

UNITED STATES DEPARTMENT OF LABOR

Frances Perkins, Secretary

BUREAU OF LABOR STATISTICS

Isador Lubin, Commissioner (on leave)

A. F. Hinrichs, Acting Commissioner



Developments in Consumers' Cooperation in 1942



Bulletin No. 738

[Reprinted from the Monthly Labor Review, March 1943]

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

CONTENTS

| | Page |
|---|------|
| Summary..... | 1 |
| Developments among the distributive associations: | |
| Production by consumers' cooperatives..... | 2 |
| New services and organizations..... | 3 |
| Discontinuances..... | 5 |
| Education and training..... | 5 |
| The radio controversy..... | 6 |
| Cooperative League activities..... | 7 |
| Cooperative congress..... | 7 |
| Developments in special branches of cooperation: | |
| Medical and hospital care..... | 8 |
| Insurance associations..... | 9 |
| Electricity cooperatives..... | 9 |
| Credit unions..... | 10 |
| Relations with other organizations and movements: | |
| Relations with credit-union movement..... | 10 |
| Relations with labor..... | 11 |
| Relations with farm groups..... | 12 |
| Relations with religious groups..... | 12 |
| Cooperatives and the war..... | 12 |
| Wartime problems..... | 13 |
| Effects upon cooperatives..... | 15 |
| Measures to meet conditions..... | 16 |

LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., March 22, 1943.

The SECRETARY OF LABOR:

I have the honor to transmit herewith a report on the developments in consumers' cooperation in 1942, prepared by Florence E. Parker of this Bureau.

A. F. HINRICHS,
Acting Commissioner.

HON. FRANCES PERKINS,
Secretary of Labor.

*Bulletin No. 738 of the
United States Bureau of Labor Statistics*

[Reprinted from the MONTHLY LABOR REVIEW, March 1943]

**DEVELOPMENTS IN CONSUMERS' COOPERATION
IN 1942**

Summary

THE outstanding development in the consumers' cooperative movement in the United States during 1942 was the remarkable expansion in the productive facilities owned by cooperatives. In no previous year has so much progress been made in this direction. Cooperators have learned by experience that not only do the productive departments return the largest savings but the destiny of the movement may depend upon the degree in which it can become self-sufficient. Therefore, as fast as resources will permit, productive facilities are being acquired.

Cooperative associations were increasingly affected by wartime restrictions and regulations, and had to make many adjustments of method and operation to meet them. Problems of supply and of manpower were by the end of the year facing cooperatives as well as other businesses. The manpower situation was regarded by cooperatives as particularly grave, in view of the special background of cooperative philosophy desired in cooperative employees. For this reason the training courses given throughout the movement were becoming of even greater importance than formerly and special attempts were being made to attract women into cooperative employment.

Early reports received by the Bureau of Labor Statistics indicate that throughout 1942 both retail and wholesale cooperatives were maintaining or even increasing their volume of business, and many reported 1942 as a record year in both sales and earnings. The increased importance of adequate reserves to meet uncertainties ahead was being stressed, and to a large extent earnings were being placed in reserves or, if returned in patronage refunds, were in the form of share capital.

As 1942 was an "off" legislative year, there were no particularly important developments as regards legislation. There were, however, several significant court decisions affecting cooperatives.

Cooperatives have begun to fight in the courts for the rights of cooperative associations and of consumers generally. In Minneapolis, the Cooperative Housing Association, which had bought tax-delinquent forfeited land on which to build houses, was required by the city, as a prerequisite to the installation of water and sewer facilities, to pay off all of the delinquent taxes. The association paid, but began suit in court to recover the money. Its position was upheld by the Minnesota Supreme Court, which declared that the city

must accept the loss. The decision resulted in the recovery of \$4,500, or about \$125 per member, for the association.

Midland Cooperative Wholesale (Minneapolis) was the leader in the attempt to obtain for consumers' cooperative wholesales the privilege, accorded to private dealers and farmers' cooperatives, of doing business under the Guffey Coal Act. The Bituminous Coal Division which administers the act ruled that Midland was not entitled to the discounts other wholesalers received, because the wholesale's earnings are returned to its members in patronage refunds; this was ruled to be a violation of the price provisions of the law. The U. S. Circuit Court of Appeals at St. Louis upheld the Division, and Midland appealed the case to the Supreme Court. It refused to review the decision, and steps are being taken with a view to having the act amended so as to give specific recognition to cooperatives.

Cooperatives, again led by Midland, were instrumental in obtaining in 1941 a reduction in freight rates on gasoline by which, according to report, "every consumer" throughout the Northwest benefited. Another contest, to obtain a reduction in freight rates on heavier oils, was begun early in 1942.

On May 15, 1942, the United States Court of Appeals upheld by unanimous decision the conviction of the American Medical Association and the Medical Society of the District of Columbia on charges of conspiracy in restraint of trade against Group Health Association of Washington, D. C. These organizations were fined \$2,500 and \$1,500, respectively. The case was carried to the United States Supreme Court by the medical associations and was argued in the fall term of 1942. The court's unanimous decision, delivered on January 18, 1943, upheld the conviction of the two societies. The Court did not find it necessary to pass upon the defendants' contention that the practice of medicine is a profession and not a trade and that therefore they were exempt from prosecution under the Sherman Act. The Court held that, for the present purpose, the fact that Group Health Association was carrying on a business, with which the medical societies were seeking to interfere, was sufficient.

Group Health Association was also involved in a case brought in a District court against the association and three of the physicians on its staff, by the wife of a member who died following an appendectomy. All defendants were cleared of charges of malpractice and it was held that the deceased had been given appropriate treatment.

Developments Among the Distributive Associations

PRODUCTION BY CONSUMERS' COOPERATIVES

Those regional and district wholesales which have undertaken production and service activities have noted that it is precisely in those departments that the greatest savings have been made. It is this realization that has caused the spread of the slogan (first voiced by the pioneer in the consumers' production field, Consumers Cooperative Association, North Kansas City) that "factories are free." It has been the experience of CCA that the earnings of its various productive departments very soon paid the initial costs and thereafter made possible the return of substantial patronage refunds.

Greater expansion occurred in cooperative production in 1942 than in any previous year. The Cooperative League of the U. S. A. reported that at the end of 1942 consumers' productive enterprises numbered 49, including 12 oil wells, 92 miles of oil pipeline, 4 oil refineries (and another, one-third of which was owned cooperatively), 7 oil-compounding plants, 2 paint factories, a grease factory, 3 printing plants, 2 bakeries, 2 canneries, a coffee-roasting plant, 3 flour mills,¹ 8 feed mills, 11 commercial-fertilizer plants, a lumber mill, tractor factory, serum plant, and a dozen chick hatcheries. Of these, 2 oil refineries, a lumber mill, a cannery, a feed plant, and 2 oil wells were added in 1942.

In addition, plans were under way for the purchase of two more oil refineries (by Midland Cooperative Wholesale and Farmers Union Central Exchange), as well as the construction of 57 miles of additional pipeline and a plant for the dehydration of vegetables and fruits by Consumers Cooperative Association.

Midland Cooperative Wholesale started a research department to enable the wholesale "to get into production at the right place, the right time, and in the right way." A 5-year program of cooperative research in the production field was decided upon by the board of directors of CCA.

Acquisition of a binder-twine plant by several of the regional wholesales was reported to be under consideration for early action.

Consumers Cooperative Association put in, at its oil refinery at Phillipsburg, Kans., equipment to be used in the production of codimer, described as "a petroleum fraction which may be used in the manufacture either of synthetic rubber or of aviation gasoline." The association's application for priorities on materials, to enable it to build a plant for the manufacture of grain alcohol from surplus farm products, was denied by the War Production Board. The wholesale's annual meeting authorized further expansion of refining and crude-oil production, the erection of a refinery for lubricating oils, a sawmill, a shingle mill, a roofing plant, cement factory, feed mill, and potato-starch factory.

NEW SERVICES AND ORGANIZATIONS

Numerous expansion measures planned for 1942 had to be postponed because of war conditions. Nevertheless a great many buying clubs opened stores, and store associations embarked upon remodeling and modernization of premises or moved to larger and better quarters. Various innovations were carried into effect. Thus, one association which serves a wide area put into operation what was described as a "butcher shop on wheels"—a truck carrying a refrigerated display case, butcher's block, and butcher. What effect gasoline and tire rationing may have upon this venture is not known. Another association erected a meat-curing plant, which will handle the slaughtered animals of its members, render the lard, make sausage, cure bacon and ham, etc. Midland Cooperative Wholesale started a campaign for "sparkle-clean" restrooms in the service stations of its affiliated petroleum associations, allotting a specified number of points for

¹ A part interest in another cooperative flour mill (not included above) was owned by Eastern Cooperative Wholesale.

each particular standard met and awarding a display sign to all associations scoring 100 percent.

In some small towns cooperatives are the predominant method of business. Thus, in Badger, S. Dak., the cooperative (with a reported membership of 210 in a town with a population of 200), which already owned the grain elevators and the only lumber yard, in 1942 purchased a grocery store. In Stockton, Kans., an uncommon situation is reported: Of 85 private companies of various kinds, 26 are reported to be fully paid members of the cooperative and 16 others are earning shares through patronage refunds; in a number of cases all of the employees of these companies also are members of the cooperative. In Vermillion, Minn., it is stated, every family in the community is a patron of the local cooperative.

The field of membership from which cooperators are drawn varies somewhat with the times. For several years there have been consumers' cooperatives among the migratory farm laborers staying at the Farm Security Administration camps. During the period of operation of the National Youth Administration there were a few small cooperatives among the NYA workers. After the camps for conscientious objectors were opened, the residents in several of these started cooperative activities. Most recently developed associations include the cooperative transportation associations (carrying war workers to and from their jobs) and the cooperatives started or planned in the camps for evacuated aliens of enemy nationalities.

The entering of new fields of business, already noted among the local associations, had its counterpart among the wholesales. The Farmers Union Central Exchange (St. Paul), serving local associations in Minnesota, the Dakotas, and Montana, decided to go into the handling of groceries. By arrangement, the Exchange took over the business of the Northwest Cooperative Society (a joint grocery-buying association for a group of stores in North Dakota and Montana), and the latter closed before the end of 1942. The Exchange plans the active encouragement of grocery departments among its affiliates, most of which are petroleum associations.

Another important extension of cooperative grocery business, representing a significant combination of farmer and urban cooperators, took place in Ohio. Under a program of collaboration between the Farm Bureau Cooperative Association (Columbus) and Central States Cooperatives (Chicago), a new association, the Ohio Cooperative Grocery Wholesale, was organized in November 1942 as a subsidiary of the two above-named wholesales.

In Wisconsin, Central Cooperative Wholesale directors authorized the inauguration of a system of centralized bookkeeping for local associations that cannot afford or cannot obtain bookkeepers. At the same time the management of the wholesale was instructed to study the possibilities of a repair shop for the trucks used in its trucking service. The latter service was greatly expanded during 1942, CCW having taken over the gasoline-transport service of several of the district wholesales, in addition to continuing its previous trucking service in general merchandise, groceries, and farm produce. This service has grown so large that it seemed likely that it would pay the wholesale to do its own truck-repair work.

Central States Cooperatives at its annual meeting voted to establish a regional paper.

Several new organizations of the federated type were started during 1942. In Minnesota a new district federation was formed under the name, Federated Co-ops of East Central Minnesota. Shortly afterwards it took over as a department the United Cooperative Funeral Service of Cambridge, Minn. The new federation will also carry on a district-wide insurance program, and will undertake other duties as need arises. Any cooperative in the area is eligible for membership in the federation. In Colorado a new organization, the Farmers Union Marketing Association, was formed. In addition to its marketing service, the organization will purchase lumber, coal, and other commodities, expanding these gradually; eventually it expects to provide cash funeral benefits.

The Cooperative Terminal (Duluth, Minn.), which was started in 1941 under the sponsorship of Central Cooperative Wholesale, has widened its field somewhat. Its main function is to market and process farm, forest, and marine products, but it is also supplying these products as well as fresh meats to the store associations in its district (northeastern Minnesota and northern Wisconsin). The Terminal took over from Range Cooperative Federation the latter's forest-products business.

In Wisconsin, cooperatives in Appleton and vicinity formed a federation, called Valley Cooperative Services, to undertake activities not feasible for the individual cooperatives. The new federation's first activity will be the provision of funeral service. In the same State an educational association, the Chequamegon Cooperative Federation, was organized, to which both marketing and consumers' cooperatives in the Ashland-Bayfield territory will be eligible.

Steps toward the formation of a national auditing service were taken at the annual meeting of the National Society of Cooperative Accountants. The purpose of the new association would be to seek and obtain the auditing business of regional and national cooperatives of all types.

Early in 1942 the announcement was made of an Inter-American Cooperative Marketing Corporation formed in New York City, to facilitate business relations between cooperatives in the United States and in Latin American countries.

DISCONTINUANCES

In October 1942, the board of directors of Consumers Cooperative Wholesale, Los Angeles, Calif., decided to dissolve the organization. This was a small joint-purchasing association which had been experiencing increasing difficulties in obtaining cooperative-label goods and in establishing dependable sources of supply for nonlabel products.

EDUCATION AND TRAINING

The training of sufficient numbers of cooperative employees, not only in business methods but also in cooperative philosophy, has for some years been a matter of serious concern to the cooperative movement. To meet the problem, training courses have been given by the various cooperative wholesales and by Rochdale Institute and the Council for Cooperative Business Training. The shortage of trained personnel has been greatly intensified by the wartime conditions—the drafting of the younger male workers and the departure of many of

the others either for war work or to enlist in the armed services. The engaging of woman workers, where possible, has been one of the methods used to meet the situation; it is reported that this has been carried farthest by cooperatives in the Central States Cooperatives territory.

The announcements of cooperative training courses in 1942 particularly stressed the opportunities for women in the various enterprises. Early in February the Cooperative League announced that six training schools had already been scheduled in the United States—in New York City, Harrisburg, Pa., Superior, Wis., Chicago, Ill., North Kansas City, Mo., and Walla Walla, Wash. Most of these included instruction in cooperative principles as well as in business practices, financial problems, and administrative methods. "Post-graduate" courses for the training of cooperative managers were held in Chicago, Walla Walla, and Superior. In addition, a training conference of persons already employed as managers of cooperative stores was held at Amherst, Mass.

During 1942 a much greater use was made of motion pictures to spread the story of cooperation. The various cooperative films were in continuous use throughout the movement, and in addition, the Cooperative League reported, 11 organizations outside the cooperative movement—universities, boards of education, labor organizations, and civic groups—had purchased prints for use in their visual-education departments.

THE RADIO CONTROVERSY

The cooperative movement in 1942 encountered difficulties in placing its program before the people. Early in the year, during the celebration of Wisconsin "cooperative week," officially proclaimed by the Governor, radio talks were planned which were sponsored jointly by cooperatives and the State department of agriculture. Numerous radio stations broadcast the talks, but stations in Sheboygan and Milwaukee are reported to have refused to do so on the ground that the script was "too critical of private business."²

In a previously planned drive, funds were raised by cooperators for a coast-to-coast radio program to acquaint the public with the aims and accomplishments of consumers' cooperation. It was planned that the broadcasts should start October 11, 1942, and 30 stations were announced. About a week before the program was scheduled to begin, both major networks cancelled the agreement, giving various reasons for the refusal, among them that the subject of consumers' cooperation is "controversial" and that the programs were designed to attract new members. Repercussions were immediate and widespread. Criticisms of the action, as a violation of the right of free speech, appeared in many newspapers and even in the trade papers of private business. In Congress, Senator Norris introduced a resolution directing the Senate Committee on Interstate Commerce to investigate the whole issue. At a joint meeting of the Code Committee of the National Association of Broadcasters and representatives of the Cooperative League, on December 14 and 15, a joint statement of principles was reached. It was agreed that advertising of cooperatives is acceptable when the programs are designed to sell goods, trade-

² Cooperative Builder (Superior, Wis.), March 5, 1942.

marks, or services; and that the copy could incorporate statements setting forth that any person can purchase goods at cooperatives, membership is open and voluntary, cooperatives are owned by members, each with a single vote, and net earnings are returned to the members. However, attacks on any other business enterprise or system of distribution were barred, and discussions of cooperative philosophy must be confined to such "sustaining time" as individual stations might see fit to give "in accordance with the public interest."³ League representatives pointed out that the "broad questions of public interest in the regulation of the radio industry," involved in the Senate investigation, were not covered in the above joint statement.

Following further conferences with executives of the radio industry, the Cooperative League announced that the series would be started on February 14, 1943, and would be broadcast each week, for 13 weeks, from stations in 30 cities (later increased to 34 and then to 36).

Cooperative League Activities

The Cooperative League of the U. S. A. is the capstone of the consumers' cooperative movement in this country. It has in membership various wholesales and educational leagues throughout the United States. The latter, in turn, unite practically all of the larger retail and service cooperatives in the consumers' cooperative distributive movement and a large proportion of the smaller ones.

During 1942 three additional regional organizations were admitted to membership in the Cooperative League. These were Pacific Supply Cooperative (Walla Walla, Wash.), American Farmers Mutual Auto Insurance Co. (St. Paul, Minn.), and Cuna Supply Cooperative (Madison, Wis.).

COOPERATIVE CONGRESS

From the cooperators' point of view, one of the most important events of the year under review was the holding of the Thirteenth Biennial Congress of the Cooperative League, at Minneapolis, September 28-30, 1942. The general subject of the proceedings was "Planning for a Better World"; and the role of cooperatives in the economy of the post-war period held an important place in the agenda and discussions.⁴

Resolutions of the congress included the following:

1. That Canadian and other cooperatives in North and South America be approached with a view to the formation of a federation of cooperatives in the Western Hemisphere.
2. That Rochdale Institute be removed from New York City to a more central location and that it start an extension service.
3. That, for the purpose of facilitating the speedy mobilization of cooperative opinion and action in emergencies, a network of minutemen be formed throughout the cooperative movement, each of whom

³ Cooperative League News Service, December 17, 1942.

⁴ For more extended discussion of this phase of the proceedings, see Monthly Labor Review, January 1943 (p. 86).

would undertake to notify 10 other cooperators, the Cooperative League to coordinate the whole.⁵

4. That the League board of directors appoint a national planning committee which would draw up a 5-year program, coordinate cooperative activities with the plans of the National Resources Planning Board, and submit the whole to a special meeting of regional cooperatives or to the next congress of the Cooperative League.

5. That a standing committee on post-war planning be appointed, which would also keep in touch with similar groups in other fields.

6. That a committee of three be appointed to formulate a plan for post-war transportation of commodities through cooperatives, to countries needing such distribution, and to cooperate with established agencies such as the Red Cross.

7. That the League board appoint a committee to study the feasibility of a nationwide system of life, casualty, and fire insurance on the cooperative plan, report to be made not later than to the 1944 congress of the League.

8. That the cooperative movement recognizes labor's right to collective bargaining, etc., and urges labor in turn to recognize the peculiar character of the cooperative movement. The appointment by the League of a full-time secretary to work among and collaborate with labor groups was recommended.

9. That regional and local associations (a) offer pay-roll deductions for a plan of cooperative medical care and other benefits and (b) that they make substantial contributions to the cost of such a plan.

10. That the Congress of the United States be requested to amend the Bituminous Coal Act so that consumers may operate coal businesses to serve themselves.

11. That cooperatives give greater publicity to their own activities in the war effort.

Developments in Special Branches of Cooperation

MEDICAL AND HOSPITAL CARE

All of the medical-care cooperatives in the United States known to the Bureau of Labor Statistics operate on a monthly dues basis. The associations are of two general types—those having their own medical staff and equipment, and those which merely contract for medical or hospital care for their members from individual physicians or groups of physicians. In the one case the doctors are employees of the association; in the other they are independent practitioners or associates in a doctor-managed enterprise.

There are some half dozen associations of the first type. They include two associations each operating a hospital and about four which operate clinics giving various kinds of medical care.

The second (insurance) type is more numerous. One of the largest of these—Group Health Mutual of Minnesota—by the middle of 1942 had established more than 100 local groups throughout the State, serving about 9,000 members. Under its plan clinical care (through such well-known organizations as the Mayo and Nicollet clinics) was provided, as well as accident treatment from private physicians throughout the United States.

⁵This has already been put into effect in various places and has proved most effective.

Most of the medical-care associations are members of the Group Health Federation of America (Little Rock, Ark.).

INSURANCE ASSOCIATIONS

In Wisconsin and Minnesota, two wholesales (Central and Midland) jointly support an insurance program under which the local cooperative associations affiliated with the two wholesales act as insurance agencies.

The life-insurance phase of the program is carried on by Cooperators' Life Association, an association formed in 1934, with headquarters in Minneapolis. One of the greatest difficulties of insurance associations that do business over a large territory is to obtain democratic control by the members (policyholders). A step toward better democratization of Cooperators' Life Association was taken in 1942 when district meetings and finally the annual meeting of the association voted to form local cooperative "lodges," one function of which would be to select, by vote of policyholders, voting delegates to the annual meeting.

Merger of the Cooperative Insurance Mutual (Wisconsin) and American Farmers Mutual Auto Insurance Co. (Minnesota) was voted by the membership of the two associations.

Further coordination of cooperative activities in the insurance field was made possible by changes in the annual-meeting dates to allow the insurance associations to hold their meetings at the same place, on successive days.

The annual meeting of Consumers Cooperative Association directed that a study be made of the possibilities of the wholesale's entering the life-insurance field. Toward the end of the year the association circularized its members to obtain their reaction regarding the establishment of an insurance organization.

During 1942 organizations—both cooperative and private—writing automobile insurance had begun to note the effect on their business of the greatly reduced mileage allowed and of the discontinuance of use of cars in some cases.

ELECTRICITY COOPERATIVES

The formation of new rural electricity cooperatives has of necessity been halted by the war, and for a time the installation of new lines by existing cooperatives was forbidden because involving the use of the strategic metal, copper. Liberalization of the War Production Board restrictions, however, has made it possible to extend service to an estimated 20,000 farms per month during the first few months of 1943. Existing associations appear to have fared very well during 1942 and although a few were delinquent in repayments on their REA loans, others not only had met their obligations but had made advance payments amounting to \$3,702,651.⁶

In March 1942 representatives of local electricity cooperatives from the 10 REA districts organized a national educational body, the National Rural Electric Cooperative Association, whose efforts will be devoted to the advancement of rural electrification throughout the United States. By the end of July, 30 State-wide meetings had been

⁶ Unpublished data supplied to the Bureau of Labor Statistics by Rural Electrification Administration (see *Monthly Labor Review*, January 1943, p. 91).

held to allow local associations to express their wishes in the matter. Altogether, 28 States were reported to have voted in favor of the new association and 2 against. The first annual meeting of the new federation was held in St. Louis, January 19 and 20, 1943. Among the expected functions of the association are insurance for local cooperatives and the publication of a national paper. The association will have offices in Washington and St. Louis.

CREDIT UNIONS

Credit unions have been hard hit by war conditions. The first measure to affect them was the regulation of installment buying (Federal Reserve Board Regulation W, August 1941), which prohibited the making of contracts which could not be repaid within a period of 18 months (later reduced to 15 and then to 12 months). A substantial proportion of loans of any credit union which has been in operation for any considerable time consists of the larger loans which run for long periods. The immediate effect of the regulation was to reduce the size of many individual loans and to restrict the granting of large loans to such persons as were in a financial position to make large monthly repayments. There will always remain a certain amount of loan business for such purposes as meeting the expenses of sickness and death, and various family purposes. Much of the credit-union business, however, was in loans for education, house repairs or remodeling, vacations, insurance, and other purposes, some of which were incurred as desirable though not necessarily as imperative. It is this latter class of loans that has fallen so greatly; as the emphasis today is on repayment of debts, not on incurring new ones, many credit unions may feel that they cannot with propriety publicize their service in such loans. Also, the rapid turn-over in credit-union membership, with men of draft age being called up and others transferring to different jobs, poses problems of collection that call or strict attention on the part of credit-union directors.

Relations with Other Organizations and Movements

RELATIONS WITH CREDIT-UNION MOVEMENT

Each year, recently, has seen closer relationships between the consumers' cooperative movement and the credit-union movement. For many years a representative of the latter group has attended the biennial congresses of the Cooperative League, and credit unions have generally had some place on the congress agenda. In 1939 the Credit Union National Association ("Cuna"), composed of 44 district and regional leagues, was admitted as a fraternal member of the Cooperative League. Cuna's annual meeting in June 1942 voted to create a joint committee of representatives of Cuna and the League, to facilitate continuous cooperation between the two bodies.

In 1942 the Cuna Supply Cooperative, an association which deals in office supplies, forms, etc., for local credit unions, became a full member of the League.

In the 1942 congress of the League the chairman of the committee on cooperative financing, reporting on "next steps in cooperative finance," presented a program which called for extensive interrela-

tionships with the credit unions. Under the proposed arrangement the consumers' cooperatives would promote credit unions among their members and every cooperative wholesale or other regional member of the League would promote (1) banks to serve credit unions and others and (2) regional credit associations which would serve the long-term credit needs of both the credit unions and consumers' cooperatives. To top the whole would be a central cooperative bank which would coordinate the activities of all, put to use the collective resources, and guarantee the collective liability. This program was the result of several years' work by the committee.

RELATIONS WITH LABOR

The American Federation of Labor, at its 1942 convention, again endorsed consumers' cooperation and directed the appointment of a committee of three to bring about a "reciprocal relationship in the development of consumer cooperatives and credit unions." The Cooperative League, in commenting on this, stated that the railroad brotherhoods had already created similar machinery. Like action was taken in December by the Congress of Industrial Organizations.

The League reported, early in 1943, that local trade-unionists had already begun to act upon the resolutions of their national organizations and were taking an increasingly active part in the cooperatives in their communities. The names of a number of cooperatives, mostly in the Central States territory, were cited in this connection.

The Western Pennsylvania Council of Consumers' Cooperatives issued a series of 10 articles on cooperatives, designed for use in labor papers.

The annual meeting of Central States Cooperatives (Chicago) voted to form a regional Labor-Cooperative Council and local groups of the same kind, with the purpose of accelerating the spread of cooperation among industrial workers. Funds for the purpose are to be supplied by the cooperative associations and the labor unions concerned.

A 5-percent increase in wages of service-station attendants, followed by an additional increase, 5 months later, of \$9 per month, was reported by Cooperative Services in Minneapolis. Its agreement with the union also provides a closed shop, 2 weeks' vacation, and 2 weeks' sick leave, with pay.

Midland Cooperative Wholesale also granted a 5-percent increase in wages to its drivers and warehousemen. The collective agreement under which the increase was made provides for revisions in wage scale according to changes in the cost of living.

Consumers Cooperative Services (New York City) early in 1942 granted its cafeteria employees a wage increase of 5 percent, retroactive to November 1, 1941. A second increase of 5 percent went into effect July 1, 1942. After the latter date its minimum rate was \$22.70 for a 48-hour week; the basic union scale in privately owned cafeterias was reported to be \$16 per week for a 45-hour week for women and \$18 for a 48-hour week for men.

The board of directors of Range Cooperative Federation (Virginia, Minn.) voted in September 1942 to pay \$1 per month toward medical care for each of its 46 employees. Under the Minnesota Group Health plan this would cover all or half of the cost of care, depending upon the type of plan chosen by the employee.

RELATIONS WITH FARM GROUPS

The National Farmers' Union, one of the most vigorous advocates of cooperative effort, in its 1942 meeting adopted a resolution urging extension of cooperative practice in the field of distribution and in the use of costly farm machinery. It also provided for the establishment of a cooperative department in its organization, the purpose of which will be to work for closer relationships between the various Farmers' Union cooperatives and the national organization, to aid in cooperative education and organizational work, and keep a closer check on legislation affecting cooperatives.

Immediate steps to put this into effect were taken by the board of directors. The Farmers' Union Herald (issue of September 1942) stated that in the Northwest alone there are already more than a thousand cooperative stores, credit unions, burial associations, petroleum associations, creameries, and marketing associations among Farmers' Union members.

RELATIONS WITH RELIGIOUS GROUPS

The consumers' cooperative movement has for many years maintained relations with the Council of Churches of Christ in America. The Council's industrial secretary, Rev. James Myers, has served continuously as chairman of the League's Committee on Cooperatives and Labor. Under his direction numerous district joint meetings of cooperatives and unionists have been held. Institutes bringing together representatives of cooperatives and the various religious denominations have also been held, under his direction or that of Dr. Henry Carpenter (chairman of the League's Committee on Churches and Cooperatives).

The National Catholic Rural Life Conference has for several years given its endorsement of the cooperative movement. Its meeting in October 1942 again endorsed cooperatives and credit unions as being "in close harmony with Christian social philosophy and powerful instruments of self-help." It recommended study of both consumers' cooperatives and credit unions by parish groups.

Cooperatives and the War

Cooperatives have always been among the foremost proponents of peace, and resolutions on this subject have occupied a prominent place among those passed at the congresses. Their wholehearted support of the present war is therefore all the more noteworthy. Local cooperative associations have taken an active part in the various drives for rubber, metal, paper, etc., and have achieved outstanding records of collection. One of the wholesales, Farmers Union Central Exchange, developed a plan whereby its local member associations collected carlots of scrap iron from their members; these were gathered by the wholesale, which handled the sales and prorated the returns. By July 15, these cooperators had collected about 11,000,000 pounds, or 223 carloads, of scrap. In order to interest the children in the conservation program, the wholesale offered war stamps for various items turned in. In the scrap-rubber drive, the various wholesales collected over 8,000 tons.

Several of the central cooperative organizations have turned to war work. Thus, in Minneapolis, the Co-op Press is reported to have become a subcontractor on war work on a 3-shift basis. Consumers Cooperative Association turned over to the Federal Government 36,000 cases of canned goods from the first pack of goods from its new cooperative cannery. The National Farm Machinery Cooperative, owned by several of the regional wholesales, in the spring of 1941 obtained subcontracts for defense production and began manufacturing tank parts for armament contractors. It expects to be engaged on this work for the duration of the war, but is nevertheless carrying on experimental work on tractors and auxiliary equipment, the manufacture of which will be resumed after the war.

A representative of the cooperative movement sits on the petroleum board that advises the Petroleum Coordinator, and another representative is on the Minnesota State War Petroleum Advisory Committee.

At the request of the Federal War Relocation Authority, Rochdale Institute conducted a course in cooperation (principles and technique) in one of the Authority's camps for evacuated Japanese.

WARTIME PROBLEMS

Like all other businesses, cooperatives have been greatly affected by war conditions and have had to make many adjustments to meet them. Some of these are noted below.

Price ceilings.—It is stated that some items handled by the wholesales must be sold at a loss, either because the margin allowed is not great enough to cover handling costs or because of the higher cost of land transportation as compared to water-borne freight formerly used.

The General Maximum Price Regulation and others issued later will necessitate much more careful merchandising and the paring of operating expenses in order not to operate at a loss. The regulation became effective on May 11, 1942; Eastern Cooperative Wholesale, however, did not wait for the regulation to go into effect but instituted the ceiling immediately.

Supplies and rationing.—It has been difficult for the cooperatives to contract for "co-op label" goods, because of Government buying, crop failures in some lines, uncertainty about price ceilings, and finally, the canned-goods freezing order of September 1942. All new-pack canned goods were frozen under a WPB order in September and their release was permitted only at stated times: 35 percent between time of freezing and December 1, 35 percent between December 1 and April 1, and the remaining 30 percent thereafter. As products are canned at different times of the year, some packers had already disposed of a considerable part of their goods before the order, and the distributors depending upon them for later supplies were unable to get them because the rest of the packer's goods could not yet be shipped. It was reported at a meeting of Eastern Co-operative Wholesale that after contracts had been made for cooperative-label peaches, the entire pack was taken by the Government.

Margins allowed by OPA are said to be about three-fourths of what distributors had been able to operate on before. Cooperative wholesales are classified as "retailer-owned" wholesales and are allowed margins of 2 to 6 percent, or about half to a third of those allowed to "service" wholesales. One of the cooperative buyers predicted re-

cently that 33 to 40 percent of the distributors of the country will have to go out of business during the next year, not so much because of margins as because of the drastic reduction in the amount of goods available to sell. In his opinion, "Any organization that can't get operating costs down or doesn't have reserves to take a loss will fold up."

Operation under quota system works a hardship on businesses—such as cooperative associations, especially wholesales—which have been expanding rapidly. As the quotas are based on business in the previous year, the supply leaves no margin to cover the increased activity. Thus, in the case of Eastern Cooperative Wholesale, the coffee quota of 75 percent was based upon sales 30 to 40 percent below 1942 business.

The cooperative movement has for some time been urging Nationwide rationing—before shortages arise—of all basic commodities of which there is likely to be a shortage. In August, Eastern Cooperative Wholesale petitioned OPA for rationing of coffee and tea. It was felt that rationing insures equitable distribution among all consumers and frees quantities of goods which otherwise might be hoarded, particularly if it is made clear that the amount on hand must be declared. A conference of representatives from regional cooperatives and organizations of consumers was called by the national Cooperative League and held in Washington, D. C., on November 20, 1942. Instancing the "run" that developed in the case of coffee, this conference, at which 20 national organizations with consumer interests were represented, adopted a resolution urging rationing of those goods that are scarce or becoming scarce, "at once without a preliminary announcement."

As early as February 1942 the Cooperative League urged WPB and OPA to see to it that consumers were given representation on all local rationing boards. It was suggested that consumers' cooperatives, as "effective organizations of consumers," should be consulted when rationing boards were appointed. It was pointed out that the cooperatives could do good work in safeguarding consumer interests. The services of local, regional, and national cooperative organizations, to this end, were offered.

The annual meeting of Eastern Cooperative Wholesale, held in June 1942, adopted a plan (suggested previously by the national Cooperative League) for the creation in local cooperatives of committees on public affairs whose duties would be (1) to acquaint community leaders and organizations of the benefits of cooperation; (2) to inform legislators of the view point of cooperatives on legislation directly affecting consumers, and (3) to study and interpret to cooperative members the legislation and administrative rulings affecting the interests of cooperatives.

The problem of transport and delivery.—Tire and gasoline restrictions have entailed some hardship on cooperatives, especially in the East where a radical revision of delivery policies has ensued. Various methods have been worked out, in order to reduce the number of deliveries and the mileage, and to concentrate orders within an area by the pooling of members' orders at a central point therein.

An order issued by the Office of Defense Transportation, effective June 30, 1942, required a 25-percent reduction (from the 1941 mileage for the same period) in the monthly mileage of trucks operating within

a metropolitan area or not more than 15 miles from the city in which based. Trucks operating in long-distance hauling were required to have capacity loads in one direction and at least 75 percent capacity for the other or return trip. "Circuitous routes" (i. e., more than 10 percent greater in distance than the most direct highway) were prohibited.

The first of these provisions affected the retail deliveries of local cooperatives and the second the wholesales and the local associations doing trucking of supplies to members. In order to comply, cooperatives were forced to pool their trucking needs, so as to insure full loads each way. In Wisconsin the Central Cooperative Wholesale which had operated a fleet of trucks in which to carry supplies to its retail members took over the trucks and haulage business of several of the district federations (C-A-P, Trico, and Range) which had been engaged in hauling supplies for local cooperatives in its district. Combination of these haulage businesses insured the full use of the trucks on the round trip. The Farmers Union Central Exchange also increased the number of its transport trucks. On the Atlantic seaboard, Eastern Cooperative Wholesale has member associations scattered through several States as far south as the District of Columbia and as far north as Maine, and consequently has an extensive haulage problem. It opened a new wholesale branch warehouse in Philadelphia, in order to eliminate some of the haul and cut freight expense; trucking to the Pittsburgh area was let on contract to a private carrier.

In order to meet the problems of transportation, local cooperative associations are also entering into joint ownership of transport facilities. News For Farmer Cooperatives reports (September 1942) that scores of new trucking cooperatives are being formed. In one area 22 are reported and in another 20. Most of these are hauling farm produce between terminal markets and the cooperative associations. In the consumers' cooperative field, it is reported that cooperatives in 5 Iowa towns united in the purchase of a truck to haul their supplies and formed a new association for the purpose. In Ohio a State transportation council was created to coordinate the haulage activities of some 3,000 trucks owned by cooperatives in the State. Montana and western North Dakota petroleum associations formed a new association, the Farmers Union Transport Association, to carry on the pooled trucking business of the member cooperatives.

EFFECTS UPON COOPERATIVES

The associations retailing tires and petroleum products were among the first to be hit by wartime restrictions. Mergers of neighboring cooperatives were being discussed by the end of 1942, and the closing of a sizable percentage of stations had already taken place.⁷ In fact, even before the end of 1941, numerous associations which had over-expanded in the palmy days of the petroleum business had closed at least some of their branches.

Faced with declining volume of business, as a result of tire and gasoline restrictions, the petroleum cooperatives are expanding into various sidelines. This trend began several years ago but has been

⁷ That the private dealers were also seriously affected is indicated by the fact that one of CCA's truck drivers reported early in October 1942 that of 687 private service stations along his route, 219 had been closed.

accentuated by war conditions. One association in Minnesota made a contract arrangement with two local repair garages for discounts on repair work of cooperative members. Associations with repair departments of their own are featuring that service. Midland Cooperative Wholesale reported in August that already 60 of its affiliated petroleum cooperatives had gone into the grocery business, and that the business of the wholesale's grocery department was running about 65 percent over 1941. In the Central Cooperative Wholesale area these associations are reported to have started handling furniture.

In Texas little diversification of business had taken place among the petroleum cooperatives until war conditions forced them to do so. Now they are reported to be expanding into various sidelines, usually farm supplies and tractor and machinery repair. In one of the Midland districts, associations were reported to be studying the feasibility of entering into distribution of work clothing, drygoods, tableware, etc.

Although many new associations were formed in 1942, wholesale organizations were not particularly encouraging the opening of new stores under conditions as they existed toward the end of the year. Difficulties of obtaining not only the necessary equipment for the store, but also of obtaining stocks of goods, made leaders dubious of the wisdom of opening new business enterprises, at least until important items were placed under rationing. Extension of buying-club technique, enabling groups to obtain supplies without undertaking the overhead and problems of store operation, was being encouraged. In addition, mergers of existing associations, to form more stable societies and cut overhead, were urged.

Up to the end of 1942, thanks partly to the higher level of prices, greater efficiency, and greater sales efforts, both wholesale and retail cooperatives in the food field had in the main been able to maintain or increase their volume of business. It is probable, of course, that eventually some of the weaker associations will have to close. In this connection it is of interest that, regarding the Farmers' Union cooperatives in Nebraska, the Nebraska Union Farmer (Oct. 28, 1942) reported that these organizations were in a "good position to weather war and post-war conditions," as about 75 percent of them were "debt-free or practically so."

Wartime conditions may eliminate some of the benefits heretofore claimed by cooperatives. Thus, the lowered margins allowable under price control will drastically reduce the price savings possible to be made under the cooperative method; and the necessity for strengthening the financial structure of the cooperative movement will tend to abolish, for the duration, the payment of cash patronage refunds even if earned. Also, supply difficulties may slow up and hinder the progress of the cooperative movement toward controlling the quality of goods handled, as associations find they must take what they can get, not what they would prefer.

MEASURES TO MEET CONDITIONS

The president of one of the cooperative wholesales recently presented a 10-point program for cooperatives during the war. In addition to cash trading, training of new employees, and consolidation of weaker associations, these included the following:

1. To keep an uninterrupted flow of goods to agriculture to enable farmers to produce to the maximum.

2. To "speak with a united voice to the end that the cooperative movement may not suffer from discriminatory regulations * * * and see to it that violence is not done to the nonprofit character of cooperatives."

3. To expand into war effort (such as dehydration, manufacture of alcohol, etc.), possibly by joint action of several wholesales.

4. To keep organizations democratic.

5. To build cooperatives "at all levels which will be so sound and effective that people will turn to them naturally and logically in the reconstruction period as the answer to their most pressing economic problems."

The immediate steps urged upon cooperatives include the following:

(1) Elimination or drastic reduction of credit business, and reduction of extra service; (2) more efficient use of employee time, improved store lay-out, and close scrutiny of all expenses; (3) keeping the most efficient staff possible, "even at the cost of wages apparently too high for economical operation"; (4) adding new lines of goods to take the place of those no longer obtainable; and (5) closer cooperation with other cooperatives and the wholesale on problems of merchandising. Renewed emphasis is being placed upon making sure that the cooperative is financially stable; this involves building up reserves. In an open letter to local cooperatives, Central Cooperative Wholesale early in 1942 urged that cooperatives achieve "financial self-sufficiency," and noted that to do so would mean for most cooperatives "outlawing cash patronage refunds for the duration of the emergency." It recommended that associations "keep the earnings in the business in one way or another." Cash patronage refunds should be made only after paying all bills, making provision for necessary facilities for efficient operation, reserve to cover a probable 15-25 percent inventory loss when prices drop, reserve to meet "probable freezing of receivables when the present war boom ends and depression comes," and "provision for possible—probable—operating losses in the years of general economic adjustments that will follow termination of the war economy." Somewhat the same advice has been given in the periodicals of the other wholesales.