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The Petroleum users organized in 1921, when they set up the first oil cooperative in the world. Farmers throughout the U.S. had suffered a severe drop in prices after World War I. The farmers around Cottonwood, Minnesota, however, decided to do something about it and they organized a cooperative.

They sold gasoline to both farmer and town people. It was successful from the first day. Soon farmers from other counties heard about large earnings at Cottonwood, piled into their model T's to visit the new petroleum cooperative.

By 1926, many of these cooperatives had their manager and board members meeting regularly to exchange information about the operation of their businesses. In the summer of 1926, these cooperatives organized what is now known as Midland Cooperatives, Inc. They organized for two reasons: the first one was to save money by pooling purchases, and the second was to protect these cooperatives when they became involved in local price wars. These huge earnings, up to 21%, caused many price wars and caused a reduction in the general price level. Everyone in the community benefited by a reduction in price. Even as late as 1931, Midland Cooperatives, the regional, paid out \$20,000.00 in price protection to prevent certain retail cooperatives from going bankrupt during price wars. At the same time, the average earnings of some 44 cooperatives was 16.2%.

Managers and board members are users of petroleum and they are in direct contact with hundreds of cooperative patrons. If there is a question about quality, service, size of container, or anything else, a board member and manager will soon hear of it. This information will reach the Midland District through the monthly managers' meeting or the quarterly district meeting. They have real authority. Each district elects a member to the Board of Directors of Midland Cooperatives, Inc. Each district therefore has a voice in making or changing policy.

An example of decision making by the Midland Districts occurred in 1943. The major suppliers of petroleum to Midland began to cancel contracts because of the war. When this happened, the regional went to the districts and asked them if Midland should buy a refinery to insure a supply of gas and fuel oil. They said "yes" and further said they would help to raise a million dollars to buy it.

That same year Midland bought a refinery at Cushing, Oklahoma, which processed about 189,000 gallons of crude oil a day. This refinery paid back over \$300,000 each year so that at the end of the third year operation earnings had paid for the original cost.

In the 1920's, we found that large earnings were located in the retail level. Later, after competition reduced this margin we found that large earnings occurred in the refining process. Refinery earnings were not constant.

In 1948, the price of the finished product dropped below the cost of production and the cost of crude. We found that for every barrel of crude oil refined we lost 25 cents. In one year, we lost \$500,000.00. In this period over 20 small independent refineries sold out or closed up. We were able to continue because we could offset the loss by our earnings in feed, seed, fertilizer and appliances and the sale of petroleum on the retail market. After 18 months, the price returned back to normal and the refinery moved back into the black.

The life of the small independents was threatened during the war and during this 1948 price squeeze.

Today our refinery processes about 500,000 gallons of crude every 24 hours. Other cooperative refineries and regionals also sell petroleum to the U.S. farmer.

Cooperatives have increased the share of the petroleum sold to farmers. In a seven year period from 1950 to 1957, U.S. cooperatives increased their share of the market from 16% to 20.4%.

Since the base years 1910-14, the price the farmers pay for the things they use has increased to an index of 275. We are pleased that the two areas where cooperatives have been very active--petroleum and fertilizer--the price has increased only to an index of 175 and 152 respectively. It is my belief that cooperatives played a part in holding down these prices. Before refineries were in operation in the Twin Cities, gasoline sold for 28¢ here in Minnesota, and yet it sold for 32¢ in Oklahoma where the refineries and crude oil were located. Our prices for petroleum in the Midland Region have been as low or lower than anywhere else in the U.S. We believe we have had a part in bringing in effective competition.

Midland Cooperatives, Inc. sales reached 50 million dollars last year with earnings of two million dollars. We hope to increase sales at the same rate so that five years from now they will be doubled.

In conclusion, Midland Cooperatives helps the consumer in the following ways:

1. The consumer, through farm and city cooperatives, have a channel through which to voice their opinions. The board and manager, because of the nature of a cooperative, are particularly tuned in to the wishes of the patrons.
2. This year's annual statement from Fergus Falls, Minnesota, was presented to 700 patrons--all consumers. The large refund of \$82,000 is a 14% refund on purchases --3% of this represented a \$19,000 refund from the regional. These high earnings are not typical, but most cooperatives show some earnings.
3. We have a weekly newspaper, the MIDLAND COOPERATOR which is delivered to 100,000 patrons. It carries the column by Margoulis. Stories of consumer interest receive front page treatment-- example: the banning of certain colors in lipstick, and the relationship of cigarette smoking and cancer.

4. Our petroleum cooperatives represent a part of the 2,180 cooperatives in Minnesota. Some 10,000 board members of these cooperatives meet each month to make decisions effecting the consumer. But these decisions are made with the patrons in mind. Decisions are not made with the primary concern--the investor or profits to a corporation.
5. Finally, Midland's program for young people is designed to teach them how groups can arrive at good, valid acceptable decisions. Some decisions are made in the economic field. One method of solving economic problems is to use the cooperative technique.