

# BULLETIN

## HISTORY OF COOPERATIVES IN WISCONSIN

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### *Humble Beginnings*

The history of cooperation in Wisconsin predates the formation of the state itself. Certainly the various Native American tribes engaged in cooperative activities. Among the early American settlers, legend has it that the first co-op in Wisconsin was started by Anne Pickett of Lake Mills in 1841. Pooling milk from her neighbors' farms, she converted it into cheese in her kitchen and sold it to buyers in Milwaukee. In cooperative fashion, the proceeds from the sales were distributed back to her neighbors in proportion to the raw milk they provided.

While Pickett was attending to business, a group of transcendentalists from the Southport area (now Kenosha) was looking for a way to escape the privations and loneliness of pioneer life. In 1844 they purchased 1,700 acres of land together near the present-day city of Ripon. Their goal was to establish a Utopian community, based on the ideas of French social theorist Charles Fourier. The result became known as the Wisconsin Phalanx. By 1847 the community had grown to include thirty-two families and over a hundred and fifty people. While the phalanx was a financial success, “the abler men could not resist the opportunities to grow rich by speculation which a developing country affords” (Adams, 1888, p. 316). By 1850 the community peacefully disbanded.

The first cooperative grain elevator in the United States was started in Madison in 1857. Scandalously, the co-op's manager sold the wheat and pocketed the money. Soon after, the elevator burned down and the co-op was dissolved. Nevertheless, it was a forerunner of better things to come.

In the 1870s the Patrons of Husbandry, better known as the Grange, made a great impact across rural America. The Grangers helped form thousands of farmer-owned elevators, gristmills, and feed mills throughout the grain producing states. In Wisconsin, the Grangers were primarily concerned with fighting the railroads,

although they also built numerous co-op stores and distribution agencies. However, few survived in the state after the 1880s. Possibly the most enduring impact of the Grange Movement was that it familiarized farmers with cooperative action and their experiments left behind many lessons to guide future efforts.

Co-op development at this time also appeared in urban areas. In 1885, a group of plumbers in Milwaukee formed what was then described as one of the most important and successful attempts at industrial cooperation in the United States. A major rift had erupted between the master plumbers and their journeymen counterparts. The latter responded with a strike and then formed a new company and resumed work as their own employers. "Cooperation has quite revolutionized this line of business in Milwaukee," it was reported (Adams, p. 320).

One form of cooperative business that has been remarkably durable is the town mutual insurance company. In fact, the tradition of mutual insurance for fire protection goes back as far Benjamin Franklin, who started the Philadelphia Contributorship in 1752, declaring "an ounce of protection is worth a pound of cure." In Wisconsin, the first town mutual company was formed almost a century later, and many more followed. Another product on the Grangers, the town mutuals allowed farmers to insure at affordable rates against the risk of fire. By 1915 there were 214 of these mutual companies, together carrying \$245 million of insurance risk (Hibbard). While many of these have since disbanded or demutualized, seventy-three still serve their local area.

### *Progress in the 20<sup>th</sup> Century*

Of course the development of dairy co-ops in Wisconsin did not end with Anne Pickett. By 1917, 380 of the 835 creameries in the state were farmer cooperatives (46%), with an average membership of 94 farms. Of the 1,929 cheese factories, 718 were farmer-owned (37%),

although the percentage was much higher (78%) in areas where Swiss and Limburger cheese predominated. Investment in the cheese factories ranged from as low as a few hundred dollars to \$3,000 and more (Hibbard, p. 10)

Of course, not every dairy co-op succeeded. Beginning around 1885, a great deal of hype rose up around the prospect of farmer-owned creameries. Promoters, tied to the equipment manufacturers, found a ready audience among farmers hungry for the cash market that butter represented. They often paid double what the equipment was worth, and too often the plant sat idle for lack of supply or market.

By 1917, a University of Wisconsin publication warned that "...the promotion of cooperative companies by professional promoters is extremely unfortunate or even reprehensible... Cooperation among farmers succeeds rarely except where it grows naturally out of the needs, experiences and aspirations of the interested parties. Most successful cooperation has started in a small way and grown gradually to greater proportions... The best arrangement is for one of the farmers to do the promoting" (Hibbard, p. 43).

New technologies created new needs, especially in rural areas. In 1876, Alexander Graham Bell made his famous first telephone call. In the years that followed, private telephone companies took little interest in stretching their lines across sparsely populated rural areas, but farm families took a keen interest in the new technology. Telephones were an excellent business tool, critical in the case of emergencies, and essential to building social and cooperative networks.

By 1917 there were 471 telephone co-ops operating in Wisconsin. More than half of these had annual revenues under \$500. These smaller co-ops averaged just 26 families, all living along the same phone line. They furnished the poles and other materials, strung up the

wire, owned their own phones and maintained the line adjoining their property. An annual fee of \$2 to \$5 per subscriber paid a larger company for switching services (Hibbard, p. 37) Today, there are still eleven telephone cooperatives in operation in the state. They bring modern communication services to nearly 40,000 mostly rural residents.

Most Finnish immigrants to Wisconsin settled in the northern part of the state and became farmers, miners and common laborers. They brought with them their native cooperative traditions, along with an antipathy for czarism, which for some included anti-capitalist, pro-Marxist politics. They formed cooperative retail stores to combat price gauging and lockouts among company stores during miners' strikes. The co-op stores thrived financially and provided a nexus for social interaction and continuance of their Finnish culture and heritage. In 1917, nine of the local Finnish stores came together in Superior, Wisconsin to form a central purchasing organization, which later became the Central Cooperative Wholesale. The CCW trained the local co-op managers, promoted the cooperative philosophy, and even developed a line of branded food products.

After World War II, however, the need for the CCW diminished as second generation Finns assimilated, and rural areas became less isolated. In 1963 CCW merged into the farmer-owned Midland Cooperative, which itself merged into Land O Lakes in 1982. Meanwhile, a few of the original, local Finnish stores are still in operation, such as the Iron River Co-op in Bayfield County, serving over 4,000 members.

### *A Favorable Environment*

Two critical factors that helped establish many co-ops in Wisconsin were favorable legislation and the support of university and extension personnel. For most of the 19<sup>th</sup> century, people formed cooperatives despite

the neglect (if not outright hostility) they received from their government. It is probably not surprising that relatively few of those early ventures survived.

But in 1887 Wisconsin became one of the first states to enact a law legalizing cooperatives. In 1911 that law was updated, incorporating many of the Rochdale principles. It was copied by many other states, and laid the groundwork for the eventual passage in 1922 of the federal Capper-Volstead Act, which is considered the "Magna Carta" of cooperative marketing (McKay et al).

In the 1930s and 40s under the Roosevelt Administrations, the federal government became much more proactive in supporting cooperatives. They largely subsidized the development of electric co-ops, which spread across rural Wisconsin much like their telephone predecessors.

In the agricultural arena, University of Wisconsin faculty and county extension agents became powerful advocates of the development of Wisconsin's dairy industry, and many of them saw cooperatives as an important element in that industry. Some county agents literally risked their jobs when local county board members saw co-ops as a threat to their private interests. The development of farmer co-ops developed at a steady rate from World War II up through the 1950s. Many of these provided farm supplies and services to their members.

### *New Trends*

By the 1960s, the number of farmer co-ops started to decline, a trend that continues to this day. Meanwhile, the 1960s and 70s saw a resurgence of new co-op development in other areas. Natural food co-ops and student housing co-ops, for instance, were part of the "counter-cultural" phenomenon of that period, and many still exist and are thriving today. In 1972, a cooperative health maintenance organization was formed, called

Group Health Cooperative. In 1979, taxi drivers took over a cab company and formed Union Cab Cooperative, reminiscent of the Milwaukee plumbers of 100 years earlier. In 1982, engineers and shop floor workers joined together to form a worker-owned manufacturing company, Isthmus Engineering. Two years later in Sun Prairie, Wisconsin, independent, family-owned pharmacies pooled their purchasing power to form a small business co-op, Independent Pharmacy Cooperative, which now serves a national membership.

Meanwhile, small groups of farmers are again banding together, most of them starting very small co-ops and targeting niche markets. In 1988, a new farmer co-op was formed in La Farge, which focused on the nascent market for organically grown dairy products. By 2001, that co-op had grown to over \$100 million in sales.

This brief scan of Wisconsin's co-op history reveals that impermanence is more the norm than the exception with cooperatives. If they serve their members well, co-ops may thrive for years. But change is constant. Cooperatives may dissolve, privatize, or merge into very large organizations, but they seldom stand still.

The future of the cooperative sector in Wisconsin will depend on the needs of its citizens. Those needs will be influenced, in part, by new technologies, as was the case with centrifugal milk separators and telephones. A strong cooperative sector will also require continuing support from the government and university system, as well as a broad-based commitment to cooperative education.

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### **Additional Information**

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