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Consumers' Cooperatives in 1941

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NOTE

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CONTENTS

	Page
Consumers' cooperatives in 1941.....	1
Legislative status and action.....	2
Expansion in the movement.....	3
Housing.....	5
Medical care.....	6
Insurance.....	6
Associations for power and light.....	6
Credit unions.....	7
Services of wholesales.....	7
Cooperative education and recreation.....	7
Cooperatives and labor.....	9
Endorsements.....	10

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CONSUMERS' COOPERATIVES IN 1941

THERE were no particularly spectacular developments in the consumers' cooperative movement in 1941, but the year witnessed a remarkable quickening of interest throughout the country. The trend toward modernization of premises and equipment continued at an accelerated pace. One of the most notable developments was the gain in the grocery field and the expansion not only in volume of goods sold but also in number of associations handling grocery items. In view of the uncertainties attending business operations in the field of petroleum products and automobile tires and accessories, the expansion into grocery sales represents a protective and stabilizing factor.

Well-organized publicity, membership drives, and increasing use of radio and other means of acquainting the public with the meaning and possibilities of cooperation indicate that the days when the cooperative movement was content to go its way unheralded are past. A Nation-wide drive to "strengthen and develop existing consumer cooperatives and to awaken America to the advantage of consumer cooperatives" was launched, as well as a campaign for a \$50,000 radio program on a national scale.

Detailed statistics are not yet available regarding the volume of sales of cooperatives in 1941. The reports thus far received by the Bureau of Labor Statistics indicate a considerable increase in business over 1940 by the retail associations.¹ The wholesales showed remarkable gains over the 1940 business, ranging as high as 40 percent.

It is probable that the volume of patronage refunds on 1941 business will be decreased considerably from levels of previous years. Alive to the uncertainties in the merchandising field, cooperative leaders have been urging the associations to exercise the utmost conservatism and soundness of methods, and have been preaching that if cooperatives are going to survive the difficult times ahead, they must be well capitalized. For this reason a much larger proportion of earnings than usual will undoubtedly be voted for additional capital, by the annual meetings of the members. These meetings will also have to consider the many problems that war conditions have already produced and threaten increasingly in 1942.

¹ Detailed statistics on the operations of cooperatives will be published later in the *Monthly Labor Review*.

Legislative Status and Action

In the legal field both victories and setbacks were experienced in 1941.

North Dakota passed an amendment to the cooperative act making the use of "cooperative" or any abbreviation of it a misdemeanor, unless the organization is incorporated under the cooperative law.

Several measures inimical to cooperative associations were introduced during 1941 but failed of passage. These included a Minnesota bill which would have prohibited cooperatives from selling any article not regularly carried in stock and one that would have limited to 3,000 gallons any load of gasoline or other inflammable liquids carried by transport trucks. In Massachusetts a bill was introduced which would have levied on cooperatives a special tax amounting to half of 1 percent of their gross receipts; the bill did not provide for any similar tax on private firms in the same lines of business. The opposition of organized medicine to group-health plans controlled by laymen (i. e., by members of cooperatives) was manifested in bills introduced in Massachusetts and Ohio, which provided that no plan could operate without the consent of a majority of physicians in the area to be served nor, in Massachusetts, without the specific approval of the State medical association.

The property right of National Cooperatives (the national wholesale association) in the trade-mark, "CO-OP," was upheld in the United States District Court in New York City, in a case in which an organization had used the trade-mark in spite of having been denied it by the wholesale. An injunction was issued by the court against the offending organization.

Taking the position that patronage refunds to member associations constitute an illegitimate discount on the purchase price, the Bituminous Coal Commission ruled that consumers' cooperative wholesale associations could not be recognized as wholesale coal distributors under the Guffey Act.² This ruling was a severe blow to the coal business of such wholesales as Midland Cooperative Wholesale and Central Cooperative Wholesale. As the Guffey Act was due to expire on April 26, 1941, an amendment was introduced by Senator La Follette which would have extended to wholesale cooperatives the same mine price as offered to private coal wholesalers, but this amendment was withdrawn later in order to speed passage of the extension of the act.

Cooperative associations view the above situation as serious, because "any Government ruling which classifies cooperative savings returns as 'discounts' is a threat to all cooperative business,"³ and

² Farmers' cooperative wholesales are, however, specifically recognized as dealers, under the act.

³ Cooperative Builder (Superior, Wis.), March 22, 1941.

because of the probability of general extension of price fixing during the war emergency.

Early in February 1941, a favorable decision was secured by the Community Cooperative Hospital in Elk City, Okla., when the State District Court granted a writ of prohibition barring prosecution, by the State medical board, of a 4-year-old charge of unprofessional conduct brought by that board against the head of the hospital. This organization, started in 1929, has had a 12-year fight for existence.

In a jury decision rendered April 4, 1941, in the District of Columbia, the American Medical Association and the District Medical Society were found guilty of conspiracy against Group Health Association, a cooperative providing medical care of all kinds for its members. The two doctors' associations were fined \$2,500 and \$1,500, respectively.⁴ Although this particular case was brought by the Federal Government, under the Sherman Antitrust Act, it represented the culmination of a long struggle between the cooperative and the medical profession for the cooperative's right to exist and to be accorded hospital and other facilities for practice.

In Wisconsin a bill was introduced, amending the law so as to provide specifically for the incorporation of medical cooperatives and to prevent discrimination by medical societies or hospitals against doctors participating in cooperative health projects or prepaid group plans. It was lost in the lower house by a vote of 63 to 22.

Expansion in the Movement

A great many new associations and buying clubs were formed in 1941. Even in districts already well developed cooperatively, such as Minnesota and Wisconsin, a considerable number sprang up.

The Eastern Cooperative League reported that during September and October 1941, alone, requests for aid in starting new groups were in excess of those received since 1936.

The architectural improvements in cooperatives that were noted in 1940 continued with increased momentum during 1941. From New England to the Pacific coast, cooperative associations were enlarging and modernizing their stores and other business premises and improving their store lay-out for better efficiency. Redesigning of store fronts and equipment has in many cases followed the color scheme—light cream and forest green—recommended for cooperative associations. At least three associations (at Maynard, Mass., and Menahga and Wadena, Minn.) installed air conditioning.

The trend toward self-service in cooperative stores continued, this often being installed during the modernization process.

⁴ Appeal was taken from this decision to the United States Court of Appeals, in the District of Columbia. The arguments were being heard as this bulletin went to press.

A great many associations throughout the United States constructed and moved into new buildings of the most modern style.

One of the most noteworthy instances of expansion in the cooperative movement was that which has been taking place in the southeastern States. Although farmers' marketing and the purchasing of farm supplies is quite well developed in this region, formerly it was almost a desert as regards consumers' cooperation. With the formation of the Southeastern Cooperative Education Association, in 1940, by a group of persons interested in developing cooperatives, interest has steadily grown. Several regional conferences have been held at which representatives were present from existing cooperatives as well as from localities with no cooperative activities. These conferences have afforded opportunity for exchange of experience of the farmers' cooperatives, the credit unions, the students' cooperatives at the various educational institutions both white and colored, the housing projects, and the service cooperatives at the homestead projects of the Farm Security Administration. Substantial proportions of the cooperative associations are those of Negroes. Out of these conferences grew a new federation—the Southeastern Cooperative League—with headquarters at Carrollton, Ga.

Although the credit unions represent the fastest-growing phase in that region, cooperative stores of urban and small-town cooperators are becoming so numerous that joint purchasing of cooperative label goods is being considered. Meetings of rural and urban cooperatives in Virginia and North Carolina have also been studying the possibilities of creating a wholesale to serve the two States. Discussion of similar joint action was part of the agenda in a conference held in Atlanta early in January 1942. Plans were made for the pooling of purchasing power of the 33 consumer cooperatives in the Atlanta area. Eventually a new wholesale may result.

From Georgia was reported also a completely cooperative community in which the land and buildings are owned by the cooperative association.⁵ The tasks of life are divided on a community basis. Thus, one family produces the vegetables for the community, another the milk, a third the poultry, etc.

In Colorado the Farmers' Union of that State launched a program for the wholesale supply of commodities for local associations. Land was purchased and a building is being erected which will house the general offices, a wholesale warehouse, and the already existing insurance service.

In the Lake Superior region a new organization, the Cooperative Terminal, Inc., was formed, which is not only marketing farm produce

⁵ Southeastern Cooperator (Carrollton, Ga.), November 1941.

but is purchasing meat and fruit for the local retail cooperatives in the district.

A county-wide federation to embrace all types of cooperatives was formed for Kandiyohi County, Minn. There are 30 or more cooperatives of various kinds in the county.

In the Middle West more and more farm-supply associations, as well as those formerly handling petroleum products only, are branching out into the grocery field. Consumers' Cooperative Association (North Kansas City, Mo.) and Midland Cooperative Wholesale (Minneapolis, Minn.), both of which started as gasoline and oil suppliers, have been urging their affiliates to add grocery lines to their oil business. In Ohio, the Farm Bureau Cooperative Association has been active in interesting its locals in groceries. The Ohio Cooperator reported in November 1941 that at least 21 Farm Bureau cooperative associations in that State were buying groceries from Central States Cooperatives in Chicago. At an all-Ohio conference of cooperatives held early in the same month it was voted that a State-wide rural-urban grocery program should be developed, with adequate warehouse facilities to serve it. Meetings of local cooperatives early in 1942 will consider and take definite action on this proposal.

Interesting excursions into new lines are reported from Iowa where good customers of a local petroleum association are the gasoline-motored passenger trains of one of the class I railroads; and from Idaho where a retail gasoline cooperative furnishes water for the village from its own supply.

At least three new cooperative funeral associations were formed in 1941—two in Iowa and one in Wisconsin—and a Minnesota store association voted to establish a mortuary department. Three district educational federations in Michigan were reported to be studying the possibilities of starting a regional cooperative burial service.

There was evidence of steady interest of college students in cooperatives providing rooms, meals, books and students' supplies, and other services. Reports to the Bureau of Labor Statistics indicated that a considerable number of new associations were formed during the year and facilities of existing associations were expanded.⁶

Housing.—Because of financing and other difficulties, cooperative housing associations are very slow to develop. Reports coming to the attention of the Bureau indicate that in 1941 land was obtained and steps taken toward construction on two housing projects in Illinois, and one project in Michigan. In St. Paul, where some 27 homes were built cooperatively in 1940, it was reported that 6 more had been undertaken by the same association. A fourth apartment building in New York City sponsored by the Amalgamated Clothing Work-

⁶ Data on campus cooperatives are being collected in a joint survey by the Bureau of Labor Statistics and the University of Maryland.

ers of America was erected during 1941, with accommodations for 48 families; buildings previously erected had provided 638 dwelling units.

Medical care.—The year 1941 saw a considerable spread in the provision of medical care under the cooperative contract plan, but no instance has come to the attention of the Bureau in which a new organization was formed which undertook to furnish such care through its own facilities. In St. Paul, Minn., an insurance plan providing for prepayment of medical service was made available, supplementing the previous hospitalization service. The Ohio Farm Bureau also worked out a system of hospital insurance (for members of county farm bureaus only) under the group contract plan. In Illinois a Group Health Cooperative was formed, with the function of informing the public about cooperative medicine and of fostering the growth of the local contract plan.

Insurance.—The joint insurance plan of Central Cooperative Wholesale and Midland Cooperative Wholesale, which was established in 1940, got well under way in 1941. Under the auspices of Cooperative Insurance Services (the central association formed for the administration of insurance) a life insurance service (Cooperators Life Mutual) was formed to operate in Wisconsin. A similar association was already in existence for Minnesota. A group policy is now offered which can be taken out by local cooperative associations, on condition of signing up three-fourths of their membership. In consideration of a premium amounting to half of 1 percent of the association's previous year's sales, the lives of all its members are insured. In case of the death of a member of the policyholding association, his beneficiary receives a sum based upon the age of the deceased and upon the amount of his patronage of the cooperative during the preceding year. Thus, if his age was between 16 and 50 years his beneficiary would receive a sum equal to 50 percent of his purchases; if between 51 and 70 years, 40 percent; and if 71 or over, 20 percent. The insurance is sold through agents in the local cooperatives.

One of the largest insurance organizations in the consumers' cooperative movement—the Ohio Farm Bureau life insurance company—started a new low-cost term-insurance policy designed to meet the life-insurance needs of low-income families. Increases were reported in all types of insurance written by Ohio Farm Bureau companies in the first 11 months of 1941, ranging from 40 percent for automobiles to 129 percent for general liability.

Associations for power and light.—Rural electricity cooperatives continued to expand under the REA plan, according to data published by the Rural Electrification Administration. At the end of August 1941 there were 776 cooperative electricity associations which were borrowers from the Administration, as compared with 672 at the same period in 1940.

Credit unions.—Expansion of credit unions in connection with consumers' cooperatives continued during 1941. The Nebraska Farmers' Union made specific recognition of their value in a resolution urging "all local buying cooperatives to sponsor credit unions to help solve their credit problems." In Ohio the Farmers' Union recommended to its members a greater use of credit unions.

Services of wholesales.—Several of the wholesales built additions to feed mills, grease plants, and paint factories, and at least two opened new branch wholesale warehouses.

One of the young wholesales on the Pacific coast—Associated Cooperatives of Northern California—which formerly shared the quarters of a local retail cooperative—was compelled by increasing business to purchase a new warehouse to which it moved early in 1942. This wholesale was admitted into membership in the Cooperative League of the U. S. A. at the October meeting of the directors.

A new grocery-trucking service was inaugurated by Central Cooperative Wholesale (Superior, Wis.) early in January 1941. This organization also erected an addition to its main building. Consumers Cooperative Association (North Kansas City, Mo.) added a legal department. The same organization also purchased a printing plant at which it will do its own printing as well as job work for its member associations.

The Indiana Farm Bureau Cooperative Association, which previously had entered the oil-refining field in 1940, acquired oil-bearing land for production. Its first oil well was brought in in November 1941.

Consumers' Cooperative Association, outstanding exponent of production by consumers' cooperatives, purchased a privately owned refinery at Scottsbluff, Nebr., which will add 1,500 barrels to its previous output of 3,400 barrels at Phillipsburg, Kans. A second lease on oil-producing land was also acquired by the wholesale in 1941. (It was already operating 7 oil wells on land previously leased.)

Midland Cooperative Wholesale and Central Cooperative Wholesale in June 1941 entered into an agreement of demarcation of trading territory. This agreement was designed to eliminate any duplication of effort and competition between the two wholesales. Although local associations in the region will still be free to choose their source of supply, recommendation was made that they patronize the wholesale in whose territory they are situated.

Cooperative Education and Recreation

Consumers' cooperation is being recognized more and more as a subject for inclusion in the curriculum of institutions of learning in the United States. In 1941, Maryland University started a 4-year course in consumers' cooperation, and Antioch College installed a

course designed for students wishing to go into the cooperative movement for a livelihood.

The cooperative movement each year extends and intensifies its work in the training of students to be managers and employees of cooperatives. In addition to Rochdale Institute, national training school for cooperative employees, almost all of the wholesales hold annual training courses. In 1941 the Good Will Fund, Inc., became joint sponsor with several regional cooperatives of the Midwest Cooperative Managers' Institute, which was held in Chicago in January 1942. Such courses are of particular value now, for with the cooperative movement expanding at its present rate and with the calling of many single workers into military service, the cooperative stores are having difficulty in obtaining trained employees.

Central States Cooperatives in 1941 authorized the hiring of a full-time field worker in education and trade practices.

In Nebraska, where the educational work among the Farmers' Union cooperatives is carried on by the State Farmers' Union, the 1941 convention adopted a resolution recommending that all direct or affiliated activities of the organization be asked to contribute 1 percent or more of their net earnings each year for education.

The Ohio Farmers' Union at its 1941 convention went on record as favoring a State-wide program of education in cooperation, to include (a) organization of cooperative study groups in each local for the purpose of studying the aims, purposes and principles of cooperation; (b) discussions of the cooperative movement at local meetings; and (c) the establishing of practical cooperative projects for putting the acquired knowledge to use. It was the consensus of the meeting, also, that every local should "devote time to sponsoring cooperative recreation. People who learn to play together will more easily learn to work together."

The year 1941 saw an organized effort to obtain more active participation by the members in the activities of their associations. One of the most effective ways of increasing members' participation and of enlarging their understanding of cooperative philosophy, as well as of reaching ever-widening circles of prospective members, is the group discussion method. In practically every region where there is a federated cooperative body an intensive effort was made to establish such discussion groups.

Recreation forms a definite and growing part of the program of the cooperative movement. For the past 6 years a national recreation school has been held for the training of leaders in recreation. In Michigan and Illinois, summer camps are run which combine recrea-

tion with instruction. The Illinois camp is leased from the Government, but that in Michigan is being purchased and will be owned by the cooperative movement there. The cooperative associations in Minnesota and Wisconsin own several parks which offer facilities for camping, boating, etc., and for summer educational institutes. The California associations run an all-year camp.

"Play Co-ops" are springing up in various sections of the country. These organizations not only undertake to purchase tickets to theaters, concerts, and other entertainments for their members, but also sponsor group singing, dancing, and other get-togethers. One local association has formed a drama group which has produced and acted in several plays. Play co-ops are known to have been started in 1941 in the District of Columbia, New Jersey, and Wisconsin.

Combining recreation and education, a tour of cooperatives was arranged in July 1941, which included visits to cooperative organizations in Illinois, Indiana, Minnesota, Missouri, Ohio, and Wisconsin. The persons participating were given a chance for first-hand examination of some 24 different types of cooperatives.

Cooperatives and Labor

Several joint labor-cooperative meetings were held during the year. Among these was a meeting—the first of its kind in that section—held in North Kansas City, Mo., in February 1941, at which were gathered delegates from labor unions and cooperative associations in the area. Representatives of labor, cooperatives, and various religious and educational organizations met in April in Louisiana.

In Racine, Wis., a Joint Consumers' Council was formed in which organized labor, farm organizations, and cooperatives were represented. The purpose of the council will be to provide a clearing house of information and a medium of united action against unwarranted rises in rents, food, and clothing. The initiative in the formation of the council was taken by the Racine Consumers Cooperative, "believed to have a larger proportion of its membership belonging to various A. F. of L. and C. I. O. unions than any other co-op in the Nation."⁷ All of its departments are unionized.

Numerous agreements with organized labor were reported during the year, practically all of which contained increased pay, shorter hours, or both. One such agreement (that signed by Midland Cooperative Wholesale with the office employees' union) provided for a sliding scale of rates moving up or down in accordance with the quarterly cost-of-living indexes of the United States Bureau of Labor Statistics.

⁷ *Cooperative Builder* (Superior, Wis.), October 2, 1941.

Endorsements

The 1941 convention of the American Federation of Labor adopted a report of the resolutions committee directing the Executive Council to "give consideration to the subject of consumers' cooperative activities and to production and consumers' cooperative organizations." The 1941 convention of the Congress of Industrial Organizations passed a unanimous resolution calling upon the officers to "undertake a careful analysis of ways and means whereby the C. I. O. and its affiliated organizations may participate in the development of the consumers' cooperative movement and stimulate the interests and activities of union members along such lines." Unanimous endorsement of the consumers' cooperative movement was also given by the Textile Workers Union.

Twenty railroad labor organizations expressed interest in cooperative buying organizations and requested the president of the National Cooperative League to address a meeting of their executives, with a view to organizing cooperatives.

At the 1941 meeting of the National Catholic Rural Life Conference, the cooperative movement in its various phases was discussed throughout the conference and its extension was urged by various speakers.