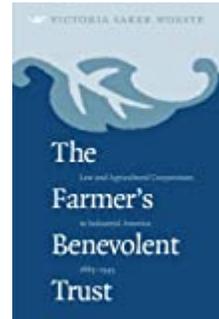


**Victoria Saker Woeste.** *The Farmer's Benevolent Trust: Law and Agricultural Cooperation in Industrial America, 1865-1945.* Chapel Hill: University of North Carolina Press, 1998. xviii + 369 pp. \$55.00 (cloth), ISBN 978-0-8078-2421-4; \$23.95 (paper), ISBN 978-0-8078-4731-2.



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**Published on** H-California (June, 1999)

### **Sun-Maid Raisins: True Cooperative or Ruthless Corporate Trust?**

In this important but overly ambitious work, Victoria Saker Woeste attempts to cram two books into one by telling a pair of separate yet related stories. The first, and most complicated, follows the simultaneous and interactive evolutions of American cooperative and antitrust law between the end of the Civil War and the conclusion of World War Two. The second, which is only hinted at in the book's rather misleading title, presents an illuminating case study that traces the origins and development of California's famous Sun-Maid raisin growers' cooperative. Together, these two sagas comprise a significant history that, in Woeste's rendering, is laden with irony and betrayal.

In the first of her stories, Woeste argues that in order to succeed as viable marketing and processing enterprises, American agricultural cooperatives steadily deviated from the democratic principles and organizational structure of "true cooperation," which she equates with the Rochdale plan pioneered by English weavers in the 1840s and exported to America prior to the Civil War. Originally intended to foster cooperative purchasing, the Rochdale model proved inadequate for raising the cap-

ital necessary to compete with the corporate middlemen who emerged to control the distribution of farm produce in the immense national markets forged by the Industrial Revolution. Consequently, the anticorporate agrarian radicals who launched the Grange and Populist movements between 1870 and 1900 turned increasingly toward the capital stock corporation as the legal vehicle for their cooperative ventures, thereby betraying the Rochdale ideal. By the 1920s, agricultural co-ops had become so corporate in their structure and behavior that it was difficult for most observers to distinguish them from the ruthless corporations they were designed to supplant.

This great irony was compounded by at least two more. As with labor unions, the proliferation of producer owned cooperative associations made it imperative that exemptions be secured from state and common law strictures against any combination that resulted in a monopoly or restraint of trade. This need became even more urgent with the passage of the federal Sherman Antitrust Act of 1890. To justify and obtain such favored legal treatment, farmers appealed to the Jeffersonian image of the yeoman as model citizen whose preservation was

essential to the health of the republic. Since cooperatives were essentially self-help associations designed to protect large numbers of individually vulnerable producers, they were viewed as fundamentally different from profit-seeking corporations that privileged and enriched mere handfuls of already prosperous plutocrats.

As Woeste demonstrates, this argument proved effective with state legislatures but did not fare as well in Congress or with the far more skeptical courts. And, despite what most textbooks tell us about the Clayton Act of 1914 and the Capper-Volstead Act of 1922, Woeste makes it clear that agricultural cooperatives did not gain full and effective immunity from antitrust prosecution until about 1926 (or, it might even be argued, until the 1940 Supreme Court ruling in *Tigner v. Texas*). By the end of World War One, however, just as Congress was finally coming around to the farmers' point of view, the actual behavior of co-op managers in the raisin and dairy industries had already begun to put the lie to their Jeffersonian pretensions.

Meanwhile, and again at the very moment they were at last gaining solid legal ground, the deepening farm crisis of the 1920s exposed the ultimate inability of cooperatives to protect farmers from an oversupplied market. Indeed, by virtue of their frequent initial successes at raising prices, co-ops often aggravated this problem by encouraging individual growers to increase production. Without the authority to limit the output of their membership, a power they never secured, co-ops proved unable to solve the crisis of the 1920s or to insulate farmers from the even greater shock of the Great Depression.

As it happened—and here is one final irony—self-help cooperatives paved the way for government agencies to intervene and manage the farm economy after 1933. At both the state and federal levels, New Deal reformers and cooperative managers developed an enduring and mutually beneficial arrangement. Working through the co-ops allowed government regulators to co-opt potential resistance and provided them with the bureaucratic structures necessary for effectively implementing market controls. For the co-ops, New Deal regulations supplied the arrow long missing from their quivers: the ability to restrict the output of individual growers. Government programs also enabled the co-ops to solve another vexing dilemma. Because they were private and voluntary associations, cooperatives could not legally compel “selfish” growers to “cooperate” for the “common good.” Mandatory federal marketing orders and state proration programs, however, put a quick end to the problems posed by contract viola-

tors within the co-ops and “free riders” who remained outside. In the end, the shortcomings of volunteerism made the case for mandatory controls, and agricultural cooperatives became subsumed within the modern regulatory state as a collection of government supported monopolies.

Few examples better illustrate the ironies and trajectory of the cooperative movement than that provided by the raisin growers of California. Beset by falling prices, chaotic marketing, powerful packing houses, and greedy commission merchants, raisin growers in the San Joaquin Valley counties of Fresno, Madera, Merced, Kings, and Tulare began organizing cooperative marketing and packing house associations between 1890 and 1896. These efforts mostly failed, and cooperation looked hopeless until Martin Theodore Kearney took up the cause. A San Francisco-based real estate promoter and self-described capitalist, the so-called “Moses of the Raisin Industry” had become a grower by foreclosing on over a thousand acres of Fresno County vineyards following the Panic of 1893. Desperately seeking to turn these unwelcome securities into assets rather than liabilities, Kearney designed and founded the California Raisin Growers' Association (CRGA) in May 1898. Aided by improving market conditions, the CRGA successfully pooled 90 percent of the 1898 crop and helped double the prices received by growers.

This spectacular debut enabled the CRGA to remain in operation until 1904, when internal dissension, coupled with mounting opposition from Fresno bankers and packers, finally caused the co-op to fall apart two years before Kearney's death in 1906. Still, the “Prince of Fresno” had demonstrated the potential of cooperation and his successors, led by Wylie Giffen, James A. Madison, and William R. Nutting, renewed the struggle in November 1912 by establishing the California Associated Raisin Company (CARC).

Dubbed the “million dollar corporation,” the CARC borrowed heavily from the corporate model built by Kearney. Like the CRGA, the CARC was a highly capitalized stock company whose annual marketing operations were made contingent upon the prior contracting of at least 75 percent of the state's raisin acreage. Unlike its predecessor, however, the CARC permitted nongrowers to purchase stock in an attempt to raise more capital and to encourage support from the bankers and packers. In order to keep control of the cooperative in the hands of producers, however, CARC leaders set up an innovative “voting trust” arrangement that authorized twenty-

five trustees, elected by growers only, to vote the shares of all stockholders. At the same time, the CARC sought to bind growers more tightly to stringent contracts that, while continuing to offer them a guaranteed minimum price for their crops, began in 1918 to impose liquidated damages in the event of a breach.

These innovations, combined with the return of favorable economic conditions (the heyday of the CARC coincided happily with the “Golden Age” of parity prices and World War One), resulted in an unprecedented triumph for agricultural cooperation. Between 1913 and 1920, the CARC marketed anywhere from 77 to 91 percent of the California raisin crop, while the prices returned to growers for their Muscat and Thompson seedless varieties rose 220 and 280 percent, respectively. These increases occurred in spite of a near tripling of production during the same period, as the CARC’s \$400,000 advertising budget, and its army of salesmen, aggressively stretched the market for its suddenly famous Sun-Maid brand. Significantly, an early federal antitrust investigation into the CARC’s activities found that the co-op had benefited consumers as well as producers. By eliminating the profits of speculators and middlemen, the CARC had actually succeeded in lowering retail prices. Evidently, the CARC was exactly what President Wylie Giffen later claimed when he replied to a critic: “Call us a trust, if you want to, but we’re a benevolent one” (pp. 138, 162). Middlemen, of course, vehemently disagreed. All along, the CARC had been expanding vertically to realize Kearney’s unfulfilled dream of controlling packing as well as marketing. After relying upon exclusive contracts with independent packing houses to process its first crop, the CARC began acquiring its own facilities so that, by 1918, only one independent packer remained in the raisin trade.

Not surprisingly, such success inspired imitation. Along with the California Fruit Growers’ Exchange (the marketers of Sunkist oranges and lemons), the CARC provided the blueprint for what Woeste refers to as the new “California style” of cooperation, which was exported across the nation after World War One by co-op promoter Aaron Sapiro. Between 1921 and 1926, thirty-eight states adopted variants of Sapiro’s model cooperative marketing act (CMA) while seven others passed similar measures. The result was a “legal revolution in cooperative marketing” (p. 203) that sealed the fate of the Rochdale ideal and “true cooperation” in agriculture.

The corporate monster that had taken their place was soon revealed for all to see after the CARC began to un-

ravel in 1919. That year, in one of the few ironies Woeste fails to note, soaring demand and inadequate supplies gave the recently displaced packers an opportunity to reenter the raisin trade and dramatically bid up prices. In response to this unanticipated competition, the CARC “monopoly” was forced to guarantee an outrageously high price for growers that was twice the amount allowed the previous year under emergency wartime controls. The consequent hike in consumer retail prices at last triggered an antitrust prosecution of what the Federal Trade Commission had already, just one year earlier, declared “a ruthless trust monopoly” (p. 152). The ensuing dispute, which held enormous implications for cooperatives all across the country, placed the CARC under a dark legal cloud for the next seven years and resulted in its reorganization in 1922 as the Sun-Maid Raisin Growers of California.

Meanwhile, Sun-Maid’s troubles mounted rapidly as it became an unexpected victim of its own success. Starting in 1922, an avalanche of raisins began to overtake and eventually bury the suddenly struggling co-op. Despite vigorous leadership provided by its new manager and director Ralph P. Merritt, Sun-Maid never resolved its crisis of overproduction which saw annual output rise 50 percent between 1920 and 1929, while prices received by growers plummeted to pre-1900 lows. Growers deserted Sun-Maid in droves, and the co-op’s share of the annual crop fell from 88 to a mere 32 percent.

Desperate times brought out the corporate beast lurking within the co-op. To save itself, Sun-Maid went to war with many of the very growers it was created to serve. The harsh contract of 1923 provided no guaranteed price while, at the same time, it raised liquidated damages. Widespread opposition to these terms set the stage for violence in the vineyards, and the contract sign-up drives of 1923 and 1925 became notorious in local history for the unprecedented levels of intimidation, vandalism, and coercion applied to recalcitrant growers. As in earlier such drives, the violence assumed an ugly racial overtone as primarily Anglo “night riders” targeted immigrant Italian, Japanese, German-Russian, and Armenian growers in disproportionate numbers.

While the campaigns succeeded in meeting Sun-Maid’s specified acreage quotas, they could not, in the long run, turn the economic tide in a favorable direction. Sun-Maid never did fully recover, and its survival after 1929 depended entirely upon government loans and price support programs. Today, Sun-Maid is just “one player among many” (p. 237) and its 1,200 raisin growers (down

from 16,500 in 1924) claim no more than 30 percent of the market.

Woeste's account of Sun-Maid's rise and fall is the first scholarly history ever written about this important and influential co-op. Together with her equally original examination of cooperative and antitrust law, Woeste has presented "a story that has never been told before" (p. 1). Unfortunately, as one might guess from the length of the foregoing summary, it becomes clear early on that Woeste has bitten off more than she can fully digest, and would have been better advised by her editors to write two separate books. As it is, *The Farmer's Benevolent Trust* suffers from a number of inevitable shortcomings. In her unavoidable need to economize, Woeste short-changes both of her "books" and often neglects to sufficiently develop key aspects of her various topics or to provide much needed background. To further save space, she frequently buries in her endnotes vital information that properly belongs in the main text. All of this results in a frustrating lack of clarity, not to mention a near constant flipping of pages back and forth between text and notes. Combined with a discomfiting number of factual errors and contradictions, these deficiencies seriously undermine the reader's confidence in Woeste's overall analysis.

This is truly regrettable because, throughout her discourse, Woeste makes a number of valuable historiographic contributions that will make *The Farmer's Benevolent Trust* an important source for students of legal and rural history. Among the most significant is Woeste's revision of Carey McWilliams' "Factories in the Field" motif which, until very recently, has stood for nearly sixty years as the unchallenged ruling paradigm of California agricultural history. While its sheer endurance eloquently testifies to its great explanatory and descriptive powers, subsequent scholars have applied the model so broadly and uncritically across California's rural countryside that the Golden State typically appears as a land completely dominated by corporate latifundia and utterly devoid of a family farm tradition.

Woeste demonstrates otherwise. Although large growers certainly wielded great influence, the raisin industry and its cooperatives were chiefly comprised of resident growers tilling modest vineyards of ten to fifty acres. This pattern, moreover, described California horticulture in general. Everywhere, smallholders were the rule, and their numbers grew tremendously between 1860 and 1940 as subdividers split baronial wheat and cattle ranches into more plentiful orchards and vineyards.

During this long period of transition, the average extent of California farms fell steadily from 622 to 230 acres. Even more telling was the sharp decline in median farm sizes, which dropped from 422 to 173 acres between 1880 and 1940.

Woeste drives the point home by deliberately reversing the title of Donald Pisani's book *From the Family Farm to Agribusiness* (1984). Says she, "The progression from wheat to fruit marked the path from agribusiness to family farms" (p. 42). Though she overstates the correlation between small farms and horticulture (there were far more family farms in California's "bonanza" wheat industry than most historians have allowed), Woeste has done an intelligent job of using aggregate census data to help rescue California's forgotten family farmers from their undeserved obscurity.

All the more lamentable then that Woeste fails to do the same for California's agrarian tradition. Instead, she slips right back into the historiographic mainstream by asserting that although "the Jeffersonian icon of the family farm" flourished in the Golden State, "Jeffersonian agrarianism never gained a foothold in California..." (p. 36). With this sweeping declaration, Woeste summarily dismisses California's rich history of farm radicalism, an essential topic she completely overlooks in her key opening chapter on the Grange and Populist origins of rural cooperation. California's Grangers never appear in *The Farmer's Benevolent Trust* and, except in one passing reference, neither do its Populists. They did, however, appear all over the San Joaquin Valley between 1870 and 1900. Fresno County alone boasted six local Grange halls in 1875 and was the home of J.V.A. Wright, the first Worthy Master of the California Patrons of Husbandry. During the Populist Revolt of the 1890s, Fresno wheat and raisin growers organized eighteen local chapters of the Farmers' Alliance and launched several cooperative ventures, including at least three DeBernardi Labor Exchanges. Several local Alliancemen, including John S. Dore, J.L. Gilbert, and Douglas T. Fowler, achieved statewide prominence in Populist circles while they, and others, went on to lead the initial efforts to organize the raisin industry. Alliance vineyardist A.H. Powers helped found the Fresno Cooperative Packers' Association in 1894, while Edwin Dudley of Selma later served as a CARC trustee from 1912 through 1918.

Unfortunately, the degree to which Sun-Maid and its predecessors were shaped by these agrarian rebels remains unknown because Woeste has inadvertently severed their Populist roots. Instead, like nearly all previous

historians before her, she ends up portraying California's specialty crop cooperatives as *sui generis*, yet another example of "California exceptionalism." This false genealogy leads Woeste to overstate her case for a unique "California solution to the farm problem," a "new form of cooperation" that "corrupted its hallowed tradition" (p. 36).

The pervading theme of corruption and betrayal is the most problematic component of *The Farmer's Benevolent Trust*. Woeste's argument that the "California model" betrayed the tenets of a more noble agrarian ideal rests upon a tremendously misleading definition that equates "true cooperation" with the Rochdale plan. Certainly Woeste is on solid ground when she singles out several Rochdale principles as defining elements of "true cooperation." Such features as patronage dividends, equal voting rights, limited dividends on invested capital, individual ceilings on stock ownership, and restriction of membership to patrons or followers of the same occupation all helped to clearly distinguish co-ops from ordinary corporations. They did not, however, rule out the use of the corporate structure, nor did they point toward the non-stock association as a more legitimate vehicle for "true cooperation," as Woeste often suggests.

Neither the Grange nor the Alliance ever equated "true cooperation" exclusively with the Rochdale plan. On the contrary, the Rochdale model came under increasing attack within both orders. For many Grangers and most Alliancemen, the chief defining characteristic of a Rochdale co-op was the requirement that all its transactions be made in cash. Not only did this rule render the plan useless for meeting the desperate credit needs of cash-poor farmers, it also violated the spirit of true cooperation by benefiting more prosperous growers to the neglect of their less fortunate neighbors. Consequently, Rochdale remained just one of many blueprints used by late nineteenth-century agrarian reformers, as Woeste's own evidence clearly indicates. Seen in this context, the departures of the CRGA and the CARC from the Rochdale "touchstone" (p. 35) do not appear especially unique or treasonous.

Leaving the Rochdale question aside, there remains the underlying problem of Woeste's overemphasis on legal forms. While judges and at least some federal antitrust regulators depended heavily upon organizational

structure to determine what was, and was not, a genuine cooperative, it is clear from Woeste's evidence that farmers, legislators, and the general public often used different criteria. For them, the definition of true cooperation was as much a matter of behavior and politics as it was of legal form. Generally speaking, co-ops, no matter how corporate or monopolistic, remained on safe ground as long as their targets remained small groups of unsympathetic corporate middlemen. This is why Wylie Giffen could publicly, and no doubt sincerely, describe the CARC as a "benevolent" trust at the same time he was putting the sword to the independent packers.

Co-ops only ceased to be perceived (and indulged) as "true cooperatives" when their power and behavior began to threaten more numerous small producers or even more numerous consumers. Revealingly, the federal government did not move aggressively against the CARC until the co-op adversely affected retail prices in 1919. This, despite three previous investigations that had uncovered more than sufficient grounds for initiating antitrust proceedings.

In the final analysis, it appears that the "Raisin Trust" did not seriously break with the spirit of "true cooperation" until it began to fail and grow desperate. In the violent contract drives of 1923 and 1925, Woeste at last finds convincing evidence that Sun-Maid had grown corrupt and lost its way. To underscore the anger of betrayed and outraged Sun-Maid growers, Woeste quotes Augustus F. Jewett, who denounced Sun-Maid's 1923 campaign as a "reign of terror" orchestrated by the "Raisin Ku Klux Klan" (p. 182).

Woeste's citation is more appropriate than she realizes, for Jewett was an old Kings County Populist who in 1891 had organized the Armona Alliance Packing Company, one of the first cooperatives formed by San Joaquin Valley raisin growers. For an aging agrarian crusader like Jewett, the sense of betrayal must have run especially deep in 1923, but we can only speculate as to the full extent of his disappointment. His voice, like the voices of those whose legacy he represents, still awaits a hearing.

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**Citation:** Michael F. Magliari. Review of Woeste, Victoria Saker, *The Farmer's Benevolent Trust: Law and Agricultural Cooperation in Industrial America, 1865-1945*. H-California, H-Net Reviews. June, 1999.

**URL:** <http://www.h-net.org/reviews/showrev.php?id=3138>

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