
UNITED STATES DEPARTMENT OF LABOR

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BUREAU OF LABOR STATISTICS

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Consumers' Cooperation in the United States in 1941



Bulletin No. 725

[Reprinted from the Monthly Labor Review, November 1942, with additional data]

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LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., December 2, 1942.

The SECRETARY OF LABOR:

I have the honor to transmit herewith a report of a survey of consumers' cooperatives made under the direction of Florence E. Parker of this Bureau, with the assistance of Tessim Zorach.

A. F. HINRICHS,
Acting Commissioner.

Hon. FRANCES PERKINS,
Secretary of Labor.

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*Bulletin No. 725 of the
United States Bureau of Labor Statistics*

Reprinted from the MONTHLY LABOR REVIEW, November 1942, with additional data

**CONSUMERS' COOPERATION IN THE UNITED STATES
IN 1941**

Summary

COOPERATIVE development in the United States has generally followed the economic curve, but in reverse order, expanding with depression times and usually receding somewhat as prosperity returned and the necessity for small savings lessened. The latest period of cooperative expansion, which began with the onset of the depression in 1929, has, however, been an exception to the general rule, for it has continued unbroken its upward sweep. It is possible that war conditions, restricting civilian supplies and consumption, will force out of operation a certain proportion of associations, notably those in the petroleum-products business. Such restrictions had not gone into effect at the end of 1941, the year covered by this report. For a large percentage of the associations that year was the best in their history.

The nearly 4,500 primary distributive and service associations had an estimated paid-up membership of over 1,427,000, in addition to partly paid members numbering (in reporting associations) nearly 146,000. Thus, over 1½ million persons were full-fledged members or were on their way to full membership in these consumers' cooperatives at the end of the year.

With a retail distributive business of over \$345,000,000 and a service business of nearly \$11,000,000, these local consumers' cooperatives accounted for a total of over \$356,000,000 in consumer goods and services during the year. In addition, the 54 distributive and service federations had a total business aggregating almost \$105,000,000; of this, \$100,760,000 was wholesale distributive, \$2,243,000 was service, and the remainder represented retail and other business.

For identical associations reporting for both 1940 and 1941, the latter year showed increases in membership of the local associations of over 7 percent and in sales of about 23 percent. For the regional wholesales the increases were 9 and 23 percent, respectively.

The wholesales and the central productive associations owned by them produced goods, for their own use or for sale to member associations, amounting to over \$14,000,000.

In addition to these purely consumer cooperatives, there are many farmers' marketing associations which do purchasing of consumer goods for their members. The data available are insufficient to permit estimates as to the total amount of purchasing of consumer goods by farmers' marketing associations in 1941; the 524 associa-

tions of this kind which furnished reports for the year had a combined business of \$119,122,000.

The 1,600 local distributive and service associations reporting had combined net earnings, for the year, aggregating \$11,533,148, after deducting losses of \$216,916 by 103 associations. On the basis of these reports it is believed that the local associations had net earnings of at least \$17,000,000. If to this sum be added the net earnings by the wholesale associations, amounting to \$4,750,497, the consumers' cooperative movement saved for its members over 21¼ million dollars in this one year.

The distributive and service associations are generally regarded as forming the consumers' cooperative movement proper. Telephone, electricity, and insurance associations, and credit unions, though also consumers' cooperatives, both here and abroad form distinct and separate parts of the movement. Inclusion of their totals with the data for the distributive and service associations brings the total number of associations in the United States at the end of 1941 to nearly 23,000, the consumers' cooperative membership to almost 16½ million persons, and the total local and retail consumers' cooperative business to about a billion dollars in addition to a wholesale business of nearly \$105,000,000. Net earnings are available (among the special types of associations) only for the credit unions. If these are added, the net earnings of local and federated associations for 1941 total nearly 36 million dollars.

Patronage refunds (credit unions, retail and wholesale associations) are estimated to have exceeded \$24,000,000.

About 1,400 retail and service cooperatives and the central commercial associations together reported a labor force of nearly 12,000 full-time persons, to whom they paid in wages the sum of \$17,879,000. A considerable number of part-time workers was also reported, especially by the students' cooperative rooming and dining associations. Average yearly wages for full-time employees varied quite widely, ranging from \$635 in the central productive associations to \$2,329 in the regional and State-wide educational federations.

The data here given are based upon a general survey of cooperatives made by the Bureau of Labor Statistics, covering all the distributive and service associations, the pre-REA electricity associations, the federated commercial and noncommercial organizations, and credit unions. Data for the REA electricity cooperatives were supplied by the Rural Electrification Administration. The telephone associations were not circularized; estimates for these are based upon the Bureau's 1936 study. The estimates for the insurance associations are based upon the trend of a reporting sample, plus data from Department of Agricultural reports.

The various types of associations covered in this report are not equally cooperative, in the accepted Rochdale sense. The cooperative distributive associations follow the principles laid down by the Rochdale Pioneers: Membership is open to anyone who can make use of the association's services. The members themselves provide the capital necessary, but no one has more than one vote regardless of the size of his investment. The members decide what type of business they shall carry on and they control all the policies. Whatever activity they undertake is carried on in their interest as consumers, to supply themselves with goods and services. The characteristic which above all distinguishes the consumers' cooperative business from

other business is that the net amount saved through the operation of the business (i. e., what would in private operation be termed the "net profit") is returned to the members, not in proportion to the amount of capital stock they hold, but in proportion to their patronage of the business. Thus, in a store society the member who has spent \$500 at the store in the course of the year would receive in patronage refunds five times as much as the member whose purchases totaled only \$100.

The consumers' cooperative movement, wherever found, is still grounded upon these principles. The immediate objective is economic—to make the pennies go farther, to eliminate the extra cost entailed by extravagant advertising and by high-pressure salesmanship, to handle only commodities of known good quality, and to fill an increasing number of human wants on a nonprofit basis. Like the original Pioneers' society, the present-day movement also has a far-reaching social philosophy. Its final aim is to supply every need of life, social and economic, without profit and by united effort.

Conscious practice of cooperative principles is not so common among some of the special service associations, as for instance, the telephone and insurance associations. Some of these are organized as cooperatives and run as such, but by far the larger number are cooperative only because of their conformity to the principles of mutuality, not because of their acceptance of the Rochdale philosophy. The laws under which credit unions are formed provide for many of the cooperative principles (membership control, one vote per member, no proxy voting, etc.), but they also (except in Ohio) provide for division of earnings on the basis not of patronage but of the members' investment. Nevertheless, some credit unions, notably those connected with Rochdale cooperatives, practice the patronage-refund principle and make a refund on interest paid by borrowers at the same rate as is paid on shares. With the continuance of the affiliation between the central organizations of these two sections of the cooperative movement—The Cooperative League and the Credit Union National Association—this tendency may accelerate.¹

Geographical Distribution of Cooperatives, by Type

Geographically, there is a wide diversity in extent of cooperative development, but the records of the Bureau of Labor Statistics indicate that there are store associations in every State in the Union except Nevada. Thanks largely to the educational work of the Southeastern Cooperative League, the southern and southeastern States now all have one or more stores or buying clubs for consumer goods. In some States, however, the development is still meager. Thus, in Arizona there are only 8 associations, and of these 6 belong to Indians.

The store associations are still found in greatest numbers in the Middle West, with a smaller but growing development in New England, the Middle Atlantic States, and the Pacific Coast States. States leading as regards number of store associations are in order, Minnesota, Wisconsin, and Michigan. The greater part of the associations handling petroleum products are also in the Middle West,

¹ The Credit Union National Association was admitted to the Cooperative League as a fraternal member in 1939; in the fall of 1942 the central supply association of the credit-union movement, Cuna Supply Cooperative, became a full member of the League.

Mountain States, and Texas; there are still very few in the other sections of the country. States with the largest number of these associations are Minnesota, Nebraska, North Dakota, and Wisconsin. A great many of the associations whose major business is the conduct of a store business also handle petroleum products.

Buying clubs are difficult to discover, as they generally are informal, unincorporated groups with no established business premises. The greater part of those of which the Bureau has records are in New York, Pennsylvania, Ohio, and Massachusetts.

Cold-storage lockers, in which to store meats, vegetables, etc., until consumed by members' families, are growing in popularity. Of the 45 associations known to the Bureau, whose sole business is the operation of cold-storage plants, over half (24) are in Illinois. In addition, some store associations have cold-storage departments. In the past few years, also, farmers' cooperative creameries (not included in this report because they are producer, not consumer, organizations) have in growing numbers been installing locker systems.

Until a few years ago, practically all of the cooperative housing in the United States consisted of apartment buildings in New York.² Beginning in 1939, construction of single detached dwellings was undertaken by a few associations elsewhere—Illinois, Michigan, Minnesota, and Wisconsin. The total of such associations, however, is still small, and war conditions will probably prevent much further construction for the time being, although several associations have been formed with a view to carrying on educational work and accumulating funds for post-war building.

Each study made by the Bureau reveals fewer associations whose sole business is the manufacture and sale of bakery products. Only 5 of these remained at the end of 1941—all in the States of Massachusetts, New York, and New Jersey. A few store associations have bakeries, run as a department of the merchandising business. Several of the store associations also have a dairy department, but there are only three consumers' cooperative associations known to the Bureau whose only business is the processing and distribution of dairy products.

One or two burial associations are being formed each year, but this type of organization is still found mainly in the States of Iowa, Minnesota, South Dakota, and Wisconsin.

An interesting development is that of associations whose purpose is the operation of a water system. The majority of the organizations of this type have been started to supply water in suburban sections of metropolitan districts to which the local city-water system does not reach. Most of these are in Oregon, Washington, and Wisconsin.

The opposition of the medical profession and difficulties of financing the necessary equipment have tended to discourage the formation of associations providing their own facilities for medical care. At the end of 1941 there were still fewer than a dozen of these known to the Bureau. These were scattered throughout the United States. There is a growing number of cooperative associations whose purpose is to furnish medical or hospital care on a prepayment or insurance basis,

² Not including building and loan associations which are only semicooperative in nature and which are regarded by the Bureau as financing rather than housing associations.

on contract with nonprofit organizations controlled by private physicians.

Until the exigencies of war forced the grounding of private airplanes, there was a small number of groups whose members united in the purchase of an airplane for their joint use. The Bureau has record of 19 such flying clubs—in Maryland, Virginia, and Wisconsin—but most of them are inactive at present.

Other interesting and rather novel types of associations include the cooperative houses run by old-age pensioners, one association which provides steam heat for its 93 members' dwellings, one association dealing only in electrical appliances, one dealing in clothing only (some of which it makes), one doing an automobile repair and storage business, one doing cleaning and pressing, and one operating a laundry (this association is the sole survivor of the considerable number of laundry associations formed during the past quarter century). Signs of the times are the few new associations formed to provide transportation for members on a cooperative basis, the cooperatives among the residents of migratory-labor camps, and those in the camps for conscientious objectors.

Students' cooperatives are found in many colleges and universities. The bookstores are the oldest form of student cooperatives, but an increasing number of student groups have been taking over large dwelling houses and there providing room and board. Other groups are operating dining clubs only. These activities assist the student of limited means to continue his education—which might be impossible otherwise. (It should be noted that a considerable proportion of campus activities reported as cooperative are actually controlled by the institution, with the students participating only to the extent of working for their room and board and thus reducing their living expenses.) During the next year or two the number and size of the student cooperatives—especially among the male students—will probably decrease as the students of draft age are called to military service and as others enter war industries. Already the Bureau has received reports from associations which state that their enterprise has closed "for the duration."

Under the Farm Security Administration's program for the rehabilitation of the small farmers and farm laborers, many cooperatives have been formed to serve FSA clients. Most of those that were in operation by the end of 1941 were in connection with subsistence homestead projects, where the homesteads formed a distinct community. Many of these cooperatives are not of the consumer type, but are mainly to provide producer supplies or market farm produce. Others only lease farm land or carry on the actual farming operations. However, among the FSA cooperatives were at least 135 handling consumer goods or providing some consumer service. These FSA associations differ from the usual consumers' cooperative in that they have been financed almost entirely by loans from Government funds. Consequently the members' equity is very small in proportion to the total assets. Also, the carrying charges and repayments on the Government loan tend to reduce the net earnings, so that the operating results, in terms of dollars and cents, are generally much below those shown by the Rochdale associations. Considerable improvement, however, was shown in 1941 as compared with 1940.

In general the independent Negro cooperatives have not been particularly successful in a monetary way, partly because the members

were too poor to finance them properly, partly because of managerial difficulties, and partly because of insufficient patronage and loyalty by the membership. However, several of the more successful of the FSA cooperatives are those of Negroes. In these associations the capital has been provided and a certain amount of supervision and training supplied, and the results appear to have been quite successful. Of 68 Negro consumers' cooperatives known to the Bureau, 13 are in FSA communities, largely in the South. Among the non-FSA Negro cooperatives, New York has the largest number but there are a considerable number in the South Atlantic States. Most of the remainder are in the District of Columbia, Illinois, Michigan, and Ohio.

Indian cooperatives are usually of the producer rather than consumer type, and have as their function the marketing of crops or handicraft articles. There are, however, at least 8 store associations, of the "trading post" type. All but 2 of these are in Arizona.

Extent of Consumers' Cooperation in 1941

On the basis of reporting associations and of the known trend, estimates of total number of associations, membership, and business for 1941 are given in table 1. In this table the associations are classified according to their major line of business. Further, the data for the local associations cover only consumers' cooperative activities, i. e., provision of consumer goods or consumer services. The water associations, for example, furnish water for family consumption; associations providing water for irrigation of farm land are not included. Likewise, the cold-storage associations cover only those which have lockers for family use; those which do quick freezing and storage of vegetables and fruits raised by farmers, for marketing, are regarded as producers' processing associations and therefore not appropriate for inclusion here. Because of the classification according to the main line of business, the extent of cooperative development of any given line tends to be obscured. The cold-storage figures, for example, should not be used as an indication of the extent of cooperative locker facilities for family purposes. Many associations in other lines of operation than cold storage are providing locker space as one department of the business. This is especially true of farmers' creamery associations; however, such associations would not be covered in this study at all unless the creamery also had a purchasing department handling consumer goods (in which case it would be classified as a "distributive department of a farmers' marketing association," not as a cold-storage association). Likewise, substantial numbers of petroleum associations have an automobile-repair department, but as the gasoline and oil business has been the more important, the association would here be classified as a petroleum association.

Although in the tabulations the distributive associations are classified, according to their main line of business, as "stores" and "petroleum associations," actually there is no longer the former clear-cut distinction between them. Practically all of the general stores and many of the grocery stores sell gasoline. Likewise, a large proportion of the petroleum associations have begun to handle groceries, or at least canned goods; some have opened a grocery department. The wisdom of this move, which the wholesales and other central organizations have been urging for several years, is increasingly apparent, as the

wartime restrictions on cars, gasoline, and tires are broadened, with corresponding reductions in trade in those lines.

A total distributive and service business, done by local consumers, cooperatives, amounting to \$356,000,000 is shown in the table; of this, 97 percent was in distribution of commodities and 3 percent in services. The above amount represents over a 90-percent increase in the 5-year period since 1936, when the Bureau's last previous general survey was made. Farmers' marketing or processing associations having purchasing departments handling consumer goods accounted for an additional \$119,122,000.

TABLE 1.—Estimated Membership and Business of Consumers' Cooperatives, 1941

Type of association	Estimated total number of associations	Members		Estimated business, 1941
		Fully paid (estimated)	Partly paid ¹	
<i>Local associations</i>				
Retail distributive.....	3,860	<i>Individuals</i> 1,163,200	<i>Individuals</i> 142,393	\$345,150,000
Stores and buying clubs.....	2,400	500,000	43,125	160,000,000
Petroleum associations.....	1,400	645,000	89,102	178,000,000
Other distributive associations.....	50	18,200	10,166	6,150,000
Retail distributive or purchasing departments of marketing associations ²	524	156,000	.....	119,122,000
Service associations.....	621	264,400	3,416	10,897,000
Associations providing rooms and/or meals.....	325	28,000	1,315	4,525,000
Housing (apartments or dwellings).....	59	2,100	.....	³ 1,575,000
Medical and/or hospital care:				
On contract or insurance arrangement.....	24	86,950	2	1,425,000
Own facilities.....	11	14,000	615	1,125,000
Burial:				
Own facilities, complete funeral.....	35	24,500	1,072	255,000
Caskets (burial on contract arrangement only).....	6	2,500	.....	10,000
Cold storage.....	45	25,000	141	900,000
Water.....	33	2,000	115	³ 375,000
Printing and publishing.....	16	75,000	58	450,000
Recreational facilities.....	22	3,000	83	70,000
Miscellaneous.....	45	1,350	15	187,000
Electricity associations ⁴	825	⁵ 1,205,000	.....	⁶ 33,410,000
Telephone associations.....	5,000	330,000	.....	² 5,495,000
Credit unions.....	10,425	3,532,000	.....	⁷ 362,779,000
Insurance associations.....	2,000	⁸ 10,000,000	.....	⁹ 170,000,000
<i>Federations</i>				
Wholesale associations:				
Interregional:		<i>Associations</i>		
Wholesale distributive business.....	2	23	.....	4,076,221 127,838
Other business.....				
Regional:				
Wholesale distributive business.....	27	3,104	.....	94,005,283 1,338,568 1,694,978 234,537
Retail distributive business.....				
Service business.....				
Other business.....				
District:				
Wholesale distributive business.....	13	¹⁰ 182	.....	2,678,347 230,922 119
Service business.....				
Other business.....				
Service federations.....	12	1,128	.....	316,665
Productive federations.....	7	18	.....	5,988,426
Noncommercial federations:				
Nation-wide.....	5	.....	.....	.....
Regional and state-wide.....	12	414	.....	.....
District, county, and city-wide.....	23	155	.....	.....

¹ Not estimated; figures actually reported by associations making returns.

² Includes only purchasing departments handling consumer goods; figures are not estimates but data given by reporting associations.

³ Gross income.

⁴ Data furnished by Rural Electrification Administration, plus allowance (partly estimated) for PREA associations.

⁵ Consumers served (mainly members).

⁶ Operating revenues of associations whose lines were in active operation.

⁷ Amount of loans made during year.

⁸ Policyholders.

⁹ Gross premium income.

¹⁰ Should not be added to other membership, as a very large part of these associations are also members of the regional wholesales.

The federations in the cooperative movement are composed of, and serve, the local associations, not individual persons.

The commercial federations include organizations formed for the purpose of rendering one or more special services or producing certain commodities, and wholesale associations from which the member retail associations obtain their stocks of goods. Many of the wholesales also have service or productive departments. Among the commercial federations the wholesale distributive business of the wholesale associations in 1941 accounted for over 96 percent of the total business. Their service business, though still small in volume, each year shows an increase.

The central service associations covered in table 1 include those performing auditing service for local cooperatives, those insuring cooperatives' property or purchasing insurance and employees' fidelity bonds for them, trucking their supplies, or providing credit (either in the form of loans or in the rediscount of trade acceptances). The productive federations are owned in some cases by retail cooperatives, but more generally by two or more of the cooperative wholesales which have joined forces for the production of certain commodities in which they deal at wholesale.

Most of the noncommercial federations are educational in character. The "Nation-wide" group shown in the table includes the Cooperative League of the U. S. A., the Credit Union National Association, the Group Health Federation, the National Committee on Student Cooperatives, and the National Cooperative Women's Guild. The membership of these organizations consists of the regional educational associations in their particular field (as for instance, Eastern Cooperative League, Northern States Cooperative Women's Guild, the State federations of burial associations, the State credit union leagues, etc.). The primary educational associations (such as those covering a metropolitan area, county, or district within a State) are more or less informal organizations, often with no specific address except that of the secretary. As their purpose is mainly that of exchange of experience and the fostering of joint action among the local cooperative associations, they may meet only sporadically, as some occurrence or development necessitates, and be more or less inactive between times.

FARM AND URBAN CONSUMERS' COOPERATION

Estimates of the proportionate distribution of consumers' cooperation as between the farm and nonfarm associations are given in table 2. These estimates are only very rough approximations and should not be considered as strictly accurate. They are based upon information supplied by reporting associations for 1941 and on the Bureau's records for other years for nonreporting associations, together with an allowance for possible undiscovered associations. An association was considered to be a farmers' association if its membership and patronage are preponderantly of such producers, even though it may also serve and admit to membership townspeople or other nonfarm persons. An example is the group of insurance companies of the Ohio Farm Bureau, writing life, fire, and casualty insurance. These were entirely farmer associations in origin and are still primarily such. In recent years, however, they have entered the urban field and under the sponsorship of the local consumers' coopera-

tives are writing insurance in an increasingly large urban group. Nevertheless, these insurance associations, because they are still predominantly of farmer membership, were here counted with the farm group.

Hereafter, for convenience, in the discussion the nonfarm group has been designated as "urban," even though it includes many persons in small towns and even nonfarm families in rural districts.

The estimates indicate that in the retail distributive field, although the urban cooperatives outnumber the farmers' cooperatives, they are considerably smaller in size and therefore both in membership and in volume of business fell below the farmers' associations in 1941. To some extent the averages of the urban or consumer group was lowered by the buying clubs, which are found almost entirely in the urban areas.

In the service field the situation is reversed. The associations providing meals and rooms, housing (apartments and dwellings), and water are entirely urban, as are also the "other" associations (i. e., bakeries, creameries, flying clubs, and those providing a miscellany of services). Practically all of the cold-storage associations are farmers' organizations, as well as a large proportion of the burial, printing, and recreational associations. With the exception of a few pre-REA organizations, the development of the electricity cooperatives is among farm groups. All but about 10 percent of the insurance associations and all but about 30 percent of the telephone associations are farmer-owned. On the other hand, some 90 percent of the credit unions are in urban—usually industrial—groups. In the grand total, the urban cooperatives' business in 1941 exceeded that of the farmer groups, but only because the large volume of business (loans made) of the credit unions raised the total of all urban types sufficiently to overcome the farm lead in other types of associations.

TABLE 2.—*Estimated Relative Development of Local Consumers' Cooperatives Among Farm and Nonfarm Groups, 1941*

Type of association	Total number of associations	Members	Business
		<i>Individuals</i>	
All types:			
Farm	8,230	11,421,150	\$391,307,000
Nonfarm	14,491	5,073,450	\$536,414,000
Retail distributive	3,850	1,163,200	¹ 345,150,000
Farm	1,500	675,000	180,000,000
Nonfarm	2,350	488,200	165,150,000
Service (except electricity)	621	264,400	10,897,000
Farm	105	135,650	4,057,000
Nonfarm	516	128,750	6,840,000
Electricity: Farm	825	1,205,000	33,410,000
Telephone	5,000	330,000	5,485,000
Farm	3,500	230,000	3,840,000
Nonfarm	1,500	100,000	1,645,000
Credit unions	10,425	3,532,000	362,779,000
Farm	500	175,500	15,000,000
Nonfarm	9,925	3,356,500	347,779,000
Insurance	2,000	10,000,000	170,000,000
Farm	1,800	9,000,000	155,000,000
Nonfarm	200	1,000,000	15,000,000

¹ The Farm Credit Administration estimates that during the 1941-42 marketing season 2,726 farmers' cooperatives were doing purchasing of supplies for their members and that the total purchases amounted to about \$600,000,000. This latter figure, of course, includes business of associations which handle farm supplies only; the Bureau of Labor Statistics' data, above, cover associations which handle some consumers' goods.

Operations of Commercial Federations

Local or retail cooperatives have entered into federations in order to carry on various types of wholesaling, service, or productive activities. Practically all of such of these operations as are connected with the consumers' cooperative movement are covered in this report. Tables 3-6 give data for reporting associations only; the figures given in table 1 included estimates, for nonreporting and possible undiscovered associations.

COOPERATIVE WHOLESALERS

The wholesale associations have in recent years widened the scope of their business and nearly all of the regional organizations provide some services in addition to the distributive business which is still their chief activity. Of a total business done by cooperative wholesales in 1941, amounting to \$104,386,813, the wholesale distributive business accounted for \$100,759,851 (or 96.5 percent), the retail branches of the wholesales had a business of \$1,338,568 (1.3 percent), and services accounted for \$1,925,900 (1.8 percent).

Net earnings by the wholesales on the 1941 business amounted to \$4,750,497, of which \$3,681,137 (or 77.5 percent) was declared in refunds on patronage. In many, if not most, cases, however, the patronage refund was not returned in cash. Foreseeing uncertain times ahead, and wishing to strengthen the cooperative framework to meet them, the member associations in many cases voted to pay the refunds in the form of share capital or to place the refunds in a "patrons' equity reserve" or in a revolving fund payable several years hence, thus giving the wholesale the use of the money in the meantime.

Figures showing the business of various kinds done by each of the reporting wholesales, as well as net earnings and patronage refunds, are shown in table 3. In the majority of cases, these figures represented substantial increases over 1940.

TABLE 3.—Business, Net Earnings, and Patronage Refunds of Cooperative Wholesales, 1941

Association, and department of business	Amount of business ¹	Net earnings	Patronage refunds
All associations.....	\$104,386,813	\$4,750,497	\$3,681,137
Interregional.....	4,204,059	238,093	238,093
Regional.....	97,273,366	4,355,875	3,327,138
District.....	2,909,388	156,529	115,906
<i>Interregional</i>			
Illinois: National Cooperatives.....	(²)	38,928	(⁴)
Indiana: United Cooperatives:			
Distributive, wholesale.....	4,076,221	238,093	238,093
Other.....	127,838		
<i>Regional</i>			
Illinois:			
Central States Cooperatives.....	229,394	7,230	5,784
Illinois Farm Supply Co.....	8,359,583	1,094,408	883,753
Indiana: Indiana Farm Bureau Cooperative Association:			
Distributive, wholesale.....	9,498,598	379,371	588,852
Services:			
Auditing.....	10,075	42,072	
Trucking.....	169,717		
Auto repair.....	8,605		
Insurance, bonds, etc.....	22,568		
Productive departments.....	3,200,005	482,085	
Other.....	169,774	307,570	

See footnotes at end of table.

TABLE 3.—Business, Net Earnings, and Patronage Refunds of Cooperative Wholesales, 1941—Continued

Association, and department of business	Amount of business ¹	Net earnings	Patronage refunds		
<i>Regional—Continued</i>					
Iowa:					
Farmers Elevator Service Co.....	\$1,500,000	\$55,000	(⁴)		
Iowa Farm Service Co.....	754,359	35,518	\$30,050		
Cooperative Service Co.....	83,763	10,888	9,155		
Massachusetts: United Cooperative Farmers.....	1,410,423	(⁴)	(⁴)		
Michigan: Farm Bureau Services:					
Distributive, wholesale.....	3,523,985	51,709	} 45,268		
Distributive, retail.....	206,376	32,534			
Services: Management.....	11,413	4,177			
Minnesota:					
Midland Cooperative Wholesale.....	6,228,796	124,781	102,051		
Minnesota Farm Bureau Service Co.:					
Distributive, wholesale.....	836,824	} 33,112	} 33,112		
Productive departments.....	448,076				
Farmers Union Central Exchange:					
Distributive, wholesale.....	8,098,812	} 321,055	} 174,257		
Productive departments.....	45,357				
Missouri: Consumers Cooperative Association:					
Distributive, wholesale.....	8,677,313	161,346	109,644		
Distributive, retail.....	383,450	12,306	3,547		
Services:					
Auditing.....	7,541	(⁹)	(⁹)		
Trucking.....	34,421	(⁹)	(⁹)		
Insurance, bonds, etc. ¹⁰	6,672	2,110	-----		
Productive departments.....	1,826,257	250,247	206,859		
Other.....	63,326	(⁹)	-----		
Nebraska:					
Farmers Union Cooperative Oil Association of Nebraska.....	(⁴)	11,157	11,164		
Farmers Union State Exchange:					
Distributive, wholesale.....	2,398,898	99,741	45,041		
Distributive, retail.....	748,742	(⁴)	(⁴)		
Services: Trucking.....	99,470	(⁹)	(⁹)		
New York: Eastern Cooperative Wholesale:					
Distributive, wholesale.....	2,107,827	} 40,645	-----		
Services:					
Fidelity bonds.....	214		-----	-----	
Insurance.....	2,570	15	-----		
North Dakota: Northwest Cooperative Society.....	30,944	762	643		
Ohio: Farm Bureau Cooperative Association:					
Distributive, wholesale.....	9,929,399	} 248,370	} 105,932		
Services: Trucking.....	50,185				
Loan.....	1,071,326				
Productive departments.....	877,006	-----	-----		
Pennsylvania: Pennsylvania Farm Bureau Cooperative Association:					
Distributive, wholesale.....	2,604,327	129,903	76,502		
Productive departments.....	1,243,569	(⁴)	(⁹)		
South Dakota: Farmers Union Cooperative Brokerage:					
Distributive, wholesale.....	595,762	1,119	-----		
Services:					
Auditing.....	(⁴)	236	-----		
Trucking.....	1,563	(⁹)	(⁹)		
Other.....	1,437	(⁹)	(⁹)		
Texas: Consumers Cooperatives Associated.....	969,762	25,133	7,860		
Utah: Utah Cooperative Association:					
Distributive, wholesale.....	258,845	15,717	} 17,565		
Services: Trucking.....	26,237	2,773			
Virginia: Southern States Cooperative.....	18,080,714	603,709	535,064		
Washington:					
Pacific Supply Cooperative:					
Distributive, wholesale.....	3,191,045	} 228,645	} 200,000		
Services:					
Gasoline transport.....	125,351				
Auto repair.....	25,340	-----	-----		
Wisconsin:					
Wisconsin Cooperative Farm Supply Co.					
Central Cooperative Wholesale:	543,649	14,168	9,278		
Distributive, wholesale.....	4,792,257	} 144,113	} 125,757		
Services: Auditing.....	21,710				
Productive departments.....	319,764				
<i>District</i>					
California:					
Associated Cooperatives of Northern California.....	190,431	2,197	1,437		
Consumers Cooperative Wholesale.....	9,987	375	(⁴)		
Michigan:					
H-O-B Cooperative Oil Association.....	149,581	10,868	7,041		
Northland Cooperative Federation:					
Distributive, wholesale.....	96,372	} 6,257	} (⁴)		
Services: Recreational facilities.....	259				
Other.....	119				

See footnotes at end of table.

TABLE 3.—*Business, Net Earnings, and Patronage Refunds of Cooperative Wholesales, 1941—Continued*

Association, and department of business	Amount of business ¹	Net earnings	Patronage refunds
<i>District—Continued</i>			
Minnesota:			
Trico Cooperative Oil Association.....	\$254,980	\$31,139	\$30,551
C-A-P Cooperative Oil Association:			
Distributive, wholesale.....	145,615	17,054	13,105
Services:			
Trucking.....	14,899	3,620	
Gasoline transport.....	114,390	834	
Range Cooperative Federation:			
Distributive, wholesale.....	900,746		
Services:			
Trucking.....	16,868	30,931	27,931
Auto repair.....	40,243		
Insurance.....	16,396		
Mortuary.....	24,513		
Recreational facilities.....	3,320		
Productive departments.....	* 261,180		
Wisconsin:			
Fox River Valley Cooperative Wholesale.....	466,416	24,755	24,210
A & B Cooperative Association.....	121,473	5,588	7,728
Iron Cooperative Oil Association.....	125,351	5,855	(⁴)
Cooperative Services.....	172,145	14,556	3,903
Price County Cooperative Oil Association.....	45,250	(⁴)	(⁴)

¹ Unless otherwise indicated, data are for wholesale distributive business.

² Does not include value of production shown for productive departments, as the wholesale value of these products was already included in "distributive, wholesale" figure.

³ Business is that of pooling orders and making master contracts; figure for "business" therefore impossible to give.

⁴ No data.

⁵ This amount should not be added to other business, in order to obtain figure for total business of association, as its value is already included in wholesale distributive business.

⁶ Loss.

⁷ Brokerage income.

⁸ Includes earnings from "services."

⁹ Included with "distributive, wholesale."

¹⁰ Through separate subsidiary organization.

¹¹ Approximate.

Based on identical associations reporting for both years, the number of member associations of the regional wholesales increased 8.9 percent and that of the district associations 18.6 percent. The wholesale distributive sales of the regional wholesales rose 23.0 percent during the year and those of the district associations 26.7 percent.

The regional wholesales in 1941 were operating 50 retail branches, or 1 more than in the preceding year; there was no change in the figure for the district wholesales, 5 such branches being operated each year.

Altogether, the regional wholesales had established 54 wholesale warehouses. Most of them had only 1 each, but five had 2 warehouses, one had 3 warehouses, one had 4, two had 6, one had 8, and one had 9 such warehouses.

Financial status of cooperative wholesales.—Cooperative wholesales strengthened their financial position during 1941. The net earnings rose from 2.7 percent of sales in 1940 to 6.9 percent in 1941. The return in relation to net worth in 1940 amounted to 18.9 percent but, for 1941, it rose to 27.2 percent of net worth for identical associations submitting balance sheets for both years.

Margins were also higher. The combined gross margin of the regional associations submitting operating statements was 10.1 percent in 1941 as compared with 9.3 percent in 1940; comparable percentages for the district associations were 13.5 and 11.5 percent, respectively. The gross margin for all wholesale associations rose from 9.4 to 10.4

percent during the year. Average expenses amounted to 6.8 percent for both years (although regional wholesales reported a slight decrease in expense ratios, this was offset by a rise in the expenses of district associations).

	1941 (percent)	1940 (percent)
Gross margin.....	10.4	9.4
Total operating expenses.....	6.8	6.8
Net operating margins.....	3.6	2.5

The total assets of associations for which data were available for both 1940 and 1941 increased 34.4 percent during the year. Seventeen percent of this increase was attributable to cash, 23 percent to receivables, 43 percent to expanded inventories, and 14 percent to capital assets. The current assets of the wholesale associations submitting balance sheets increased 77.4 percent as compared with an increase of 70.4 percent in current liabilities, resulting in an improvement in the amount of net working capital. The current ratio stood at 2.4 percent at the end of 1941. There was a slight decrease in the amounts reported as invested in other cooperatives. This decrease, however, was more than compensated for by the increase in other unspecified investments and undoubtedly represents a difference in classification, resulting from the failure of a number of associations to differentiate among their various investments.

Expanding operations continued to be financed largely out of the savings from business transacted with member associations. Although the net worth of associations submitting balance sheets increased by \$3,326,563, share capital and credits represented less than one-fifth of this amount. A satisfactory growth occurred in the members' equity in the wholesale associations, as shown in table 4. Net worth increased 35.3 percent during the year, accounting for 60.9 percent of total liabilities at the end of 1941 as compared with 35.3 percent at the beginning of the year. With an increase in the relative importance of reserves in the combined balance sheet of the wholesales (general and patrons' equity reserves amounted to 16.1 percent of total liabilities at the beginning of the year as compared with 21.1 percent at the end of 1941), share capital decreased in relative importance from 35.0 to 26.8 percent of total liabilities.

Of the combined increase in total liabilities 43.9 percent was attributable to payables and other current liabilities. Bonded debt and mortgages were reduced 17.6 percent during the year and a combined cumulative deficit of \$21,484 in 1940 (on the books of a few associations) was reduced to \$1,355 at the end of the year.

TABLE 4.—Percentage Distribution of the Combined Assets, Liabilities, and Net Worth of Cooperative Wholesale Associations, 1940 and 1941

Assets, liabilities, and net worth	1941				1940			
	All whole- sale asso- ciations	Inter- regional	Re- gional	Dis- trict	All whole- sale asso- ciations	Inter- regional	Re- gional	Dis- trict
<i>Assets</i>								
Cash.....	15.3	30.6	15.4	12.0	10.9	61.3	10.2	15.7
Notes and accounts receivable ¹	19.6	48.4	19.2	23.1	19.9	16.6	19.6	24.4
Inventories.....	32.3	19.5	32.4	31.4	31.9	19.7	32.7	21.8
Investments:								
In other cooperatives.....	1.2	-----	1.0	4.6	2.0	-----	1.9	3.9
Other investments not specified.....	3.9	-----	4.2	.1	2.7	-----	2.9	(²)
Net capital assets ³	25.1	1.5	25.2	26.1	31.0	2.2	31.3	29.4
Other assets.....	2.6	-----	2.6	2.7	1.6	.2	1.4	4.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Liabilities and net worth</i>								
Notes and accounts payable ⁴	25.0	6.0	25.2	25.4	26.1	20.2	26.3	23.6
Bonds, mortgages, etc.....	5.7	-----	5.9	3.2	13.5	-----	14.3	3.2
Other liabilities.....	3.3	2.1	3.3	2.6	1.3	-----	1.3	2.4
Net worth.....	66.0	91.9	65.6	68.8	59.1	79.8	58.1	70.8
Share capital ⁵	25.1	30.6	25.2	23.1	33.8	50.4	33.9	30.2
Share credits ⁶	1.7	37.2	1.4	1.3	1.2	9.7	1.1	.5
Preferred stock.....	5.3	-----	5.7	-----	2.3	-----	2.5	-----
Reserves:								
General reserves ⁷	13.5	2.7	13.6	13.7	10.7	3.9	10.4	16.1
Patrons' equity reserves ⁸	7.6	21.4	7.2	11.3	5.4	15.8	5.7	-----
Undivided savings.....	12.8	-----	12.5	19.4	6.0	-----	4.8	24.0
Deficit ⁹	(⁹)	-----	(⁹)	-----	.3	-----	.3	-----
Total liabilities and net worth.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Less reserve for bad debts.

² Includes land, buildings, equipment and facilities, furniture and fixtures, less reserves for depreciation.

³ Less than half of 1 percent.

⁴ Includes members' short-term deposits.

⁵ Fully paid shares less treasury stock.

⁶ Partly paid shares, including patronage refunds in credits toward shares.

⁷ Includes education reserves and other reserves not otherwise allocated on financial statements.

⁸ Reserves allocated on a patronage basis, including revolving funds.

⁹ Cumulative deficit—deduct.

SERVICE OPERATIONS OF CENTRAL ORGANIZATIONS

In addition to various types of services provided in service departments of the wholesale associations, there are several associations whose whole function is that of a service nature. These service associations, like the wholesales, are owned and controlled by the affiliated local associations. Data for each of these associations are given in table 5, which shows the combined service business done by cooperatives of the federated type in 1941. As it indicates, services to the value of \$2,242,565 were provided in 1941.

TABLE 5.—Service Activities of Central Cooperative Organizations, 1941

Association	Member associations	Service	Amount of business	Net earnings	Patronage refunds
<i>Service departments of wholesales</i>					
Indiana: Indiana Farm Bureau Cooperative Association.		Trucking	\$169,717	\$42,072	(1)
		Auto repair	8,605		
		Auditing	10,075		
		Insurance	22,568		
Michigan:					
Farm Bureau Services		Management	11,413	4,177	(1)
Northland Cooperative Federation		Recreation (cooperative park)	259	(1)	(1)
Minnesota:					
C-A-P Cooperative Oil Association		Trucking	129,289	4,454	(1)
Range Cooperative Federation		do	16,868	(1)	(1)
		Auto repair	40,243	(1)	(1)
		Insurance	16,396	(1)	(1)
		Mortuary	24,513	(1)	(1)
		Recreational facilities	3,320	(1)	(1)
Missouri: Consumers Cooperative Association		Trucking	34,421	(1)	(1)
		Auditing	7,641	(1)	(1)
		Insurance, fidelity bonds. ²	6,672	2,110	-----
Nebraska: Farmers Union State Exchange		Trucking	99,470	(1)	(1)
New York: Eastern Cooperative Wholesale		Fidelity bonds	214	(1)	(1)
		Insurance agency. ²	2,570	15	-----
Ohio: Farm Bureau Cooperative Association		Loans. ²	1,071,326	1,598	-----
		Trucking	50,185	(1)	(1)
		do	1,663	(1)	(1)
South Dakota: Farmers Union Brokerage		Auditing	(3)	4,236	(1)
Utah: Utah Cooperative Association		Trucking	26,237	2,773	(1)
Washington: Pacific Supply Cooperative		do	125,351	(1)	(1)
		Auto repair	25,340	(1)	(1)
Wisconsin:					
Central Cooperative Wholesale		Auditing	21,711	906	(1)
Iron Cooperative Oil Association		Insurance agency	34	(1)	(1)
Total			1,925,900	57,869	(1)
<i>Independent service organizations</i>					
Minnesota:					
Cooperative Auditing Service	413	Auditing, book-keeping instruction, tax service	44,258	3,090	\$2,781
Consumers Agency	302	Insurance agency	19,236	574	-----
Farmers Union Accounting Services	110	Auditing, accounting	11,976	1	-----
Farmers Union Cooperative Credit Association	108	Loans	29,291	1,853	1,612
Farmers Union Agency	(1)	Insurance agency	8,952	947	-----
Midland Credit Corporation	20	Rediscounting of trade acceptances	1,848	807	625
Montana: Farmers Union Carriers	15	Trucking	12,636	1,595	-----
South Dakota: Equity Audit Co.	37	Accounting, tax service	13,996	1,726	(2)
Washington:					
Grange Cooperative Printing Association	11	Printing	31,151	2,674	2,674
Northwest Cooperative Auditing and Service Association	52	Auditing, book-keeping, tax service	(2)	1,043	708
Wisconsin:					
Central Finance	2	Financing of sales contracts	51,000	290	-----
Cooperative Publishing Association	58	Printing	92,321	1,186	-----
Total	1,128		316,665	15,786	8,400
Grand total	1,128		2,242,665	73,655	8,400

¹ Data not reported separately; included with data for "distributive, wholesale" (table 3).

² Through separate subsidiary organization.

³ No data.

⁴ Loss.

PRODUCTION BY CENTRAL ORGANIZATIONS

Nearly all of the production carried on by cooperatives in this country is done by the wholesales or other federated associations. Most of the central productive associations shown in table 6 are owned jointly by two or more of the regional wholesales shown in table 3.

Productive departments of wholesales had an output in 1941 valued at \$8,221,244 and the central productive associations had an output totaling in value \$5,988,426. It will be noted that most of the goods produced by the central productive associations are producer rather than consumer goods; they are included here because the owner wholesales fall within the scope of this report by reason of their handling consumer goods. As the table indicates, these associations saved their owners nearly a million dollars in the one year, 1941.

TABLE 6.—Production by Central Cooperative Organizations in 1941

Association	Member associations	Product	Amount of business	Net earnings	Patronage refunds
<i>Productive departments of wholesales</i>					
Indiana: Indiana Farm Bureau Cooperative Association.		Gasoline, kerosene, lubricating oil.	\$1,973,798	\$482,085	-----
		Printing	17,463		
		Fertilizer	1,208,744		
Minnesota: Farmers Union Central Exchange.		Lubricating oil.	45,387	(1)	(1)
Minnesota Farm Bureau Service Co.		Paint, feed, fertilizer.	448,076	(1)	(1)
Range Cooperative Federation.		Meat products.	70,625	(1)	(1)
		Butter	173,551	(1)	(1)
		Cheese	17,004	(1)	(1)
Missouri: Consumers' Cooperative Association.		Printing	12,516	(1)	(1)
		Crude oil ¹	\$ 14,704	\$ 9,242	\$4,959
		Oil pipeline ²	103,311	36,690	30,639
		Oil refining ³	1,695,726	204,315	171,261
Ohio: Farm Bureau Cooperative Association.		Feed	877,006	(1)	(1)
Pennsylvania: Pennsylvania Farm Bureau Cooperative Association.		do	1,243,569	(1)	(1)
Wisconsin: Central Cooperative Wholesale.		Coffee roasting.	191,341	(1)	(1)
		Bakery products.	128,423	(1)	(1)
Total			8,221,244	732,332	206,859
<i>Joint production by wholesales</i>					
Indiana: National Farm Machinery Cooperative.	⁴	Farm machinery, equipment, and supplies.	91,428	¹ 13,764	-----
Maryland: Fertilizer Manufacturing Cooperative.	⁵	Fertilizer	1,035,074		
Cooperative Fertilizer Service.	⁷	do	3,855,402	176,637	109,395
North Carolina: Cooperative Mills.	⁸	Feed	476,360	34,644	34,644
Ohio: Cooperative Mills.	⁹	do			
Farm Bureau Chemical Cooperative.	¹⁰	Fertilizer	507,162	6,780	
Washington: Grange Powder Co.	¹¹	Explosives, fertilizer.	23,000	396	
Total	18		5,988,426	204,703	144,039
Grand total			14,209,670	937,035	350,898

¹ Included with data for wholesale; see table 3. ² Through separate subsidiary organization. ³ 10 months' operations. ⁴ Member-owners are Farm Bureau Cooperative Associations of Indiana, Ohio, and Pennsylvania, and Pacific Supply Cooperative. ⁵ Loss. ⁶ Member-owners are Ohio Farm Bureau Cooperative Association and Cooperative G. L. F. Exchange (Ithaca, N. Y.).

⁷ Member-owners are Pennsylvania Farm Bureau Cooperative Association, Southern States Cooperative (Virginia), and Cooperative Farm Services (West Virginia).

⁸ Member-owners are Southern States Cooperative and Farmers Cooperative Exchange (Raleigh, N. C.).

⁹ Member-owners are Farm Bureau Cooperative Associations of Ohio and Pennsylvania, and Southern States Cooperative.

¹⁰ Member-owners are Farm Bureau Cooperative Associations of Indiana and Ohio.

¹¹ Member-owners are Washington State Grange and Grange Cooperative Wholesale (Seattle).

Operations of Local Associations, 1941

Altogether, the more than 1,600 local distributive and service associations which reported on operating results, resources, etc., had combined net earnings amounting to \$11,533,148, after subtracting losses of \$216,916 by 103 associations.

The data indicate that although the operating margins in the retail petroleum business have narrowed greatly in recent years, nevertheless the earnings possibilities still are greater than in retail-store operation. Among the petroleum associations the average earning for all associations (including those which sustained losses) was \$11,313 per association; the corresponding figure for the store associations was \$3,474. Only slightly over 3 percent of the petroleum associations reporting on earnings, as compared to 9 percent of the stores, showed a loss on the year's operations; the average losses per association were \$1,248 and \$1,503, respectively.

Essential summary averages for the reporting associations operating stores and petroleum stations are given in table 7.

TABLE 7.—Average Membership, Assets, Sales, and Net Earnings of Reporting Store and Petroleum Cooperatives, 1941

Item	Stores and buying clubs		Petroleum associations	
	Number or amount	Percent of increase over 1940	Number or amount	Percent of increase over 1940
Membership per association.....	264	10.4	548	5.2
Share capital per association.....	\$3,327		\$16,104	
Total assets per association.....	\$31,226		\$56,528	
Net worth per association.....	\$20,162		\$33,820	
Deficit per association.....	¹ \$4,611		² \$626	
Sales per association.....	\$89,153	21.6	\$156,315	26.4
Net gain per association (all associations).....	\$3,474	27.1	\$11,313	29.3
Net operating loss per association.....	³ \$1,503		⁴ \$1,248	

¹ For 2.2 percent of associations reporting on net worth.

² For 0.15 percent of associations reporting on net worth.

³ For 9.3 percent of associations reporting on earnings.

⁴ For 3.2 percent of associations reporting on earnings.

One of the features noted in the returns was the strikingly large number of associations that by the end of 1941 had already closed some or all of their branches. This was much more general among the petroleum than among the store associations, and was particularly noticeable for petroleum associations serving whole counties. This may be an indication of retrenchment following overexpansion or a measure of foresight to prevent losses under increasingly difficult business conditions. Many additional closures have undoubtedly taken place during 1942.

Altogether, 1,714 associations replied to the question regarding branches. Of these 1,305 associations had only one place of business at the end of 1941. The other 409 associations were operating 1,151 branches (in addition to the headquarters establishment), or an average of 2.8 branches each.

SALES OF LOCAL ASSOCIATIONS

As indicated in table 7, the average sales of the petroleum associations were nearly twice as large as those of the stores and buying clubs. Table 8, which gives the percentage distribution of the various types of associations, shows that 70.0 percent of the food stores, 38.6 percent of the general stores, and 34.6 percent of the petroleum associations had sales of less than \$50,000 in 1941. Only 0.7 percent of the food stores as compared with 2.5 percent of the general stores and 2.0 percent of the petroleum associations had sales of \$500,000 or over.

TABLE 8.—Percentage Distribution of Reporting Associations, by Annual Sales Volume, 1941

Annual sales	Total	Food stores	General stores	Petroleum associations	Dairy and bakery products	Farm supplies and other commodities	Buying clubs
Under \$10,000.....	9.3	21.7	3.8	1.9	-----	15.2	84.4
\$10,000 and under \$25,000.....	12.6	26.2	12.3	9.7	40.0	8.8	11.7
\$25,000 and under \$50,000.....	21.1	22.1	22.5	23.0	20.0	11.7	2.6
\$50,000 and under \$75,000.....	14.0	9.6	16.8	15.7	-----	10.5	-----
\$75,000 and under \$100,000.....	10.3	5.2	10.2	11.9	-----	14.0	-----
\$100,000 and under \$250,000.....	23.5	12.1	22.7	27.7	20.0	29.8	-----
\$250,000 and under \$500,000.....	7.0	2.4	9.2	8.1	-----	5.9	1.3
\$500,000 and under \$1,000,000.....	1.6	.7	2.0	1.5	-----	2.9	-----
\$1,000,000 and under \$5,000,000.....	.5	-----	.5	.4	20.0	1.2	-----
\$5,000,000 and over.....	.1	-----	-----	.1	-----	-----	-----
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Information obtained by the U. S. Bureau of the Census in the 1939 survey of retail trade, indicates that the annual business of cooperative stores is considerably higher than those of typical private retailers. This appears to be the case in every line of business for which there are comparable data (table 9).

TABLE 9.—Distribution of Independent Private Retailers and Consumers, Cooperatives, by Annual Sales Volume¹

Kind of business	Total	Annual sales of—			
		Under \$10,000	\$10,000 and under \$50,000	\$50,000 and under \$100,000	\$100,000 and over
All private independent retailers.....	100.0	57.4	36.0	4.1	2.5
All reporting cooperatives.....	100.0	9.3	33.7	24.3	32.7
Food stores:					
Private retailers.....	100.0	61.3	34.6	3.1	1.0
Cooperatives.....	100.0	21.7	48.3	14.8	15.2
General stores:					
Private retailers.....	100.0	48.4	43.7	5.6	2.3
Cooperatives.....	100.0	3.8	34.8	27.0	34.4
Petroleum products:					
Private retailers.....	100.0	61.7	36.6	1.5	.2
Cooperatives.....	100.0	1.9	32.7	27.6	37.8

¹ The data for independent retailers cover the year 1939 (Census of Business, Vol. II, Retail Trade: 1939, Part 2, tables 10C and 10E, U. S. Bureau of the Census). The data for cooperative associations were obtained from the Bureau of Labor Statistics 1941 survey.

Relation of sales to total assets.—Total assets of the typical distributive association reporting on both net worth and assets amounted to \$37,000. Store associations had median assets of \$25,600 and average sales of \$79,800. Among the cooperative store associations the range was from \$35,300 to \$169,800. Only 5.9 percent of the associations submitting data on total assets and volume of business had annual sales of less than \$10,000. The typical cooperative petroleum association, on the other hand, had an annual sales volume of \$80,200 in 1941; the usual range was from \$44,800 to \$146,300. The relatively large sales volume of petroleum associations is undoubtedly due to the inclusion of farmers' associations, which often sell a large number of side lines, such as farm machinery and other miscellaneous farm supplies, and the members of which use large amounts of gasoline in the business of the farm.

As would be expected, a marked relationship was found between the annual sales volume and the size of total assets. Of the 199 associations with total assets under \$10,000, 86 or 43.2 percent had annual sales of less than \$20,000. None of the associations with assets of less than \$10,000 had sales of \$250,000 and over, although 3 associations did an annual business of between \$100,000 and \$250,000, which is a rather large volume for the small amount of capital involved. Six of the 14 associations with total assets of \$250,000 and over had annual sales exceeding \$1,000,000.

OPERATING RESULTS, 1941

Of over 1,500 associations reporting as to earnings or losses, only 103 (6.7 percent) sustained a loss and in only 6 was the loss greater than \$5,000. The distribution of the associations of the various types by extent of net gain or loss is shown in table 10.

TABLE 10.—Distribution of Cooperatives by Amount of Net Saving or Loss, 1941

Amount of net gain or loss	Total	Food stores	General stores	Petroleum associations	Dairies and bakeries	Farm supplies and other goods	Buying clubs
All associations.....	1, 539	251	306	779	6	115	70
Reporting net gain.....	1, 402	201	278	749	5	113	58
Under \$500.....	239	97	29	38	1	21	53
\$500 and under \$1,000.....	121	33	31	45	2	7	3
\$1,000 and under \$2,500.....	289	36	74	154	1	23	1
\$2,500 and under \$5,000.....	264	18	52	168	1	25	1
\$5,000 and under \$10,000.....	238	8	50	158	1	21	1
\$10,000 and under \$25,000.....	187	7	34	135	1	11	1
\$25,000 and under \$50,000.....	47	2	4	37	1	4	1
\$50,000 and under \$100,000.....	15	1	2	13	1	1	1
\$100,000 and over.....	2	1	1	1	1	1	1
Reporting no net gain.....	34	11	7	5	1	4	7
Reporting net loss.....	103	39	23	26	1	9	5
Under \$500.....	47	22	8	12	1	5	3
\$500 and under \$1,000.....	20	4	4	8	1	1	1
\$1,000 and under \$5,000.....	21	10	5	4	1	2	1
\$5,000 and over.....	6	1	2	1	1	1	1

¹ Includes 9 associations reporting loss but not amount.

² Includes 2 associations reporting loss but not amount.

³ Includes 4 associations reporting loss but not amount.

⁴ Includes 1 association reporting loss but not amount.

The service associations (not shown in the table) showed smaller earnings than the distributive associations and a wider incidence of losses. This was due to a large extent to the fact that a high percentage of these associations operate at charges set as near cost as possible. Thus, among the whole service group, about 80 percent had a net gain averaging \$1,620 per association; the 20 percent reporting losses averaged \$1,112 per association.

MARGINS AND OPERATING EXPENSE

The price-control order issued by the Office of Price Administration on April 28, 1942, has had far-reaching effects upon all types of retail enterprises, including consumers' cooperative associations. The General Maximum Price Regulation, which became effective for retailers on May 18, 1942, provided that prices charged for numerous commodities sold at retail should not exceed the highest prices charged in March 1942. This order has already been amended with a view to eliminating "the squeeze" on retailers who have had difficulty in transacting business under their March ceilings.

It goes without saying that individual retail enterprises have been affected in a multitude of ways, depending upon the interrelationship of a large combination of factors, including price policies and the cost of merchandise distributed. Stores with narrow gross margins have been confronted with many difficulties and it is probable that a considerable number of inefficiently operated stores may have to close their doors. For this reason cooperatives, like private retailers, will have to watch their margins and expenses closely, revising distribution and operating policies as the need arises. One wholesale association recently urged its weaker members to take monthly inventories so that they can adjust themselves to the trend of operations under the maximum price regulation.

Operating standards will therefore play an important role in assisting cooperative managements in the immediate future. In spite of the fact that no two stores are exactly alike, comparative ratios serve to assist managers and boards of directors in the conduct of the business, in the formulation of trading policies, and in making adjustments to continuously changing conditions. Operating ratios also are welcomed by the members, many of whom lack business experience and cannot comprehend an operating statement without reference to some comparative yardstick.

In this connection data for 272 consumers' cooperatives which supplied detailed operating statements in the Bureau's study are of interest. The sales of these associations—31 food stores, 65 general stores, 62 farmers' supply and other miscellaneous types, and 114 petroleum associations—amounted to \$34,627,889. The aggregate gross margin was \$6,384,501 or 18.4 percent of sales, and the net margin amounted to \$1,905,473, or 5.5 percent of sales.

The data for the 272 associations shown in tables 11 and 12 are classified by type of business and by annual sales volume. The ratios, which are presented in terms of net sales, are based upon the actual experience of associations in a large number of States and in various types of communities, including large industrial areas as well as sparsely populated rural communities. No attempt has been made

to establish standards of profitable operations. The data show merely the actual experience of a number of associations of various types and sizes.

Aside from variations in methods of classifying expenses, a number of important factors affect the ratios. Operating experiences vary greatly from one association to another and even within the same association from one quarter to the next. In addition, stores handle different lines of merchandise, some of which are more profitable than others. Credit policies, merchandising policies (including such items as service or self-service arrangement of the store³), the loyalty of the membership, relative competitive conditions, the adequacy of working capital, and the location of the place of business are among the other elements affecting distributive operations.

TABLE 11.—Operating Expenses of Retail Consumers' Cooperatives, 1941

[In percent of net sales]

Item	All associations	Store associations				Petroleum associations
		Total	Food stores	General stores	Farm-supply and other stores	
Gross margin ¹	18.437	16.324	16.520	17.716	15.036	22.779
Expenses:						
Wages, salaries, commissions.....	7.544	6.894	7.738	7.836	5.934	8.878
Advertising.....	.210	.204	.269	.272	.135	.221
Wrappings, drums and miscellaneous selling expense.....	.323	.370	.511	.556	.184	.228
Truck and delivery.....	.718	.541	.232	.520	.599	1.082
Rent.....	.228	.254	1.010	.278	.138	.174
Light, heat, power, water.....	.476	.497	.644	.611	.375	.434
Insurance and bonds.....	.373	.364	.323	.393	.344	.391
Taxes (including pay-roll taxes) and licenses.....	.726	.725	.686	.660	.801	.730
Interest on borrowed money.....	.113	.117	.071	.107	.132	.105
Office supplies and postage.....	.194	.173	.113	.153	.198	.236
Telephone and telegraph.....	.118	.114	.178	.114	.107	.125
Repairs.....	.222	.225	.222	.362	.102	.214
Depreciation.....	.865	.816	.791	.861	.778	.966
Bad debts and collection expense.....	.103	.119	.351	.082	.123	.072
Inventory, audit, tax expense.....	.112	.102	.161	.157	.045	.132
Warehouse and plant expense.....	.089	.075	.009	.064	.103	.118
Directors' fees and expenses.....	.118	.075	.048	.079	.075	.207
Travel.....	.070	.077	.024	.052	.107	.056
Education and publicity.....	.088	.103	.119	.100	.104	.067
Meetings, membership dues, and subscriptions.....	.018	.015	.015	.008	.022	.023
Other.....	.227	.211	.372	.270	.131	.223
Total.....	12.935	12.071	13.787	13.525	10.537	14.710
Net margin on operations ¹	5.502	4.254	2.733	4.191	4.499	8.069

¹ Does not include patronage refunds from cooperative wholesales.

Gross margins.—The gross margin of a business represents the difference between the sales made by the association and the amount paid for the merchandise distributed. A narrow margin may be indicative of poor purchasing judgment, insufficient mark-ups, inadequate allowance for shrinkage, or high merchandising costs, but it may also represent a definite policy adopted at the suggestion of the membership.

³ Of over 1,500 associations reporting on this point, 84 percent were on an entirely service basis; 16 percent had all or part of the store on a self-service basis (where meat was handled, this department was almost universally on a service basis even though the rest of the store was entirely self-service). Considerations both of economy and of labor supply may be expected to result in further conversions to self-service in cooperative enterprises.

Farmers' warehouse associations, for example, often endeavor to sell at something approximating cost and accordingly the cost value of sales and their gross margins are narrower than for stores selling at current market prices. In the final analysis, however, it is necessary, for solvency, that the gross margin completely cover operating expenses and interest on borrowed and share capital.

Petroleum associations have been particularly active in attempting to reduce prices. Private companies have occasionally engaged in unsuccessful price wars in an effort to destroy the cooperatives. Where prices are cut the members realize a portion of their savings at the time of purchase instead of receiving the entire amount upon the distribution of the patronage refund.

TABLE 12.—Operating Expenses of Store and Petroleum Associations, 1941,
by Annual Sales

[In percent of net sales]

Item	Store associations with annual sales of—					Petroleum associations with annual sales of—				
	Under \$25,000	\$25,000 and under \$50,000	\$50,000 and under \$100,000	\$100,000 and under \$250,000	\$250,000 and over	Under \$25,000	\$25,000 and under \$50,000	\$50,000 and under \$100,000	\$100,000 and under \$250,000	\$250,000 and over
Gross margin ¹	16.993	14.839	16.233	16.290	16.471	18.423	21.449	23.048	21.128	26.069
Expenses:										
Wages, salaries, commissions.....	8.208	6.801	6.440	6.561	7.162	7.822	9.109	9.089	8.142	9.911
Advertising.....	.146	.289	.216	.193	.202	.154	.230	.224	.171	.308
Miscellaneous selling expenses.....	.327	.386	.305	.230	.459	.237	.217	.170	.287	.199
Truck and delivery.....	.158	.283	.492	.632	.536	1.272	1.494	1.074	1.226	.701
Rent.....	.915	.717	.318	.120	.256	.293	.339	.136	.162	.188
Light, heat, power, water.....	.983	.512	.549	.410	.517	.420	.520	.454	.393	.458
Insurance, bonds.....	.473	.314	.394	.390	.345	.479	.489	.431	.349	.380
Taxes, ² licenses.....	.533	.622	.638	.683	.781	.510	.584	.984	.579	.730
Interest on borrowed money.....	.224	.105	.160	.099	.114	.092	.229	.168	.078	.030
Office supplies and postage.....	.129	.190	.165	.189	.166	.316	.240	.262	.174	.305
Telephone, telegraph.....	.242	.138	.118	.104	.114	.226	.163	.120	.103	.154
Repairs.....	.109	.135	.231	.175	.260	.251	.191	.230	.181	.257
Depreciation.....	.841	.692	.851	.774	.838	1.119	1.031	1.094	.796	1.071
Bad debts and collection expenses.....	.020	.099	.090	.174	.100	-----	.006	.084	.030	.067
Inventory, audit, etc.....	.237	.187	.144	.112	.077	.277	.212	.168	.113	.085
Warehouse and plant.....	.046	-----	.071	.097	.072	-----	-----	.028	.082	.343
Directors' fees, etc.....	.063	.115	.112	.091	.054	.259	.314	.241	.174	.185
Travel.....	.171	.051	.068	.088	.077	.031	.023	.076	.047	.057
Education, etc.....	.130	.091	.037	.066	.140	.022	.042	.033	.035	.135
Meetings, dues, subscriptions.....	.023	.010	.015	.011	.018	.012	.014	.033	.020	.018
Other.....	.371	.275	.298	.199	.181	.179	.371	.292	.258	.198
Total.....	14.250	12.012	11.712	11.398	12.469	13,971	15,818	15,391	13.449	15,780
Net margin on operations ¹	2.743	2.827	4.521	4.892	4.002	4.452	5.631	7.657	7.679	10.289

¹ Does not include patronage refunds from cooperative wholesalers.

² Including pay-roll taxes.

Total expenses.—The lines of business with the broadest margins often incur the highest costs. Comparison of expenses incurred in the cost of distributing merchandise must therefore be undertaken with extreme caution. In individual cases, expenses should be analyzed in connection with rapidity of turn-over and net savings, as well as

with a large number of somewhat intangible factors, such as the ability of the association to serve its members and patrons. An expense ratio larger than average may signify the adoption of definite trading and operating policies which have been effected on behalf of the members. On the other hand, a large ratio of total expenses is often indicative of poor management and an inability to operate under competitive circumstances.

The credit problem is especially important for stores operating in rural areas because of the seasonal nature of farming. A similar situation arises in mining and one-industry towns where some of the cooperatives studied are situated. It proved impossible on the basis of the data available to compare the operating costs of associations extending credit with those operating on a strictly cash basis. A large number of associations, however, reported that they were operating on a cash basis at the end of 1941 (see page 31).

Rent constituted a larger expense item for the smaller associations than for the larger ones, mainly because of the fact that the older and usually larger enterprises generally owned their own premises. Naturally the depreciation and tax charges of the latter would be higher. The size of the community in which the store was situated contributed to the decision as to whether to own or to rent. Stores in large metropolitan areas must usually rent their premises and in many instances share them with some other type of business. The typical cooperative in a country town generally operates in a relatively low-cost location and accordingly can afford to purchase its store. On the other hand, renting has definite advantages to a growing association in a metropolitan area since it permits moving to more suitable quarters as the business develops.

Depreciation allowances also varied from one type of association to another. Average depreciation charges amounted to 0.9 percent of sales, the general stores having slightly higher ratios than the food or farmers' supply stores. Petroleum associations had the highest ratio; figures for the smaller associations were somewhat higher than for the larger ones. The general stores, however, spent more for repairs than did the other types of associations.

Educational expenses were considerably lower than might be expected. The 272 associations spent only \$30,553 on education or 0.09 percent of sales. Store associations on the average spent roughly 0.1 percent as compared with only 0.06 for the petroleum societies. Stores with smaller annual sales volumes as well as those with annual sales of \$250,000 and over spent more than the associations with sales ranging from \$50,000 to \$250,000. Only the largest petroleum cooperatives, those with annual sales of \$250,000 and over, spent as much as 0.1 percent of sales.

The tendency found among profitable private retailers of deriving advantage from low expenses rather than high margins was found to be true of cooperatives also. The ability of managers to maintain or reduce expenditures, especially in view of the maximum price orders, becomes particularly important. Sometimes, however, members may wish to retain certain services even at the cost of smaller savings. This may be true in the case of delivery service in metropolitan areas where the cooperative's membership is scattered over a wide territory. While cooperative food stores in 1941 on the average had smaller truck and delivery costs than general stores or farmers' supply and petroleum

associations, a number of individual societies had exceedingly high delivery expense. Rationing of tires and gasoline will undoubtedly operate to reduce delivery service.

Net operating margins.—The net operating margin represents the difference between gross margin and total expenses. Net margin differs from net savings or net profit in that it does not include other income, such as interest on capital, and gains from sales of capital assets. Income from investments, though hardly a factor in the earnings of the average private store, involved amounts sometimes running into fairly large sums in the case of cooperatives, since the majority of them treat patronage refunds from wholesale associations as "other income."

There was a definite relationship between volume of sales and the size of the net margin. In the case of the store associations, the net savings on operations ranged from 2.7 percent for associations with annual sales of less than \$25,000 to 4.9 percent for those with annual sales of \$100,000–\$250,000. In the case of the petroleum associations the net margins ranged from 4.5 percent for societies with annual sales of less than \$25,000 to 10.3 percent for those with annual sales of \$250,000 and over.

Comparison of operating ratios of cooperatives and private businesses.—For comparative purposes, data from a Dun & Bradstreet survey of private retailers covering the year 1939⁴ are shown, for certain items, in table 13. The data for the private companies cover only profitable enterprises, for 1939; those for the cooperatives cover all associations, regardless of net operating results, for 1941.

A larger proportion of the cooperatives than of private retailers had profitable operation, and in the majority of cases the ratios for cooperative associations were well above the lower limit of the range of usual profitable experience of private companies.

On the whole it would seem that the consumers' cooperatives are operating on narrower gross margins than private companies, although this factor is often compensated for by lower operating expenses and greater savings.

Certain elements tend to reduce the gross margin of cooperatives as compared with the private retailers. In the first place most cooperative stores are doing business in rural areas where gross margins are generally lower than in communities with larger populations. In the case of privately owned grocery and meat stores, a difference of almost 5 percent was found between the gross margins of stores doing business in towns of less than 20,000 population and the gross margins of those operating in cities of 100,000 and over. Comparison is complicated by the fact that most private enterprises (with the possible exception of some of those obtaining their supplies from retailer-owned cooperatives) treat discounts received on purchases made through wholesales as effecting a reduction in the cost of goods sold. The great majority of the cooperatives included in this study, on the other hand, treated patronage refunds from their cooperative wholesale associations as "other income." Although much can be said for this procedure, such refunds actually constitute a reduction in the cost of goods sold. It is difficult, however, to include the refunds in the gross margin, since they are usually received following the close of the

⁴ Dun & Bradstreet. Research and Statistical Division. Standard Ratios for Retailing. New York, 1940.

annual accounting period and cannot be directly related to the original purchases. Where patronage refunds from wholesale associations are combined with "other income" confusion sometimes arises in differentiating between the financial and merchandising policies of the association.

The total expense ratios of the private stores covered by Dun & Bradstreet were somewhat higher than those of the cooperatives studied. The comparison must be qualified by the fact that the compensation of owners and officers introduces a complicating factor. For example, the owner of a private retail store often pays himself more than he would pay a manager, since he is prone to include a certain element of profit in his own salary. For this reason it is virtually impossible to allocate the compensation of owners and officers among its component elements.

It appears that cooperatives spent less on advertising and incurred fewer losses from bad debts than private retailers engaged in distributing similar types of merchandise.

TABLE 13.—*Comparative Margins and Expenses of Cooperative and Private Business*¹

[In percent of net sales]

Line of business	Gross margin		Total expenses		Net margin		Advertising		Bad debts	
	Private	Cooperative	Private	Cooperative	Private	Cooperative	Private	Cooperative	Private	Cooperative
Groceries only.....	18.9	16.5	15.5	13.8	3.4	2.7	0.5	0.3	0.4	0.4
Groceries and meat.....	20.0		16.5		3.5		.5		.5	
Groceries and filling station.....	18.7		14.7		4.0		.3		.5	
Meat only.....	24.2	20.9	3.3	.3	.3					
Country general stores.....	19.9	17.7	14.6	13.5	5.3	4.2	.4	.3	.1	.1
Farm supplies.....	18.5	15.0	14.4	10.5	4.1	4.6	.2	.1	.5	.1
Filling stations.....	25.4	22.8	21.6	14.7	3.9	8.1	.4	.2	.5	.1

¹ The data for private business are based upon reports of profitable companies, for 1939, whereas the data for cooperatives cover all reporting associations for 1941.

ASSETS AND LIABILITIES

Table 14 presents a combined balance sheet of assets and liabilities for the 312 associations which furnished such data.

Investments.—Investments in other cooperatives are especially important in the cooperative balance sheet. The majority of the associations included in the Bureau's study are members of cooperative wholesale associations or regional federations and therefore have funds invested in them. Because of their organic connection with wholesales, retail cooperatives generally invest more than similarly situated private enterprises. The amounts invested do not necessarily represent actual contributions to the capital of the wholesale association, since in numerous cases accumulated patronage refunds are left in the wholesale to be used as working capital. Total investments of the 312 associations amounted to \$1,988,000 of which \$1,567,000 was reported invested in other cooperatives. The latter figure is undoubtedly an understatement of the real importance of cooperative investments, in view of the fact that a number of associations failed to differentiate their investments on their balance sheets.

TABLE 14.—Assets and Liabilities of Consumers

[In thousands]

Type of association and amount of assets	Number of associations	Assets								Liabilities and net worth	
		Total assets	Cash	Notes and accounts receivable ¹	Inventories	Investments		Net capital assets (less reserves for depreciation) ²	Other assets	Total	Notes and accounts payable ³
						In other cooperatives	Other				
All associations	312	28,978	3,374	6,917	8,397	1,567	421	7,416	886	28,978	6,262
Under \$10,000.....	39	238	32	32	78	18	(⁹)	75	3	238	38
\$10,000-\$25,000.....	77	1,332	188	238	389	56	18	408	34	1,332	219
\$25,000-\$50,000.....	94	3,346	526	459	1,063	175	32	1,039	52	3,346	366
\$50,000-\$75,000.....	45	2,818	301	443	992	186	20	838	39	2,818	329
\$75,000-\$100,000.....	26	2,280	236	418	746	95	25	715	46	2,280	244
\$100,000-\$250,000.....	24	3,227	315	662	860	155	72	1,092	70	3,227	493
\$250,000-\$500,000.....	5	1,677	112	320	553	47	7	595	42	1,677	281
\$500,000 and over.....	2	14,061	1,663	4,346	3,717	836	246	2,652	600	14,061	4,293
Store associations	119	6,597	576	825	2,151	384	50	2,480	132	6,597	971
Under \$10,000.....	26	148	13	15	59	16	(⁹)	41	3	148	22
\$10,000-\$25,000.....	27	470	35	81	173	27	2	145	5	470	72
\$25,000-\$50,000.....	23	966	68	105	384	63	8	320	18	966	141
\$50,000-\$75,000.....	17	1,056	112	154	303	99	12	264	23	1,056	152
\$75,000-\$100,000.....	8	703	33	93	234	41	(⁹)	291	10	703	88
\$100,000-\$250,000.....	9	1,233	41	160	405	95	4	512	22	1,233	285
\$250,000-\$500,000.....	3	984	61	146	317	42	2	395	30	984	156
\$500,000 and over.....	1	1,021	213	69	186	-----	22	510	20	1,021	56
Petroleum associations	109	17,404	2,271	5,037	4,634	1,034	296	3,472	660	17,404	4,655
Under \$10,000.....	8	62	12	15	12	1	(⁹)	20	1	62	9
\$10,000-\$25,000.....	37	618	113	118	142	26	12	159	18	618	101
\$25,000-\$50,000.....	40	1,411	339	200	372	85	15	376	24	1,411	113
\$50,000-\$75,000.....	10	657	83	89	219	33	5	216	7	657	51
\$75,000-\$100,000.....	7	612	116	101	191	14	11	166	14	612	41
\$100,000-\$250,000.....	5	721	131	171	118	29	29	229	14	721	82
\$250,000-\$500,000.....	1	283	26	66	50	5	-----	134	3	283	21
\$500,000 and over.....	1	13,039	1,450	4,277	3,531	836	224	2,142	580	13,039	4,237
Other retail distributive associations	84	4,979	527	1,066	1,612	150	75	1,463	94	4,978	636
Under \$10,000.....	5	29	7	2	7	1	-----	13	(⁹)	29	6
\$10,000-\$25,000.....	13	244	40	38	74	4	4	74	10	244	46
\$25,000-\$50,000.....	26	969	120	153	307	27	9	343	11	969	112
\$50,000-\$75,000.....	18	1,105	106	200	380	48	3	858	9	1,105	126
\$75,000-\$100,000.....	11	964	87	224	321	39	14	258	22	964	115
\$100,000-\$250,000.....	10	1,268	144	331	333	31	39	351	34	1,268	126
\$250,000-\$500,000.....	1	700	25	108	186	-----	6	66	9	700	105

¹ Less reserves for bad debts.² Includes land, buildings, equipment, furniture, and fixtures.³ Includes patrons' and members' short-term deposits.⁴ Includes fully paid shares and paid-in memberships in nonstock associations less treasury stock.⁵ Includes partly paid shares and patronage refunds credited toward shares.⁶ Includes educational reserves and other reserves (including patrons' equity not otherwise allocated).⁷ Reserves allocated on patronage basis, including revolving funds.⁸ Cumulative or current-year deficit—deduct.⁹ Less than \$500.¹⁰ 6 associations.¹¹ 3 associations.¹² Less than \$500; 1 association.¹³ 5 associations.¹⁴ 1 association.¹⁵ Less than \$500; 2 associations.

Cooperatives, 1941, by Amount of Total Assets

of dollars]

Liabilities and net worth—Continued										Type of association and amount of asset	
Bonds, mortgages, etc.	Other liabilities	Net worth									
		Total	Capital		Preferred stock	Reserves		Undivided earnings	Deficit ⁸		
			Share capital ⁴	Share credits ⁵		General ⁶	Patrons' equity ⁷				
2,577	437	19,702	5,004	415	1,558	5,152	891	6,714	34	All associations. Under \$10,000. \$10,000-\$25,000. \$25,000-\$50,000. \$50,000-\$75,000. \$75,000-\$100,000. \$100,000-\$250,000. \$250,000-\$500,000. \$500,000 and over.	
17	3	180	114	6	(⁹)	29	8	28	7		
52	26	1,033	478	39	10	295	49	186	23		
185	92	2,704	1,055	103	32	842	234	440	2		
95	54	2,340	796	95	79	815	143	414	2		
86	74	1,876	682	84	22	606	19	465	-----		
215	121	2,399	771	66	40	845	238	436	-----		
128	33	1,235	345	22	-----	368	201	299	-----		
1,800	33	7,934	764	-----	1,376	1,348	-----	4,446	-----		
379	158	5,089	1,679	140	187	2,305	100	696	19		Store associations. Under \$10,000. \$10,000-\$25,000. \$25,000-\$50,000. \$50,000-\$75,000. \$75,000-\$100,000. \$100,000-\$250,000. \$250,000-\$500,000. \$500,000 and over.
6	2	117	81	5	-----	18	4	16	¹⁰ 6		
18	9	370	182	6	(⁹)	145	5	45	¹¹ 13		
88	20	717	342	17	-----	235	26	97	(¹²)		
47	28	829	280	29	36	377	14	93	-----		
45	14	557	211	16	-----	195	17	117	-----		
86	22	846	308	45	3	299	14	177	-----		
89	30	719	225	22	-----	302	19	151	-----		
-----	33	932	50	-----	148	734	-----	-----	-----		
1,964	107	10,678	1,923	152	1,260	1,525	466	5,370	8	Petroleum associations. Under \$10,000. \$10,000-\$25,000. \$25,000-\$50,000. \$50,000-\$75,000. \$75,000-\$100,000. \$100,000-\$250,000. \$250,000-\$500,000. \$500,000 and over.	
7	(⁹)	45	23	2	(⁹)	5	4	10	-----		
27	7	483	205	25	7	103	43	105	¹³ 6		
57	42	1,200	371	52	6	325	185	262	¹⁴ 1		
5	10	590	197	32	-----	213	36	113	-----		
13	24	534	161	34	18	600	1	220	-----		
15	23	601	170	8	-----	123	186	113	-----		
39	-----	224	81	-----	-----	41	-----	101	-----		
1,800	-----	7,002	714	-----	1,228	614	-----	4,446	-----		
234	173	3,935	1,402	123	111	1,322	335	643	7		Other retail distributive associations. Under \$10,000. \$10,000-\$25,000. \$25,000-\$50,000. \$50,000-\$75,000. \$75,000-\$100,000. \$100,000-\$250,000. \$250,000-\$500,000.
4	1	18	11	-----	-----	6	-----	2	(¹⁵)		
7	10	180	91	7	2	47	(⁹)	36	¹⁴ 4		
40	30	786	342	34	26	282	22	81	-----		
43	16	920	319	35	43	225	93	208	¹⁴ 2		
28	36	785	309	33	4	311	-----	128	-----		
114	76	952	293	14	36	426	38	146	-----		
-----	3	292	38	-----	-----	25	-----	47	-----		

Capital assets.—The net capital assets—land, buildings, plant, fixtures and equipment less reserves for depreciation—reflected on the books of the 312 associations studied amounted to \$7,416,000 or 25.6 percent of total assets. There was a slight tendency for the capital assets of the stores to increase in relative importance with increased size, but this was not evident in the case of the other associations.

Unfortunately, detailed information on the gross capital assets of all of the associations covered was not available. For the 157 associations reporting detailed data, the original cost of land, buildings, fixtures, and equipment amounted to over \$5,000,000. These associations had set \$1,972,000 aside as depreciation, leaving a net book value of \$3,108,000. On the average, land amounted to 8.3 percent of the original investment; buildings, 53.8 percent; and fixtures and equipment, 37.9 percent. Fixtures and equipment were relatively more important for the petroleum associations, accounting for as much as 47.4 percent of the gross capital assets as compared with 36.0 for the stores and 31.7 percent for the other associations engaged in retail distribution. Buildings, on the other hand, accounted for a greater proportion of the gross capital assets of the stores than of the petroleum associations, but were of still greater importance in the case of the other societies engaged in retail distribution, largely as a result of the inclusion of marketing associations with distributive departments, many of which owned elevators and warehouses.

On the basis of information submitted in the reports of 157 cooperatives, gross capital assets averaged \$3,400 for associations with assets of less than \$10,000, \$9,600 for those with assets between \$10,000 and \$25,000, and \$19,700 for associations with assets of \$25,000 and under \$50,000. The larger associations had proportionately larger investments in capital equipment.

Share capital and total assets.—The need for additional capital is especially important as a result of current market conditions caused by the war. Generally, cooperative organizations commence their operations with only a limited amount of capital. As the business progresses many associations have developed the policy of returning a portion of the savings on patronage in the form of shares and credits toward shares. Examination of data for over 1,500 associations indicates that the average amount of paid-in share capital per member has a definite tendency to increase with the size of the association. The average amount of paid-in share capital per member amounted to \$20.58 for associations with total assets of under \$10,000, as compared with \$31.66 for associations with total assets of \$250,000 and over. The highest average amount reported for any size class was \$48.39. The average amount of paid-in share capital per member for the 1,518 associations with fiscal years ending in 1941, classified by size of total assets is shown below:

Total assets of—	Average paid-in capital per member
Under \$10,000.....	\$20. 58
\$10,000 and under \$25,000.....	32. 55
\$25,000 and under \$50,000.....	39. 43
\$50,000 and under \$75,000.....	47. 55
\$75,000 and under \$100,000.....	48. 39
\$100,000 and under \$250,000.....	44. 12
\$250,000 and over.....	31. 66
Average, all associations.....	37. 30

Examination of the relationship between the average amount of paid-in share capital per member and the par value of shares specified in the bylaws of the associations suggests that even in the case of the older associations, members seldom subscribe for more than one or two shares. It should be noted, however, that the relatively larger amounts of share capital per member found among the larger associations do not necessarily represent amounts "put into" the business, in view of the relatively common practice of paying patronage refunds in shares.

Working capital.—The ability of cooperative managers to meet current liabilities in everyday transactions and to supply the needs of the members depends upon the amount of working capital. In general the ratio of current assets to current liabilities is considered the measure of solvency and relative financial strength; the standard is usually 2 to 1. Four-fifths of the 258 associations reporting in detail had a ratio of more than standard. In the less than 20 percent of associations which had ratios under 2 to 1, the working capital was inadequate for their needs. Although the average for the 258 associations was 5.5 to 1, in a number of instances cash balances were insufficient to cover current accounts payable.

Debts of cooperatives.—Long-term debt amounted on average to 8.9 percent of total liabilities for the 312 associations shown in table 14. The medium-sized associations with assets between \$10,000 and \$100,000 had the lowest debt, the percentages not exceeding 5.5 percent in any class. The long-term debt of the petroleum associations, however, accounted for a greater portion of the total liabilities (11.3 percent) than did the debt of the store associations (5.7 percent) and the other societies engaged in retail distribution (4.7 percent). While the petroleum associations were in a relatively less favorable situation than the other types, they were apparently considerably better off than similarly situated private filling stations. Data published in the Treasury Department's Statistics of Income for 1938 indicate that the long-term debt of all filling stations with total assets of less than \$50,000 amounted to 13.5 percent of total liabilities as compared with 4.4 percent for the petroleum associations shown in table 14. This is of interest in view of the fact that 78.0 percent of the petroleum associations had total assets of less than \$50,000.

Notes and accounts payable amounted to 21.6 percent of total liabilities for all of the 312 associations. The stores and other distributive associations were relatively free of current liabilities as compared with the petroleum associations, the respective percentages being 14.7, 12.8, and 26.7. Comparable percentages computed from data to be published in Statistics of Income for 1939 indicate that notes and accounts payable amounted to 22.7 percent for all corporations submitting balance sheets in the retail trade group, 19.8 percent for food stores, and 21.8 percent for filling stations.

Net worth.—The largest groups of cooperative associations were those having a net worth of less than \$10,000 (table 15). In this class were found more than three-fourths of the food stores, nearly a third of the general stores, and more than a fourth of the petroleum associations. The accumulation of substantial members' equity was more common among the petroleum associations than among the stores.

Thus, among the gasoline associations 15.7 percent had a total net worth of \$50,000 or more, whereas only 4.1 percent of the food stores and 13.6 percent of the general stores were in this group.

TABLE 15.—Percentage Distribution of Cooperatives, by Amount of Net Worth, 1941

Associations having specified amount of net worth	Total	Food stores	General stores	Petroleum associations	Dairy and bakery products	Farm supplies and other goods	Buying clubs
Under \$10,000.....	41.2	77.9	32.8	28.7	25.0	30.6	96.8
\$10,000 and under \$25,000.....	27.3	15.4	28.0	33.8	50.0	24.7	-----
\$25,000 and under \$50,000.....	18.8	2.6	25.6	22.1	-----	23.5	3.2
\$50,000 and under \$100,000.....	9.6	3.1	11.2	11.2	-----	16.5	-----
\$100,000 and under \$250,000.....	2.6	1.0	1.6	3.6	-----	3.5	-----
\$250,000 and under \$500,000.....	.2	-----	.8	.2	-----	-----	-----
\$500,000 and under \$1,000,000.....	.2	-----	-----	.2	25.0	1.2	-----
\$1,000,000 and over.....	.1	-----	-----	.2	-----	-----	-----
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Relation of net savings to net worth.—The ratio of net savings (before payment of patronage refunds and income taxes) to net worth was computed for over 1,000 individual associations. Forty-seven of the associations, or 4.7 percent of the total, reported a loss for the year. Percentages were not computed for the associations with losses, since in practically every instance the amounts were small and in only a few cases was the original capital impaired. The average ratio of net savings to net worth was most satisfactory, being 24 percent for all associations, 20 percent for the stores, 27 percent for the gasoline stations, and 21 percent for the distributive departments of marketing associations. The range of usual experience for all associations combined was 13.4 to 36.1 percent. One hundred and twenty associations, or 12.6 percent of the total with gain, had ratios in excess of 50 percent. Undoubtedly the high ratios reported by the smaller associations reflect the small amount of original capital invested in the business. One association with assets of over a million dollars earned between 60 and 70 percent on its invested capital. Petroleum associations were apparently more profitable than stores—the typical range of experience for the stores was 11.6 to 30.0 percent as compared with 16.8 to 42.9 percent for the petroleum cooperatives.

Relation of net worth to total assets.—Data showing the relationship between net worth and total assets were available for 1,034 associations. On the average, members' equities amounted to 71.8 percent of total assets; the range of usual experience was from 55.0 to 88.8 percent. In only 186 associations, or 18.0 percent of all those reporting, were the members' equities less than 50 percent. In 140 associations net worth ranged from 30 to 50 percent of total assets. The average was 72.6 percent for the stores, 70.7 percent for the petroleum associations, and 72.0 percent for the marketing associations with distributive departments. Cooperative accountants often suggest 75 percent as standard.

The members of 94 stores, 98 petroleum associations, and 49 marketing associations, or 20 percent of all associations studied, had an

equity of 90 percent and over. The data suggest that despite the limited amount of original capital, cooperatives have nevertheless attained a comparatively high degree of economic self-sufficiency and financial independence.

Net worth as percent of total assets:	Number of associations	
	Store	Petroleum
Under 10.....	--	1
10 and under 20.....	8	4
20 and under 30.....	10	11
30 and under 40.....	28	15
40 and under 50.....	33	36
50 and under 60.....	62	57
60 and under 70.....	61	71
70 and under 80.....	77	67
80 and under 90.....	71	40
90 and over.....	94	98
Total.....	444	400

CREDIT POLICIES OF COOPERATIVES

Considerable numbers of associations are extending credit, although many reported to the Bureau that they are changing to a strictly cash basis in view of the uncertainty of present economic conditions. Analysis of the returns of almost 2,000 consumers' cooperative associations reporting to the Bureau indicates that 27.7 percent were on a strictly cash basis and the others extended credit in varying degrees. For the various types of associations the relationship was as follows:

Major line of business:	Strictly cash (percent)	Extending credit (percent)
Food stores.....	70.7	29.3
Food and petroleum products.....	43.2	56.8
General stores.....	27.0	73.0
Petroleum associations.....	19.9	80.1
Farmers' supplies.....	12.3	87.7

Data published by Dun & Bradstreet, based upon the experience of more than 13,000 private retailers in 1939, indicate that 69 percent of the private grocery stores, 75 percent of the grocery stores with filling stations, and 76 percent of the filling stations and farmers' supply companies extend open credit. In the case of combined grocery and meat stores the proportion allowing credit is even higher, being 81 percent.⁵

A special study undertaken by the Farm Credit Administration indicates that the credit problem is especially important in rural areas largely because of the seasonal nature of farming.⁶ This undoubtedly explains why so many petroleum associations operate on a credit basis. Losses as a result of the extension of credit are, however, restricted to a certain degree in cooperatives which limit credit to members. Credit to nonmembers is opposed by many cooperators on the ground that it is unfair that the cash-paying members pay higher prices or receive reduced patronage savings as the result of the higher costs incurred in extending credit to nonmembers.

⁵ Dun's Review, November 1940 (pp. 26-28): How Expenses and Profits Vary with Retail Credit Policies, by Walter L. Mitchell, Jr.

⁶ Knapp, Joseph G.: Preliminary Report on Credit Practices and Problems of 58 C. C. A. Local Petroleum Associations. Washington, Farm Credit Administration, 1938.

PATRONAGE REFUNDS OF LOCAL ASSOCIATIONS

The questionnaire covering 1941 operations did not ask for data on patronage refunds of the various associations. Nevertheless 172 cooperatives furnished information on this point. These associations together returned to their members the sum of \$2,962,263, on total sales for 1941 amounting to \$68,119,542. Omitting the data for one very large association, the figures for which distort the general average, the associations returned an average of \$8,111 each.

The aggregate patronage returns and sales for each type of association, together with the rate of return in relation to sales, are shown in table 16.

TABLE 16.—*Patronage refunds to 172 associations, in relation to sales, 1941*

Type of association	Associations reporting	Patronage refunds ¹	Amount of sales	Patronage refunds as percent of sales ²
Stores (including buying clubs).....	41	\$161,037	\$4,418,361	3.6
Stores having gasoline stations.....	7	22,341	701,449	3.2
Petroleum associations.....	109	2,659,501	59,080,165	4.5
Marketing associations with purchasing departments.....	15	119,384	3,739,567	2.9
Total.....	172	2,962,263	68,119,542	4.3

¹ Includes those not reporting sales.

² Based only on those reporting sales.

The reporting associations were, of course, too small a proportion of the total for accurate use in estimating for the entire group of associations; they may also have been better than average. Again, not only did some associations in each type group barely make ends meet; there were also some associations (9.3 percent among the stores and 3.2 percent among the petroleum associations) that sustained a loss on the year's operations. Allowing for all these factors, it is believed that it can be conservatively said that the local distributive associations returned in patronage refunds about \$12,000,000 on the 1941 business.

Trend of Sales, Earnings, and Patronage Refunds, 1920-41

The effects of depressions and prosperity are strikingly shown in table 17, which gives index numbers of sales, net earnings, and patronage refunds for the store and petroleum associations. As it shows, a drop in sales of the store associations occurred in the depression years of 1921 and 1922. From that point onward a steady rise occurred through 1929, the year in which the great depression began. Continuous decreases took place thereafter, until a low point was reached in 1933. Although a slight recession occurred in 1938, with that exception each year since 1933 has shown an increased volume of sales. By 1937 the 1929 level had been reached and passed and the 1941 sales attained

a point nearly 30 percent above the 1929 "prosperity level." As was to be expected, net earnings fell more steeply than volume of business during the recent depression, but it is noteworthy that even in the worst years—1932 and 1933—cooperatives were still making such earnings. The period of recovery sent earnings soaring over 40 percent above the 1929 level. Patronage refunds more than kept pace with earnings and in 1941 were nearly twice as large as in 1929.

The petroleum associations, which experienced no drop in either volume or in earnings, had regained the 1929 level in sales by 1934 and in earnings by 1936. Patronage refunds, whether in cash or in shares, never fell below 1929 during the whole period shown in the table.

The data in the table show strikingly the earning power—and consequently the economic importance to the members—of both the store and petroleum associations.

TABLE 17.—*Indexes¹ of Sales, Net Earnings, and Patronage Refunds of Store and Petroleum Associations, 1920–41*

[1929=100]

Year	Retail store associations			Petroleum associations		
	Sales	Net earnings	Patronage refunds	Sales	Net earnings	Patronage refunds
1920.....	76.1	-----	-----	-----	-----	-----
1921.....	66.1	-----	-----	-----	-----	-----
1922.....	63.9	-----	-----	-----	-----	-----
1923.....	70.7	-----	-----	-----	-----	-----
1924.....	75.1	-----	-----	-----	-----	-----
1925.....	82.3	84.0	88.1	38.6	34.5	30.3
1926.....	88.3	90.2	82.6	54.0	51.3	54.8
1927.....	93.0	89.9	91.5	62.9	52.0	51.0
1928.....	98.1	94.5	97.3	79.4	51.7	57.4
1929.....	100.0	100.0	100.0	100.0	100.0	100.0
1930.....	97.4	97.4	93.1	114.6	145.2	146.6
1931.....	76.7	65.6	82.7	103.5	111.7	120.4
1932.....	59.7	30.2	83.3	95.0	79.2	101.3
1933.....	55.5	34.3	58.1	93.4	74.5	101.6
1934.....	64.2	54.0	81.8	114.9	86.2	122.1
1935.....	75.2	60.8	92.5	142.9	94.7	142.7
1936.....	87.5	87.6	129.8	168.8	115.7	173.9
1937.....	101.4	90.8	149.3	203.7	146.0	212.2
1938.....	95.5	86.3	129.7	209.0	143.1	226.4
1939.....	100.0	96.6	177.7	214.6	143.4	233.9
1940.....	113.6	112.3	173.3	232.0	165.1	288.4
1941.....	129.5	142.2	192.4	293.2	213.0	363.1

¹ Chain indexes computed on reports from identical associations from one year to the next.

Membership of Cooperatives

The membership of the nearly 2,000 cooperative associations reporting on this point ranged in number from a buying club composed of 3 families to 6 associations with over 5,000 members each. The largest group of the store, petroleum and farm-supply associations was that

of 100-250 members (table 18). Among the petroleum associations, however, considerable proportions of the total number were in the 250-500 and 500-1,000 groups. Seventy percent of the buying clubs had fewer than 50 members.

TABLE 18.—Distribution of Cooperatives, by Number of Fully Paid Members and Type of Association, 1941

Number of members	Total	Food stores	General stores	Petroleum associations	Dairy and bakery products	Farm supplies and other commodities	Buying clubs
All associations.....	1,969	288	365	1,050	5	162	99
Under 50.....	226	59	34	45	-----	18	70
50 under 100.....	281	66	54	108	-----	35	18
100 under 250.....	658	103	139	343	1	66	6
250 under 500.....	437	43	86	285	1	19	3
500 under 1,000.....	246	10	36	188	-----	10	2
1,000 under 2,500.....	101	6	13	72	1	9	-----
2,500 under 5,000.....	14	1	3	6	1	3	-----
5,000 and over.....	6	-----	-----	3	1	2	-----

An increase in membership, amounting to 7.2 percent was reported by associations furnishing data for both 1940 and 1941. Of the reporting associations, 86.2 percent gained new members; the rate of increase in membership amounted to 12.4 percent for the petroleum associations, 15.9 percent for the store associations as a whole, and 42.4 percent for the buying clubs. Among the 13.8 percent of the associations that reported net losses in membership, the decrease amounted to 6.1 percent for stores, 6.4 for petroleum associations, and 18.7 percent for buying clubs.

Educational Activities

Of the 1,972 associations reporting educational activities, 750 made specific appropriations from earnings to be used for educational purposes. The other 1,222 did more or less educational work but had no specific fund for the purpose.

Altogether, 631 associations reported that one or more active study groups had been formed among the members; these had a combined total of 1,864 such groups.

Employment and Wages in Cooperative Associations

The 1,390 cooperative associations that reported in 1941 employed an average of nearly 12,000 persons in 1941; wages paid amounted to nearly 18 million dollars. The employees and wages for each type of association, and the average annual full-time earnings in each, are shown in table 19.

TABLE 19.—*Employment and Wages in Consumers' Cooperatives, 1941, by Type of Association*

Type of association	Number of associations reporting	Total number of full-time employees	Total amount paid in wages, 1941	Average full-time yearly earnings ¹
<i>Local associations</i>				
Retail distributive:				
Stores.....	621	3,786	\$4,254,505	\$1,181
Petroleum associations.....	564	4,009	7,323,042	1,363
Other.....	12	488	1,026,549	2,192
Service:				
Medical and/or hospital care—				
On contract.....	5	156	221,483	1,420
Own facilities.....	5	128	173,228	1,353
Burial: Own facilities (complete funeral).....	16	25	30,600	1,439
Meals and/or rooms.....	67	347	345,709	1,179
Housing (apartments or dwellings).....	14	84	124,961	1,568
Cold storage.....	21	83	72,519	1,133
Water.....	5	23	50,816	2,070
Printing and publishing.....	8	72	105,231	1,462
Other.....	4	15	9,718	1,106
Total.....	1,342	9,216	13,738,361	
<i>Federations</i>				
Commercial federations:				
Wholesales.....	32	2,079	3,631,265	1,362
Service associations.....	8	52	97,797	1,881
Productive associations.....	6	625	397,155	635
Noncommercial federations: Regional.....				
	2	6	13,975	2,329
Total.....	48	2,762	4,140,192	
Grand total.....	1,390	11,978	17,878,553	

¹ A average based only upon associations reporting on both number of employees and amount paid in wages.

During the 5-year interval since the Bureau's general survey for 1936, average annual earnings of cooperative employees showed substantial increases, ranging from 11.4 percent in petroleum associations to 25.3 percent for "other distributive" (including consumers' creamery associations, bakeries, etc.). For the whole number of associations reporting both employees and wages, the average increase in annual earnings was 14.2 percent. The store associations were still paying the lowest wages in 1941 and the "other distributive" the highest.

The comparative figures are shown in the following statement, for the various types of associations.

	1936	1941	Percent of increase
All retail distributive.....	\$1,155	\$1,329	14.2
Stores.....	990	1,181	19.3
Petroleum associations.....	1,224	1,363	11.4
Other distributive.....	1,749	2,192	25.3