager almost from the start of the organization until July 1, 1927, gave this department practically his entire time.

During the first season of operation, 1923-24, the Exchange potatoes were handled by outside brokers entirely independent of the organization. This proved very unsatisfactory, as the Exchange had little or nothing to say in regard to how or where sales were to be made, and the settlement of claims was very much delayed.

From that time the sales department was entirely within the organization. During the summer of 1924 agreements for handling Colorado potatoes were made with brokers on the large terminal markets. Fort Worth, which is known as "Gateway" market, was made a district exchange and a manager put in charge of all sales and diversions of potatoes sent by the Central Exchange. This proved to be much more satisfactory as member growers could be informed at all times as to the disposal of their potatoes, and how the trade received each car.

These brokers on the terminal markets are in reality employees of the Exchange and as such gave more serious attention to making good sales as well as doing the work

cheaper, the saving in one year being about $1\frac{1}{2}$ cents per cwt. The brokerage charge varies from \$12.00 to \$15.00 per car.

Method of Sale

Most sales of Exchange potatoes are made F. O. B., loading point; that is, orders for a carload of potatoes of a certain grade, variety and quality are received from the trade, thru the brokers on the terminal markets. It is the duty of the manager to know at which local potatoes are being loaded or stored and the description of the product. On receipt of the order, the manager wires the local manager to load a car conforming to the grade, variety and quality asked for. The sale can be confirmed or rejected at once by the Exchange manager since all information in regard to amount, grade and quality of potatoes available is known in advance. Price is determined by sales manager as the day by day trend develops. When loading is completed, the car is billed to destination and a draft drawn on the consignee covered by the bill of lading.

Some sales are made "rolling," that is, a certain car may be loaded and ready to move, but at the moment no sale has been made. It is billed to some terminal market or division point and moves in ~~that~~ direction. In the meantime a sale may be made conforming to the contents of this car. At the nearest division point along the way the traffic department calls on the railroad for a diversion of this car

to a named destination. It may so happen that no sale has been made until the car reaches its original destination. Here it may be reconsigned or may be held on track for sale. However, rolling sales are avoided as much as possible by the Exchange as they are not usually as satisfactory as direct or F. O. B. sales.

Some sales are made on track, that is, sold direct from the car after inspection by the buyer. This method is followed to some extent in Denver as well as in other terminal markets. This kind of sale is very similar to the rolling sale with the one exception that the Exchange is fairly certain in the latter that buyers will be on hand to bid, while the rolling sale method is largely a method used in finding a market when none exists at the time of shipment.

Other sales are made direct to jobbers, wholesale growers, etc. Within the last year or two a source of strong demand for high grade potatoes has developed from chain stores. This demand has brought forth a new idea; that is, selling potatoes in cartoons or small sacks of 20 to 25 lbs. average, instead of the old method of the bushel or sacks of 60 to 120 lbs. in weight. While the Colorado Potato Exchange has not yet sold potatoes in this way, no doubt was expressed by those in charge that it would soon become a common method of sale.

Sales Policy

In conferences before the shipping season between the Exchange brokers on the terminal markets and the sales manager all details in regard to handling the member growers' potatoes for the next shipping season are worked out. The factors which have to do with some of this detail work are: Acreage planted, condition of crop, probable yield, quality that may be expected and mistakes that were made in the previous season. New markets, and new and better systems of marketing are discussed, changes in railroad tariffs and the competition that may be anticipated from other late crop potato producing sections. All this information is necessary to a successful sales policy which makes for an even distribution of the new crop.

After the shipping season is under way, frequent surveys are made by the local managers and reported to the sales department to aid them in determining rate of movement and price policy. June and January surveys are especially valuable. In June all factors concerning the crop at that period are known; for example, average condition of crop, and estimate of probable yield. The Fruita section which is the most advanced of any in the state, is particularly able to determine something as to the crop conditions, because the shipping season begins there about July 20th. The sales manager is then enabled to know something in advance as to the amount of early potatoes available for movement before the late crop is ready. The January survey which is

made by all local managers provides an accurate check on storage potatoes, cars left to be moved, condition of the stored crop and may often give some information as to the amount of potatoes held on farms by non-members.

Brands & Trade Marks

Early in the business of selling potatoes on the open market, it became apparent to the various salesmen of the Exchange that some standard should be determined which would denote the quality of the potatoes sacked. Those of high grade should come under rigid inspection and be put up in new even-weight sacks of 120# each and labeled with a registered trademark¹ which would indicate that the contents therein measured up to high specifications. It was thought this would lessen the expense of selling by not calling for inspection of each and every car, and would call for less communication to confirm sales, and should have a tendency to make for repeat orders from satisfied customers. The advantages of such a system were observed by other potato shipping associations, with the result that it became not only advisable but necessary to follow this practice in order to meet competition. The outcome was the adoption by the Exchange of the United States registered trademark "Colotato Brand" which thereafter was to appear on new even-weight sacks of 120 lbs. each, and which were to contain only

¹See Appendix, Section IV.

potatoes graded in central warehouse plants under strict supervision, so as to provide a uniform standard grade thruout the state. Other states which have similar trade marks are: Michigan, with its "Chief Petosky," Virginia with the "Red Star" brand, and Maine which has the "Pine Tree State" label.

Sales of Colorado Potato Growers' Exchange

Year or Season	Carloads sold	Gross Sales Dollars	Gross per cwt. Dollars	Net per cwt. Dollars
1923-24	5006	\$2,782,666.49	\$1.642	\$.912
1924-25	4111 [#]	2,226,838.60	1.648	.936
1925-26	5660	6,407,132.15	3.414	2.690
1926-27	5269	4,689,738.24	2.696	1.964

#Drop due to low yield thruout the state

Expenses Charged Directly Against Sales
Per Hundredweight Basis

Year or Season	Freight	Heating & Refrigeration	Sundry	Brokerage	Total
1923-24	.636	.008	.028	.060 ¹	.732
1924-25	.685	.010	.005	--- ²	.700
1925-26	.691	.025	.017	---	.731
1926-27	.698	.024	.013	---	.735

Note 1 - Handled by outside brokers this year.

Note 2 - Charged to Exchange Expense (Will average about 4.5 cents per cwt.)

Comparison of Average Operating Costs of Colorado
Potato Growers' Exchange and Member
Associations

Year or Season	State Exchange Expense	(1) Local Association Expense	Truck loading expense	Claims	Total
1923-24	.097	.042	---(2)	.036	.175
1924-25	.083	.044	---	.034	.161
1925-26	.097	.030	.005	.046	.178
1926-27	.090	.027	.006	.019	.142

(1) Average of all local associations.

(2) Included these seasons in Association Expense.

TRAFFIC DEPARTMENT

This department of the Exchange has charge of all transportation problems connected with the marketing of potatoes. It determines the best routing of cars to the point designated by the sales department, it finds out what the freight rate is, and any other charges connected with the movement. It also handles all diversions of rolling sales. During periods of car shortage it becomes the business of this department to make every effort to secure its pro rata share of cars, and to work in cooperation with the railroad to see that cars are loaded promptly and move in an orderly way. Rates to all destinations together with the approximate time required for the movement are kept on file and are accessible to the sales department at all times.

The traffic department is responsible for the adjustment and collection of claims that may arise from freight overcharges, excess demurrage, or loss sustained in transit due to carelessness on the part of railroad, such as, loss due to freezing, over-heating, wrecks, etc.

All changes in the tariff due to new laws or new rulings by the Interstate Commerce Commission are placed on record when they are announced by the railroad.

Cooperation with the legal department may be necessary for the collection of claims from the railroads, or any unjust or unfavorable discriminations in competing territory.

#COMPARATIVE FREIGHT RATES ON COLORADO, IDAHO AND
NEBRASKA POTATOES

Per 100 lbs. haul on minimum carload weight

Destination	From Greeley, Colo.	From Monte Vista, Colo.	From Denver, Colo.	From Montrose, Olathe, Delta & Carbon- dale, Colo.	From Idaho Falls, Idaho	From Mitchell, Morrill and Scotts- bluff, Nebr.
Albuquerque, New Mexico	.83	73.5	79.5	.80x5	1.03	.90
Amarillo, Texas	.82	.82	.82	.88	.94	.97
Chicago, Illinois	.65	.65	.65	.71	.77	.535
Denver, Colo.	.185	.355	.385	.355	.56	.245
Ft. Worth, Texas	.82	.82	.82	.88	.94	.97
Kansas City, Missouri	.50	.50	.50	.56	.62	.42
Nashville, Tenn.	.94	.94	.94	1.00	1.06	.95x5
New Orleans, La.	.88	.88	.88	.94	1.00	.88
Oklahoma City Okla.	.69	.69	.69	.75	.81	.69
Phoenix, Arizona	1.03	1.04	1.10	1.115	1.08	1.13
Topeka, Kans.	.50	.50	.50	.56	.62	.50

#From "Marketing Colorado & Nebraska Potatoes," Summary 1926-27
J. G. Scott.

The figures in table IV were selected for the purpose of showing to some extent the movement of Colorado potatoes and the reasons for fluctuation. Potatoes from Idaho and the late potato area around Morrill, Mitchell and Scottsbluff, Nebraska, all tend to compete with the Colorado crop in the large markets. For example Ft. Worth, a large natural market for Colorado potatoes, is favored by a difference in rate, varying from 6 to 13 cents per cwt. in competition with Idaho shipments, and 9 to 16 cents per cwt. with those from Nebraska. Another illustration in point is that of the market centers of the South: Nashville, Tennessee, and New Orleans, Louisiana. Colorado and Nebraska have about equal rates while both have an advantage over Idaho of from 12 to 18 cents per cwt. Similar differentials in the tariff may be observed from rates to the markets of Oklahoma, Kansas and Missouri.

It is not to be deducted from the foregoing that the freight rate is the sole factor that determines the marketing territory for each state, but it does have an effect.

Potatoes from the Minnesota and Wisconsin areas also enter into competition with these states, in some of the markets mentioned, but these markets are not, strictly speaking, their natural territory. The rates to Chicago in

the above table, are given largely for comparison, and not as a logical terminal market for Colorado and Idaho potatoes. However Chicago was the destination point for 631 carloads of Colorado potatoes during the 1926-27 season.#

The determining of the rates to large terminal markets together with those to intermediate points, some of which may involve a local rate, or back haul, is the business of the Traffic Department of the Exchange.

#"Marketing Colorado & Nebraska Potatoes," Summary of 1926-27 Season, by J. G. Scott.

DISTRIBUTION

Colorado potatoes have a fairly wide distribution, but it can safely be said, that approximately ninety percent of the crop is used by the seven states: Texas, Colorado, Oklahoma, Kansas, Arizona, Louisiana and New Mexico in the following ratio.

Texas	30%
Colorado	23%
Oklahoma	12%
Kansas	10%
Arizona	7%
Louisiana	5%
New Mexico	3%

It is by no means true that the percentage remains constant from year to year.

Many factors enter into the distribution of Colorado potatoes but probably the greatest single factor is the size of the crop produced. A large crop necessarily means that a wider marketing area must be covered. A short crop in Colorado and a large crop in other late potato areas, or vice versa, would change the distribution area. Another factor which enters into distribution is the matter of the freight tariff as scheduled by the railroad. In the past Colorado potatoes have enjoyed a fair differential rate to

the states named over some other competing potato areas. This may not hold true always, since the rates, especially to marginal territory, are subject to change from time to time. One of the factors in distribution which should not be overlooked is that of consumer preference. Some consuming areas demand a potato of the white variety, others a red variety. Some areas are outspoken in their demand for good baking potatoes regardless of other qualities. Good keeping quality is another item that affects distribution. Colorado probably has some advantage in this latter, because of the large number of varieties grown under such different conditions of soil, altitude and water requirements. Another fact that may alter distribution is that Colorado potatoes, especially under the Exchange Warehousing and Pooling Plan, are available to the trade practically the entire year, that is, from June or July when early potatoes from the Western Slope are available until the following June when the last of the late storage crop is sold. This is not true of all competing areas and tends to make for a wider distribution. The principal competition for Colorado potatoes comes from the late crop producing states Idaho, Minnesota, Wisconsin and Michigan.

LEGAL DEPARTMENT

This department handles all legal work of the Exchange. It is the duty of those in charge to carry all suits over contract violations thru the courts should this be necessary. They assist in drawing up all contracts and agreements that may be needed in the operation of the Exchange and locals. All matters pertaining to rate discrimination and changes in the railroad tariffs, which affect the organization are investigated and adjusted by this department.

At the present time the law firm of Lindsey and Larwill of Denver act as attorneys for the Exchange.

Contract and Contract Violations

The form of contract used by the Colorado Potato Growers' Exchange represents a cross agreement,¹ first, between the grower and his local association, and second between the Association and the State Exchange. In effect the first agreement states that the member grower agrees to market all his potatoes thru his association. In the second agreement the association makes an agreement with the State Exchange whereby it agrees to market all such potatoes assembled under the first agreement providing the first agreement has been fulfilled. In this manner a grower has a contract with both his local and the State Exchange. The original contract signed by members committed themselves to this agreement for a period of five years, 1923-1927 inclusive.

¹See Appendix Section III

Contract Violations

The Colorado Potato Growers' Exchange was incorporated under the Colorado Marketing Act of 1923. The first violations committed by member growers signing the marketing contract resulted in an attempt to attack the legality of that act, and of the marketing contract of the Exchange. The legal test in question was Rifle Potato Growers' Cooperative Association vs. Dexter Smith, the Rifle Association being one of the local units of the Colorado Potato Growers' Exchange and Smith a contract signer of the same, who violated his contract by selling his potatoes to an outside concern. After a decision in the district court, which was unfavorable to the association, an appeal was made to the Supreme Court. In this court on October 19, 1925, a favorable decision was obtained, upholding the constitutionality of the Colorado Cooperative Marketing Act of 1923, and declaring the contract of the Colorado Potato Growers' Exchange to be valid. This decision was of vital importance to all cooperatives within the state, and very likely did much to eliminate other violations of like intent. It was not to be expected, however, that this one case would result in a complete victory and many other forms of violation were attempted. A few examples are cited to show the extent to which members attempted to go in violation of their own

marketing agreements:

Evasion of contract by lease of land to others was tried. The title of the suit which resulted was the Monte Vista Potato Growers' Cooperative Association, plaintiff, vs. James Bond and W. A. Bond, defendants.

W. A. Bond was a contract signer and land owner. James Bond, his father, and a non-member, sought to sell the potatoes produced on the farm of his son outside the association. The authority for a decision favorable to the Exchange in this case, is given in Section 19 (c) of the Colorado Cooperative Marketing Act as follows:

"In any action upon such marketing agreement, it shall be conclusively presumed that a land owner or landlord or lessor is able to control the delivery of products produced on his land by tenants or others, whose tenancy or possession or work on such land or the terms of whose tenancy or possession or labor thereon were created or changed after execution by the land owner or landlord or lessor, of such a marketing agreement; and in such action, the foregoing remedies for non-delivery or breach shall lie and be enforceable against such landowner, landlord or lessor."

A Supreme Court decision favorable to the Exchange was obtained in this case early in the year 1927, proving the contention that a conspiracy existed between father and son to violate the son's marketing contract.

Another favorable decision was obtained October 1927 in a somewhat similar case, that of Milo Wilson vs. Monte Vista Potato Growers' Cooperative Association, even tho no actual conspiracy to violate the contract existed between the landlord Wilson, who was a contract signer, and his tenant who was not a contract signer. The fact that the tenant signed a lease with a contract signer, knowing that the landowner was a contract signer, caused him to become charged with the meaning and provisions of the Cooperative Marketing Act, under the control of the crop by the landlord provision.

Several other violations of contract have been tried, all unsuccessful so far. Among these may be mentioned, crop liens, crop mortgages and interference of independent dealers with contract signers.

A new marketing contract to replace the present one, which expires in July 1928, is being presented to members for signing at the present time. This new contract contains essentially the provisions of the original but binds the grower to sell and deliver, and the association to buy all potatoes produced or acquired by him during the years 1928 to 1936 inclusive.

ACCOUNTING DEPARTMENT

This department of the Exchange has charge of all business details and keeps a record of all transactions carried on by the organization. Its principal duties may be grouped under four divisions.

- a. Pooling and Pool Settlements
- b. Keeping records of all Accounts.
- c. Invoicing business.
- d. Collecting of proceeds from sales.

It is the opinion of the writer of this study, that while the Sales, Traffic and other departments of the Exchange are probably of equal value and absolutely necessary to the proper functioning of the business, they are somewhat similar to like departments in any business organization, hence do not call for as detailed description of their methods of operation. It is, of course, assumed that the personnel makes for the success of the department rather than the reverse.

For the purpose of my study I have chosen to lay emphasis on certain functions of the accounting department. The need for the proper keeping of records and other functioning of the accounting department is indicated in the following:

#A recent study by the United States Department of

#U. S. Dept. of Agriculture Department Bulletin No. 1414, p.31.

Agriculture of the causes of failure among cooperative associations indicates that of 927 associations reported as failing or suspending operations in the 11 year period 1913-1923, 114 or 12.3 percent gave 'inadequate accounting system,' as the sole or principal cause of their trouble."

Pooling and Pool Settlements are handled for this organization, by the Accounting Department; involving as they do two of the most vital principles of cooperative marketing, orderly marketing and the financing of the same, it was thought best to consider more in detail how this function of the Exchange was carried on. In this discussion much of the method of operation, will be shown by use of the actual forms employed.

Purposes of Pooling

1. Secure title to the product being marketed, enabling the cooperative to borrow money on product.
2. Control the time and place of shipment (orderly marketing) by having title to product.
3. Equalize price differences on the various markets for the period of the pool.
4. Equalize losses in transit and market rejections to grower members.
5. Gives cooperative the right to accept or reject prices offered for the product. May move product freely on rising markets and withhold on a declining market.
(Prevent market gluts.)

6. Thru having title to the product may secure better prices for member growers by having expert marketing advice.
7. Gives all member growers the same price for the same pool period, for like variety, grade and quality of product.
8. Meet market demands by distributing shipments over the entire season.

Pooling and Pool Settlement

During the first year of operation, season of 1923-24, potatoes handled by the Exchange were shipped under what amounted to a seasonal pool. This proved very unsatisfactory especially in the matter of adjusting claims and computing losses such as shrinkage in storage, early pool sellers suffering less loss than those who sold later in the season. At the end of the first season, on settlement of the pool $1\frac{1}{2}$ cents per cwt. was added in addition to $21\frac{1}{2}$ for overhead expenses. The next season saw the beginning of the weekly pool which started Monday morning and closed Sunday night with settlement at the end of each 30 day period. Only 20 cents per cwt. was deducted for expense and the bulk of all claims over $2\frac{1}{2}$ cents per cwt. was deducted from this instead of adding it on as before. This proved much more advantageous to all concerned and is the method used at the present time.

Each individual grower selects the pool week in which he desires to load, except in case of Warehouse Grading during the height of the season. It is often necessary then,

due to lack of capacity, for each to take his turn.

Two classes of pool are used, namely, Warehouse Pool and Track Loaded Pool. The Warehouse Pool contains potatoes graded under the direct supervision of the warehouse employees, and these are placed in new even-weight sacks containing 120 lbs. each. These sacks are branded with the U. S. Registered trademark "Colotato Brand." Track loaded Pool contains potatoes graded by the local growers and loaded directly on track. These may be placed in either new or old sacks, but are not labeled. In either case all potatoes are pooled by Variety, Grade and Quality of Pack. Warehouse grading has proved to be the better method, because it effects: (a) Saving in claims, (b) Reduces the cost of selling, (c) Potatoes sell for more money.

When the grower has determined the week he desires to load, he notifies the local manager, who proceeds to order cars and wire the Exchange as to the volume he may load that day or week. Upon the completion of the loading during this week each grower receives a Participation Certificate¹ which lists grower's name, number of sacks and kind used, gross weight, tare, net weight, variety and grade, car initial, car number, pool number, and amount of advance payment. This certificate is very important in that it forms

¹See Appendix Section VI.

the basis for all settlements of the pool and is used by the Exchange in all dealings involving this particular grower's potatoes in the pool so designated. These certificates are all serially numbered and drawn in triplicate. The yellow copy goes to the Exchange, the white to the grower and the pink kept in the local files. The amount of the advance payment made to grower as listed on the participation certificate is determined by a weekly report sent out from the Exchange to all local managers.¹ This report is a summary of all market conditions, demand, supplies and shipments, price trend and other factors that will tend to give a fair basis for making advance payments to growers loading that week. The amount to be advanced is stated for each locality by grade and variety. Grades so used are designated as Colotato, U. S. No. 1, Colorado Standard, U. S. No. 2. Variations may be noted for like varieties and same grade, but grown in different localities within the state.

In case potatoes offered by the grower fail to come under these grades, they may be called ungraded or unclassified and settlement for them is generally made when the proceeds from their sale is received. In some cases this may be longer than the usual 30 day settlement period. From 60-75 percent of the advance per cwt. as listed on the Market

¹See Appendix Section VII.

Report is paid the grower at the end of pool week. The exact percent paid will vary week by week according to market conditions and the necessity for wise use of funds.

Settlement

This settlement is made by the manager in charge, by sight draft drawn on the Exchange thru the First National Bank of Denver in favor of the grower who loaded potatoes during this pool week. These drafts are accepted as cash items by local banks, and represent the advance payment due the grower, usually from 60-75% of the value denoted in the Market Report for that week, less any items of seed, sacks, twine, chemicals, etc. that the grower has taken out on a Merchandizing Order from the local office.¹ Should this be the week designated by the grower when this order shall be paid, the grower has the privilege of stating which pool period these M. O., as they are called, shall be paid.

All drafts are drawn in triplicate, (1) Yellow copy to State Exchange, (2) White copy to the grower, (3) Pink copy kept for the local files.² When all white copies have been returned to the bank in Denver, they are delivered to the Exchange and it in turn writes its check for the total designated, thus taking up these drafts.

The method used to obtain the necessary funds for

¹See Appendix Section VIII.

²See Appendix Section VIII.

these advance payments is as follows:

The Exchange draws a draft on the First National Bank for the net sale price of each car of potatoes sold. This draft is attached to a delivery order¹ which shows the name of the broker or buyer of potatoes, location of buyer, car numbers, car initials and date of sale. Draft shows car number and initials, buyer or broker and bank at destination thru which draft is drawn, together with the amount of money, which is the net sale price covering the invoiced contents of that car. For the bank's convenience the Exchange designates on the draft what 75% of the value of the draft amounts to. This amount is then deposited to the credit of the Exchange.

Manager's Daily Report

Each day the local manager wires a report to the Exchange giving the car numbers, initials, number of sacks, weight, variety grades, kind of sacks, point to which car is billed, together with any other necessary shipping information about each car loaded that day. At the same time he mails a loading report² to the Exchange covering the state and federal inspector's summary as to grade, variety and description of potatoes loaded. Included in this mail also are all bills of lading, participation certificates for each grower, copies of all drafts given, and any merchandizing orders which growers may have given to be taken out of potatoes

¹See Appendix Section IX.

²See Appendix Section X.

loaded in this particular pool period.

When all the above documents are received in the Exchange office, they are checked against each other to correct all possible errors. From the corrected and checked information the Sales Department makes out its official sales card, and from these data on the contents of each car of potatoes, its selling program is based.

Following this checking process all participating certificates are referred to a division of the accounting department which keeps a record known as the Pool Sales Book which forms the basis of all settlements to grower members. All cars moving thru the Exchange are listed in this book by local associations, by pools, by varieties, by grades, by pack, by car number and initials. Sales department data listed show name of broker thru whom sold, party actually buying potatoes, price at which potatoes sold, gross sale price, amount of shipping charges for freight, ice, heat, sundry, etc. After all these charges are deducted the net sale price to the Exchange is entered. From this net sale price, 20 cents per hundred weight to cover all expenses of the Exchange is deducted. The amount from this 20 cents per cwt. is credited to each local association on the basis of tonnage shipped and is prorated back, after paying expenses, in the same manner.

A reserve fund of 2% is set up at the end of the year

on the gross resale of potatoes shipped by each local.

Claims

When claims arise, due to potatoes being of inferior quality than invoice calls for, freezing in transit, or other causes for which the Exchange or its locals may be to blame, the buyer takes up the drafts on the original invoice price and bills the Exchange back a statement calling for the amount of claim. Should the claim be legitimate the Exchange pays the bill by check. In most cases affidavits are required stating nature, extent and cause, if possible, of the damage done for which claim is made. These give a basis for a counter claim against the railroad or other agencies in the marketing process.

Claims are absorbed in three ways

- (a) By Pools, lowering the average pool price.
- (b) By local associations over the entire season.
- (c) By the Exchange in its 20¢ per cwt. deduction.

Claims are charged to the various pools, when they are received from the buyer, some time previous to the weekly pool settlements, which is 30 days after the Sunday night closing of the pool. Should claims be so heavy as to materially affect the average pool price for any particular pool period, they may be absorbed over the season. Claims that originate wholly within the Exchange

are charged to the Exchange. Those entirely within the locals are charged to the local associations.

Warehouse Expenses

Expenses of the warehouses, both Construction and Operating, are charged to the grower on the warehouse charge form.¹ These charges are provided for in the contract agreement and are handled like other charges, by deductions from the pool settlement funds. This charge is handled by the accounting department and is carried on the books in the form of a grower's ledger account.²

Local Expenses

Books are kept by the accounting department of the Exchange, which cover the expenses of each local.

All local associations are given a revolving fund from the credit of the Exchange, which is deposited in a local bank designated by the directors. All local managers are bonded, and money for all local expenses is drawn from this revolving fund by check over their signatures. Each local manager sends to the Exchange office a weekly or daily report of his disbursements from this fund. This report shows date check was drawn, to whom drawn, amount and a detailed statement for what purpose check was made. All manager reports are passed on by the local officers. These report forms are also drawn in duplicate, the original

¹See Appendix Section XI.

²See Appendix Section XII.

remains in the local files, the duplicate is sent to the Exchange. Upon receipt of these duplicates the Exchange sends its check to replenish the revolving fund. From these weekly reports the Exchange maintains each local association's books.

The Exchange is protected in advancing funds to member growers by virtue of its marketing agreement. All funds for the purchase of seed, chemicals, sacks, etc., advanced by the Exchange as stated previously in this discussion, are covered by signing merchandizing orders to be taken up when potatoes are delivered to some pool period. This may be called a form of production credit, and is becoming a general method of financing production in many cooperative organizations.

Collection of Sales

The accounting department invoices all collections from sales made by brokers or other parties to whom the Exchange sells potatoes. This department follows these accounts and endeavors to receive prompt payment at all times.

Semi-annual audits of the Exchange books are made which give in detail all business dealings of the Exchange for the six months period. Copies of this audit are mailed to the local directors who in turn may give a copy to any member grower desiring one. In this way grower members are kept

informed of the business of their organization. The net worth set up by this audit represents rather definitely the amount of money available, which may be refunded at the end of a three year period. This refund represents savings that are made possible by the cooperative functions of their business. All operations are done at cost and these costs have been proven to be as low or lower as are those of like organizations, not cooperative.

Refunds and Reserves will be treated as such in a separate chapter of this study.

FIELD DEPARTMENT

In a general sense, it may be said that the Field Department has charge and supervision over all activities of the Exchange outside the general office, where as we have shown the sales, traffic and accounting departments are located.

Its duties may be grouped fairly accurately under four headings:

1. Supervision of grading and warehouse operations, including construction.
2. Purchasing seed potatoes and seed treating chemicals for grower members.
3. Publication of the monthly paper the Colorado Potato Grower.
4. Educational work, along cooperative lines.

Believing that the need was imperative for some method of supervised grading and for better storage facilities, the board of trustees which was assembled in the second annual meeting of the Exchange, voted unanimously to form a state-wide warehousing corporation as a subsidiary organization to the Exchange. As a result of this action, a separate legal unit known as the Colorado Potato Warehousing Corporation, with a capital stock of \$250,000, was formed. Authority for this action is found in the original marketing agreement

signed by all individual grower-members. Section 14 of this marketing contract¹ states: "After due investigation the Association may cause a Warehousing or other corporation to be organized in any community or district where any such need is indicated for the purpose of leasing, purchasing, or constructing, and operating warehouses, farms for seed purposes, by-product plants, factories or other places for handling any potatoes delivered by members of this or other associations." Divisions A, B, C, D and K under this same Section 14, Marketing Contract give the details of how each district may obtain a warehouse, and what deduction from prices received for potatoes delivered, may be applied toward paying for the same. Section 14 (a) and (b) of this same marketing contract give the necessary authority for these deductions.

Since the organization of this warehousing corporation, ten warehouses and grading plants costing from \$2600.00 to more than \$7000.00 each have been built or leased and equipped with the most modern potato grading and handling machinery.

Certain definite restrictions have been placed on the sale and transfer of the common stock held by grower members in these warehouses. This is done to avoid control of the voting power passing into the hands of unfriendly or disinterested parties. Restrictions are of two types: First,

¹See Appendix Section XIII.

any stockholder who may desire to sell his stock must first offer it to the board of local directors for sale. A period of six months is designated as the time during which the directors may buy the shares offered for sale. Should they not act within this time limit, the stockholder may sell the shares himself but they may be sold only to members of the associations of potato growers. The second restriction has to do with shares of any member who shall cease to be a potato grower, or perform acts whereby his membership in the organization is terminated. In either of the events named corporation shall have the right to recall the stock of such shareholder, and to demand that it be offered for sale to other potato growers. Provision is also made that in case of the death of a shareholder, the administrator shall within one year offer the stock so held for sale to the directors.

It is the duty of the field department to supervise the grading done in the warehouses, as well as all other handling and loading operations. It is to provide general supervision to construction operations and alterations necessary in leased buildings obtained for warehouse purposes.

Grading in these warehouses is done by men under the direction of the local manager who by long experience has become expert in placing potatoes in the proper variety, grade and pack classification. As a further aid to proper

grading and standardization, each carload is subject to inspection by a joint state and federal inspector. This latter inspection does away with the necessity for further inspection on the terminal markets, and aids in speeding up the marketing process.

Purchasing Seed Potatoes and Seed Treating
Chemicals

Believing as the organization does that grading and standardization should start in the field, much stress is laid upon the minds of grower members to obtain and plant only certified seed insofar as that is possible. With this idea in mind the field department has made special efforts to obtain certified seed for grower members from other localities and states. By buying in carload lots and from a wide area a considerable saving may often be realized.

In the past in some districts the seed plot method for producing potatoes of a superior quality and yield have been tried out. There are local districts which produce seed potatoes of such high quality that other local districts obtain their seed from them; thus we have cooperation within a cooperative. Information as to where certified seed of a given variety may be obtained is supplied by the field department.

Seed treating chemicals are also purchased in large amounts by the field department and distributed to the various districts at a great saving in cost. New methods

and machinery for treating seed for different disease conditions are investigated and where their use is thought to be advisable, the field department arranges a demonstration or otherwise spreads the information to the growers.

The Colorado Potato Grower

Publication of the monthly paper, the official organ of the Colorado Potato Growers' Exchange, is also a function of the field department. This paper, a copy of which goes to every member of the Exchange, gives wide publicity to all matters pertaining to the business of their organization. Space is given to what other cooperatives are doing, their troubles as well as their successes, together with some details of their organization. Articles are copied from many of the various publications of the U. S. Dept. of Agriculture, Bureau of Agricultural Economics, Crops and Markets Division of Crop and Livestock Estimates, Agriculture Cooperation and National Council of Farmers' Cooperative Marketing Associations. In a general way it may be said that any information that deals more or less directly with the cooperative marketing field and all matters pertaining to potato production as an industry are used by the editor of the Colorado Potato Grower to bring to the members of the Exchange all news which should be of interest to them.

This is the general aim and purpose of the publication.

It is the writer's opinion that the publication of complete reports of all meetings, a detailed report of all audits, a statement of all costs and expenses of operation, together with some of the problems and solutions of them made by the Exchange, form the real basis of its value to the members.

Educational Work

In a discussion of this function of the field department, much that has been said before must be repeated. Work in regard to seed and seed treating should be classed as educational, also much that is published in the Colorado Potato Grower is published for its educational benefits.

Much educational work however is done in the securing of new members and in the forming of new districts. In these ways greater volume of production is secured.

Many problems of cooperative organization are thrashed out at public meetings and the advantages of cooperative endeavor are explained to non-members as well as members. Information is supplied to growers, explaining various phases of the organization that are not clear. In this way members are kept informed as to the exact situation within the Exchange from an authentic source. The officer responsible for this service must be tactful as well as well-informed for the ultimate success of the cooperative may depend largely upon how such situations are met. A paragraph taken from an address by Walton Peteet, Secretary

National Council of Farmers' Cooperative Marketing Associations on the "Importance of Field Service" may be used in illustration.

"The aggressive enemies of cooperation have been quick to discover and make use of the absence of a service which keeps the individual members in close contact with their cooperatives. Cases are not lacking where false reports and suspicion-breeding stories have been deliberately and systematically set afloat among the membership of cooperatives. This has now become the approved method of the unscrupulous enemies of cooperation, and it is an effective method unless the cooperatives have active and alert field service departments."

REFUNDS AND RESERVES

It is the policy of this organization to create a reserve fund each year by keeping 2 percent of the total gross sales of potatoes that move through each local association. The money so set aside represents the working capital of the Exchange and is used for the financing of bag and seed purchases. This money is entirely apart but included in the 20 cents a hundredweight deduction to meet all operating and selling expenses.

Authority for this deduction is provided for under Section 6 of the Marketing Contract which also provides that the annual surplus from such deductions must be prorated among the growers delivering potatoes in that year on the basis of the value of deliveries.

From the current year's sales of potatoes new reserves are set up which provide the working capital necessary for that year's business and allow the past year's reserves to be refunded.

Owing to the necessity for adequate finances to be available, especially in the first few years of operation, the reserve set up during the season of 1923-24 was kept until February 1926, at which time a refund of \$56,227.30 was made to members. This sum was divided by the total tonnage shipped by each association during the season, and the reserve was placed on a hundredweight basis. Each member was then given credit for a reserve based on this

rate times the number of hundredweight shipped by him during the season. This method refunds the reserve in the same way in which it was accumulated.

The following table gives the amounts received by each local and shows something of the volume of business done by each.

Antonito.....	\$ 106.44	Hooper.....	\$ 801.47
Ault.....	2122.87	Kersey.....	344.25
Carbondale.....	2981.59	La Jara.....	799.25
Carmel.....	1062.41	Monte Vista.....	11165.11
Center.....	9194.88	Montrose.....	5455.09
Del Norte.....	5250.97	Morgan Co.	462.86
Delta.....	1526.74	Olathe.....	4136.70
Eagle.....	2060.98	Rifle.....	1000.83
Fruita.....	3619.58	Romeo.....	141.20
Gilcrest-La Salle...	123.57	Severance-Windsor.	2001.31
Gill-Galeton.....	1869.20		

A similar refund was made February 1927, of a total amount of \$43,000. This represents the reserve of 2% set aside during season of 1924-25, together with some additional claims collected from that season's sales. During February 1928, the reserve set aside for working capital, from the season of 1925-26 amounting to \$44,600.00 was refunded to members. This amount was entirely separate

from the reserve for that season, and should not be confused with the sum of \$33,600.00 refunded during December 1927, which represents the unexpended portion of the deduction for the season of 1925-26, a reserve of more than \$70,000 having been set aside for that season. This extra saving was made possible by a favorable shipping season, high prices, fewer claims and economy in all operations of the Exchange.

Thus it will be seen that the reserves for three seasons, had been returned. A member of this organization must add this extra money to the pool price he received during these seasons, plus the extra distribution for the 1925-26 season and other seasons, to make a fair comparison with independent prices paid for potatoes of like grade and quality during these seasons. The saving in some instances, particularly warehouse graded brands, has been as high as $6\frac{1}{2}$ cents per hundredweight or approximately \$23.00 per car.

A custom that adds much to the building up of strong cooperative spirit among members is that of having social get-togethers for each local at the time the refund checks are distributed. These social functions are generally started with a good dinner, followed by speakers, music and other entertainment. Usually the principal speaker of the evening is some person, prominent in the community or some outside authority who talks on some phase of cooperative

marketing or production of potatoes. Members of the various departments are often called upon to give a talk about the operation of the Exchange or how other similar organizations are operated. Members of the legal department have in the past given much time to a discussion of the legal phases involved. Those who have attended these annual meetings, assert that they are a social success, and that they are a means for making a happier, more contented and educated cooperative family.

Production of Potatoes

Production of potatoes by principal late crop states, together with the total of U. S. for years 1924-27 inclusive in bushels.

	1924	1925	1926	1927
Maine	41,175,000	34,170,000	36,880,000	32,092,000
New York	46,620,000	23,994,000	29,016,000	---
New Jersey	11,544,000	6,042,000	7,250,000	9,177,000
Penn.	28,792,000	25,461,000	22,176,000	26,400,000
Virginia	19,200,000	11,340,000	11,658,000	---
Ohio	11,500,000	11,978,000	10,058,000	---
Michigan	38,252,000	24,411,000	29,880,000	23,120,000
Wisconsin	31,460,000	23,632,000	27,140,000	23,920,000
Minnesota	44,352,000	26,772,000	29,800,000	33,128,000
N. Dakota	11,960,000	7,280,000	7,520,000	11,526,000
Nebraska	7,743,000	6,300,000	5,329,000	8,904,000
Colorado	11,640,000	14,190,100	11,760,000	16,046,000
Idaho	10,725,000	14,381,000	16,198,000	24,380,000
Oregon	3,780,000	4,368,000	4,500,000	---
California	7,750,000	6,510,000	6,923,000	---
Washington	6,615,000	8,120,000	10,720,000	13,430,000
U.S.Total	454,784,000	325,902,000	356,360,000	402,149,000

Colorado's place in total production of potatoes in comparison with some other states is shown in the above

table. Its production varies from 3.6% to about 4% of the total.

Of the total crop in Colorado the Colorado Potato Growers' Exchange handles roughly from 35% to 40%.

CONCLUSION

What factors or conditions tend to make the organization outstanding in a state in which little has been done in successful cooperation until the present time?

In this consideration of the organization at least four important factors are indicated.

- (a) A mutual desire for cooperation on the part of members..
- (b) Good management and business methods.
- (c) Sufficient volume of one commodity.
- (d) Education and its effects on grower members.

Early efforts toward cooperation shown by growers in the San Luis Valley and somewhat later by those of the Western Slope, prove that they felt the need for cooperation in marketing their potato crops. This desire was the result of dissatisfaction with the existing marketing conditions of the time. Past experience had proved that, altho they could grow potatoes of high quality, the prices received were in many cases little more than the cost of production. They believed the remedy for this condition involved some control by growers of the distribution and marketing of their crop. With the need for cooperation apparent and the desire to try grower controlled marketing existing, relatively little organization work was necessary

to bring about the ultimate result, a state-wide marketing exchange.

The method of this cooperative in selecting its board of trustees, executive committee and general officers from among its own members all of whom are potato growers places entire authority in a management vitally interested in its success.

A very wise selection of men for the positions of General Manager and Field Manager was made. From personal conversation with representative grower members in different local districts one gets the impression that it is very doubtful if better qualified men could have been obtained at any price--Mr. Gibson, general manager, for his sales ability and general knowledge of potato marketing, Mr. Heppe, field manager, for cooperative organization knowledge and ability to meet member growers and discuss their production problems. Separate departments, with men in charge who have proven their ability to do the special work assigned them, tend toward more efficient management.

Semi-annual audits, copies of which are available to each member thru his local manager, keep all members informed of financial conditions of both the locals and the Exchange. This information is particularly valuable in that conditions involving financial details are often

not understood by farmer members. These audits, when made by certified public accountants who are in no way connected with the Exchange, strengthen the feeling of confidence among member growers and go a long way toward discrediting any false reports that gain circulation.

This organization has further proven the desirability of concentrating on a single commodity and having a sufficient volume of the same to market. This has the advantage of cutting the costs of doing business as well as of developing a highly standardized product.

With continued good management, further standardization and some advertising, it is difficult to see why "Colotato Brand" potatoes should not rightfully assume a place among other well known cooperatively marketed agricultural products.

There is a strong feeling that the campaign for the education of the growers along cooperative lines has been one of the most important reasons for the success of the Association. No doubt this work among those who have already felt the need of cooperation in marketing their product, is a somewhat easier process than educating like groups in other organizations where need of improvement of marketing conditions was not so marked. In spite of the early cooperative spirit and initiative shown by members, this organization still devotes much time and effort along educational lines. The fact that this is often neglected

by cooperatives in general may frequently be given as the direct cause of failure. The effort put forth by the field department in demonstrating the benefits of certified seed, seed treatment and other problems of potato production has it is certain been instrumental in producing a high quality product, which is a basic necessity for successful marketing in any organization.

The publication of the Colorado Potato Grower is a distinct asset to the Colorado organization and the articles which cover the whole field of Cooperative Marketing are designed to assist the growers to a better understanding of the principles involved.

The social program of having members meet at least annually has the effect of building a strong fraternal spirit of friendship, a feeling any successful cooperative must have. These meetings provide additional opportunity for the officers of the Exchange to impress the idea that they are only the servants of the members and that their interests are alike. They strive to instill renewed confidence in the ability of the members in authority to perform the work of the organization with a maximum of efficiency. Loyal membership and mutual understanding are corner stones in any cooperative marketing movement.

SUMMARY

The preface contains an account of the various forms of cooperation existent within the State at present or in the past. Reasons for the selection of the Colorado Potato Growers' Exchange for intensive study are explained in the introduction. The gradual development of cooperation, the causes for its growth and illustrations of the various forms evolved, are arranged with a view to providing a climax in the formation of the Potato Growers' Exchange. A diagram which maps out the organization of the Exchange precedes the study of its functions. The elements which have contributed to its success are discussed and deductions are drawn concerning the requirements which are vital for the smooth and efficient functioning of such an organization. The By-laws, printed forms and sample contracts are incorporated in the appendix.

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BY-~~LAW~~S OF COLORADO POTATO GROWERS'
EXCHANGE

I.

The Colorado Potato Growers Exchange

601-604 Cooper Building

DENVER, COLO.

TELEPHONE
MAIN 2445

BY-LAWS
OF
COLORADO POTATO GROWERS'
EXCHANGE

BY-LAWS
OF
COLORADO POTATO GROWERS'
EXCHANGE

We, the undersigned, together constituting and being all the members, directors or trustees and incorporators of Colorado Potato Growers' Exchange, a co-operative marketing association, without capital stock and not conducted for profit, do hereby adopt the following code of By-laws, as and for the By-laws of said Association.

ARTICLE 1

Colorado Potato Growers' Exchange may be hereinafter referred to as the Exchange.

The purposes for which this Exchange is formed are set forth in the second paragraph of the Articles of Incorporation.

ARTICLE 11
BOARD OF DIRECTORS OR TRUSTEES
NUMBER

Section 1. The corporate powers, business and property of the Exchange, shall be exercised, conducted and controlled by a Board of 37 (or such number as will give each member of Association one vote) Directors or Trustees hereafter referred to as Trustees, together with an additional Director or Trustee for every one hundred or major fraction of 100 individual grower members of each member Association.

ELECTION

Section 2. The Trustees shall be elected annually by the members and shall be certified in writing by them to the Exchange prior to July 10th of each year after 1923. Each member shall select one trustee as its representative on the Exchange, together with an additional Trustee for every 100 or major fraction of 100 individual grower members of such member Association. Such Trustees shall hold office until their successors shall have been elected and shall have qualified.

VACANCIES

Section 3. Vacancies in the Board of Trustees shall be filled by the member entitled to such Trustees; and such new Trustees shall hold office until the election of their successors by the members.

Any trustee who ceases to be a member of his local Association or who violates any contract with his local Association or with the Exchange in any particular, shall cease to be a member of the Board of Trustees as soon as a majority thereof pass a resolution to such effect, and the local Association shall select his successor.

FIRST MEETING OF TRUSTEES

Section 4. Immediately after each election of trustees, the newly elected trustees shall hold a regular meeting on the third Tuesday in July of each year after 1923, and organize by the election of a President, a Vice President, a Secretary and a Treasurer; and transact any other business. Such officers shall hold office for one year and until their successors are elected and take office. Notice of such meeting is hereby dispensed with. The first officers shall hold office until the election of their successors in 1924.

REGULAR MEETINGS

Section 5. In addition to the first meeting mentioned above, a regular meeting of the Board of Trustees shall be held quarterly at such time and place as the Board may determine.

NOTICE OF REGULAR MEETING OF TRUSTEES

Section 6. Notice of the regular meeting of the Trustees shall be mailed to each Trustee at his last known address at least five days prior to the time of such meeting.

SPECIAL MEETINGS

Section 7. A special meeting of the Board of Trustees shall be held, whenever called by the President or by a majority of the Trustees. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

NOTICE OF SPECIAL MEETING

Section 8. Notice of each special meeting of the Trustees shall be telegraphed to each Trustee, at his last known place of address at least three days prior to the time of such meeting.

QUORUM

Section 9. Fifteen Trustees shall constitute a quorum of the Board at all meetings.

COMPENSATION

Section 10. The Trustees shall receive no compensation for their services as Trustees other than reimbursement for railroad fares actually expended by them in attending the meetings of the Board of Trustees and any other necessary travelling expenses; and a per diem of \$10.00 for the time actually covered by attendance at meetings and travelling thereto and therefrom.

The Trustees may, in their discretion, provide reasonable compensation for the members of the Executive Committee of the Board, plus all expenses.

No Trustee, during the term of his office, shall occupy any position in the Exchange on regular salary or substantially full-time pay, except in the cases of the President and Secretary.

ARTICLE III.

POWER OF TRUSTEES

The Trustees shall have the power:

1. To conduct, manage and control the affairs and business of the Exchange; and to make rules and regulations for the guidance of the

2. To appoint and remove, at pleasure, all officers, agents and employees of the Exchange, prescribe their duties, fix their compensation, and require from them, if advisable, security for the faithful service.

3. To call special meetings of the members when they deem it necessary; and they must call a meeting at any time upon the written request of the members as provided by law.

4. To make and enter into agreements with factories, buyers or others for sale, marketing or consignment of the potatoes of its members or the products therefrom.

5. To make and enter into agreements and arrangements with any sales agency or with others, or with other Associations or Exchanges of other States or otherwise similarly organized for the sale and marketing, or consignment of the potatoes of its members, or the products therefrom, through any central or general agency, or otherwise.

6. To carry out the marketing contracts of its members with the growers, in every way advantageous to its members, representing them separately and collectively.

7. To select one or more banks to act as the depository of the funds of the Exchange and to determine the manner of receiving, depositing and disbursing the funds of the Exchange and the form of checks and the persons or person by whom the same shall be signed, with the power to change such banks and the person or persons signing said checks and the form thereof at will.

8. To do all things necessary and proper in order that the Exchange may exercise any and all of the powers or privileges of its members as their duly authorized representatives, agent or broker.

ARTICLE IV. DUTIES OF TRUSTEES

It shall be the duty of the Board of Trustees:

1. To keep a complete record of all its acts and of the proceedings of its meetings, and to present a full statement at the regular annual meetings of the members showing in detail the condition of the affairs of the Exchange.

2. To supervise all officers, agents, and employees and see that their duties are properly performed.

3. To cause to be issued appropriate certificates of membership.

4. To install such a system of bookkeeping and auditing that each member may know and be advised from time to time fully concerning the receipts and disbursements of the Exchange.

ARTICLE V. OFFICERS

The officers of the Exchange shall be a President, a Vice-President, Secretary and Treasurer, together with any other administrative officers, whom the Board of Trustees may see fit in its discretion to provide for by resolution entered upon the minutes.

The Board may appoint assistant secretaries in its discretion and may delegate to them any or all of the duties of the Secretary, hereunder, or any other duties.

The compensation and tenure of all officers shall be fixed by the Board of Trustees.

The President and Vice-President shall be Trustees of the Exchange. The Secretary or Treasurer need not be members of the Board.

If at any time the President shall be unable to act, the Vice-President shall take his place and perform his duties; and if the Vice-President shall be unable to act, the Board shall appoint a Trustee to do so. The President or Vice-President or such Trustee shall:

1. Preside over all meetings of members and Trustees;
2. Subject to the advice of the Trustees, direct the affairs of the Exchange;
3. Call the Trustees together whenever necessary;
4. Sign, as President, all certificates of membership and all contracts, notes and other instruments when so directed by the Board of Trustees;
5. Discharge such other duties as may be required of him by these By-laws or by the Board of Trustees.

ARTICLE VII.
SECRETARY AND TREASURER

It shall be the duty of the Secretary:

1. To keep a record of the proceedings of the meetings of the Board of Trustees and of the members;
2. To keep the corporate seal and the book of blank membership certificates; fill up and countersign all certificates issued and affix said corporate seal to all papers requiring a seal;
3. To keep a proper membership book, showing the name of each member of the Exchange, the number of its membership certificate, and date of issuance, surrender, cancellation, forfeiture or transfer;
4. To receive and deposit all funds of the Exchange to be paid out only on check drawn as hereinbefore provided and account for all receipts, disbursements and balance on hand;
5. To furnish a bond in such form and in such amount as the Board of Trustees may, from time to time, require;
6. To execute and sign all contracts, notes, papers and documents as Secretary;
7. To act as Secretary of the Executive Committee;
8. To discharge such other duties as pertain to his office or may be prescribed by the Board of Trustees.

It shall be the duty of the Treasurer to take general charge of the funds of the Exchange, as directed by the Board of Trustees.

The Secretary may be the same person as the Treasurer; the Treasurer need not be a natural person, but may be a corporation and preferably a banking corporation.

ARTICLE VIII.
EXECUTIVE COMMITTEE

The Board of Trustees shall appoint an Executive Committee of five from among its members, determine its tenure of office and its powers and duties. The President and Vice-Presidents shall be ex-officio regular members of the said Executive Committee and shall be elected as such; and there shall be only three others.

The Executive Committee shall have such duties and powers as may, from time to time, be prescribed by the Board of Trustees and these duties and powers may be all of the duties and powers of the said Board of Trustees, subject to the general direction, approval and control of the Board of Trustees.

ARTICLE 1X.

AUDITING COMMITTEE

The Board of Trustees may appoint an Auditing Committee from among its members, determine the number of its members and its tenure of office. The Board may prescribe rules and regulations with reference to the manner and form in which claims shall be presented against the Exchange and the manner of auditing the same; and in lieu of such action by the Board, the Auditing Committee may prescribe rules and regulations with reference to its meetings and procedure.

The Board, in its discretion, may delegate these functions to the Secretary or to an Auditor.

An annual audit shall be made by a certified public accountant and an annual report shall be filed by him with the Board of Trustees prior to the annual meeting.

ARTICLE X

BOOKS AND PAPERS

The books of the Exchange and such papers as may be placed on file by vote of the Board of Trustees shall, at all times during business hours, be subject to the inspection of the Board and of any member of the Exchange or its representative, duly authorized in writing.

ARTICLE XI.

MEETINGS OF MEMBERS

Regular Meetings

Section 1. A regular meeting of the members shall be held at the office of the Exchange or at a more convenient place determined by the Executive Committee on the third Tuesday in July of each year for the purpose of hearing reports and transacting any business that may come before the meeting. The first regular meeting shall be in July, 1924.

Special Meetings

Section 2. Except where otherwise prescribed by law or elsewhere in these By-laws, a special meeting of the members may be called at any time by the President or by a majority of the Board of Trustees or by one tenth of the members as provided by law. Each such call shall be in writing and shall state the time, place and the purpose of such meeting. No business shall be transacted at a special meeting other than that stated as the purposes for the call.

Notice of Regular Meetings

Section 3. Notice of each regular meeting of the members shall be given. Such notice must state the time and place of the meeting; and the purposes thereof. A copy of such notice shall be mailed to each member of the Exchange at least ten days prior to the time for holding such meeting.

Notice of Special Meetings

Section 4. Notice of each special meeting shall be given by

address shall appear upon the books of the Exchange, at least ten days prior to the time fixed for such meeting.

Quorum

Section 5. At any meeting eleven of the members present by trustee or trustees duly certified in writing shall constitute a quorum for all purposes, except when otherwise provided by law.

ARTICLE XII

GENERAL PROVISIONS CONCERNING MEMBERS

Not A Profit Corporation

(a) This Exchange is organized without capital stock, for the purpose of serving its members only and providing all of its facilities to them upon uniform rules and regulations to be prescribed by the Board of Trustees of the Exchange.

Members-Who Eligible

(b) Any cooperative marketing association organized with association and marketing agreements similar to those of the original members hereof and for similar purposes may be admitted to the Exchange and shall have voting power as members and property rights therein on the same basis as all other members in accordance with the general rules herein stated. All members agree to abide by all of the rules, regulations and By-laws of the Exchange with reference to the handling and marketing of their potatoes or potato products or otherwise. All members will sign such notes, agreements or other documents as may be necessary from time to time for financing or for carrying out the general purposes of the Exchange and covering the potatoes or potato products owned by them or under their control, when and as such notes, agreements or other documents are approved by the Board of Trustees and presented to the members for signature and acceptance.

(c) No member shall be permitted to withdraw from this Exchange during any period in which it is bound to buy or accept any products from its own grower Members under a term contract.

Membership Certificates

(d) This Exchange shall issue a certificate of membership to each member thereof in such form as may be provided by the Trustees; but said membership shall not, nor shall said Membership Certificate be assigned by said member to any other person, firm, corporation or association; nor shall a purchaser at execution sale, or any other person who may succeed by operation of law or otherwise, to the property interests of a member, be entitled to membership or to become a member of the Exchange by virtue of such transfer. The Board of Trustees of the Exchange may, however, consent to any assignment and transfer and the acceptance of the assignee or transferee as a member of the Exchange.

Members To Market Output In Accordance With Rules Of The Exchange

(e) No association shall be or remain a member of this Exchange unless it is and remains qualified as provided in Subdivision (b) of Article XII hereof; not unless it shall market all potatoes and or

Potato products owned by it or under its control in compliance with all the rules and regulations established by the Exchange but no such association shall cease to be a member hereof unless and until the Board of Trustees, by a majority vote, passes a specific resolution to that effect.

If any member shall cease, fail, neglect or refuse for any reason whatsoever to market all or any of the potatoes owned by it or under its control as provided by the said rules and regulations of the Exchange; then the Board of Trustees may cancel its membership and its Certificate and expel it from membership in this Exchange; and all of its rights and interests therein shall by that act be cancelled and such member shall be entitled only to payment, as provided by law, of the equitably appraised cash value of its interest in the property if any of the Exchange.

Voting Power Of Members

(f) The voting power of the members of this Association shall be equal; and each and every member hereof shall have one vote in any and all meetings of members; but in all meetings of the Board of Trustees each Trustee shall have one vote and majority vote of the quorum present shall be necessary for any determination.

Property Rights And Interests

(g) The property rights and interests of each member in the property of the Exchange shall be equal; and each and every member hereof shall have one unit of property rights and interests.

(h) The Exchange, by action of the Board of Trustees, shall have the full right to purchase the full interest of any member in the property or other rights of the Exchange at the book value thereof, whenever in the judgment of the said Board, it is essential to the interests of the Exchange so to do; and the statement of book value thereof by the Board of Trustees shall be conclusive. Any member whose rights are so purchased shall cease to be a member of the Exchange and its membership certificate shall thereupon be cancelled.

New Members

(i) Any cooperative marketing association properly qualified may be admitted to the Exchange and shall have voting power and property rights therein on the same basis as all other members, in accordance with the general rules hereinabove stated.

Standards And Grades

(j) The Board of Trustees shall have the power to establish and to revise and amend from time to time rules and regulations by which each member association shall be governed, as well as individual grower members of such association member, with reference to the proper handling and shipping of potatoes and to secure a proper grading and standard of quality.

Membership Or Entrance Fee

(k) Every member shall pay to the Exchange upon entering the Association, a membership fee, due and payable upon entrance, of \$5.00

(1) The Exchange shall make all collections on sales as Agent for its members, in any manner that it may determine, and it shall make payments therefrom to each member or to the individual grower members of the member association for the proportionate value of its or his potatoes, less deductions for the various expenses and overheads of the Exchange, as provided in Paragraphs 6 and 18 of the Standard Marketing Agreement between the members hereof and their individual grower members.

The amount, rate of percentage of such deductions shall be determined from time to time by the Exchange; but the deductions must be uniform throughout the shipping season or calendar year.

The Exchange shall authorize such deductions with ample insurance for emergencies; and if at the end of each fiscal year a surplus of funds is on hand, the Exchange may retain as a reserve any amount not in excess of two per cent of the gross resale price of potatoes handled by it during the year; and any balance shall be pro-rated among the members of the Exchange or the individual grower members, according to the gross value of the potatoes handled by the Exchange for them respectively during the calendar year.

Such reserve shall be held by the Exchange for its activities and operations hereunder and may be so expended; but in the event of the dissolution of the Exchange or cessation of its activities, such reserve shall be pro-rated to its members or the individual grower members in accordance with the proportionate gross value of their respective sales through the Exchange up to the time of such distribution and such reserve if pro-rated to its members shall be distributed by them to their respective grower members in accordance with their respective obligations to such members.

(m) The members shall not be liable for debts of this corporation except to the extent of any unpaid portion of their entrance or membership fees herein.

Penalties

(n) In the event that any member knowingly violates any of these By-laws, it shall be liable to the Exchange for the payment of a penalty of Fifty Dollars for each and every such violation.

Such penalties shall be imposed only by affirmative vote of at least 20 of the Trustees and shall be in addition to any other punishments or penalties under these By-laws.

Pools.

(o) The Board of Trustees of this Exchange will provide for separate pools in the marketing of potatoes by type, grade, quality, or other commercial classification.

All returns to the members of this Exchange shall be based on the net proceeds from each of the said pools, less all charges provided in the Marketing Agreement and By-laws of the members hereof, depending on their individual deliveries to each of the said pools, and all such payments shall be made as and when and in such percentage or proportions as the Board of Trustees may deem advisable.

Prior to actual distribution to the members, or to the individual grower members, the Board of Trustees of the Exchange will be authorized to use any of the funds in the possession of the Exchange or any property or assets or claims or rights of its members for any of the purposes or activities of the Exchange within the general provisions of Article 11 of the Articles of Incorporation.

potatoes of like variety, grade, and quality delivered in one day, or any number of days, as it may determine, and shall pay to each of the members such proportion of the sale proceeds of any such potatoes as its deliveries, or expected deliveries, may bear to the total amount of such variety, grade and quality of potatoes delivered in any particular pool by all the members.

For the distribution or division of any sale proceeds not sold within the respective week of delivery, or otherwise, adjustments shall be made by, to and from the respective members on the order of the Exchange from time to time, so as to carry out equitably and fairly the pooling and other provisions contained in the Association and Marketing Agreements between the members hereof and their respective members.

ARTICLE XIII

PROXIES

Any member shall be permitted to vote through Trustees duly certified in writing at any meeting; or it may vote by mail on a ballot to be prepared by order of the Board of Trustees.

But no proxies shall be voted in this Exchange.

ARTICLE XIV

GENERAL MANAGER

The Board of Trustees may, in its discretion, appoint a General Manager, who shall hold office at the pleasure of and on terms and conditions set by the Board of Trustees. Any Trustee, officer, or other person may be elected to serve as Manager, except as otherwise provided by law. The General Manager shall perform such duties as may be directed by the Board of Trustees.

ARTICLE XV

BORROWING MONEY

The Exchange shall have the power, by affirmative vote of at least twenty Trustees, to borrow money for any corporate purposes, on open account or upon any assets of the Exchange or on any property of members in its possession or under its control or upon any accounts thereof, or any property not yet distributed to the members, in such amounts and upon such terms and conditions as may from time to time seem to the Board of Trustees advisable or necessary or as the Board may direct its Executive Committee to determine from time to time.

ARTICLE XVI

The seal of the Association shall contain these words and figures:

COLORADO POTATO GROWERS EXCHANGE
Incorporated 1923

in circular form.

ARTICLE XVII.

These By-laws may be altered or amended at any annual meeting of the members or at any other meeting of the members, called for that

purpose by the Trustees, by a vote representing two-thirds of the vote cast. The written assent of two-thirds of the members shall be effectual to repeal or amend any By-laws or to adopt additional By-laws without any meeting.

END

AMENDMENTS.

Sec 2, Art. 2 shall be amended to read: The Trustees shall be elected annually by the members and shall be certified in writing by them to the Exchange prior to June first of each year after 1923, etc.

Sec. 4, Art. 2 shall be amended to read as follows: Immediately after each election of Trustees the newly elected Trustees shall hold a regular meeting on the first Tuesday of June of each year after 1923, etc.

Sec. 5, Art. 2 shall be amended by inserting the word "executive" before the term Board, and shall read as follows: In addition to the first meeting mentioned above, a regular meeting of the Board of Trustees shall be held quarterly at such time and place as the Executive Board may determine.

Sec. 7, Art. 2 shall be amended to read as follows: A special meeting of the Board of Trustees shall be held whenever called by the President, the Executive Committee, or by a majority of the Trustees, etc.

Sec. 8, Art. 2 shall be amended by adding at the close of Sec. 8 "or by letter", so the Section shall read: "Notice of each special meeting of the Trustees shall be telegraphed to each trustee at his last known place of address at least three days prior to the time of such meeting, or by letter to each trustee mailed at least ten days prior to the time of such meeting.

Sec. 3, Art. 8 shall be amended to read: "Copies of the minutes of the meetings of the Executive Committee and any reports thereof shall be mailed as soon as possible after such meetings are held.

BY-LAWS OF LOCAL ASSOCIATIONS

BY-LAWS OF

THE
OPERATIVE ASSOCIATION.

POTATO GROWERS' CO-

We, the undersigned, together constituting and being all the members, directors and incorporators of THE POTATO GROWERS' COOPERATIVE ASSOCIATION, a cooperative marketing association, without capital stock and not conducted for profit do hereby adopt the following code of By-Laws, as and for the By-Laws of said Association.

ARTICLE I.

THE POTATO GROWERS' COOPERATIVE ASSOCIATION may be hereinafter referred to as the Association.

The purposes for which this Association is formed are set forth in the second paragraph of the Articles of Incorporation.

ARTICLE II.

Board of Directors
Number

Sec. 1. The corporate powers, business and property of the Association shall be exercised, conducted and controlled by a Board of Directors of seven members.

Election

Sec. 2 (a) The Directors shall be elected annually at the regular annual meeting of the members from the membership of the Association and shall hold office until their successors shall have been elected and shall have qualified.

(b) The members shall elect seven Directors from among members actually residing and growing potatoes in the territory covered by the Association.

Vacancies

Sec. 3. Vacancies in the Board of Directors occurring otherwise than by expiration of term, shall be filled by a majority vote of the remaining Directors; and such new Directors shall hold office until the election of their successors by the members.

In filling any vacancy in the Board of Directors, the Directors shall select a member actually residing and growing potatoes in the district.

Any Director who ceases to be a member or who violates any contract with this Association in any particular shall cease to be a member of the Board as soon as a majority thereof pass a resolution to such effect.

First Meeting of Directors

Sec. 4. Immediately after each election of Directors, on the first Tuesday in June of each year after 1923, the newly-elected Directors shall hold a regular meeting and organize by the election of a President, a Vice-President, a Secretary, and a Treasurer; and transact any other business. Such officers shall hold office for one year and until their successors are elected and take office. Notice of such meeting is hereby dispensed with. The first officers shall hold office until the election of their successors in 1924.

Regular Meetings

Sec. 5. In addition to the first meeting mentioned above, a regular meeting of the Board of Directors shall be held monthly at such time and place as the Board may determine.

Notice of Regular Meeting of Directors

Sec. 6. Notice of the regular meeting of the Directors shall be mailed to each Director at his last known address at least five days prior to the time of such meeting.

Special Meetings

Sec. 7. A special meeting of the Board of Directors shall be held, whenever called by the President or by a majority of the Directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Notice of Special Meeting

Sec. 8. Notice of each special meeting of the Directors shall be telegraphed to each Director, at his last known place of address at least three days prior to the time of such meeting.

Quorum

Sec. 9. Four Directors shall constitute a quorum of the Board at all meetings.

Compensation

Sec. 10. The Directors shall receive no compensation for their service as Directors other than reimbursement for railroad fares actually expended by them in attending the meetings of the Board of Directors and any other necessary traveling expenses; and a per diem of \$5.00 for the time actually covered by attendance at meetings and traveling thereto and therefrom.

The Directors may, in their discretion, provide reasonable compensation for the members of the Executive Committee of the Board, plus all expenses.

No Director, during the term of his office, shall occupy any position in the Association on regular salary or substantially full-time pay, except in the cases of the President and Secretary.

ARTICLE III.

Power of Directors

The Directors shall have the power:

1. To conduct, manage and control the affairs and business of the Association and to make rules and regulations for the guidance of the officers and management of its affairs.

2. To appoint and remove, at pleasure, all officers, agents and employees of the Association, prescribe their duties, fix their compensation and require from them, if advisable, security for faithful service.

3. To call special meetings of the members when they deem it necessary; and they must call a meeting at any time upon the written request of one-tenth of the members.

4. To make and enter into agreements with factories, buyers or others for sale, marketing or consignment of the potatoes grown by members of the Association or the products therefrom.

5. To make and enter into agreements and arrangements with other Associations similarly organized for the sale and marketing, or consignment of the potatoes grown by members of the Association, or the products therefrom, through the Colorado Potato Growers' Exchange, and/or other Central or General Agencies.

6. To carry out the marketing contracts of the Association and growers, in every way advantageous to the Association representing the growers collectively.

7. To select one or more banks to act as the depository of the funds of the Association and to determine the manner of receiving, depositing and disbursing the funds of the Association and the form of checks and the persons or person by whom the same shall be signed, with the power to change such banks and the person or persons signing said checks and the form thereof at will.

ARTICLE IV.

Duties of Directors

It shall be the Duty of the Board of Directors:

1. To keep a complete record of all its acts and of the proceedings of its meetings, and to present a full statement at the regular meetings of the members, showing in detail the condition of the affairs of the Association.

2. To supervise all officers, agents and employees and see that their duties are properly performed.

3. To cause to be issued appropriate certificates of membership

4. To install such a system of bookkeeping and auditing that each member may know and be advised from time to time fully concerning the receipts and disbursements of the Association.

ARTICLE V.

Officers.

The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, together with any other administrative officers, whom the Board of Directors may see fit in its discretion to provide for by resolution entered upon the minutes.

The Board may appoint assistant secretaries in its discretion and may delegate to them any or all of the duties of the Secretary, hereunder, or any other duties.

The compensation and tenure of all officers shall be fixed by the Board of Directors.

The President and Vice-President shall be Directors of the Association. The Secretary or Treasurer need not be members of the Board or of the Association.

ARTICLE VI.

The President

If at any time the President shall be unable to act, the Vice-President shall take his place and perform his duties; and if the Vice-President shall be unable to act, the Board shall appoint a Director to do so. The President or such Vice-President or Director shall:

1. Preside over all meetings of members and Directors;
2. Subject to the advice of the Directors, direct the affairs of the Association;
3. Call the Directors together whenever necessary;
4. Sign, as President, all certificates of membership and all contracts, notes and other instruments when so directed by the Board of Directors;
5. Discharge such other duties as may be required of him by these By-Laws or by the Board of Directors.

ARTICLE VII.

It shall be the Duty of the Secretary:

1. To keep a record of the proceedings of the meetings of the Board of Directors and of the members.
2. To keep the corporate seal and the book of blank membership certificates; fill up and countersign all certificates issued and affix said corporate seal to all papers requiring a seal;
3. To keep a proper membership book, showing the name of each member of the Association, the number of his membership certificate and date of issuance, surrender, cancellation, forfeiture or transfer;
4. To receive and deposit all funds of the Association to be paid out only on check drawn as hereinbefore provided and account for all receipts, disbursements and balances on hand;

5. To furnish a bond in such form and in such amount as the Board of Directors may, from time to time, require;

6. To execute and sign all contracts, notes, papers and documents as Secretary;

7. To act as Secretary of the Executive Committee;

8. To discharge such other duties as pertain to his office or may be prescribed by the Board of Directors.

It shall be the duty of the Treasurer to take general charge of the funds of the Association, as directed by the Board of Directors.

The Secretary may be the same person as the Treasurer; the Treasurer need not be a natural person, but may be a corporation and preferably a banking corporation.

ARTICLE VIII.

Executive Committee

The Board of Directors shall appoint an Executive Committee of three members from among its members; determine its tenure of office and its powers and duties. The President shall be an ex-officio regular member of the said Executive Committee and shall be elected as such; and there shall be only two others.

The Executive Committee shall have such duties and powers as may, from time to time, be prescribed by the Board of Directors, and these duties and powers may be all of the duties and powers of the said Board of Directors, subject to the general direction, approval and control of the Board of Directors.

Copies of the minutes of the meetings of the Executive Committee and any reports thereof, must be mailed weekly to all Directors.

ARTICLE IX.

Auditing Committee

The Board of Directors may appoint an Auditing Committee from among its members, determine the number of its members and its tenure of office. The Board may prescribe rules and regulations with reference to the manner and form in which claims shall be presented against the Association and the manner of auditing the same; and in lieu of such action by the Board, the Auditing Committee may prescribe rules and regulations with reference to its meetings and procedure.

The Board, in its discretion, may delegate these functions to the Secretary or to an Auditor.

An annual audit shall be made by an accountant and an annual report shall be filed by him with the Board of Directors prior to the annual meeting.

ARTICLE X.

Books and Papers

The books of the Association and such papers as may be placed on file by vote of the Board of Directors shall, at all times during business hours, be subject to the inspection of the Board and of any members of the Association or his representative, duly authorized in writing.

ARTICLE XI.

MEETING OF MEMBERS

Regular Meetings

Sec. 1. A regular meeting of the members shall be held at the office of the Association at 10 o'clock A. M., on the first Tuesday in June of each year for the purpose of electing a Board of Directors and transacting such other business as may come before the meeting. The first regular meeting shall be in June, 1924.

Special Meetings

Sec. 2. Except where otherwise prescribed by law or elsewhere in these By-Laws, a special meeting of the members may be called at any time by the President or by a majority of the Board of Directors or by one-tenth of the membership. Each such call shall be in writing and shall state the time, place and the purpose of such meeting. No business shall be transacted at a special meeting other than as is stated in the purposes for the call.

Notice of Regular Meetings

Sec. 3. Notice of each regular meeting of the members shall be given. Such notice must state the time and place of the meeting; and that the purposes thereof are the election of a Board of Directors and the transaction of such other business as may come before the meeting. A copy thereof shall be mailed to each member of the Association at least ten days prior to the time for holding such meeting; or, in lieu thereof, may be announced by publication in any daily newspaper of general circulation published at the principal place of business of the Association.

Notice of Special Meetings

Sec. 4. Notice of each special meeting shall be given by mailing to each member a copy of the call for such meeting, as his address shall appear upon the books of the Association, at least ten days prior to the time fixed for such meeting; or by publication as above provided.

Quorum

Sec. 5. At any meeting a fifth of the members present in person or present as voting by mail, shall constitute a quorum for all purposes, including the election of Directors, except when otherwise provided by law.

Sec. 6. The members may meet informally prior to the annual meeting for the purpose of selecting nominees for the office of Director.

If unable to attend the annual meeting, members may vote by mail on a signed ballot on which the names of the nominees may appear. Any member may write in on such ballot his choice or choices for the office of Director.

Sec. 7. The Directors shall be elected at the annual meeting to be held on the first Tuesday in June of each year, beginning with 1924.

Sec. 8. The Board of Directors shall from time to time determine the rules of conduct of nominations and elections; and shall determine the conditions and the circumstances under which ballots shall be received; and may make any rules and regulations to control the procedure or acceptance of ballots at any such elections.

ARTICLE XII.

GENERAL PROVISIONS CONCERNING MEMBERS

Not a Profit Corporation

(a) This Association is organized without capital stock, for the purpose of serving its members only and providing all of its facilities to them upon uniform rules and regulations to be prescribed by the Board of Directors of the Association.

Members - Who Eligible

(b) Any person, firm or corporation or a manager or officer of any corporation or a member of any firm engaged in the production of potatoes may be admitted to the Association and shall have voting power and property rights therein on the same basis as all other members, in accordance with the general rules herein stated. The Association may include in its membership any potato grower, including the landlord or tenant or lessor or lessee of land on which potatoes are grown, providing the landlord or lessor receives all or part of the rental in potatoes. All members agree to abide by all of the rules, regulations and By-Laws of the Association with reference to the handling and marketing of their potatoes or potato products. All members will sign standard Marketing Agreements from time to time, covering the potato or potato products produced by or for them, when and as such agreements are approved by the Board of Directors and presented to the members for signature and acceptance.

The present potato marketing agreement is attached hereto and made a part hereof, as embodied in the Association Agreement.

All members shall be bound by all the terms of any such agreements.

(c) All members shall be bound by the obligations and provisions of the original Association Agreement, a copy of which is so attached and made a part hereof.

(d) No member shall be permitted to withdraw from this Association during any period in which he is bound to deliver any products to this Association under a term contract.

Membership Certificates

(e) This Association shall issue a certificate of membership to each member who has signed a Marketing Agreement, in such form as may be provided by the Directors; but said membership shall not, nor shall said Membership Certificate be assigned by said member to any other person; nor shall a purchaser at execution sale, or any other person who may succeed by operation of law or otherwise, to the property interests of a member, be entitled to membership or to become a member of the Association by virtue of such transfer. The Board of Directors of the Association may, however, consent to any assignment and transfer and the acceptance of the assignee or transferee as a member of the Association. The Board will establish reasonable rules and regulations authorizing the acceptance of a transferee and recognizing as a member the purchases of a member's land or lease, who acquires such member's certificate of membership after signing a marketing agreement; and determine the conditions under which the executor or administrator of a deceased member may continue as a member representing such deceased member; and the requirements for the issuance and transfer of an appropriate membership certificate to the successor or successors in interest of such member's land or lease and likewise the conditions for transfer of rights and certificate to a purchaser at execution sale and any successor by operation of law.

Members to Market Output in Accordance with Rules of the Association.

(f) No person shall be or remain a member of this Association unless he is and remains qualified as provided in Sub-division (b) of Article XII hereof; nor unless he shall market all potatoes grown or owned by him in compliance with all the terms and provisions of the Marketing Agreements referred to in Sub-division (b) of Article XII hereof and then in force; but no such person shall cease to be a member hereof unless and until the Board of Directors, by a majority vote, passes a specific resolution to that effect.

If any member shall cease, fail, neglect or refuse for any reason whatsoever to market all or any of the potatoes owned or grown by him, as provided by the said Marketing Agreements, then the Board of Directors may cancel his membership and his certificate and expel him from membership in this Association; and all of his rights and interest therein shall by that act be cancelled and such member shall be entitled only to payment, as provided by law, of the equitably appraised cash value of his interest in the property of the Association.

The expulsion of any member or any penalty imposed upon him for the breach of any of these By-Laws shall be separate from and in addition to the provisions of the Standard Marketing Agreements in reference to liquidated damages, or other remedies. It is expressly understood that the Association may exercise any rights whatsoever under the said Standard Marketing Agreements for a breach of such agreements and, in addition, impose any penalty set forth in these By-Laws for the express violation of a By-Law.

Voting Power of Members

(g) The voting power of the members of this Association shall be equal; and each and every member hereof shall have one vote.

Property Rights and Interests

(h) The property rights and interests of each member in the property of the Association shall be equal; and each and every member hereof shall have one unit of property rights and interests.

(i) The Association, by action of the Board of Directors, shall have the full right to purchase the full interest of any member in the property or other rights of the Association, at the book value thereof, whenever in the judgment of the said Board, it is essential to the interests of the Association so to do; and the statement of book value thereof by the Board of Directors shall be conclusive. Any member whose rights are so purchased shall cease to be a member of the Association and his membership certificate shall thereupon be cancelled.

New Members

(j) Any person, firm or corporation properly qualified may be admitted to the Association and shall have voting power and property rights therein on the same basis as all other members, in accordance with the general rules hereinabove stated.

Standards and Grades

(k) The Board of Directors, in co-Operation with the Exchange and/or other Central or General Agency, shall have the power to establish and to revise and amend from time to time, rules and regulations by which each member shall be governed with reference to the proper handling and shipping of potatoes and to secure a proper grading and standard of quality.

Membership or Entrance Fee

(l) Every person shall pay to the Association upon entering the Association, a membership fee, due and payable upon entrance, of five dollars (\$5.00).

If the said entrance fee is not actually paid when due, it shall be charged against the account of the member and be deducted from his net returns under the Standard Marketing Agreement and these By-Laws.

Expenses of Maintaining the Organization

(m) All expenses of maintaining the Association, including among other things, rent, salaries, taxes, insurance, office and inspection expense, building, reserves, marketing and all other expenses, shall be met so far as possible from the membership fees and thereafter from the charge provided in the Marketing Agreements.

Any surplus over and above the actual expenditures and obligations of the Association shall be conclusively presumed to be a surplus arising out of the costs of charges referred to in paragraph six of the Standard Marketing Agreements.

(n) The members shall not be liable for debts of this corporation except to the extent of any unpaid portion of their entrance or membership fees herein, including any unpaid balance on any promissory note given in payment therefor.

Penalties

(o) In the event that any member knowingly violates any of these By-Laws, he shall be liable to the Association for the payment of a penalty of Fifty Dollars for each and every such violation.

Such penalties shall be imposed only by affirmative vote of at least four of the Directors and shall be in addition to any other punishments or penalties under these By-Laws and in addition to any rights, vested in the Association under the Standard Marketing Agreements for any violation thereof.

Pools

(p) The Board of Directors of this Association in cooperation with the Exchange and/or other Central or General Agency, will provide for separate pools in the marketing of potatoes by type, trade, quality or other commercial classification.

All returns to the members of this Association shall be based on the net proceeds from each of the said pools, less all charges provided in the Marketing Agreement and By-Laws of this Association, according to the terms of the Association Agreement depending on their individual deliveries to each of the said pools, and all such payments shall be made as and when and in such percentages or proportions as the Board of Directors may deem advisable.

Prior to actual distribution to the grower members, the Board of Directors of the Association will be authorized to use any of the funds in the possession of the Association or any property or assets or claims or rights of the Association for any of the purposes or activities of the Association within the general provisions of Article II of the Articles of Incorporation.

Provision for Liquidated Damages

(q) Each member agrees to market the potatoes grown or owned by him, in accordance with the provisions of the Standard Marketing Agreement; and each member admits that it would be extremely difficult and impracticable to fix the amount of damages which the Association or its members would suffer if he should neglect, refuse or fail to keep and perform the terms, conditions and agreements herein and in his Marketing Agreements contained, as to such marketing; and therefore it is expressly understood and agreed by and between each of the members of the Association, including any persons, hereafter becoming members and acknowledging notice and acceptance of these By-Laws, that if he shall neglect or fail to market his potatoes through the facilities and in the manner provided by the Association and in accordance with the terms of the agreements, such member shall pay to the Association as liquidated damages, upon demand of the Association, the sums set forth in the said Marketing Agreement.

ARTICLE XIII.

This Association shall unite with other associations, organized under a similar agreement and for similar purposes, to form a central agency for co-ordinating the activities of all such associations within this State, and for carrying out the purposes thereof in an efficient and centralized manner. This central agency shall be organized as soon as five such associations have been duly and legally incorporated according to this Standard Association Agreement.

The Central Agency shall be called the "Colorado Potato Growers' Exchange" and shall hereafter be referred to as the Exchange.

The Exchange may be but need not be incorporated; nor shall it act for itself, but wholly and solely as the agent, under specified and authorized powers, of such associations. The Exchange (if not incorporated) shall consist of trustees representing and acting as the authorized agents for the respective associations. Each such association shall select one trustee as its representative on the Exchange, together with an additional trustee for every 100 or major fraction of 100 members, of such Association, as calculated upon entrance therein or and on July 1st of each year.

If the Exchange is incorporated, the Association shall be a member thereof.

The Trustees of the Exchange shall organize with a Chairman and Secretary, adopt their own rules of conduct and procedure, meet when, where and as often as they deem necessary; and generally perform their functions and duties in a manner acceptable to themselves; and may appoint an Executive Committee of five members to carry on the detail business of the Exchange, subject to the general control of the Board of Trustees.

The Exchange shall not act in its own behalf, but the Exchange shall act for and as the joint agent of the various local associations which expressly authorize the Exchange so to act by written contract, for any and all legal purposes whatsoever.

The Exchange may act as such agent for the purpose of arranging for collecting, handling, curing, inspecting, grading, shipping, routing, advertising, storing, financing and marketing of the potatoes delivered to or through any such Association, on behalf of the Association.

The Exchange may arrange for advertising or provide any other proper auxiliary to aid in the marketing of the said potatoes.

The Exchange shall be duly empowered by contract to employ a General Manager, Manager of the Field Service Department, Transportation Manager, and any other employe it may deem necessary or advisable.

The Exchange shall open offices and incur such expenditures and do such things as it may deem necessary, proper or advisable to accomplish its purposes.

All of such activities and all obligations of the Exchange shall be activities and obligations for and on behalf of the Association only; and the Associations shall be duly and legally obligated therefor proportionately.

The Board of Directors shall select such trustee or trustees; and the trustee shall have and exercise for this Association all of the powers and rights and privileges of this Association in the said Central Exchange; and he shall expressly act as the attorney-in-fact for this Association in authorizing or arranging for any or all of the marketing, grading, shipping, warehousing, transporting and financing activities involved in the Marketing Agreement; and he shall act expressly as the attorney-in-fact for and in behalf of this Association in signing the name of the Association to any Central Exchange Agreement or to any application for membership in the Colorado Potato Growers' Exchange, if incorporated; and he shall be and hereby is expressly authorized for and in behalf of this Association in signing any documents or assuming any obligations with, as and for this Association as a member of the said Exchange, all generally subject to the provisions of Paragraph 13 of the Standard Association Agreement, and Paragraph 18 of the Standard Marketing Agreement heretofore made a part of these By-Laws.

ARTICLE XIV.

Proxies

Any member shall be permitted to vote at any meeting in person; or he may vote by mail on a ballot to be prepared by order of the Board of Directors.

But no proxies shall be voted in this Association.

ARTICLE XV.

Manager

The Board of Directors may, in its discretion, after conference with the Executive Committee of the Exchange, appoint a local Manager, who shall hold office at the pleasure of and on terms and conditions set by the Board of Directors. Any Director, officer, or other person may be elected to serve as Manager, except as otherwise provided by law. The local Manager shall perform such duties as may be directed by the Board of Directors. The Directors may authorize the Exchange to appoint such Manager.

ARTICLE XVI.

Borrowing Money

The Association shall have the power, by affirmative vote of at least four Directors, to borrow money for any corporate purposes, on open account or upon any assets of the Association or on any property of members in its possession, or upon any accounts thereof, or any property not yet distributed to the members, in such amounts and upon such terms and conditions as may from time to time seem to the Board of Directors advisable or necessary or as the Board may direct its Executive Committee to determine.

The Board may exercise all of its powers and rights hereunder through the Exchange, with full power to borrow money for or on the account of the Association, either in its own name or in the name of the Association.

ARTICLE XVII.

Any officer or stockholder or manager or member of any corporation or firm which has signed the Marketing Agreement of the Association and has become a member thereof, shall be eligible as a Director of the Association; and for this purpose a membership Certificate may be issued in the name of any such individual to be charged against or credited to the account of the corporation or firm of which he is an officer, stockholder, manager, or member, upon the written request of such corporation or firm.

When any such individual ceases to be a Director of the Association, such Membership Certificate or all of the rights and interests represented thereby, shall be transferred again to the said corporation or firm represented by such person.

ARTICLE XVIII.

The seal of the Association shall contain these words and figures:

THE POTATO GROWERS' COOPER-
~~ATIVE ASSOCIATION, INCORPORATED 19~~ ____.

in circular form.

ARTICLE XIX.

These By-Laws may be altered or amended at any annual meeting of the members or at any other meeting of the members, called for that purpose by the Directors, by a vote representing a majority of the votes cast. The written assent of a majority of the members shall be effectual to repeal or amend any by-Laws or to adopt additional By-Laws without any meeting.

ME OF DIRECTORS AND SECRETARY AS TO
ADOPTION OF BY-LAWS OF

THE _____ POTATO GROWERS' COOPERATIVE ASSOCIATION

We, the undersigned, constituting all of the members of the Board of Directors and the Secretary of THE POTATO GROWERS' COOPERATIVE ASSOCIATION, a corporation, without capital stock and not organized for profit, do hereby

CERTIFY, That the above and foregoing By-Laws were duly adopted as the By-Laws of said Association on the 26th day of July, 1923, by the written assent of all of the members of said Association, namely: _____ members out of a total of _____ members; and that such By-Laws do now constitute the official By-Laws of said Association.

IN WITNESS WHEREOF, we have hereunto subscribed our names and
affixed the seal of said Association this _____ day of _____
19 _____.

Directors of THE _____ POTATO GROWERS' CO-
OPERATIVE ASSOCIATION.

Attest: _____
Secretary.

(Seal)

CERTIFICATE AND WRITTEN CONSENT OF MEMBERS TO THE

ADOPTION OF BY-LAWS OF THE _____ POTATO GROWERS'
COOPERATIVE ASSOCIATION.

We, the undersigned, each of whom is a member of THE _____

POTATO GROWERS' COOPERATIVE ASSOCIATION,
together being and constituting all of the members thereof, do hereby
assent to the foregoing By-Laws and do adopt the same as the By-Laws of
said Association; and do further certify and declare that we have and
that each of us has read the said By-Laws, and do now agree to be bound
by each of the contracts and agreements therein contained.

IN WITNESS WHEREOF, we have hereunto subscribed our names this

_____ day of _____, 192____.

Being all of the members of THE _____ POTATO
GROWERS' COOPERATIVE ASSOCIATION.

Attest:

Secretary

COLORADO POTATO GROWERS' EXCHANGE
AGREEMENT

COLORADO POTATO GROWERS'
EXCHANGE AGREEMENT.

(A) The signer hereof is a non-profit cooperative Association, without capital stock, duly incorporated under the Cooperative Marketing Act of the State of Colorado, hereinafter call an "Association," organized for the purpose of marketing potatoes and / or potato products co-operatively, in the particular district or locality indicated by its name.

(B) The Association is one of a number of Associations, all organized in accordance with a Standard Association Agreement in which is incorporated a Standard Marketing Contract with their members only, whereby the potatoes grown by such members during the years 1923 to 1927 inclusive, must be sold to the Associations, for resale by the Associations; and whereby the net proceeds of all such resales shall be pooled according to the variety, grade and quality of the potatoes involved, and be distributed to the growers on a proportionate basis in accordance with the terms of such Standard Association Agreement and Marketing Contract.

(C) Each of said Associations intends to conduct its operations according to the terms of said Standard Marketing Agreement, under which said Marketing Agreement each Association is authorized to sell the potatoes of its members to, or through any Agency to be established for co-ordinating the activities of such Associations, a copy of which said Standard Association and Marketing Agreement is attached hereto, and is by reference made a part hereof.

(D) NOW THEREFORE, in consideration of the premises and of the terms of the said Standard Association and Marketing Agreement, and in consideration of the obligations undertaken by each of the Associations by reason of agreements similar to this agreement, and of the reliance by each of the Associations upon the other Associations, who shall sign similar agreements, and in consideration of the mutual and reciprocal obligations of each to the other, the undersigned Association, for itself, and not for the others, but for the joint benefit of itself and the other Associations, hereby agrees:

1. That the Associations mentioned above shall be referred to in this agreement collectively as the "Associations"; that all obligations hereundershall be deemed individual and proportionate and shall affect each Association ratably, according to the gross sale value of the business handled, or agreed to be handled by it through the Exchange to be formed hereunder.

1. The Associations, more than four in number, and all duly incorporated under the Laws of the State of Colorado, according to said Standard Association Agreement, do hereby create the ColoradoPotato Growers' Exchange, in express accordance with the intentions and the provisions of Paragraph 13 of the Standard Association Agreement; and the said Exchange shall exercise all of the powers referred to in Paragraph 13 of the Standard Association Agreement providing for a Central Agency; and the COLORADO POTATO GROWERS' EXCHANGE IS HEREBY DECLARED TO BE THE CENTRAL AGENCY CONTEMPLATED IN SUCH AGREEMENTS. THE COLORADO POTATO GROWERS8 EXCHANGE shall hereafter be referred to as the "EXCHANGE".

3. This Exchange has been created for the express purpose of eliminating speculation and waste in the marketing of potatoes in the States of Colorado, and for stabilizing the market in said territory and elsewhere,

in the interests of the producers and the consumers of said product.

4. Any similar Farmers' Cooperative Marketing Association organized under the said Standard Agreement, and duly incorporated under the Cooperative Marketing Act of the State of Colorado, may hereafter contract with the Exchange and become a party for all purposes in the Exchange, with its individual and relative proportionate obligations.

5. The Exchange shall be incorporated; and it shall act wholly and solely as the agent for the convenience of said Associations; for the express purpose of carrying out the provisions of Paragraph 18 of the said Marketing Agreement, in the manner generally provided in Paragraph 13 of the said Association Agreement.

6. The Exchange shall be formed by and consist of Trustees representing and acting as the authorized agents for the respective Associations; and the Association shall be a member thereof. The undersigned Association does hereby apply for membership in Colorado Potato Growers' Exchange. Each of the Associations shall select one Trustee as its representative on the Exchange, together with an additional Trustee for every one hundred or major fraction of one hundred members of such Association as calculated upon entrance therein or and on July 1st of each year, to act with the Trustees appointed by the other Associations as a Board of Trustees representing the respective Associations, collectively being and constituting the said Exchange; provided that each Association shall be entitled to at least one Trustee.

All powers and rights so conferred upon each such Trustee shall be exercised by the Exchange as a whole embodying the powers and rights of the individual Trustees, to be exercised in a uniform proportionate method for all of the operations of the Exchange affecting each and every one of the Associations.

This agency shall be coupled with an interest in behalf of the respective obligated Associations thereof; and shall be irrevocable during the term hereof.

7. The Associations shall select their respective Trustees and certify them in writing as such Trustees. The term of office of each Trustee shall be for one calendar year, and until the certification of his respective successor.

8. The Associations agree that the Trustees so certified shall meet at the office of the Exchange, or at a more convenient place determined by its Executive Committee, on the third Tuesday in July of each year during the term hereof. The Exchange shall arrange for the payment of an adequate per diem to the Trustees.

9. The Exchange shall elect its own President, Secretary and other officers; adopt its own rules of conduct and procedure; determine when, where and how often it shall meet; appoint an Executive Committee of five members to carry on the details of the business of the Exchange, subject to the general control of the Trustees; and shall generally perform their functions and duties, and adopt such rules and regulations to create, maintain and operate the Central Agency contemplated in Paragraph 13 of the Standard Association Agreement and Paragraph 18 of the Standard Marketing Contract.

10. This is one of a series of contracts identical in form by which the Associations, each for itself and collectively as a group, hereby authorize their respective Trustees and the said Exchange, including and embodying all of the said Trustees, to arrange for the collecting, handling, inspecting, grading, shipping, routing and marketing of any and all potatoes delivered to or through the several Associations respectively, under the said Standard Marketing Agreements with their respective members; and the Associations agree that the aforementioned functions, as well as all the other functions granted to the Exchange under Paragraph 13 of the Standard Association Agreement, shall be performed for them and for their members, exclusively by the Exchange as the joint Agent of the said Associations.

11. The Exchange, as the common Agent for the Associations, is hereby expressly authorized to open and equip central and other offices for selling, administrative and all other necessary functions; to arrange for advertising; to provide any auxiliary to aid in the marketing of said potatoes; to employ a General Manager, Manager of the Field Service Department, Transportation Manager, Director of Warehouses, Counsel, and for any other employees or services the Exchange may deem necessary or advisable; and incur such expenditures and do such things as it may deem necessary, proper or advisable to carry out any of its purposes, powers or duties hereunder.

12. The Exchange may in its descretion pool the sale proceeds of all potatoes of like variety, grade, and quality delivered in one day, or any number of days, as it may determine, and shall pay to each of the Members such proportion of the sale proceeds of any such potatoes as its deliveries, or expected deliveries, may bear to the total amount of such variety, grade and quality of potatoes delivered in any particular pool by all the members, all in accordance with the terms of the Standard Association Agreement and Marketing Contract.

For the distribution or division of any sale proceeds, adjustment shall be made by, to and from the respective members on the order of the Exchange from time to time, so as to carry out equitably and fairly the pooling and other provisions contained in the Association and Marketing Agreements between the members hereof and their respective members.

13. The Exchange shall make all collections on sales as Agent for its members; in any manner that it may determine, and it shall make payments therefrom to each member Association, or to the individual Grower members of such member Association, for the proportionate value of its or his potatoes, less proportionate deductions for the various expenses and overheads of the Exchange as conclusively determined by the Exchange.

The amount, rate of percentage of such deductions shall be determined from time to time by the Exchange; but the deductions must be proportionate throughout the shipping seasons or calendar year.

The Exchange shall authorize such deductions with ample insurance for emergencies; and if at the end of each fiscal year a surplus of funds is on hand, the Exchange may retain as a reserve any amount not in excess of two per cent of the gross resale price of potatoes handled by it during the year; and any balance shall be prorated among the member Associations of the Exchange, or the individual grower members of such member Associations, according to the gross value of the potatoes handled by

the Exchange for them respectively during the calendar year.

Such reserve shall be held by the Exchange for its activities and operations and may be so expended; but in the event of the dissolution of the Exchange or cessation of its activities, such reserve shall be prorated to its members in accordance with the proportionate gross value of their respective sales through the Exchange up to the time of such distribution; and such reserve shall be distributed by the members to their respective members in accordance with their respective obligations to their members.

14. It is hereby expressly agreed that the determination of the Exchange by majority vote on all matters of classification, pooling, prorating, deductions, reserves, etc., shall be conclusive.

15. That the Exchange shall have an annual audit made of its accounts, and shall present copies of such audits and reports to each of its Trustees, for presentation to the respective Associations; and each Association, by its Trustee, or otherwise, shall have the right to examine any of the books and records of the Exchange at any time in their discretion.

16. The Exchange shall be deemed operative as soon as agreements identical in form with this agreement are signed by any Five Association, organized in accordance with said standard Association and marketing Agreement. The term of this agency, during which period of time it shall function and operate, shall extend from the date of said signatures by at least five Associations, to the time necessary for the completion of the marketing of the 1927 crop of potatoes; and thereupon any Association may withdraw from the Exchange.

17. This agreement may not be amended except by written agreement, signed by each and every one of the Associations that have signed the original Agreements identical in form with this Agreement.

18. The Trustee, or Trustees, selected by each respective Association shall represent such Association as its duly authorized agent and attorney-in-fact, with full and absolute power to bind each respective Association by signing notes and/ or other obligations for and in the name of each respective association or in the name of the Exchange, and with full and absolute power, authority and obligation to carry out for the said Association and all the undersigned Associations, any and all the obligations, duties and functions generally outlined or expressly set forth herein, including financing (and upon their execution of this Agreement and of the proper documents to incorporate the Exchange). The Exchange shall exercise for each respective Association all of the grading, pooling, processing, storing, shipping, warehousing, manufacturing, marketing, financing, and other powers granted to the respective Associations by the Marketing Agreements with their respective members. The Exchange shall have power and is fully authorized to borrow money without limitation by note of the Exchange signed by the President and Secretary or by any other evidence of indebtedness and the Exchange is expressly authorized and empowered to use as security for any such loan all of the potatoes, potato products or other property owned by or under the control of the Exchange and the various Associations, including accounts receivable.

19. It is expressly agreed that there are no oral or other conditions, promises, covenants, representations, or inducements, in addition to or at variance with any terms hereof, and that this Agreement represents

the voluntary and clear understanding of the undersigned, fully and completely.

20. Separate copies of this agreement may be signed with the same force and effect as though all the signatures were appended to one original instrument.

READ, CONSIDERED AND SIGNED BY the Association, at Salida, Colorado, on July 31, 1923, it being expressly authorized so to do by vote of its Board of Directors.

(Signed by the Trustees of all local associations
of the Exchange)

"COLOTATO BRAND" ILLUSTRATION

Colorado Potato Growers' Exchange

601-606 COOPER BUILDING
TELEPHONES--MAIN 8041 AND MAIN 8042
Denver, Colorado



TRADE MARK
G. U. S. PAT. OFFICE

ADDRESS ALL COMMUNICATIONS TO COLORADO POTATO GROWERS' EXCHANGE

TRADE MARK
REG. U. S. PAT. OFFICE

Potatoes and Onions, straight and mixed cars, year 'round, from every growing section in Colorado
Codes: Baker's---Modern Economy---Ekonomik.

AN ACT

AUTHORIZING THE FORMATION OF NON-PROFIT, CO-OPERATIVE ASSOCIATIONS, WITH OR WITHOUT CAPITAL STOCK, FOR THE PURPOSE OF ENCOURAGING THE ORDERLY MARKETING OF AGRICULTURAL PRODUCTS THROUGH CO-OPERATION; DEFINING THE VARIOUS TERMS USED THEREIN; ENUMERATING THE ACTIVITIES AND POWERS OF SUCH AN ASSOCIATION; PRESCRIBING THE RIGHTS AND PRIVILEGES OF MEMBERSHIP; PROVIDING FOR ARTICLES OF INCORPORATION, DECLARING WHAT THEY SHALL CONTAIN, MANNER OF EXECUTING AND FILING, METHOD OF AMENDING SAME; PROVIDING FOR BY-LAWS AND WHAT THEY MAY CONTAIN; PROVIDING FOR METHOD OF ELECTION OF DIRECTORS, FILLING OF VACANCIES; POWERS AND DUTIES OF DIRECTORS; DIVISION INTO ELECTION DISTRICTS; APPOINTMENT OF EXECUTIVE COMMITTEES AND ALLOTMENT OF FUNCTIONS AND POWERS; PROVIDING FOR OFFICERS, QUALIFICATIONS, ELECTION AND FUNCTIONS; REGULATING ISSUANCE OF MEMBERSHIP CERTIFICATES OR STOCK AND PAYMENT THEREFOR; LIMITING PERSONAL LIABILITY OF MEMBERS FOR DEBTS OF ASSOCIATION; REGULATING VOTING POWER OF MEMBERS AND STOCKHOLDERS; AUTHORIZING ISSUANCE OF PREFERRED STOCK, WITH OR WITHOUT RIGHT TO VOTE; AND THE RETIREMENT THEREOF; PROVIDING FOR REMOVAL OF OFFICERS AND DIRECTORS; PROVIDING FOR REFERENDUM TO MEMBERS; PROVIDING FOR A MARKETING CONTRACT; AND PRESCRIBING REMEDIES FOR BREACH OF CONTRACT, INCLUDING LIQUIDATED DAMAGES, FEES AND ALL COSTS; AUTHORIZING INJUNCTION AND GENERAL EQUITABLE REMEDIES IN THE EVENT OF BREACH OF AGREEMENT; STATING PRESUMPTION OF CONTROL OF PRODUCTS BY LANDLORDS WHO HAVE SIGNED MARKETING AGREEMENTS; PROVIDING FOR ANNUAL REPORTS; PROVIDING THAT NO PROVISION OF LAW IN CONFLICT WITH THIS ACT SHALL BE CONSTRUED AS APPLYING TO SUCH ASSOCIATIONS; PROVIDING THAT LEGAL EXEMPTION OF AGRICULTURAL PRODUCTS IN THE POSSESSION OF PRODUCERS SHALL APPLY TO SUCH PRODUCTS IN POSSESSION OF, OR UNDER THE CONTROL OF, SUCH ASSOCIATIONS; LIMITING THE USE OF THE WORD "CO-OPERATIVE" IN NAMES FOR PRODUCERS' CO-OPERATIVE MARKETING ACTIVITIES; AND PRESCRIBING A PENALTY FOR VIOLATING SUCH INHIBITION; PERMITTING ASSOCIATIONS TO ORGANIZE OTHER CORPORATIONS OR TO OWN STOCK IN OTHER CORPORATIONS; PROVIDING FOR AGREEMENTS WITH OTHER CO-OPERATIVE ASSOCIATIONS IN THIS OR OTHER STATES AND STATING THE PURPOSES OR REASONS THEREFOR; PROVIDING THAT ASSOCIATIONS HERETOFORE ORGANIZED MAY RE-ORGANIZE HEREUNDER; PROVIDING FOR

SIMILAR RIGHTS AND REMEDIES FOR CO-OPERATIVE ASSOCIATIONS ORGANIZED UNDER GENERALLY SIMILAR LAWS IN OTHER STATES; MAKING IT A MISDEMEANOR TO INDUCE A MEMBER TO BREACH HIS MARKETING CONTRACT WITH THE ASSOCIATION, OR SPREAD FALSE REPORTS ABOUT IT AND PRESCRIBING A FINE FOR EACH OFFENSE; MAKING SUCH OFFENDER LIABLE TO THE ASSOCIATION FOR A PRESCRIBED PENALTY THEREFOR IN A CIVIL SUIT; PROVIDING LIABILITY TO THE ASSOCIATION IN A PENAL SUM IN CERTAIN CASES FOR ANY PERSON WHO KNOWINGLY SOLICITS, PERSUADES OR PERMITS ANY MEMBER OF THE ASSOCIATION TO BREACH HIS MARKETING CONTRACT; AUTHORIZING AN INJUNCTION AGAINST SUCH WAREHOUSEMAN; AND PROVIDING FOR PAYMENT OF ALL FEES AND COSTS; AND SETTING OUT THE REASONS FOR SUCH PROVISIONS; PROVIDING THAT NO SUCH ASSOCIATION SHALL BE DEEMED A CONSPIRACY OR AN ILLEGAL COMBINATION OR MONOPOLY; AND PROVIDING THAT MARKETING CONTRACTS SHALL NOT BE CONSIDERED ILLEGAL; PROVIDING THAT IF ANY SECTION OF THIS ACT SHALL BE DECLARED UNCONSTITUTIONAL, THE REMAINDER OF THE ACT SHALL NOT BE THEREBY AFFECTED; PROVIDING THAT THE GENERAL CORPORATION LAWS OF THIS STATE SHALL APPLY TO SUCH ASSOCIATIONS, EXCEPT WHERE INCONSISTENT WITH EXPRESS PROVISIONS HEREOF; PROVIDING FOR ANNUAL LICENSE FEES; PROVIDING FEES FOR FILING ARTICLES OF INCORPORATION AND AMENDMENTS THERETO--PROVIDING THAT THIS ACT MAY BE HEREAFTER INDEXED, AND CITED AS "THE CO-OPERATIVE MARKETING ACT"; AND DECLARING AN EMERGENCY TO EXIST.

Be It Enacted by the General Assembly of the State of Colorado:

Section 1.

DECLARATION OF POLICY.

(a) In order to promote, foster and encourage the intelligent and orderly marketing of agricultural products through co-operation; and to eliminate speculation and waste; and to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products and to provide for the organization and incorporation of co-operative marketing associations for the marketing of such products, this Act is passed.

Section 2.

DEFINITIONS.

As used in this Act.

(a) The term "agricultural products" shall include horticultural, viticultural, forestry, dairy, live stock, poultry, bee and any farm products.

(b) The term "member" shall include actual members of associations without capital stock and holders of common stock in associations organized with capital stock.

(c) The term "association" means any corporation organized under this Act; and

(d) The term "person" shall include individuals, firms, partnerships, corporations and associations.

Associations organized hereunder shall be deemed "non-profit," inasmuch as they are not organized to make profit for themselves, as such, or for their members, as such, but only for their members as producers.

(e) For the purposes of brevity and convenience this Act may be indexed, referred to and cited as "The Co-operative Marketing Act."

Section 3.

WHO MAY ORGANIZE.

Eleven (11) or more persons, a majority of whom are residents of this State, engaged in the production of agricultural products, may form a non-profit, co-operative association, with or without capital stock, under the provisions of this Act.

Section 4.

PURPOSES.

An association may be organized to engage in the marketing or selling or in any activity in connection with the marketing or selling of the agricultural products of its members, or with the harvesting, preserving, drying, processing, canning, packing, grading, storing, handling, shipping or utilization thereof, or the manufacturing or marketing of the by-products thereof; or in connection with the manufacturing, selling or supplying to its members of machinery, equipment or supplies; or in the financing of the above enumerated activities; or in any one or more of the activities specified herein.

Section 5.

PRELIMINARY INVESTIGATION.

Every group of persons contemplating the organization of an association under this Act is urged to communicate with the director of markets when said office shall have been established, who will inform them whatever a survey of the marketing conditions affecting the commodities proposed to be handled may indicate regarding probable success.

It is here recognized that agriculture is characterized by individual production in contrast to the group or factory system that characterizes other forms of industrial production; and that the ordinary form of corporate organization permits industrial groups to combine for the purpose of group production and the ensuing group marketing and that the public has an interest in permitting farmers to bring their industry to the high degree of efficiency and merchandising skill evidenced in the manufacturing industries; and that the public interest urgently needs to prevent the migration from the farm to the city in order to keep

up farm production and to preserve the agricultural supply of the nation; and that the public interest demands that the farmer be encouraged to attain a superior and more direct system of marketing in the substitution of merchandising for the blind, unscientific and speculative selling of crops; and that for this purpose, the farmers should secure special guidance and instructive data from the Governor.

Section 6.

POWERS.

Each association incorporated under this Act shall have the following powers:

(a) To engage in any activity in connection with the marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grading, storing, handling or utilization of any agricultural products produced or delivered to it by its members, or the manufacturing or marketing of the by-products thereof; or any activity in connection with the purchase, hiring or use by its members of supplies, machinery or equipment; or in the financing of any such activities; or in any one or more of the activities specified in this section. Any association in its option may limit itself in its articles of incorporation to the handling of products of its own members only; or it may in its articles assume the right to handle the products of non-members, but, in such event, the association shall not handle for non-members a volume of products greater in the aggregate than the aggregate of products handled by it for its own members.

(b) To borrow money without limitation as to amount of corporate indebtedness or liability; and to make advance payments and advances to members.

(c) To act as the agent or representative of any member or members in any of the above mentioned activities.

(d) To purchase or otherwise acquire; and to hold, own, and exercise all rights of ownership in; and to sell, transfer or pledge, or guarantee the payment of dividends or interest on, or the retirement or redemption of, shares of the capital stock or bonds of any corporation or association engaged in any related activity or in the warehousing or handling or marketing of any of the products handled by the association.

(e) To establish reserves and to invest the funds thereof in bonds or in such other property as may be provided in the by-laws.

(f) To buy, hold and exercise all privileges of ownership, over such real or personal property as may be necessary or convenient for the conduct and operation of any of the business of the association, or incidental thereto.

(g) To establish, secure, own and develop patents, trademarks and copy-rights.

(h) To do each and everything necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the subjects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition to exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the association is organized or to the activities in which it is engaged; and in addition, any other rights, powers and privileges granted by the laws of this State to ordinary corporations, except such as are inconsistent with the express provisions of this Act; and to do any such thing anywhere.

Section 7.

MEMBERS.

(a) Under the terms and conditions prescribed in the by-laws adopted by it, an association may admit as members, (or issue common stock to), only persons engaged in the production of the agricultural products to be handled by or through the association, including the lessees and tenants of land used for the production of such products and any lessors and landlords who receive as rent all or any part of the crop raised on the leased premises.

(b) If a member of an association be other than a natural person, such members may be represented by any individual, associate, officer or manager or member thereof, duly authorized in writing.

(c) One association organized hereunder may become a member or stockholder of any other association or associations organized hereunder.

Section 8.

ARTICLES OF INCORPORATION.

Each association formed under this Act must prepare and file articles of incorporation, setting forth:

- (a) The name of the association.
- (b) The purposes for which it is formed.
- (c) The place where its principal business will be transacted.
- (d) The term for which it is to exist, not exceeding fifty (50) years.
- (e) The number of directors thereof, which must be not less than five (5) and may be any number in excess thereof; the term of office of such directors; and the names and addresses of those who are to serve as incorporating directors for the first term, and or until the election and qualification of their successors.
- (f) If organized without capital stock, whether the property rights and interest of each member shall be equal or unequal;

and if unequal, the general rule or rules applicable to all members by which the property rights and interests, respectively, of each member may and shall be determined and fixed, and provision for the admission of new members who shall be entitled to share in the property of the association with the old members, in accordance with such general rule or rules. This provision or paragraph of the articles of incorporation shall not be altered, amended, or repealed except by the written consent or vote of three-fourths of the members.

(g) If organized with capital stock, the amount of such stock and the number of shares into which it is divided and the par value thereof.

The capital stock may be divided into preferred and common stock. If so divided, the articles of incorporation must contain a statement of the number of shares of stock to which preference is granted and the number of shares of stock to which no preference is granted and the nature and definite extent of the preference and privileges granted to each.

The articles must be subscribed by the incorporators and acknowledged by one of them before an officer authorized by the law of this State to take and certify acknowledgments of deeds and conveyances; and shall be filed in accordance with the provisions of the general corporation law of this State; and when so filed the said articles of incorporation, or certified copies thereof, shall be received in all the courts of this State and other places as prima facie evidence of the facts contained therein and of the due incorporation of such associations. A certified copy of the articles of incorporation shall also be filed with the Director of Markets, etc.

Section 9.

AMENDMENTS TO ARTICLES OF INCORPORATION.

The articles of incorporation may be altered or amended at any regular meeting or any special meeting called for that purpose. An amendment must first be approved by two-thirds of the directors and then adopted by a vote representing a majority of all the members of the association. Amendments to the articles of incorporation, when so adopted, shall be filed in accordance with the provisions of the general corporation law of this State.

Section 10.

BY-LAWS.

Each association incorporated under this Act must, within thirty (30) days after its incorporation, adopt for its government and management, a code of by-laws, not inconsistent with the powers granted by this Act. A majority vote of the members or stockholders, or their written assent, is necessary to adopt such by-laws. Each association, under its by-laws, may provide for any or all of the following matters:

(a) The time, place and manner of calling and conducting its meetings.

(b) The number of stockholders or members constituting a quorum.

(c) The right of members or stockholders to vote by mail, and the conditions, manner, form, and effects of such votes. Votes by proxy shall not be allowed.

(d) The number of directors constituting a quorum.

(e) The qualifications, compensation and duties and term of office of directors and officers; time of their election and the mode and manner of giving notice thereof.

(f) Penalties for violations of the by-laws.

(g) The amount of entrance, organization and membership fees, if any; the manner and method of collection of the same; and the purposes for which they may be used.

(h) The amount which each member or stockholder shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member or stockholder for services rendered by the association to him and the time of payment and the manner of collection; and the marketing contract between the association and its members or stockholders which every member or stockholder may be required to sign.

(i) The number and qualification of members or stockholders of the association and the conditions precedent to membership or ownership of common stock; the method, time and manner of permitting members to withdraw or the holders of common stock to transfer their stock; the manner of assignment and transfer of the interest of members and of the shares of common stock; the conditions upon which, and time when membership of any member shall cease; the automatic suspension of the rights of a member when he ceases to be eligible to membership in the association; and the mode, manner and effect of the expulsion of a member; the manner of determining the value of a member's interest and provision for its purchase by the association upon the death or withdrawal of a member or stockholder, or upon the expulsion of a member or forfeiture of his membership, or, at the option of the association, the purchase at a price fixed by conclusive appraisal by the board of directors. In case of the withdrawal or expulsion of a member, the board of directors shall equitably and conclusively appraise his property interests in the association and shall fix the amount thereof in money, which shall be paid to him within one year after such expulsion or withdrawal.

Section 11.

GENERAL AND SPECIAL MEETINGS—HOW CALLED.

In its by-laws, each association shall provide for one or more regular meetings annually. The board of directors shall have the

right to call a special meeting at any time; and ten per cent of the members or stockholders may file a petition stating the specific business to be brought before the association and demand a special meeting at any time. Such meeting must thereupon be called by the directors. Notice of all meetings, together with a statement of the purposes thereof, shall be mailed to each member at least ten days prior to the meeting; provided, however, that the by-laws may require instead that such notice may be given by publication in a newspaper of general circulation, published at the principal place of business of the association.

Section 12.

DIRECTORS—ELECTION.

The affairs of the association shall be managed by a board of not less than five directors, elected by the members or stockholders from their own number. The by-laws may provide that the territory in which the association has members shall be divided into districts and that the directors shall be elected according to such districts, either directly or by district delegates elected by the members in that district. In such a case the by-laws shall specify the number of directors to be elected by each district, the manner and method of reapportioning the directors and of redistricting the territory covered by the association. The by-laws may provide that primary elections shall be held in each district to elect the directors apportioned to such districts and that the result of all such primary elections may be ratified by the next regular meeting of the association or may be considered final as to the association. The by-laws may provide that one or more directors may be appointed by any public official or commission or by the other directors selected by the members or their delegates. Such directors shall represent primarily the interest of the general public in such associations. The directors so appointed need not be members or stockholders of the association; but shall have the same powers and rights as other directors. Such directors shall not number more than one-fifth of the entire number of directors.

An association may provide a fair remuneration for the time actually spent by its officers and directors in its service and for the service of the members of its executive committee. No director, during the term of his office, shall be a party to a contract for profit with the association differing in any way from the business relations accorded regular members or holders of common stock of the association or others, or differing from terms generally current in that district.

The by-laws may provide that no director shall occupy any position in the association, except the President and Secretary on regular salary or substantially full time pay.

The by-laws may provide for an executive committee and may allot to such committee all the functions and powers of the board of directors, subject to the general direction and control of the board.

When a vacancy on the board of directors occurs other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy, unless the by-laws provide for an election of directors by district. In such a case the board of directors shall immediately call a special meeting of the members or stockholders in that district to fill the vacancy.

Section 13.

ELECTION OF OFFICERS.

The directors shall elect from their number a president and one or more vice presidents. They shall also elect a secretary and a treasurer, who need not be directors or members of the association; and they may combine the two latter offices and designate the combined office as secretary-treasurer; or unite both functions and titles in one person. The treasurer may be a bank or any depository, and as such, shall not be considered as an officer, but as a function, of the board of directors. In such case, the secretary shall perform the usual accounting duties of the treasurer, excepting that the funds shall be deposited only as and where authorized by the board of directors.

Section 14.

OFFICERS, EMPLOYEES AND AGENTS TO BE BONDED.

Every officer, employee and agent handling funds or negotiable instruments or property of or for any association created hereunder shall be required to execute and deliver adequate bonds for the faithful performance of his duties and obligations.

Section 15.

STOCK—MEMBERSHIP CERTIFICATE—WHEN ISSUED — VOTING — LIABILITY — LIMITATIONS ON TRANSFER AND OWNERSHIP.

When a member of an association established without capital stock has paid his membership fee in full, he shall receive a certificate of membership.

No association shall issue stock to a member until it has been fully paid for. The promissory notes of the members may be accepted by the association as full or partial payment on stock and membership fees. The association shall hold the stock as security for the payment of the note; but such retention as security shall not affect the member's right to vote.

No member shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee or his subscription to the capital stock, including any unpaid balance on any promissory notes given in payment thereof.

No stockholder of a co-operative association shall own more than one-twentieth ($1/20$) of the common stock of the association; and an association in its by-laws, may limit the amount of common stock which one member may own to any amount less than one-twentieth ($1/20$) of the common stock.

No member or stockholder shall be entitled to more than one vote, regardless of the number of shares of common stock owned by him, and cumulative voting shall not be allowed.

Any association organized with stock under this Act may issue preferred stock, with or without the right to vote. Such stock may be sold to any person, member or non-member, and may be redeemable or retireable by the association on such terms and conditions as may be provided for by the articles of incorporation and printed on the face of the certificate. The by-laws shall prohibit the transfer of the common stock of the association to persons not engaged in the production of the agricultural products handled by the association; and such restrictions must be printed upon every certificate of stock subject thereto.

The association may, at any time, as specified in the by-laws, except when the debts of the association exceed fifty (50) per cent of the assets thereof, buy in or purchase its common stock at the book value thereof, as conclusively determined by the board of directors, and pay for it in cash within one (1) year thereafter.

Section 16.

REMOVAL OF OFFICER OR DIRECTOR.

Any member may bring charges against an officer or director by filing them in writing with the secretary of the association, together with a petition signed by five per cent of the members, requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the association and, by a vote of a majority of the members, the association may remove the officer or director and fill the vacancy. The director or officer, against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

In case the by-laws provide for election of directors by districts with primary elections in each district, then the petition for removal of a director must be signed by twenty per cent of the members residing in the district from which he was elected. The board of directors must call a special meeting of the members residing in that district to consider the removal of the director; and by a vote of the majority of the members of that district, the director in question shall be removed from office.

Section 17.

REFERENDUM.

Upon demand of one-third of the entire board of directors, made at the same meeting at which the original motion was passed immediately and so recorded, any matter of policy that has been approved or passed by the board must be referred to the entire membership or the stockholders for decision at the next special or regular meeting; and a special meeting may be called for the purpose.

Section 18.

MARKETING CONTRACT.

The association and its members may make and execute marketing contracts, requiring the members to sell, for any period of time, not over ten years, all or any specified part of their agricultural products or specified commodities exclusively to or through the association, or any facilities to be created by the association. If they contract a sale to the association, it shall be conclusively held that title to the products passes absolutely and unreservedly, except for recorded liens, to the association upon delivery, or at any other specified time if expressly and definitely agreed in the said contract. The contract may provide, among other things, that the association may sell or re-sell the products delivered by its members, with or without taking title thereto; and pay over to its members the re-sale price, after deducting all necessary selling, overhead and other costs and expenses, including interest or dividends on stock, not exceeding eight (8) per cent per annum, and reserves for retiring the stock, if any; and other proper reserves.

Section 19.

REMEDIES FOR BREACH OF CONTRACT.

(a) The by-laws or the marketing contract may fix, as liquidated damages, specific sums to be paid by the members or stockholders to the association upon the breach by him of any provision of the marketing contract regarding the sale or delivery or withholding of products; and may further provide that the member will pay all costs, premiums for bonds, expenses and fees, in case any action is brought upon the contract by the association; and any such provisions shall be valid and enforceable in the courts of this State; and such clauses providing for liquidated damages shall be enforceable as such and shall not be regarded as penalties.

(b) In the event of any such breach or threatened breach of such marketing contract by a member, the association shall be entitled to an injunction to prevent the further breach of the contract and to a decree of specific performance thereof. Pending the adjudication of such an action and upon filing a verified

complaint showing the breach or threatened breach, and upon filing a sufficient bond, the association shall be entitled to a temporary restraining order and preliminary injunction against the member.

(c) In any action upon such marketing agreement, it shall be conclusively presumed that a landowner or landlord or lessor is able to control the delivery of products produced on his land by tenants or others, whose tenancy or possession or work on such land or the terms of whose tenancy or possession or labor thereon were created or changed after execution by the landowner or landlord or lessor, of such a marketing agreement; and in such actions, the foregoing remedies for non-delivery or breach shall lie and be enforceable against such landowner, landlord or lessor.

Section 20.

PURCHASING BUSINESS OF OTHER ASSOCIATIONS, PERSONS, FIRMS OR CORPORATIONS—PAYMENT—STOCK ISSUED.

Whenever an association, organized hereunder with preferred capital stock, shall purchase the stock or any property, or any interest in any property of any person, firm or corporation or association, it may discharge the obligations so incurred, wholly or in part, by exchanging for the acquired interest, shares of its preferred capital stock to an amount which at par value would equal the fair market value of the stock or interest so purchased, as determined by the board of directors. In that case the transfer to the association of the stock or interest purchased shall be equivalent to payment in cash for the shares of stock issued.

Section 21.

ANNUAL REPORTS.

Each association formed under this Act shall prepare and make out an annual report on forms to be furnished by the Director of Markets, containing the name of the association; its principal place of business; and a general statement of its business operations during the fiscal year, showing the amount of capital stock paid up and the number of stockholders of a stock association or the number of members and amount of membership fees received, if a non-stock association; the total expenses of operations; the amount of its indebtedness or liabilities, and its balance sheets.

Section 22.

CONFLICTING LAWS NOT TO APPLY.

Any provisions of law which are in conflict with this Act shall be construed as not applying to the associations herein provided for.

Any exemptions whatsoever under any and all existing laws applying to agricultural products in the possession or under the control of the individual producer, shall apply similarly and completely to such products delivered by its members, in the possession or under the control of the association.

Section 23.

LIMITATION OF THE USE OF TERM "CO-OPERATIVE."

No person, firm, corporation or association, hereafter organized or hereafter applying to do business in this State as a co-operative marketing association for the sale of agricultural products, shall be entitled to use the word "co-operative" as part of its corporate or other business name or title, unless it has complied with the provisions of this Act.

Section 24.

INTEREST IN OTHER CORPORATIONS OR ASSOCIATIONS.

An association may organize, form, operate, own, control, have an interest in, own stock of, or be a member of any other corporation or corporations, with or without capital stock, and engaged in preserving, drying, processing, canning, packing, storing, handling, shipping, utilizing, manufacturing, marketing or selling of the agricultural products handled by the association, or the by-products thereof.

If such corporations are warehousing corporations, they may issue legal warehouse receipts to the association against the commodities delivered by it, or to any other person and any such legal warehouse receipts shall be considered as adequate collateral to the extent of the usual and current value of the commodity represented thereby. In case such warehouse is licensed or licensed and bonded under the laws of this or any other State or the United States, its warehouse receipt delivered to the association on commodities of the association or its members, or delivered by the association or its members, shall not be challenged or discriminated against because of ownership or control, wholly or in part, by the association.

Section 25.

CONTRACTS AND AGREEMENTS WITH OTHER ASSOCIATIONS.

Any association may, upon resolution adopted by its board of directors, enter into all necessary and proper contracts and agreements and make all necessary and proper stipulations, agreements and contracts and arrangements with any other co-operative corporation, association or associations, formed in this or in any other State, for the co-operative and more economical carrying on of its business or any part or parts thereof. Any two or

more associations may, by agreement between them, unite in employing and using or may separately employ and use the same personnel, methods, means and agencies for carrying on and conducting their respective business.

Section 26.

RIGHTS AND REMEDIES APPLY TO SIMILAR ASSOCIATIONS OF OTHER STATES.

Any corporation or association heretofore or hereafter organized under generally similar co-operative laws of another State shall be allowed to carry on any proper activities, operations and functions in this State upon compliance with the general regulations applicable to foreign corporations desiring to do business in this State and all contracts which could legally be made by any association incorporated hereunder, made by or with such associations shall be legal and valid and enforceable in this State with all of the remedies set forth in this Act.

Section 27.

ASSOCIATIONS HERETOFORE, ORGANIZED MAY ADOPT THE PROVISIONS OF THIS ACT.

Any corporation or association, organized under previously existing statutes, may, by a majority vote of its stockholders or members, be brought under the provisions of this Act by limiting its membership and adopting the other restrictions as provided herein. It shall make out in duplicate a statement signed and sworn to by its directors to the effect that the corporation or association has, by a majority vote of the stockholders or members, decided to accept the benefits and be bound by the provisions of this Act and has authorized all changes accordingly. Articles of incorporation shall be filed as required in Section 8, except that they shall be signed by the members of the then board of directors. The filing fee shall be the same as for filing an amendment to articles of incorporation.

(a) Where any association may be incorporated under this Act, all contracts heretofore made by or on behalf of same by the promoters thereof in anticipation of such associations becoming incorporated under the laws of this State, whether such contracts be made by or in the name of some corporation organized elsewhere, and when same would have been valid if entered into subsequent to the passage of this Act, are hereby validated as if made after the passage of this Act.

Section 28.

MISDEMEANOR TO INDUCE BREACH OF MARKETING CONTRACT OF CO-OPERATIVE ASSOCIATION—SPREADING FALSE REPORTS ABOUT THE FINANCES OR MANAGEMENT THEREOF.

Any person or persons or any corporation whose officers or employees knowingly induce or attempt to induce any member or

stockholder of an association organized hereunder or organized under similar statutes of other States with similar restrictions and rights and operating in this State under due authority, to break his marketing contract with the association, or who maliciously and knowingly spreads false reports about the finances or management or activity thereof, shall be guilty of a misdemeanor and be subject to a fine of not less than one hundred (\$100.00) dollars and not more than one thousand (\$1,000) dollars for each such offense; and shall be liable to the association aggrieved in a civil suit in the penal sum of five hundred (\$500) dollars for each such offense.

Section 29.

ASSOCIATIONS ARE NOT IN RESTRAINT OF TRADE.

No association organized hereunder and complying with the terms hereof shall be deemed to be a conspiracy or a combination in restraint of trade or an illegal monopoly; or an attempt to lessen competition or to fix prices arbitrarily nor shall the marketing contracts and agreements between the association and its members or any agreements authorized in this Act be considered illegal as such or in unlawful restraint of trade or as part of a conspiracy or combination to accomplish an improper or illegal purpose.

Section 30.

CONSTITUTIONALITY.

If any section of this Act shall be declared unconstitutional for any reason, the remainder of this Act shall not be affected thereby.

Section 31.

APPLICATION OF GENERAL CORPORATION LAWS.

The provisions of the general corporation laws of this State and all powers and rights thereunder, shall apply to the associations organized hereunder, except where such provisions are in conflict with or inconsistent with the express provisions of this Act.

Section 32.

ANNUAL LICENSE FEES.

Each association organized hereunder shall pay an annual fee of ten (\$10) dollars only, in lieu of all franchise or corporation license taxes.

Section 33.

FILING FEES.

For filing Articles of Incorporation, an association organized hereunder shall pay fifteen (\$15) dollars when incorporated

without Capital Stock, or twenty-five (\$25) dollars when incorporated with Capital Stock, and said twenty-five (\$25) dollars shall cover the fee of such corporation, to the amount of fifty thousand (\$50,000) dollars Capital Stock, and shall also pay twenty cents (20c) for each additional thousand in excess of fifty thousand (\$50,000) dollars Capital Stock, and in either case the payment of such fee will entitle the corporation to a Certificate of Authority.

Section 34. The General Assembly hereby declares that this Act is necessary for the immediate preservation of the public peace, health and safety.

Section 35. In the opinion of the General Assembly an emergency exists; therefore, this Act shall take effect and be in force from and after its passage.

ROBT. F. ROCKWELL,
President of the Senate.

Attested:

CHAS. C. SACKMAN,
Speaker of the House of Representatives.

WILLIAM E. SWEET,
Governor of the State of Colorado.

Approved March 30, 1923, 3:30 P. M.

NY-7-27

POWER

MORTGAGEE

FINANCED \$..... CWT.

DO NOT WRITE HERE

SIGNED

MANAGER

SIGNED

LOADER

MAIL YELLOW COPY TO STATE EXCHANGE

PARTICIPATION CERTIFICATE

WEEKLY REPORT

VII.

COLORADO POTATO GROWERS' EXCHANGE
Market Report No. 194

MARKET CONDITIONS, DEMAND, SUPPLIES, TREND and PRICES:

Practically no inquiry or demand; supplies on hand in markets very heavy; undertone of market weak with trade manifesting no interest in our offerings.

Sales are too few to report prices.

<u>SHIPMENTS:</u>	<u>This Season</u>	<u>Last Season</u>
U. S. Carlot Shipments to date	237310	213921
Colo. S. Valley	15501	13334
San Luis Valley	10110	6986
Western Slope	2007	3188
Northern Colo.	3379	3160
Exchange	6156	5004

CARLOT SHIPMENTS BY STATES, Saturday, March 31, 1928:

Calif. 5; Colo. 67; Del. 4; Fla. 1; Ida. 73; Me. 104*; Md. 4;
Mich. 40; Minn. 116; Mont. 9; Nebr. 2; Nev. 3; N.H. 1; N.M. 2;
L.I. 8; N.Y. 16; N.D. 35; Ohio 2; Ores. 13; Pa. 7; S.D. 9;
Tex. 14; Utah 1; Wash. 28; Wis. 57; Wyo. 3.

*Incomplete

TOTAL U. S. 660
Canada 19
Bermuda 2
Cuba 1

CARLOT SHIPMENTS BY STATES, Sunday, April 1, 1928:

Calif. 1; Colo. 2; Mich. 4; N.Y. 1; Ore. 2; Tex. 3; Wyo. 1

TOTAL U. S. 14
Canada 41

CARLOT SHIPMENTS BY LOCAL ASSOCIATIONS, Saturday, March 31, 1928:

Carbondale 3; Center 6; Del Norte 6; Delta 1; Eagle 1; McCoy 1;
La Jara 2; Monte Vista 4; Montrose 4; Olathe 2.

TOTAL 30

ADVANCES WEEK APRIL 2-7, Inc. (Unless otherwise instructed)

Per Cwt. Amount of Advance:

	<u>Colotato</u>	<u>U. S.No.1</u>	<u>Colo.Stand.</u>	<u>U.S.No.2</u>
Beauties	\$1.00	90¢	75¢	40¢
Burbanks (SLV)	1.00	90	75	40
Burbanks (Slope)		80	60	35
McClures (SLV)	1.00	90	75	40
McClures (Slope)		80	60	35
Peoples		75	60	35
R. Whites (N. Colo.)		90	75	40
R. Whites (Slope)		75	60	35
Rurals (N. Colo.)		90	75	40
Rurals (Slope)		75	60	35

COLORADO POTATO GROWERS' EXCHANGE

April 2, 1928
Denver, Colorado

MERCHANDISE ORDER

Colorado Potato Growers Exchange

No 21301

DENVER, COLORADO

Local Association, _____, Colo., _____ 192__

Delivered to _____ the following merchandise:

above amount to be deducted from any moneys due me by Colorado Potato Growers Exchange

Charge to _____
Account of _____ Grower \$ _____

POTATO GROWERS' CO-OP. ASS'N

Charge Pool No. _____ By _____ Manager

MERCHANDISE ORDER

FORM 38 12M-7-26

No. 41901

THE _____ POTATO GROWERS' COOPERATIVE ASSOCIATION

_____ Colo., _____ 192__

AT SIGHT PAY TO THE ORDER OF _____ \$ _____
DOLLARS

COLORADO POTATO GROWERS' EXCHANGE
DENVER, COLORADO

THE _____
POTATO GROWERS' COOPERATIVE ASSOCIATION

FIRST NATIONAL BANK 23-1

BY _____ MANAGER.

CHARGE TO	POOL NO.	PART. CERT.	CAR INIT.	CAR NO.	WEIGHT	RATE	AMOUNT

SIGHT DRAFT

VIII.

DRAFT FORM AND DELIVERY ORDER

DRAFT

ON ARRIVAL OF CAR Pay to the order of THE FIRST NATIONAL BANK, DENVER, COLO.

\$ _____

Value received and charge to the account of _____

Date _____

Lot No. _____

Car No. _____ ()

Date Shipped _____

Shipped from _____

Equipment _____

Routing _____

COLORADO POTATO GROWERS EXCHANGE,

Thru: _____

By _____

INVOICE

CLAIMS OF ANY KIND WILL BE PAID UNLESS
THIS OFFICE BY _____
SUPPORTED BY CORRECTLY PAID FREIGHT BILL
DOCUMENTS TO SUBSTANTIATE RAILROAD CLAIM

NOTICE—We guarantee weights on Potatoes within four per cent prior to October 1st each year, after that date within two per cent. No claim for shortage will be allowed unless accompanied by certified scale weights of public weigher, showing number of sacks car contained upon arrival. Paid freight bill must show notation of shortage and condition, and seal numbers must be given for each door on arrival. All claims must be made immediately upon unloading of car. Please instruct your warehousemen to this effect. Inspect ventilators on refrigerator car on arrival and note if open or closed, and whether or not plugs are in. We will pay no claims until we are furnished expense bill and proper affidavits that will substantiate our claim against railroads.

Sold by _____

RELEASE ORDER

R. R. Agent or carrier at destination:

presentation of this order, the payment of freight, demurrage and all other charges, please deliver car of potatoes contained to us at your station. Car number shown below.

to

Date

Lot No.

Car No.

()

Date Shipped

Shipped from

Equipment

Routing

COLORADO POTATO GROWERS EXCHANGE

By _____

1M-1202

To _____

NUMBERS:

MARKS: _____

LOADED BY _____

X.

GROWERS' LEDGER

ower

Mortgagee_

[illegible]

GROWERS' LEDGER

XII.

MARKETING CONTRACT

MARKETING CONTRACT

OF THE

COLORADO POTATO GROWERS' EXCHANGE

LOCAL ASSOCIATIONS OF THE COLORADO POTATO GROWERS' EXCHANGE

Antonito	Eagle	La Jara
Ault	Fruita	Montrose
Carbondale-Basalt	Gill-Galeton	Monte Vista
Carmel	Gilcrest-La Salle	Morgan County
Center	Hooper	Olathe
Delta	Kersey	Romeo
	Rifle	Del Norte

Districts not named here, but which now or hereafter may have any membership producing potatoes, shall be included in the nearest and most convenient district, or may be organized into similar districts under this Association Agreement and Marketing Contract.

Return when executed to

MARKETING CONTRACT

The _____ (Insert name of District) Potato Growers' Cooperative Association, a non-profit Association, with its principal office at _____ Colorado, hereinafter called the Association, first party, and the undersigned grower, second party, agree:

1. The Grower is a member of the Association and is helping to carry out the express aims of the Association for cooperative marketing; for minimizing speculation and waste; and for stabilizing potato markets in the interest of the growers and the public, through this and similar undertakings by other growers.

2. The Association agrees to buy and the Grower agrees to sell and deliver to the Association all of the potatoes produced or acquired by or for him in Colorado during the years 1923, 1924, 1925, 1926 and 1927, except such as he may reserve for seed, feed and family use or for sale at retail locally for immediate local consumption.

3. The Grower expressly warrants that he has not heretofore contracted to sell, market or deliver, any of his said potatoes to any person, firm or corporation, except as noted at the end of this Agreement. Any potatoes covered by such existing contracts or crop mortgage shall be excluded from the terms hereof for the period and to the extent noted, if the lien holder so enforces his right to possession.

4. (a) All potatoes shall be delivered at the earliest reasonable time after harvest, to the order of the Association at nearest plant controlled by Association or by shipments as directed by the Association. The warehouse receipts or bills of lading, properly endorsed, shall be delivered to the Association.

(b) Any deduction or allowance or loss that the Association may make or suffer on account of inferior grade, quality or condition at delivery shall be charged against the grower individually.

(c) The Association shall make rules and regulations and shall provide inspectors or graders to standardize and grade the quality of and the method and manner of handling, storing and shipping such potatoes; and the grower agrees to observe and perform any such rules and regulations and to accept the grading established by the Association.

(d) The Association may authorize the grower to retain or store potatoes at his farm or otherwise; and in any such case, for all purposes of this contract, it shall be assumed that the association has received and accepted delivery and they shall be deemed delivered for all purposes of determining pools. This provision shall be subject to definite regulations by the association to prevent confusion or mistakes and reports must be made thereon on forms to be provided by the Association. Grading hereunder may be deferred.

5. The Association shall pool or mingle the potatoes of the grower with potatoes of a like variety, grade and quality, delivered during the same week by other growers. The Association shall grade the potatoes and its classification shall be conclusive.

6. The Association agrees to resell such potatoes, together with potatoes of a like variety, grade and quality delivered by other growers under similar contracts, at the best prices obtainable by it under market conditions at the time of resale; and to pay over the net amount received therefrom (less freight, insurance and interest) as payment in full to the growers named on contracts similar hereto, according to the potatoes delivered in the same week by each of them, after deducting therefrom, within the discretion of the Association, the costs of maintaining the Association and costs of handling, grading storing and marketing such potatoes, and of reserves for credits and other general purposes, (said reserves not to exceed two per cent of the gross resale price.) The annual surplus from such deductions must be prorated among the growers delivering potatoes in that year on the basis of the value of deliveries.

7. The Grower agrees that the Association may handle, in its discretion, some of the potatoes in one way and some in another; but the net proceeds of all potatoes of like variety, quality and grade in any weekly pool, less charges, costs and advances, shall be divided ratably among the growers in proportion to their deliveries to such pool, payments to be made from time to time until all accounts in each pool are settled.

8. The Association may sell the said potatoes within or without this State, directly to dealers or shippers, or otherwise, at such times and upon such conditions and terms as it may deem profitable, fair and advantageous to the growers, in any condition or form, and it may sell all or any part of the potatoes to or through any agency, now established or to be hereafter established, for the cooperative marketing of the potatoes of growers in this and or other states throughout the United States, under such conditions as will serve the joint interests of the grower and the public; and any proportionate expense connected therewith shall be deemed marketing costs under paragraph 6.

9. The Grower agrees that the Association and or the Central Agency may borrow money in its name on the potatoes delivered hereunder or through drafts, acceptances, notes or otherwise; or on any warehouse receipt or bills of lading or upon any accounts for the sale of potatoes or on any commercial paper delivered therefor, or otherwise. The Association, in its

discretion, shall prorate all or part of the money so received ratably among the growers upon whose potatoes said money was borrowed; or use the same for any corporate purpose.

10. The Association may establish selling offices, warehouses, marketing, statistical or other agencies in any place.

11. The Grower shall have the right to stop growing potatoes and to grow anything else at any time at his free discretion; but if he produces any potatoes during the term hereof, all such potatoes shall be included under the terms of this agreement.

12. Nothing in this agreement shall be interpreted as compelling the grower to deliver any specified quantity of potatoes per year, but he shall deliver all the potatoes produced or acquired by or for him except amounts reserved in paragraph 2; and the Association shall have title to all such potatoes upon delivery thereof.

13. (a) This agreement shall be binding upon the Grower, as long as he produces potatoes directly or indirectly, or has the legal right to exercise control of any commercial potatoes, or any interest therein during the term of this contract.

(b) If this agreement is signed by the members of a copartnership, it shall apply to them and each of them individually in the event of the dissolution or termination of the said copartnership.

(c) If the Grower places a crop mortgage upon any of his crops during the term hereof, the Association shall have the right to take delivery of his potatoes and to pay off all or part of the crop mortgage for the account of the Grower and to charge the same against him individually.

The Grower may place crop mortgages upon his potatoes; but agrees to notify the Association in writing prior to making any such mortgage; and this Association may advise the Grower in any such transaction.

14. (a) The Grower hereby expressly authorizes the Association to deliver to any corporation, with warehouses or other plants cooperating with the Association, any or all of his potatoes for handling, processing or storing; and to charge against his potatoes the prorated costs of such services and his prorated shares of the funds necessary to create a reserve to absorb the costs of any such plants or warehouses.

(b) The Grower shall not be charged for such deductions except on account of warehouses or plants within his immediate district for his use, all as determined by the Association; and for such deductions, the grower shall receive a proportionate interest in such plants.

15. From time to time the Grower agrees to mail to the Association any statistical data requested, on the forms provided for that purpose by the Association.

16. This agreement is one of a series generally similar in terms, comprising with all such agreements, signed by individual growers, or otherwise, one single contract between the Association and the said Growers, mutually and individually and annually obligated under all of the terms thereof. The Association shall be deemed to be acting in its own name for all such Growers, in any action or legal proceedings on or arising out of this contract.

17. (a) Inasmuch as the remedy at law would be inadequate; and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association, should the Grower fail so to sell and deliver all of his potatoes, the Grower hereby agrees to pay the Association for all potatoes delivered, sold, consigned, withheld or marketed by or for him, other than in accordance with the terms hereof, a sum equal to twenty per cent of the current market value thereof at the time of the breach or approximately at such time, as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the growers to each and all of the said contracts.

(b) The Grower agrees that in the event of a breach by him of any provisions regarding delivery of potatoes, the Association shall be entitled to an injunction to prevent breach or further breach hereof and to decree for specific performance hereof; and the parties agree that this is a contract for the purchase and sale of personal property under special circumstances and conditions and that the buyer or grower cannot go to the open market and buy potatoes to replace any which the Grower may fail to deliver.

(c) If the Association brings any action whatsoever, by reason of a breach hereof, the Grower agrees to pay the Association all costs of court, costs for bonds and otherwise, expenses of travel and all expenses arising out of or caused by the litigation and any reasonable attorney fees expended or incurred by it in any such proceedings; and all such costs and expenses shall be included in the judgment and shall be entitled to the benefit of any lien securing any payment thereunder.

18. The Association is expressly authorized to exercise any or all of the grading, inspecting, borrowing, marketing or other powers or rights granted thereunder through the central agency organized for coordinating the activities of this and similar cooperative marketing Associations in Colorado or any general Agency of Colorado, and other States. The Association shall enter into any contract for such purposes and may agree to pool the products delivered hereunder with products of similar variety, grade and quality, delivered to generally similar Associations, and or through them to central state agencies, under marketing agreements substantially the same in effect as this agreement; and to unite with any such Association in the joint purchase construction, lease or use of any facilities and to assume obligations therefor.

Any cost of maintaining such central, state or other agency, shall be pro-rated among the said Associations, on the basis

of the gross sale proceeds from the products delivered by them respectively, and shall be considered part of the costs and deductions provided for in paragraph 6.

The Association agrees to join the Colorado Potato Growers' Exchange and thereafter to assist in forming a general agency, with similar associations or agencies in other States.

Read, considered and signed by the Grower, as of the date determined by the Association Contract, in the State of Colorado.

(End of Marketing Contract)

Read, considered and signed at

this day of, 192.....

DO NOT SIGN WITHOUT READING:

Name

(Landlord, Lessor, Lessee, or Tenant?).....

P. O. Address

Estimated Acreage in 1923 will be.....

I have placed a mortgage or other lien on by 192..... crop in favor of

P. O. Address

I load at Station or Siding