Article Title: Legislative and Legal Struggle of the Grain Cooperatives in Nebraska, 1900-1915

Full Citation: Floyd Rodine, “Legislative and Legal Struggle of the Grain Cooperatives in Nebraska, 1900-1915,” *Nebraska History* 56 (1975): 457-470.


Date: 3/24/2016

Article Summary: Of the three periods in farmers’ cooperatives, the third period, from 1890 to 1920, saw the rise of the cooperative to a flourishing business. A business that featured cooperative action in all aspects of the marketing problem: selling, buying, and shipping. Earlier efforts had concentrated primarily on shipping.

Cataloging Information:


Keywords: P P Williams Grain Company; the Ramsey Act [1903]; *The Central Farmer, The Non-conformist*; the Nebraska Farmers’ Cooperative Grain and Livestock Association; *South Western Grain Journal*; the Gondering Act [1897]; the Loomis Act [1897]; the Junkin Act [1905]; Nebraska Elevator Company; Nebraska Grain Dealers Association; Omaha Grain Exchange

Photographs / Images: Active officials of the Farmers’ Grain Company of Nebraska, November, 1911 [named above]; a typical Nebraska lumber yard and grain elevator along one of the Burlington Railroad lines, about 1920

Appendix: Nebraska Cooperative Law - 1911
Active officials of the Farmers' Grain Company of Nebraska, November, 1911: (left to right) Cuthbert Vincent, manager, Omaha; D. Phillips, agent, Pleasanton; B. F. Rohrer, agent, Elyria; P. Christensen, agent, Rosalie; D. Hanna, agent, Poole; J. E. Johnson, president, Kearney; A. E. Scran ton, agent, Miller.
LEGISLATIVE AND LEGAL STRUGGLE
OF THE GRAIN COOPERATIVES IN NEBRASKA,
1900-1915

By FLOYD RODINE

Historically, there have been three rather distinct periods in farmers' cooperatives. Prior to 1867 it was essentially a few small local units trying to set up shipping agreements, often unsuccessfully. Then, from 1867 to 1890, the Grange and the Alliance influenced various organizations but this also was little more than a formative period for, as yet, the majority of farmers had not been conclusively convinced of the merit of such undertakings. The third period, from 1890 to 1920, saw the rise of the cooperative to a flourishing business in that it featured cooperative action in all aspects of the marketing problem—selling, buying, and shipping—whereas earlier effort had concentrated primarily on shipping.\(^1\)

Although there was sporadic activity in the 19th century, the 20th century marked the actual beginning of the active crusade for elevators run by and for the farmer. Exploitation of the farmer by the well-entrenched and wealthy grain organizations had brought increasing resentment but angry words and hostile feelings did little to remedy the situation. Organizing a group of independent, wary farmers was no easy task but that had to be accomplished before the problem of eliminating special privileges from the grain marketing business could be solved. Individual efforts availed little, and so cooperative effort seemed to be the only avenue for successful action because private grain dealers were working from a position of solidarity and strength. They were well-financed, and they usually had the close cooperation of both the railroad and the terminal markets.

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Dependency upon these controlled markets could be especially frustrating as illustrated by the following letter.

St. Louis, Mo.
May 15, 1902

Mr. Anton Moell
Bellwood, Neb.

Dear Sir:

Your car of wheat was in today, inspecting no. two hard and selling for seventy-seven and a-half cents which was tops for Nebraska wheat and we trust the sale meets your approval. Just as soon as we can obtain weights, returns will follow. We supposed you were a regular dealer. This we find is not true, in consequence of which we cannot take any more shipments except through the regular dealer in your city.

Yours truly
P. P. Williams Grain Co.

It was incidents like this that finally convinced the farmer of the necessity of organized and cooperative effort.

An agricultural cooperative association is a business organization, usually incorporated, owned and controlled by member agricultural producers, and operates for the mutual benefit of its members, as patrons or producers, on a cost basis after allowance of expenses of operation and maintenance and any other authorized deductions for expansion purposes and the necessary reserves.

Recognition, then, that cooperative activity was economically advantageous was a necessary first step but hardly a solution to the problems confronting the farmer.

It would soon be demonstrated that a successful farm cooperative required more than competent management and loyal membership in that it must operate under conditions of fair competition and have legal status as a cooperative corporation. At the turn of the century, the farm cooperative in Nebraska enjoyed neither of these advantages, and it soon became clear to the farmer that the existing legal structure was scarcely favorable for the changes he saw as necessary. More than one early farm effort was simply forced out of business because it could not compete with the price raising methods of the line elevator.

Until the monopolistic methods of the line elevator could be broken the chance of success for farmer-owned elevators was slight. Even if the monopoly were to be broken and freedom of action gained, cooperative methods then had to seek legal recognition and protection in order to successfully operate. In Nebraska this was to be accomplished within the first fifteen years of the 20th century.
Although some cooperatives were victim of their own mismanagement, a number of the early ventures were forced out of business simply because they could not compete with the methods of the line elevators. The line elevators had unity as well as financial power and one line unit could easily be operated at a loss and the difference made up in the other operations where competition did not exist. A financially stable line company could afford to lose $5,000 or even $10,000 at one station in order to dispose of a competitor, and it was viewed as necessary and even sound business practice. Such practices were bitterly ironic to the farmer in that he not only stood the loss of his own elevators but ultimately had to stand the loss sustained by his competitors during the fight. Until the monopolistic methods of the line elevator could be broken cooperative activity had little chance to become competitive.

An initial step that could be taken, at least theoretically, was to bring court action under the state anti-monopoly laws, but even successful action here would scarcely guarantee success for farmer-owned elevators. Even though the farmer had agitated for many years for the elimination of grain monopolies, Nebraska at the turn of the century still had none of the definitive laws necessary for the operation of cooperative enterprise. The farmer was also convinced that much of the success of the grain monopoly was due to a close tie with the railroad. Line elevators had little trouble obtaining sites along the right-of-way, but when farmers asked for the same privilege they were usually refused.

The Ramsey Act was the first major step taken to help the farmers acquire equal privileges along the railroad right of way. This bill, passed in April, 1903, was introduced by Representative J. H. Ramsey of Filley, Gage County but was really made possible by the tireless work of Cuthbert Vincent, editor of The Central Farmer. Vincent was born in Iowa, moved to Kansas as a young man, and engaged in newspaper work with his father on a news-oriented magazine entitled The Non-conformist. This magazine had early begun the fight against the “grain combine” and decried the disparity between the price paid farmers and that received by the elevators from the regional terminals. Yet the farmer unable to obtain right-of-way sites seemed to
have little recourse. Near the turn of the century, Vincent moved to Omaha and renamed the magazine *The Central Farmer*, and here he enthusiastically evangelized the advantages of cooperative marketing. By 1902 Vincent began to win some supporters among the weekly press of the various counties, and encouraged by this response he set about to organize the Nebraska Farmers Cooperative Grain and Livestock Association (January, 1903). The association announced its purposes as follows: to protect the members of the association from discrimination; to furnish reports of crops and market conditions; and to procure the best possible markets for their products.

One of the main speakers at the organizational meeting in Lincoln was James Butler, secretary of the Farmers Cooperative Grain and Stock Association with headquarters in Topeka, Kansas. Butler had a personal interest in this meeting, since it meant not only the expansion of his organization but – as owner of a grain terminal that handled farmers’ business – a bigger volume of business for himself. In a letter to *The Central Farmer*, Butler made it clear that organization was the only solution to the problems of the farmer:

> Through the work of the Association (Farmers Cooperative Grain and Stock Association) thousands of dollars have gone into the pockets of grain growers that would have otherwise gone to swell the coffers of the grain dealer’s trust. Hundreds of thousands of dollars have been gained directly by the grain growers as a result of this movement. Many of the farmers have benefited who have never assisted the movement a single penny. This is not right. They should aid in building up a movement that benefits them. Farmers must work as one – unite to break the grain trust hold.

Butler, even though he played a minor part in the organization of the Nebraska Farmers Grain and Livestock Association, did increase the enthusiasm and imagination of the farmers for cooperation through magazine articles and speeches. The following are some quotations from one of his speeches to the farmers which have a bit of the old populist ring:

> It is said that God hates cowards, but it is quite evident that the grain trust loves them because they can live off their earnings and scare them into subjection should they offer resistance. . . .

> If the co-operative grain associations work on the go as you please plan then they will surely fall as did the old Farmers Alliance elevators. Like business methods are very apt to produce like results. The results from business combinations are evidence of successful business methods.

> If failed and baffled one way, try another. . . . Retreat not, turn not aside to the
right hand, nor to the left but zig-zag on. Ask no quarter, no sympathy. March on­ward to victory.  

The meeting in Lincoln on January 22 far surpassed expectations. Sixty-six localities in thirty-five counties provided 268 delegates. Six hundred interested spectators heard the main address by Butler. Not surprisingly, Cuthbert Vincent was recognized as state organizer for the association. Membership in the state organization could be acquired by payment of $1.00 into the treasury of the state association for each member of a local organization. To the extent that funds would allow the state association then helped needy local groups through advice and financial assistance.

The "grain combine" had agents at the state meeting and served primarily as a nuisance through frequent interruptions and disparaging remarks. Their main effort, however, was the distribution of a twenty-page pamphlet bearing the imprint of the South Western Grain Journal, which was filled with abusive assaults on Butler. This did little to dampen the enthusiasm of the farmer and the cooperatives were on their way.

Now that the farmer was becoming cooperative conscious, Vincent used his influence and was instrumental in the passage of the aforementioned Ramsey Bill, described in law as:

An act to compel railroad companies in Nebraska to afford equal facilities, without favoritism or discrimination, to all persons and associations erecting or operating grain elevators and handling or shipping grain or other produce, and to provide penalties for the violation thereof, and to amend Sections one and four of Article V of Chapter seventy-two Compiled Statutes of Nebraska and repeal said original sections.

Although this bill offered no advantages peculiar to cooperatives, it did achieve its primary objective of breaking the control that line elevators had over elevator sites on the railroad right-of-way.

The line elevators — and to a lesser extent the railroads — exerted determined opposition to the Ramsey Bill using as their leading argument that the line elevators had taken great risks and were operating only on a fair margin of profit. These opponents of the Ramsey Act insisted that a multiplicity of elevators would mean a severe depreciation of their property. To this argument Vincent replied as follows:
A typical Nebraska lumber yard and grain elevator along one of the Burlington Railroad lines, about 1920.
Owing to the discrimination by railways in the furnishing of cars only to regular dealers, the combine has had an absolute corner on the grain trade, and elevator property that cost less than two thousand dollars has sold for ten thousand dollars or more. It brought the price because of the conditions that enabled it to 'hold-up' the farming community for unreasonable margins or profits, and this excessive price or fictitious value should depreciate until it disappears for it is based only on the power of confiscation. 11

To uphold this charge, Vincent cited an incident that happened at Kearney. During the winter months the farmers began to agitate for an elevator site and they called meetings to organize a farmers’ cooperative association. Because of this agitation the line elevator became worried, and in four weeks the local market was 9 cents higher, whereas, the terminal market was 1 cent lower. Thus, due to agitation on the subject, there was a net rise of 10 cents per bushel in the price paid to farmers even before the farmers had begun shipping.

Vincent was careful to bring out that the Kearney incident was only one among many. In a number of towns the price of grain rose from 5 cents to 9 cents a bushel with no corresponding rise in the terminal market, and sometimes it rose even in the face of a decline in the terminal market price. To continue with his rebuttal:

I saw returns on the sale of a carload of wheat from Shelby, Nebraska, that brought in the terminal market, after payment of freight and commission, fourteen cents a bushel more than was offered for it by an elevator owner before it was shipped. In the face of such facts, which may be piled up page after page, and which are known to all who care to inform themselves, it is the silliminity of gall for any man to claim that the elevator combine is doing business on a fair margin of profit.

But let us examine a moment the claim that the combine should have special privileges because of the 'capital invested' that needs 'protection.' At twenty-five dollars per acre, a quarter section of land is worth more than any elevator in Nebraska, except a few of the largest. A fifteen thousand bushel elevator cost less than four thousand dollars and many quarter sections of land are worth from forty to sixty-five dollars per acre (a moderate figure). A quarter section is worth six thousand four hundred dollars or enough to build three average elevators. It is sufficient to build two average elevators and furnish the bank account to run them. If now, we are disposed to be perfectly fair and even liberal with the combine, anyone will concede the value of one quarter section of Nebraska land is equal to the investment in one average elevator. In a county of thirty miles square there are nine hundred sections or thirty-six hundred quarter sections. If such a county contains ten towns it will give three hundred and sixty quarter sections, on the average, in one territory adjacent to the average town. In other words, the farmers have three hundred and sixty times as much invested as has an elevator large enough to handle all the business at that point. Is not their property entitled to any 'protection' or is it perfectly proper for a combine of buyers to form a corner that will compel the farmers to sacrifice five to nine cents a bushel on his crop. The exaction of an excessive five cent margin on a twenty
bushel crop means a loss of one dollar per acre, therefore means a reduction in the sale value of the land of over ten thousand dollars per section, and the bandits who have thus despoiled Nebraska have the effrontery and gall to send a lobby to the legislature, a majority of which are farmers, and demand protection!

In another year they (farmer cooperatives) will number fifty thousand members with property worth one hundred and fifty million. In comparison with this numerical and financial strength, the beggarly score or two of self-styled capitalists in the 'combine' will look like pygmies. The legislature will do well to heed this universal demand for simple justice that is coming up from every shipping station in the grain belt of the state and pass a law that will grant the right of eminent domain to shipping associations, thus permitting them to condemn, take with pay and just compensation for a site on which to erect an elevator, thus releasing them from the grip of a monster that has despoiled the state of millions yearly for many years.12

With the passage of the Ramsey Act in the spring of 1903, Vincent believed that the way had been opened and the time was now at hand for a great and coordinated action by the farmers. The farmer soon found, however, that his problems were not over. He was having difficulty in finding an outlet for his grain, since most of the regional terminals were under the control of line companies and would not accept shipments from independent dealers and farmers. Such action, obviously in restraint of free trade, placed the farmer in a position of submitting once again or of instituting court action.

The state of Nebraska did have anti-monopoly laws, but it was not until 1905 that farmers brought suit against the line elevators for law violation. In 1897 the Nebraska Legislature had passed the Gondering Act13 and the Loomis Act.14 The Gondering Act declared trusts and conspiracies against trade and business to be unlawful, and the Loomis Act prohibited grain elevator operators from forming any combination or pool to prevent competition. This existing legislation was vastly strengthened by the passage of the Junkin Act (1905) which was designed to restrain the monopoly of trade and intrastate commerce.15 Among its provisions was a statement that any combination in restraint of trade or commerce was illegal, and any person or persons attempting to monopolize any part of the trade and commerce in Nebraska was guilty of misdemeanor. It specifically prohibited underselling or payment of excessive prices to eliminate competition, devices not uncommon to line elevator operation.

Two suits were immediately brought under this act which
tended to destroy the unity of the opposition and prepare the way for positive and protective legislation. The first suit was brought by Thomas D. Worrall, a defector from a private organization of independent grain dealers, the Nebraska Grain Dealers Association. In October, 1902, Worrall and other officials of the association had met together and established a price committee of five men, one from each of several powerful line companies including Worrall's Nebraska Elevator Company. This committee was authorized to make and to control the prices to be paid for all the grain they were to buy. The state was divided into thirteen districts, and prices were to be quoted from the Chicago Board of Trade but only after the profit percentage had been agreed upon by the committee. This was, of course, in restraint of trade, but the operators were confident that there would be no challenge and since all elevators would now have the same price they were convinced that the farmer would be more content to trade with them.

These carefully laid plans were threatened in the summer of 1903 when the Great Western Railroad built a line to Omaha and advocated the building of a cash grain market. Since this would give the independent farmers' elevators a place to sell, it was strongly opposed by the Nebraska Grain Dealers Association whose sentiments were well-expressed by the manager of the Omaha Grain Company, C. P. Peck:

We line house operators would be much better off if there were no cash market west of Chicago for the further the farmer is from the market, the less he knows of the true value of the grain he is to sell, and the less he knows about that, the bigger the margin that can be obtained by the grain dealer.

The Nebraska Grain Dealers Association, however, was beginning to fight a losing battle when a few out-state terminals began accepting grain from independent associations.

The opposition of the Nebraska Grain Dealers Association was not sufficient to prevent the Omaha Grain Exchange from beginning business as scheduled on February 1, 1904, but the association had no intention of surrendering without a battle. They made every effort to find out who was accepting cars from "irregular" shippers and then instituted a systematic campaign to stop such firms from continuing the practice. If a firm refused to cooperate, all "regular" dealers would boycott the
guilty firm until it manifested a change of heart and action.

Methods of restraint were a constant source of worry to Tom Worrall. Not only were such methods a grave injustice to the individual farmer, but Worrall well knew that they were using illegal techniques to eliminate competition. On May 28, 1904, therefore, Worrall resigned as a member of the Nebraska Elevator Company and began business as a member of the Omaha Grain Exchange. He started to take shipment from farmers' elevators and almost immediately he was warned to discontinue the practice or be boycotted by all regular dealers. Although other companies had been forced out of business by this kind of treatment, Worrall refused to desist and continued to receive shipments from "irregular" dealers. The "grain combine" then threatened all of the large buyers (mills, distilleries etc.,) with a boycott if they handled grain from Worrall, and at the same time the line elevators refused to ship grain to him. The normal alternative was to go out of business or come back into line. Worrall did neither. Instead, he brought suit in the district court of Washington County on June 17, 1905, against the Nebraska Grain Dealers Association for $128,600. This unexpected action alarmed the dealers' association so much that they promised to disband their organization and to give a cash settlement to Worrall for dropping the suit. This disbandment gave a free market to all shippers and the final and greatest obstacle had been destroyed. At last the cooperatives could see the go-ahead signal.

The price of battle was a high one for Worrall to pay and his victory, ironically, proved to be his own undoing. He had lost some of his best friends by his court action, and he had made some strong enemies in his fight against the association. In despair, he took his own life only a short time after his legal action and testimony had aided in the dissolution of the "combine." His work had brought an untimely end to his own life but contributed to the beginning of a new era of grain marketing for the state of Nebraska and its citizens.

In a separate but supportive move, the state of Nebraska brought charges against the Omaha Elevator Company, a corporation, and against William H. Ferguson and twenty-five other individuals. This suit was instigated by Attorney General Norris Brown under the Junkin Act.
Due to pressure of this action and the one previously entered by Tom Worrall, the Grain Dealers Association dissolved itself before the court made any decision, and the farmers now had the freedom of competition which they had long demanded. Nevertheless, this case focused public attention on the kind of repressive activity that had plagued the farmer for many years. The petition named the officers of the Nebraska Grain Dealers Association as the organization of the defendants and that this organization had been devised to carry out the objectives of the defendants. It further maintained: (1) that more than twelve hundred grain elevators were controlled by the association in contrast to less than fifty independent elevators and grain dealers in Nebraska; (2) that the defendants controlled at least 90 percent of the grain trade in the state; (3) that these ‘regular’ dealers refrained from bidding against each other and, in truth, agreed on prices which were paid throughout the state; (4) that in this way they eliminated competition and compelled producers to sell at a lower price than would have been received in an open
and competitive market; and (5) that the railroads discriminated in favor of the regular dealers. Because of these practices it was asserted that the defendants had abused and violated their franchises and forfeited their right to exist and do business in the state.²²

Although the referee's decision threw out the charges against the railroad, the rest of the complaint was left intact and the court upheld the decisions of the referee. Court action was not necessary, however, as the Nebraska Grain Dealers Association had passed out of existence before the court had made its decision.

In addition to court action, Worrall had testified before the Interstate Commerce Commission where hearings were held from October 15 to November 23, 1906, in the matter of Relations of Common Carriers to the Grain Trade.²³ Once again the alleged illegal activities of the Nebraska Association and its effect on the farming community were reviewed.

Now that the roadblock of unfair competition seemed to be removed, it was necessary to draft new laws to achieve legal protection for cooperative marketing enterprise. New legislation was necessary to legalize both the patronage dividend and the membership contact, since several elevators in the neighboring state of Iowa had been involved in court action because of these practices.

The end result of the many years of farmer agitation and concern was the passage of Nebraska's first cooperative law in 1911.²⁴ It included such features as distribution of net savings in proportion to the amount of goods or services handled and that every cooperative corporation should be able to regulate and limit the right of stockholders to transfer their stock. To make it easier for established grain elevators to become cooperatives, the law provided for a simple and inexpensive method of changing from the old corporate form of organization to the cooperative form by simply adopting a by-law providing for cooperative distribution of the profits in harmony with the law and the filing of a certificate in proper form with the secretary of state.²⁵ Although there have been amendments in the past fifty years, it was this law that ended the long fight over the right of the farmer to market his own agricultural commodities.
It also absolved him from the fear of anti-trust laws. Immunity is rarely absolute, but so long as the cooperatives conducted themselves with responsibility and lived within the provisions of the cooperative law, they had little to fear from outside interference.

APPENDIX

NEBRASKA COOPERATIVE LAW - 1911

An act to define cooperative associations and to authorize their incorporation and to declare an emergency. Be it enacted by the Legislature of the State of Nebraska:

Section 1. For the purpose of this act, the words 'cooperative company, corporation or association', are defined to mean a company, corporation or association which authorizes the distribution of its earnings in part, or wholly on the basis, or in proportion to, the amount of property bought from or sold to members, or of labor performed, or other service rendered to the corporation; Provided, that nothing in this act shall be construed as in any way conflicting with or repealing any law relating to building and loan associations or installment companies.

Section 2. Any number of persons not less than twenty five, may be associated and incorporated for the cooperative transaction of any lawful business, including the construction of canals, railways, irrigation ditches, bridges and other works of internal improvement.

Section 3. Every cooperative corporation as such has power: 1st to have succession by its corporation name. 2nd, to sue and be sued, to complain and defend in courts of law and equity. 3rd, to make and use a common seal, and alter same at pleasure. 4th, to hold personal estate, and all such real estate as may be necessary for the legitimate business of the corporation. 5th, to regulate and limit the right of stockholders to transfer their stock. 6th, to appoint such subordinate officers and agents as the business of the corporation shall require and to allow them suitable compensation thereof. 7th, to make by-laws for the management of its affairs, and to provide therein the terms and limitations of stock ownership, and for the distribution of its earnings.

Section 4. The powers enumerated in the preceding section shall vest in every cooperative corporation in the state, whether the same be formed without or by legislative enactment, although they may not be specified in its charter or in its articles of association.

Section 5. The fees for the incorporation of cooperative corporations or associations shall be the same amounts as those provided for like capitalization of general corporations in the State of Nebraska as provided in section 5905 of the compiled Statutes of Nebraska for 1909. Provided that any cooperative corporation or association, being such under the definition given in section (1) of this act is hereby authorized to file with the Secretary of State a declaration signed by its President and Secretary stating that it is a cooperative corporation or association as above defined,
and from and after the filing of such declaration with the Secretary of State it shall be entitled to the same legal recognition as though its articles of incorporation had been originally filed under this act, and the fee for filing such declaration shall be two dollars, subject however, to the general incorporation laws of the state except as herein modified and changed.

Section 6. (Emergency) Whereas, there being an emergency, this act shall take effect and be in force from and after its passage.

NOTES

2. Cuthbert Vincent, Early Struggles of the Cooperative Movement, (Omaha, 1913), 39.
4. A privately owned elevator, frequently operated as part of a chain of elevators with centralized ownership.
6. The Central Farmer, March 12, 1903, 8.
7. Ibid., January 8, 1903, 12.
8. Ibid., March 5, 1903, 14.
10. The South Western Grain Journal was the paper of the Kansas Grain Dealers Association.
12. Ibid., February 26, 1903, 9.
17. Ibid., 70.
18. Ibid., 115.
19. Members of the Nebraska Grain Dealers Association were called regular dealers.
20. This suit was brought under the Nebraska law of 1905, (the Junkin Act), which prohibited all illegal attempts to fix prices.
21. Nebraska Supreme Court Reports, Volume 75, State of Nebraska versus Omaha Elevator Company 638-676.
22. Ibid., 640.
24. Laws of Nebraska, Nebraska Cooperative Law, 32nd Session, Senate File No. 88, 195-197.
25. See Appendix for the complete Cooperative Law of 1911.
26. Laws of Nebraska, Nebraska Cooperative Law, 32nd Session, Senate File No. 88, 195-197.