

Mr. LEGGE. Our advance is made to the cooperative; if they make a contract with a commission firm to represent them in selling, that is their business, as we see it.

Mr. AYRES. Mr. Legge, there are two national farmers' organizations handling grain, one being the Farmers' National Grain Corporation and the other the Grain Stabilization Corporation. Will you be so kind as to explain the difference between the two, or rather, the functions of each?

Mr. LEGGE. Taking the Farmers' National Grain Corporation first, which we regard as the more important, that is composed of 26 groups of grain cooperatives covering practically the entire United States where grain is grown for marketing. Each of those 26 groups—and they usually represent a State or a region, some territorial group—each of them is composed of a large number of local associations such as local elevators at some local point in the country, and each of them takes stock in this central-marketing organization, based on the volume of business done for them. It is on a percentage basis, according to the size of the cooperative, where their relation to the central organization is on a bushelage basis.

The Farm Board has no jurisdiction over their operations beyond that of helping them to organize and iron out the differences that have arisen and still arise between the different member groups, and help them to finance their operations.

They started out with a comparatively small amount of capital, and they were rather heavy borrowers.

Mr. AYRES. Of the Farm Board?

Mr. LEGGE. Of the Farm Board. Their subscription to the capital stock was on the basis, I think, of 20 per cent being paid down and the balance of it to be paid over a period of four or five years. They are to pay for the stock in the central organization—the Farmers' National Grain Corporation—in addition to which all the earnings of the central organization until the capital is built up to the authorized amount of \$10,000,000 are applied toward the payment on the stock in this central organization. They have a pretty good record up to the present time. Their operations and their financial strength have been growing. They are handling a constantly increasing quantity of grain. They have already handled directly actual sales of something over 60,000,000 bushels of wheat of the current crop, and they are financing for their members a considerable quantity of members' grain still in storage. That organization is wholly owned by the growers. It is producer owned and controlled, as contemplated in the agricultural marketing act.

The Grain Stabilization Corporation is also set up under the terms of the act, as a separate corporate entity, incorporated under the laws of the State of Delaware, and it was organized for the express purpose set forth in the law, in connection with emergency operations in times like we are going through at the present time.

That is financed almost wholly by money borrowed from the board. The capitalization is held by the cooperative organizations, that is, the stock, but it is nominal, it does not represent any considerable volume of business. In the operation the profits and losses accrue directly to this revolving fund provided for the Farm Board; while, on the other hand, the Farmers' National Grain Corporation operates as the sales agency for its member stock holding grain cooperatives.