

The Rockwell Cooperative

By the pale light of a harvest moon, back in the year 1888, a small group of farmers wended their way across the rolling prairies of northwest Iowa in horse-drawn wagons. They were going to J. B. McGaheran's granary, five miles east of Rockwell, to listen to William Barragy discuss the need for a grain elevator operated coöperatively. There, sitting upon sacks of grain, the men heard Barragy outline his plan for the establishment of an elevator in which the farmers would have a share in the management and the determination of grain prices. The originator of the idea denounced the line elevators which he accused of paying a uniform price for grain and later splitting the profits among the supposedly "rival" grain dealers. This secret agreement, he said, had cheated Iowa farmers out of thousands of dollars.

After the speaker had outlined his program, the farmers who were attending the meeting lingered to discuss the proposed elevator. They left the meeting that night eager to tell their neighbors of the plan. After the first meeting, other discussions were held and enthusiasm spread. On

January 30, 1889, farmers in the vicinity of Rockwell convened at the town hall for the purpose of organizing the coöperative society. And so the dream of William Barragy became a reality.

As had been previously planned, Thomas Chappell made the motion that the coöperative society be organized. The motion carried un-animously and it was suggested that a committee be appointed by Norman Densmore, chairman of the meeting, to draw up the articles of incorporation. The committee of Thomas Chappell, William Barragy, and L. E. McGilvra decided that the Rockwell society should be established on March 2, 1889. As soon as various other committees had been appointed to make ready for the opening a month later, the group adjourned.

Reuben A. Holman, pioneer coöperative worker, wrote of this first meeting of the organization: "There is nothing to indicate that the Rockwell society was to become the first continuously successful one of its kind in the United States, wielding an incalculable influence in laying the foundation for successful co-operation." It was, as he said, only by a study of the Rockwell society's history that the reason for its success could be grasped.

Through the efforts of William Barragy and Charles Hance, a Rockwell hardware dealer, one

hundred farmers from townships surrounding Rockwell bought stock at ten dollars per share. By March 2nd, a thousand dollars had been raised. On that bleak March day, the farmers again gathered in Rockwell to elect officers for the Coöperative Farmers' Society of Rockwell. Norman Densmore was chosen president and L. E. McGilvra was selected as vice president. The other officers elected at this historic meeting were: J. E. Treston, secretary; Francis McMullen, treasurer; and T. L. Chappell, H. F. Hardman, William Barragy, W. F. Clark, Thomas McManus, Frank Dietrick, Andrew Johnson, Frederick Doderer, C. J. Behr, and William Smith, directors.

All plans for starting the elevator had been completed except the location of a site. This was, indeed, one of the most difficult problems confronting the officers. Opposition was unusually strong in Rockwell for some of the town's merchants and many farmers scoffed at the idea of an elevator run on a coöperative basis with inexperienced management. On March 23rd the directors finally acquired the elevator of John Inman for the sum of two thousand dollars. Thomas Chappell, who had been elected manager by the board of directors, obtained a loan of a thousand dollars from H. I. Smith, a Mason City banker, with which to begin the buying of grain.

The first coöperative elevator in Iowa entered the business world on April 1st when the manager started buying grain. On the first day, Manager Chappell found the two rival line elevators offering four and five cents more per bushel for grain. Naturally the society could not afford to meet these high prices of its competitors. To the dismay of the coöperative manager, some of the members of the newly-formed society unloaded their grain at the line elevators down the street in order to obtain the higher prices.

The crisis which accompanied the opening of the new elevator was immediately brought before the board of directors by Mr. Chappell. After he had explained the opposition's method of raising the price of grain in an attempt to force the new elevator out of business, the directors decided upon the course to be followed. Chappell was told that the coöperative society would pay little heed to rival elevators and would continue to function as usual. "It is immaterial whether you buy a bushel of grain or not," declared one director, "so long as you can keep prices where they belong in order that the farmers will receive the benefit of the advanced rates." This incident illustrated the high principles upon which the first coöperative elevator was founded. Its aim was simple: To give every member the full local value

of his grain with a minimum deduction for handling charges.

Though the members of the Rockwell society were allowed to sell their corn, oats, and wheat to other elevators they were compelled to pay a certain percentage to the society for business which they transacted with the line elevators. This was termed the protection clause and usually amounted to a half cent per bushel. Needless to say it was this clause that largely paid the coöperative elevator's expenses and the manager's salary during the first few months.

Imagine the chagrin of the line elevator managers in Rockwell when the "co-op" failed to wither under the barrage of high prices. The downfall of the Rockwell society, which they had predicted would come in six months, failed to materialize. Because the line elevators were losing heavily by offering excessive prices for grain, they were forced to reduce their prices to the level paid by the coöperative elevator.

After winning this "battle for existence", the society began to prosper and it was not long before most of the farmers around Rockwell realized that here was the "emancipator" of the farmers. The fight did not end, however, by the withdrawal of high prices of the line elevators. The opposition could not forget the "good old days" when

the grain dealers met regularly in Mason City to fix the price of grains from three to five cents per bushel below the actual market value. They were not content to watch the coöperative elevator fix a price which allowed only a modest fee for handling charges in lieu of fat profits. It did not take much argument by the line managers to convince the railroad men and commission men in Chicago (where most of the grain was shipped) that the coöperative elevator was an evil to the business world which ought to be exterminated.

Confronted with obstacle after obstacle during its first year, the Rockwell elevator nevertheless handled approximately 100,000 bushels of corn and oats which amounted to a business of \$145,000. Some machinery was sold by the elevator, and later livestock was marketed and coal and lumber sold to the farmers.

On June 7, 1890, the society adopted at one of its regular meetings the "penalty clause" or maintenance provision which proved to be the salvation for coöperative societies organized throughout the middle west. It was aimed at the selfish member who failed to pay the commission due to the society. The provision stated that "a member failing to pay an outside commission within 30 days was to be notified by the board of directors; and, if at the expiration of 60 days, such commis-

sion were still unpaid, there would be issued a second notice that carried with it suspension of said member from the benefits of membership until the commission was paid." This clause was rigidly enforced and was responsible for the sound finances of most of the coöperative elevators established after the Rockwell society.

In the year 1893 Chappell resigned from his managerial capacities of the society to take a cashier's position in a new bank in Rockwell. He was succeeded by Frank Campbell who had formerly been his assistant. At the same meeting in which Campbell was elected manager, the society decided it should extend its business to selling lumber. The newly-elected manager was immediately sent north to buy a supply of lumber. Upon his return he discovered that the competing lumber yards in the community were ready to underbid the "co-op" society. The battle was waged bitterly for a time but it was not long before the opposition was bought out by the society. During the years of strife, many society members were so imbued with the coöperative ideals that they refused to deal with competitors irrespective of price advantage.

The notable success of the Rockwell coöperative society served to make it a model in the founding of other coöperative elevators. By 1904,

thirty coöperative societies were functioning in Iowa alone. When a few members of the Rockwell society attempted to organize a new elevator at Dougherty, they encountered many barriers, the chief of which was from the railroads. The railroad officials of the line running through Dougherty refused to permit them to buy ground on which to build an elevator, or to let them make an extension of the switch to the site finally decided upon for the elevator some distance from the main tracks. The matter was not settled until the farmers threatened punitive legislation against the railroads.

Another practice indicative of the tribulations of the early "co-op" elevators was the refusal of Chicago grain commission houses to handle their grain. This action was instigated by Iowa line elevator operators who had organized to drive the coöperatives out of business. E. G. Dunn, the young manager of the Dougherty coöperative, shipped several carloads of grain to Chicago only to discover a few days later that the commission house was "unable" to dispose of the grain. Dunn went to Chicago and found the grain still in the freight cars on a lonely side track. Upon investigation he learned that the Chicago buyers had been warned by the combine not to buy Dunn's shipments or they would "sever business

connections". He finally sold the grain at a heavy loss to his society.

While societies were springing up all over Iowa and adopting the original coöperative elevator's by-laws, the Rockwell organization was expanding. In February, 1898, Norman Densmore resigned as president of the group and was succeeded by J. H. Brown, who had long been a faithful "co-op" convert.

Under Manager Campbell the elevator's gross income reached \$624,251.42 in 1901. Each year the stockholders braved the blustery March wind and almost impassable roads to attend the annual stockholders' meeting and listen to long reports on the society's business for the year.

During the early 1900's Manager Campbell started obtaining work clothes for his family and the elevator employees at wholesale prices. Presently one and then another of the society's members, learning of the new practice of selling clothes, were also accommodated. Almost any day, according to Holman in his *Forty Years of Co-operation*, an "initiated" member might be seen going stealthily up the steps from the back room to the loft over the office, where the supplies were kept, and, coming down again with a bundle under his arm, slip out the side door. At the annual meeting, transactions totalling several hun-

dred dollars were reported as "a little business upstairs"!

After the reports, Mr. Densmore, who was present for this annual meeting, arose by invitation to comment on the year's progress. "No one who was there will soon forget the humor of his expression as he inclined his head to look out over his glasses, and voiced his disapproval by slowly repeating the words, 'a little business upstairs'." In 1903, however, there was such a widespread demand for a coöperative clothing store which would be open to the public that the members voted to begin immediately.

As this new sideline flourished, so also did the sales of coal, farm machinery, and several staple grocery items such as coffee, flour, salt, and sugar. It was estimated that farmers saved from fifty to one hundred dollars yearly in dealing at the "co-op", and this did not include savings on clothing, lumber, coal, or machinery. Rockwell was certainly living up to its title of "Co-operative Center of the United States"!

The severest blow ever struck at the coöperative elevators in Iowa came in October of 1904. George Wells, secretary of the Iowa Grain Dealers Association, acting in response to the pleas of the "grain trust", issued a memorable circular letter threatening a boycott on all commission houses

in Chicago, Minneapolis, Peoria, and other terminals. He notified them that if the houses continued to receive grain shipments from the thirty "co-op" elevators the five hundred line elevators would withdraw their trade. The two Chicago firms which had been accepting coöperative societies' shipments were boycotted and trainloads of Iowa grain stood idle on Chicago railroad tracks. The darkest hours had arrived for the coöperative movement in Iowa and the middle west. The young societies selected C. G. Messerole, manager of the Gowrie elevator, to appeal to the Rockwell society for aid. In his letter to President Brown he suggested that a meeting be called in order to form a State association of coöperatives to combat the boycott.

At the Rockwell society's October board meeting most of the members did not favor the association as they believed their own elevator was not much affected by the recent decree of the grain trust. There was some sharp controversy. Finally, the youngest member arose. "Gentlemen," he said, "don't you realize that these other societies have not yet gained the prestige to call this meeting? With our by-laws, they are but sprouts of this organization. The only reason that we have not been thus attacked by the grain trade is that they did not know we would live and spread.

Perceiving that we have done so, they — when they have cut off the sprouts — will strike at the tap root. So, if for no other reason, let us do this for the selfish motive of self-preservation." After this speech the members voted to participate in a State-wide meeting.

The meeting was called and on November 4, 1904, representatives of thirty coöperative societies convened at Rockwell to unite against their common enemy, the "grain trust". As a result of the Rockwell meeting the Farmers Grain Dealers State Association was organized with Norman Densmore as president. This action soon forced the commission houses to lift the boycott, imposed on them by the Iowa line elevators. The slogan of the Association became a motto on many Iowa farms: "A fair deal, stick together, pay your commissions, and when selling elsewhere, look out for the weights."

In 1909 President Theodore Roosevelt, long a champion of the coöperative movement, declared: "The cooperative plan is the best plan of organization wherever men have the right spirit to carry it out. Under this plan any business undertaking is managed by a committee; every man has one vote and only one vote; and every one gets profits according to what he sells, buys or supplies. It develops individual responsibility and has a moral

as well as a financial value over any other plan."

The pattern set by the Rockwell society caused more and more elevators to be organized until in 1910 there were 325 farmer grain companies. Approximately sixty thousand Iowa farmers were banded together under the State Association. In times of distress all societies looked to Rockwell for aid in solving their problems.

Rockwell's fame had spread to all parts of the United States and across the ocean to countries of Europe. George L. McNutt, well-known economist of the early 1900's, was attracted to Iowa for a study of the Rockwell society. Upon his return to the East he wrote in the *Pittsburgh Dispatch*: "If you are troubled by the economic and social problems of the present, if you want to renew your faith in triumphant democracy, if you want to see what common men can do in the face of the greatest obstacles, if you want to believe in the social and economic redemption of the world, ask the conductor of the Iowa Central Railway to put you off at Rockwell, Iowa."

Year after year the coöperative elevator and its store continued to flourish at Rockwell. During the first World War the society dealt in livestock on a large scale and also continued to pay the farmer top prices for his grain. By 1924 it became apparent that there was friction between

the new and the old board members of the society, but after a few changes the board seemed to be functioning as in the pioneer days when the society was struggling for existence and dependent upon the harmony of the members who made the decisions.

Though the society had seen more prosperous days, it continued to pay dividends to its many stockholders who by that time had drifted away from Rockwell to various parts of the United States. At the annual March meeting of 1928 it was decided to reincorporate the society whose charter would expire in the following year. A year passed and at the final meeting the members fixed the minimum amount of stock at twenty-five thousand dollars for the new organization. And so the old Rockwell society, which began beneath that harvest moon in the year 1888 and which had overcome all sorts of obstacles during its span of forty years, was reborn.

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