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Developments in the Cooperative Movement in 1943

By

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of the

Editorial and Research Division



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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., March 17, 1944.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on developments in the cooperative movement in 1943, prepared by Florence E. Parker of the Bureau's Editorial and Research Division.

A. F. HINRICHS,
Acting Commissioner.

Hon. FRANCES PERKINS,
Secretary of Labor.

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Developments in the Cooperative Movement in 1943

Summary

The spectacular expansion by cooperatives into production in 1943 overshadowed other developments in that year. According to the Cooperative League, some \$14,000,000 was invested in productive facilities of various kinds in this one year. By far the greater part of the money went into the purchase of petroleum refineries, pipe lines, and oil-bearing lands. Other acquisitions included a printing plant, a coffee-roasting plant, a cannery, a dehydration plant, a chemical factory, five sawmills,¹ two feed mills, and a number of other plants related to agriculture and its products. These purchases were made almost entirely by regional wholesale associations, individually or in combination with other wholesales.

Among the local cooperatives the outstanding feature of the year was the number of new food stores opened by new associations, by store organizations previously in existence, and by petroleum associations which were diversifying their activities. The many problems entailed by the war were being overcome fairly well and, notwithstanding the poor supply situation, volume of goods handled and amount of sales made appeared to be increasing.² The greatest difficulty appeared to be that of obtaining and retaining trained workers, especially for the more responsible positions.

Cooperatives were the subject of a number of court and administrative decisions during the year, and were on the whole successful in these, as well as in the legislative measures enacted.

Steps were taken to bring about closer relationships between the credit-union and consumers' cooperative movements, and between the latter and organized labor. Much greater attention was paid to publicizing the cooperative movement than in any previous year, and this was assisted by several attacks upon the movement which resulted in gaining it greater public notice.

Evidence of the widening horizons of the consumers' cooperatives in this country was given in their increasing preoccupation with post-war conditions and the part that cooperatives can play in the rehabilitation of cooperative movements abroad. Conferences with representatives of these movements in the fall of 1943 and early in 1944 explored the practical steps to be taken by cooperatives in this country in the relief and reconstruction of associations in war-torn countries. The formation of an International Cooperative Trading and Manufacturing Association, through which this help will be extended, was authorized.

¹ Early in 1944 it was reported that a shingle mill had also been purchased, in Vancouver, B. C.

² Data on operations of consumers' cooperatives in 1943 will appear in a later article.

Laws and Decisions Affecting Cooperatives ³

Some of the more important legislation and decisions affecting cooperatives, that occurred in 1943, are summarized below.

In Massachusetts, the cooperative associations endeavored to have the "blue sky" law amended, to permit them to sell shares to their members under the same provisions as those governing credit unions and "cooperative banks" (building and loan associations). The amendment passed both houses of the legislature but was vetoed by the Governor on the ground that the amendment was too broad. The cooperatives then appealed to the State Public Utilities Commission for exemption. That commission had not yet rendered a decision at the time this article was prepared.

The North Dakota Legislature passed a law (Acts of 1943, ch. 237, p. 332) requiring State teachers' colleges and the teachers' college at the State University to offer an elective course covering "cooperatives and other business methods, their history, principles, organization and operation." This course is to carry the same credits and be rated in the same manner as other courses offered by these colleges. A similar law, applying to high schools, was passed in 1937.

In Ohio many of the farmers' associations incorporated under the Ohio cooperative marketing act also carry on purchasing of consumer goods as well as of farm supplies. For this reason it is of interest here that the act was amended in 1943 (H. B. 400) to permit the associations to provide, in addition to merchandise and marketing service, other services except "professional services otherwise prohibited by law." The amendment also permits any farmer to become a member of an agricultural cooperative, instead of (as formerly) only those who are marketing products through it. A proposed provision which would have allowed the return of patronage refunds to nonmember patrons as well as to members was defeated (according to the Ohio Farm Bureau News, June 1943) by the opposition of private coal and hardware dealers.

An attempt was made in Wisconsin to kill that part of the State act which made it compulsory to include consumers' cooperation in the curriculum of all State-aided educational institutions.⁴ The bill, which it was stated had been introduced at the request of certain trade associations, was later withdrawn.

In the 78th Congress of the United States a bill (S. 1122) was introduced by Senator Ellender which proposed to limit all auto tire and tube distribution to independent dealers and farmers' cooperatives that were in operation before June 1, 1942. Although the measure was aimed at concentrated business, under its language neither farmers' cooperatives formed after that date nor urban cooperatives whenever established could engage in the retail distribution of tires or in their production. Upon protest by the cooperatives, Senator Ellender agreed to rewrite the bill so as to exempt cooperatives specifically from the prohibitions.

The Guffey Coal Act expired on August 26, 1943, when Congress failed to extend it. Under that act the Bituminous Coal Commission had ruled that patronage refunds of cooperatives would constitute an illegal discount under the law, and refused to recognize consumers' cooperative wholesale associations as coal dealers.

³ See also page 7 for Arizona decision affecting war relocation cooperative.

⁴ For a summary of the act see Monthly Labor Review, October 1935 (p. 991).

COLD-STORAGE ASSOCIATIONS

Uneasiness was expressed in Nebraska⁵ over the passage of a law (L.B.51) providing for the licensing and regulation of cold-storage plants. It was pointed out that its effects upon the possible extension of cold-storage lockers by cooperatives would depend on the regulations adopted by the State Department of Agriculture, and that regulations calling for a showing of "public convenience and necessity" could very well be used to prevent the formation of additional cooperative plants. The law also calls for annual renewals of licenses.

Similar laws were passed in Indiana (ch. 264) and Ohio (H.B. 206) in 1943.

MEDICAL-CARE COOPERATIVES

On January 18, 1943, the United States Supreme Court affirmed the decision of the United States Court of Appeals for the District of Columbia, holding the District Medical Association and the American Medical Association guilty of conspiracy against Group Health Association, and levying fines upon both physicians' organizations.⁶

The Supreme Court decision held that the cooperative was engaged in business or trade; it was immaterial whether physicians and medical societies are so engaged, as the Sherman Antitrust Act prohibits "any person" from imposing restraints on trade, irrespective of whether he is himself engaged in it. The Court found that the dispute between the cooperative and the medical societies was not one concerning terms of employment, and the societies could not therefore claim immunity under the laws designed to exempt labor unions from the application of the Sherman Act. The Court concluded: "These independent physicians, and the two petitioning associations which represent them, were interested solely in preventing the operation of a business conducted in corporate form by Group Health." It therefore affirmed the decision of the Court of Appeals. (*American Medical Association v. United States*, 317 U. S. 519, 613.)

A bill introduced in the Wisconsin Legislature in behalf of co-operators, which would have forbidden discrimination against either physicians or patients participating in a medical-care cooperative, was defeated.

BURIAL ASSOCIATIONS

Iowa is one of the few States having cooperative associations providing complete funerals (including embalming) or selling caskets and funeral supplies. These associations are organized under the consumers' cooperative law of the State which permits cooperatives, among other things, to conduct a mercantile business; it does not specifically authorize funeral service. Some funeral associations—especially the larger ones—employ the full-time services of an embalmer who acts as funeral director. The associations have generally been quite successful, have reduced the cost of burial to their members, and have expanded in membership. Several now have in membership over 1,000 families each. In 1937 the private funeral directors obtained an amendment to the State law which regulates the licensing and practice of embalming (Code of Iowa, 1939, ch. 124.1, secs. 2585.01–2585.09). The code specifies who shall be considered as

⁵ Nebraska Union Farmer (Omaha), May 26, 1943.

⁶ See Monthly Labor Review, March 1942 (p. 685) and March 1943 (p. 500) for summaries of the decisions of the courts.

embalmers, and as amended (Acts of 1937, ch. 106) continues (*italics show amendment*) as follows:

"It is further provided that nothing in the provisions of this chapter shall apply to any person, firm, or legally established funeral home *other than cooperative burial associations*, except that each such legally established funeral home shall comply with the provisions of this chapter as to State control, licenses, and license fees, engaged in the undertaking business on July 4, 1935." It is evident from this that corporations ("firms") were not affected by this amendment unless they were also cooperatives; in other words, not corporate practice but cooperative practice was aimed at.

About the middle of 1943 the funeral cooperatives were attacked by the State attorney general in an "ouster" suit, maintaining that they were doing business not authorized by cooperative law, and violating the embalming law by engaging in the practice of embalming. In the first case to be heard, the association concerned was an organization serving about 1,100 families in three counties; its embalming was done by a licensed embalmer whom it employed full time. The case was dismissed by the court on June 29 and in August the attorney general withdrew the charges against the remaining associations. However, a month later he brought suit against two other large associations. No report has been received as to the outcome of these cases.

In Kansas the consumers' cooperative law permits cooperative associations to undertake "any business or industrial pursuit," but the embalmers' and funeral directors' law (Gen. Stats. 1935, secs. 65-1701 et seq. and secs. 74-1702 et seq.) was amended in 1941 (ch. 297) to prohibit corporate practice in the undertaking field, even though the embalming is done by a licensed embalmer. The amended law provides for the examination and licensing of embalmers and funeral directors. Undertaking establishments (funeral homes) may be operated only by individuals who are either licensed embalmers or funeral directors; if the funeral director is not himself an embalmer he must employ one. The law states that no funeral directors' license shall be issued to "organizations, institutions, corporations, or establishments" and specifically prohibits embalmers or funeral directors from "using, participating in, selling, promoting, servicing or operating, directly or indirectly, any burial association." A cooperative association organized to operate a funeral home was denied a charter on the ground that this would be illegal. In 1943 a bill was introduced in the Kansas Legislature which would have specifically authorized the chartering of nonprofit cooperatives if a licensed funeral director was employed. The bill was killed in the house of representatives committee on State affairs.

A law was passed in 1943 by the Wisconsin Legislature, prohibiting the sale, in connection with a funeral establishment, of shares or membership or other certificates providing for "burial benefit or any rebate at time of death to the holders thereof." (Wis. Stats. 1943, sec. 156.12 (7).)

ELECTRICITY ASSOCIATIONS

The right of the rural electricity associations to extend their service into the villages was challenged in two cases before public utilities commissions of Arkansas and Oklahoma. The suit in each case was brought by a private utility corporation.

The cooperatives were buying from these corporations energy which they distributed through their own power lines to their members. Although the contracts in force between the corporations and the cooperatives are reported to have made no distinction between individual and industrial uses, the corporations contended that the cooperatives should confine their activities strictly to farm users and stay out of the villages. They therefore applied for permission to charge a higher rate for energy resold by the cooperatives in villages of over 250 population or to industrial consumers using over a specified amount of current.

The Arkansas commission ruled that the cooperative in the case was entitled to the same rate on power distributed in towns as in the country, except for the larger consumers on which it should pay a higher rate to the utility company.

In Missouri the Public Service Commission gave the Sho-Me Power Cooperative (a federation of 29 of the 31 cooperatives in the State) permission to buy the properties of a private power company. The right of the cooperative to do so was contested by 14 other power companies in Missouri, the main ground being that this purchase by the cooperative association was a first step in the socialization of the electric-power industry of the State. The Commission found no evidence of this and noted, in passing, that none of the intervening companies had made any move to purchase the properties concerned (which the owning company had been ordered to dispose of) and, as stated above, granted the cooperative permission to buy them.

The 1942-43 annual report of the Rural Electrification Administration notes the passage of an enabling act in Vermont, making it the twenty-seventh State to adopt legislation authorizing the formation of electricity cooperatives.

New Associations and Services—Local Cooperatives

A very decided expansion in local cooperative distributive and service associations took place in 1943. The crop of new associations appeared to be somewhat larger than usual and many existing associations opened new branches. The mergers of existing associations that took place in a number of communities represented not restriction of services but a move to strengthen cooperative organization.

The greater part of the new facilities were stores, opened either by existing store associations or by petroleum associations which were diversifying their business. The petroleum associations, as noted in previous reports, had closed some of their branch service stations as early as 1942 when they began to be affected by scarcity of rubber and rationing of petroleum. Additional branches were closed in 1943, but the tendency to expand into other businesses, notably the sale of food, continued. Not so many new petroleum associations as stores were started in 1943, but there were a few, and several that had previously been branches of other organizations became independent associations.

All parts of the United States shared in this spread of the cooperative idea in 1943. An active interest in cooperation was reported to be resulting in the formation of a group of stores and buying clubs in and around Seattle. That city, which contained a thriving cooperative movement in the period 1918-20, is the headquarters of the Grange cooperatives in the State but, since the collapse of the early movement

in the depression of 1921-22, has been more or less of a desert as regards urban associations. The new associations formed in 1943 and the few organizations already in existence (including a large students' association and 2 store associations) have formed a league to carry on educational work in the territory.

Late in 1943 the national Cooperative League reported that at least 91 new food stores had been opened by existing or new cooperative associations in the territory of its regional affiliates. Nearly three-fourths of these new stores were in the Midwest, where expansion from petroleum to food is going forward apace. In many cases the cooperative bought or leased the business of a local private merchant. Several retail store associations bought from local dealers their feed stores and fuel yards. In Indiana, it was reported, 35 county-wide Farm Bureau cooperatives had opened shops to service and repair farm machinery.

One unusual development noted in 1943 was the taking over, by the cooperative in one of the "greenbelt" towns, of a local tavern formerly run privately. Avoidance of sale of intoxicants was one of the most vigorously practiced tenets of the Rochdale Pioneers and a number of the early associations in the United States had the promotion of temperance as one of their aims. Although not now stressed, very few associations in this country carry alcoholic drinks. As far as known to this Bureau there are only four, three of which run taverns. Two of the four are Italian cooperatives; it may be that others of the Italian group also handle intoxicants.

A feature of the year's developments, which was encouraging to cooperative leaders, was the improved financial structure of the movement, brought about by the widespread use of earnings to increase capital. Another was the greatly reduced extension of credit by cooperatives. On the other hand, leaders were noting with some alarm the tendency toward larger inventories, purchased at war prices, which will cause losses when the post-war decline in prices occurs.

One cooperative, which for many years has operated a number of cafeterias, opened one grocery branch in 1943 and plans a number of others for 1944. On the other hand, a store association in Montana opened a restaurant in 1943.

Another, in North Dakota, bought from the local undertaker his funeral home, in preparation to supplying complete funeral service; the store association had previously carried caskets, but provided burial only on a contract arrangement.

Among the burial associations, most of the expansion took place in Wisconsin. Two new associations were formed there, one of which was of the federated type. In another locality three local associations joined in sponsoring cooperative funeral service, to provide which the store association opened a mortuary department. Another existing association opened a branch in another town and plans a second during 1944. In the Philadelphia area cooperatives arranged for funeral service on a contract arrangement with a private undertaker. In Minnesota a service federation which acts as an educational body but also writes insurance and operates a funeral department, in 1943 opened a second funeral establishment.

The year 1943 was notable for the formation of a cooperative telephone association, to serve patrons in four towns of Minnesota; few associations of this type have been started in recent years. Several trucking associations were established and at least three recrea-

tional associations. In Minnesota a service organization was formed which expected to begin operations in January 1944, carrying on a cold-storage and slaughtering business. Another cold-storage locker association was started in Texas and in California a store association opened a locker department. Several other associations in various parts of the country authorized their boards of directors to undertake this new type of service in 1944.

For 1942 it was noted⁷ that some of the campus cooperative houses for male students were being forced to close, as their members left college to join the armed forces. This trend appears to be still going on but is counteracted, to some extent at least, by an increase in the number of cooperative housing associations for girl students. In some cases the girls have taken over and are operating the houses formerly run by the young men's groups.

At least three Negro cooperatives were started in 1943; two of these were buying clubs and the third opened a store. It is reported also that cooperative associations were organized in a number of low-cost housing projects during the year, but the Bureau has been able to get little direct information regarding them. In Alabama a cooperative store was started by sharecroppers; this was reported to be the first such venture among this group.

Early in 1943 cooperatives of various types were reported to be in operation in all of the 10 war relocation centers. The 109 associations included food and general stores, shops providing dry goods, shoes, and shoe repair, beauty parlors, barber shops, laundry and dry-cleaning establishments, optical service, and motion-picture theaters. These associations were started without share capital, on credit advanced from various sources. Capital accumulated had by April 1943 ranged in the different associations as high as \$29,000. The associations were being supervised in their business transactions and cooperative educational work by veteran cooperators from the consumers' cooperative movement. It was reported, in June 1943, that the articles of incorporation of one of these Japanese-American associations (at Rivers, Ariz.) had been canceled by the Arizona Corporation Commission on the ground that although the association had been incorporated under the nonprofit law, its articles of incorporation provided for return of patronage refunds to the membership. The commission ruled that this provision removed the association from the nonprofit category of "nonprofit corporation as contemplated by our laws."

The rural electricity associations, which had been halted in their expansion by WPB restrictions on wire and other critical materials, expanded somewhat as the restrictions were relaxed.⁸

MEDICAL CARE

At the beginning of 1943, as noted, the medical-care cooperatives received the encouragement of the decision of the United States Supreme Court. The cooperative organization involved, Group Health Association of Washington, D. C., although hard hit by drafts upon its professional staff, nevertheless increased its membership from 3,375 at the end of 1942 to 3,566 in December 1943. At the

⁷ Monthly Labor Review, April 1943 (p. 709, footnote 5).

⁸ For detailed data on these associations, see Monthly Labor Review, February 1944 (p. 326).

end of 1943 some 9,200 persons were being served by the association. This association, which provides both medical and hospital care, has its own medical staff of general practitioners and specialists and operates its own pharmacy. Its total business in 1943 amounted to \$281,942, of which \$82,800 represented the pharmacy's sales. At the end of the year the directors announced a plan calling for expansion of the clinic facilities and for the installation of dental service on a small scale, starting with 2 units (capable of serving 1,000 persons each) and expanding to 3 or 4 units by the end of 1944. These plans for expansion were submitted to the membership for consideration.

Two prepayment medical-care associations—one in New York and the other in Minnesota—both of which contract for medical service from private physicians, reported considerable growth during 1943. The former has a panel of some 2,500 physicians serving its members at a cost of about 2¼ cents per day; the plan covers 5 counties as well as the city of New York. Optical service also became available to cooperators in the New York metropolitan area, under a contract arrangement made by the Eastern Cooperative League.

In Oklahoma a cooperative hospital association, organized in 1942, opened its hospital in July 1943; this is the second cooperative hospital in Oklahoma and can be said to have been inspired by the first association, which has been in successful operation for over a decade. Another hospital association (in Texas), which started giving medical care in a small way in 1941, completed the first unit of its hospital in 1942 and added another wing in 1943. In Wisconsin an association was being organized late in 1943 and expected to take over the local hospital in January 1944.

At the end of the year there were in operation three cooperative hospitals and another—at Hardtner, Kans.—that could be termed at least semicooperative. The oldest of these, at Elk City, Okla., which was started in 1929, provides not only hospitalization but also medical, dental, and optical care, and drugs.

INSURANCE

The distributive and service cooperatives of Minnesota and Wisconsin have a companion movement in the six insurance associations of those States, most of which they helped to organize. In general, the cooperative stores are agents of the insurance associations⁹ and write policies for all the kinds of insurance handled by the various insurance associations. Democratic control is insured both by direct representation of policyholders and by delegates to annual meetings, chosen by the local cooperatives.

A tendency toward unification and coordination of the insurance service in these two States has been under way for several years, and further strides were taken in 1943.

In 1941 the insurance associations in Minnesota and Wisconsin, with the help of Central and Midland Cooperative Wholesales, formed Cooperative Insurance Services. The purpose of this organization was to coordinate the insurance program, provide a common field force of agents writing life, automobile, and fire insurance, and

⁹ In a meeting in February 1943, delegates at the annual meeting of the Cooperative Insurance Mutual and Cooperative Life Mutual (both in Wisconsin) voted to allow individuals also to become agents authorized to write policies.

give financial assistance where needed. Eventually, it was planned that this association should become a joint management agency for the affiliated insurance cooperatives. Four of the six insurance associations in Minnesota and Wisconsin¹⁰ became members of Cooperative Insurance Services. The final step in realization of the plan came in September 1943 when the two remaining associations¹¹ joined. As soon as possible, arrangements were to be made for joint sales, actuarial and underwriting, claims, and accounting departments, and a single general manager chosen by the boards of directors of the six groups.

In these two States cooperators now can obtain health, life, accident, fire, and windstorm insurance through their local store associations. Many associations take out group insurance for their employees, also; the Cooperative League News Service reported in September 1943 that 77 consumers' cooperatives in Minnesota had such policies. In addition, an unusual kind of insurance is being offered by a growing number of local cooperative associations—patronage group life insurance. Under this plan the family of a cooperator who dies receives insurance proportioned in amount to the family's patronage at the cooperative store during the preceding year. Early in 1943 it was reported that 29 Wisconsin cooperatives and 15 Minnesota associations had this kind of insurance.

In Ohio the Farm Bureau Mutual Automobile Insurance Co. was reported to have become the fourth largest mutual organization insuring automobiles in the United States and the largest insurer in the State. At the end of the year the various Ohio Farm Bureau insurance companies (writing workmen's compensation, life, accident, fire, and casualty risks) were operating in 12 States (Connecticut, Delaware, District of Columbia, Maryland, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia).

Developments Among the Federations

COMMERCIAL ORGANIZATIONS

The chief development among the cooperative wholesale associations consisted of the spectacular expansion of the productive facilities by both national and regional organizations. Some new lines of goods or of services were also added during the year.

Expansion by national or joint enterprises.—The Cooperative Congress of 1940 authorized the formation of a national organization to mobilize the surplus funds of cooperators and their associations and to make these available for aiding new enterprises and existing associations. In March 1943, the board of directors of the Cooperative League signed articles of incorporation for the National Cooperative Finance Association. Its constitutional committee was directed to bring before the 1944 Congress a recommendation for the formation of a general policy board to coordinate the activities of the national League, National Cooperatives, Inc., and the new finance association. Only regional cooperatives will be eligible for voting membership in the new association. Memberships are \$5,000 each. The association

¹⁰ Cooperators' Life Association (Minnesota), Cooperative Insurance Mutual (automobile, Wisconsin), Cooperators' Life Mutual (Wisconsin), and Central Mutual Fire Insurance Co. (Wisconsin).

¹¹ American Farmers' Mutual Auto Insurance Co. (Minnesota) and Midland Mutual Fire Insurance Co. (Minnesota).

is capitalized at \$200,000 and will not begin to function independently of the Cooperative League until at least nine regional organizations have joined and paid up their membership share. The first function of the finance association is expected to be that of selling securities, making loans, and handling commercial paper for the regional associations.

Another new association formed in 1943 was the National Cooperative Refinery Association. It will operate the \$5,000,000 refinery and oil properties which five regional wholesalers¹² joined in buying in the middle of the year. Included in the purchase were a refinery capable of turning out 175,000,000 gallons of refined fuels per year and a 229-mile pipe line.

National Cooperatives, purchasing agency for 16 regional cooperatives, took its first steps into production in 1943 with the purchase of a chemical plant (making cosmetics, shampoo mixtures, and various household products) and a milking-machine factory. The chemicals factory is reported to have paid for itself out of earnings in the first 6 months of operation. The war has occasioned a drastic change in the activities of National Cooperatives. Formerly this organization, which makes master contracts for joint purchase of "co-op label" goods, dealt mainly in electrical appliances, auto tires and accessories, steel fencing, and various other supplies. War conditions have either wiped out or seriously reduced the business in these items. On the other hand, the grocery purchases, formerly relatively small, suddenly became the most important line of business.

The National Farm Machinery Cooperative at Shelbyville, Ind., owned by 13 regional wholesalers, was formed to manufacture farm tractors, but since the war has been in war production. In 1943 it purchased a privately owned farm-machinery plant, all the output of which had previously gone to cooperatives anyway. The plant was merged with the Shelbyville plant and will make various tillage tools. Later in the year a cultivator plant was also bought, at a cost of approximately \$1,000,000.

The Farm Bureau Milling Co., an organization owned by the Illinois Farm Supply Co., Wisconsin Farm Bureau Federation, Michigan Farm Bureau Services, and Indiana Farm Bureau Cooperative Association, was formed in 1926 to do purchasing and provide laboratory service. In 1943, it launched into production by leasing a feed mill.

In December, steps toward joint buying of commodities over a 4-State area were taken with the calling of a conference representing Grange Cooperative Wholesales in Idaho, Montana, Oregon, and Washington. The conference recommended that a joint purchasing agency be established, and later a central accounting office. It was stated that there was no immediate prospect of a central warehouse. Details of organizations were to be worked out later.

In the Minnesota-Wisconsin area, Central Cooperative Wholesale and Midland Cooperative Wholesale have worked out a joint insurance program, have mapped out a system to prevent competition or the overlapping of functions, and have cooperated in other ways. In 1943 the two organizations hired an educational field worker to serve in the "borderline" area in western Minnesota. Later in the year a

¹² Central Cooperative Wholesale (Superior, Wis.), Midland Cooperative Wholesale (Minneapolis), Farmers Union Central Exchange (South St. Paul), Consumers' Cooperative Association (North Kansas City), and Farmers Union State Exchange (Omaha).

conference of CCW and Midland educational workers was held to discuss mutual problems.

Expansion by individual regional and district wholesales.—In Colorado, where the Farmers' Union in 1941 embarked upon a program for the wholesale supply of its affiliated cooperatives, a marketing association was started in 1942 which also does purchasing of supplies. Another step in the program was taken with the acquisition in 1943 of two sawmills and a central plant and the formation of a subsidiary, the Farmers' Union Lumber Co., to operate them.

Central States Cooperatives (Chicago) moved into a larger building and undertook the handling of fresh fruits and vegetables. Central Cooperative Wholesale (Superior) also expected to resume this line of merchandise on January 1, 1944, taking it over from Cooperative Terminal.

The Indiana Farm Bureau Cooperative Association bought 2 lumber mills in 1943, capable of producing about 17 million board feet of lumber, and some timber land. It also became a joint owner (with the Farm Bureau Mutual Insurance Co.) of a printing plant large enough to meet the owning associations' needs and to do some work for other cooperatives also.

A refinery with a capacity of 4,500 barrels of crude oil per day was bought by Midland Cooperative Wholesale. It was estimated that the refinery would supply about 40 percent of the gasoline, all of the kerosene, and about half of the distillates needed by the wholesale's local affiliates. This wholesale is also a member of National Cooperative Refinery Association and will share in the petroleum produced by its refinery. Midland also acquired a feed mill with a capacity of about 10 carloads of mixed feeds daily and equipment for the manufacture of breakfast cereals.

Another entrant into petroleum refining was the Farmers Union Central Exchange, which bought a million-dollar refinery. Although this plant has a productive capacity of about 96,600 gallons of gasoline per day, plus codimer (a component of aviation gasoline), the wholesale stated that it would furnish supplies for less than half of the area served by the association. The wholesale, however, will also get supplies from the National Cooperative Refinery Association, of which it is a member.

Consumers' Cooperative Association, the pioneer in the production field, accelerated its expansion rate in 1943 with the formation of a finance association; the purchase of a second cannery; construction of a dehydration unit in the first cannery; acquisition of 80 million feet of standing timber and a second sawmill with annual capacity of 14 million board feet, to serve some 250-300 cooperative lumber yards in the 10 States of the wholesale's territory; a feed mill producing 75 tons per day; and a group of properties including a petroleum refinery producing 81 million gallons of refined fuel annually, a 10-million-gallon lubricating oil refinery, 270 oil wells, 768 miles of pipe line, and leases on 104,408 acres of oil-bearing land. A furfural plant to improve the quality of the lubricating oil was put under construction. Four new oil wells were brought in, in Kansas and Texas, which, added to the 12 it had at the end of 1942, brought its total number of wells to 286. At the end of the year the association therefore owned 3 refineries, 2 canneries, 2 sawmills, a feed mill, a bottling plant for

soft drinks, an insurance agency, a paint factory, grease factory, printing plant, fly-spray factory, and 2 oil-compounding plants, in addition to an interest (as member and part owner) in the refinery facilities of the National Cooperative Refinery Association, in the farm-machinery plants of the National Farm Machinery Cooperative, and in the chemical factory and milking-machine plant of National Cooperatives. It was stated that the petroleum-products facilities should be sufficient to supply the entire requirements of CCA's affiliated associations. The association's annual meeting endorsed a further program including a central testing and research laboratory and additional productive units.

The Missouri Farmers' Association, a farm organization with a number of commercial subsidiaries, announced the purchase of a petroleum refinery, 115 miles of pipe line, land, storage facilities, etc.—a \$321,500 transaction.

Eastern Cooperative Wholesale, which in 1943 purchased a building reported to be one of the 10 largest wholesale grocery warehouses in New York City, soon after its removal to the new quarters¹³ installed a coffee roaster with capacity of 500 pounds in a single roast.

The Ohio Farm Bureau Cooperative Association and Consumers Cooperatives Associated (Texas) each bought a grain elevator, including also a flour and feed mill; and a 7-story seed-treating and processing plant was acquired by the Pennsylvania Farm Bureau Cooperative Association. The Pennsylvania association also had under way a soybean crushing mill and a plant for blending vegetable dusts.

In the State of Washington the State Grange formed a new association, the Chemurgy Cooperative, which built and put into operation a plant for the manufacture of glucose syrup. It had previously purchased a starch-glucose factory. These steps were taken as part of a plan for creating processing units "to convert low-grade and cull farm products into starch, glucose, and other war-needed commodities."¹⁴ The financing of a third plant was under way at the end of the year.

In the same State, Pacific Supply Cooperative, an open-membership association,¹⁵ bought two seed-cleaning plants. This organization became a member of the National Cooperative Refinery Association, entitling it to a share in the products of that association, and it then disposed of its holdings in a privately owned refinery.

There is increasing recognition of the value of research to cooperatives. In Wisconsin the board of directors of Central Cooperative Wholesale recommended to the annual meeting the establishment of a research department under a full-time specialist, to "study and work out details of fields and projects into which CCW might expand most advantageously."¹⁶ Funds to create a research and service bureau were made available to National Cooperatives by the Filene Good Will Fund. The president of Consumers Cooperative Association, an organization which is spending \$10,000 a year, for 5 years, on research, declared in an editorial:

* * * regional cooperatives engaged in manufacture must begin to do increasingly what other corporations have been doing for many, many years;

¹³ This was the association's third move since 1936, each of which was forced by the need for more space. In the same period 2 branch warehouses (in Boston and Philadelphia) were opened.

¹⁴ The Grange News (Seattle), November 6, 1943.

¹⁵ As contrasted with associations auxiliary to a general farm organization which admit into voting membership only cooperatives of members of the sponsoring farm organization.

¹⁶ Cooperative Builder (Superior), February 25, 1943.

that is, to provide more jobs for the best technical brains turned out annually by our colleges and universities.

Nor would I confine research to the physical and mechanical sciences only. The social sciences, in which we as a people are most backward, offer great fields for the specialist. And the findings of such specialists can be of tremendous value to cooperatives. * * *

Research is so important, particularly to associations representing consumers, that regional and national cooperatives should make it one of the next steps in a general advance.¹⁷

There was much less expansion among the district wholesales than among the regional organizations, the only steps reported being the purchase of a creamery and cheese factory by Northland Cooperative Federation (Rock, Mich.), the entrance of Federated Co-ops of East Central Minnesota into the marketing of timber products, and the addition of a bulk station and a service station by Trico Cooperative Oil Association. The last named referred to its member associations, for study, a proposal by the board that the handling of farm machinery should be the next step in its expansion.

EDUCATIONAL AND SERVICE FEDERATIONS

Several new federations came into existence in 1943. Among them was Southern California Cooperators, educational and service organization for the cooperatives in and around Los Angeles.

In Georgia a county-wide federation of cooperatives was started in Carroll County, as an educational medium; it plans to undertake a cold-storage locker business later. The Southeastern Cooperative League with headquarters in Carrollton, Ga., formerly acting as educational body for the southeastern States, suspended operations in August, partly because of lack of financial resources and partly because of desire to remove to a city nearer to the center of development and closer to other cooperative centers.

The Twin Cities Consumer Cooperative Council was formed by 16 consumers' cooperatives in Minneapolis and St. Paul, to further the development of the movement in that area. A similar organization, the Northwest Consumers Cooperative League, was started by the cooperative associations in and around Seattle.

Some 40 cooperative oil associations in Montana and western North Dakota formed a petroleum-trucking association to haul their supplies of petroleum products. Two oil associations in Nebraska also joined in the formation of a transport association.

In the national field the Council for Cooperative Business Training went out of existence and was succeeded by the Council for Cooperative Development. The function of the new council will be to promote the spread of consumers' cooperation in urban areas. The first centers of activity are New York City and Chicago.

The National Farmers Union which, with its State branches, has been very active in fostering cooperatives among its members, early in the year formed what it termed an "over-all cooperative." The purpose of this new association will be to coordinate the services of Farmers' Union cooperatives on a national scale, and possibly also to provide new services not previously covered. Voting membership in the organization is limited to the National Farmers Union and Farmers' Union cooperatives.

¹⁷ Cooperative Consumer (North Kansas City), February 15, 1943.

Cooperatives and the War

Many problems were encountered by cooperatives in 1943 but it appears that they have been able to adjust themselves fairly well to wartime conditions.

The quantity, quality, and variety of commodities needed by cooperative associations were greatly diminished. Because of deterioration in quality, the central associations had difficulty in obtaining goods meeting "co-op label" standards, and inability to obtain sufficient quantities of commodities under the label forced them to handle larger amounts of regular brands. However, nearly all the reports indicated that the physical volume of goods handled by cooperatives increased rather than decreased, the diminution in some departments being more than offset by increases in others. A number of wholesales reported 1943 as their peak year of operation.

Because of classification by the OPA as "retailer-owned" instead of "service" wholesales, the cooperative grocery wholesales had to operate on a margin insufficient to cover expenses. One of the associations in this class reported that this ruling was largely responsible for the association's going into the "red," for the first time in 7 years' operation. Reclassification was finally obtained after a year's contest. In the interval, the association estimates, its affiliated cooperatives benefited by at least \$25,000 in lowered prices.

Wholesales handling fresh produce were forced in many cases to handle certain commodities at a loss. This resulted, they said, from an OPA regulation which permits the "first receiver" of shipped-in commodities to take the whole mark-up between the grower's price and the retail-store ceiling and has led, it is charged, to evasive, black-market methods. The cooperatives, believing thoroughly in rationing and price control and trying to conform, have been placed under a severe handicap.

Cooperative associations handling petroleum products complained of discrimination in the allocation of supplies of these products. The matter was included in the topics under investigation in the fall of 1943 by the subcommittee on food of the Senate Committee on Agriculture, under the chairmanship of Senator Aiken.

Notwithstanding the supply difficulties, the general manager of one of the wholesale associations was of the opinion that the cooperatives' greatest handicap was "not lack of capital or goods, but lack of competent manpower to fill key positions." This was being overcome to some extent by more intensive training of workers showing ability. The general manpower shortage was offset in many places by greater use of women as employees, and some cooperatives were hiring Japanese-Americans released from war relocation centers. In the Mesabi Range district of Minnesota an emergency management supervisory committee was formed to provide supervision in stores suddenly losing their managers, to help with the training of employees, to provide bookkeeping assistance, etc.

Increased operating costs and the deterioration and wearing out of equipment, some of which could not be replaced under present conditions, were other difficulties faced by the associations.

At the end of 1942 the wholesales were reported to be encouraging the extension of buying clubs but rather discouraging the opening of

new stores, under the conditions prevailing at that time. A year later the consensus was that the cooperatives had faced the war situation, felt that they could cope with it, and that the formation of new store associations should be encouraged wherever it was possible to obtain competent personnel.

Mention has already been made of the expansion of productive facilities by the regional and national cooperatives. Much of the product of the new facilities, as well as of those previously owned, will go for war purposes. Thus about half of the output of the Indiana sawmills and about 80 percent of that of the CCA plant will go to the Government. The latter organization stated that half of the pack of its canneries (some 150,000 cases of goods) and all of the product of its dehydration plant would be used by the armed forces. This organization and the Farmers Union Central Exchange are both supplying codimer for aviation gasoline, and the latter also supplied some of the asphalt and road oil used in the construction of airports in its territory. The National Farm Machinery Cooperative has converted to the manufacture of war products but is also carrying on experimental work in its own field.

Post-War Reconstruction

The consumers' cooperative movement during 1943 devoted a good deal of time and thought to the relief and reconstruction of cooperatives in devastated or occupied countries after the war. The agenda of the 1942 Congress of the Cooperative League included this subject and several resolutions dealt with it. A standing committee on post-war planning was provided for, as well as a committee on international cooperative action for post-war reconstruction.

The latter committee was active during 1943, drawing up plans and making contacts with other agencies, both official and unofficial, here and abroad. The president of the national Cooperative League participated in the United Nations Food Conference in May, as a member of the delegation appointed by the United States Government. That conference passed a resolution acknowledging the importance of the cooperative movement and recommending study of the possibilities of cooperative expansion by all countries.

In October a small conference of United States cooperative leaders and representatives of foreign cooperative movements was called by the League Committee on International Cooperative Reconstruction, in preparation for a general conference later. The general conference, in January 1944, was attended by 60 delegates from 22 countries. The conference received a cordial message from President Roosevelt and was addressed by Sir Arthur Salter, Senior Deputy Director General of the United Nations Relief and Rehabilitation Administration, which body had already stated that in its work European cooperative agencies for distribution of goods and services would be used to the maximum extent possible. The conference approved a plan for the formation of the International Cooperative Trading and Manufacturing Association, capitalized at \$12,000,000, the members of which would be the national cooperative bodies of each country, and which would carry on production, processing, and distribution of goods. The conference also endorsed a program calling for an inter-

national cooperative bank, the establishment of a cooperative division in UNRRA, and the raising by cooperatives in the United States of a fund (through popular subscription) to help rehabilitate cooperatives in war-torn countries.¹⁸ Immediately after the conference the directors of the Cooperative League of the U. S. A. and of National Cooperatives (the national educational and wholesaling agencies of the United States consumers' cooperative movement) took steps to get the plan under way and authorized the sending of a representative abroad to work with cooperative associations in other countries.

Education and Publicity

An unusual amount of attention was given by the cooperative movement, during 1943, to acquainting the public with its philosophy and accomplishments. At least 9 motion-picture films covering various phases of the movement, such as international cooperation, testing of cooperative merchandise, credit unions, and certain new facilities of cooperatives (sawmill, cannery, etc.) were completed for showing in 1943. Early in 1943, the consumers' cooperative movement launched its first large-scale radio program with a series of 10 broadcasts on the general subject of "the world of tomorrow," from 36 stations throughout the United States. Well-known speakers dealt with such subjects as foods, clothing, electric power, new jobs, housing, medicine, etc.

The Cooperative League announced, in February, that newspapers and magazines published by regional consumers' cooperatives had a circulation of nearly a million.

The training of cooperative employees continued in 1943. Rochdale Institute offered its usual general course in cooperation, as well as afternoon and evening courses for persons already employed in cooperatives. Its food-store instruction courses were omitted. In addition, special or regular courses were conducted by the regional cooperative wholesale associations. A correspondence course in Cooperative Administration was sponsored by the wholesales in Superior, Minneapolis, North Kansas City, and New York City. A School of International Cooperation was started in New York City, in association with Rochdale Institute, to train "persons who have the experience and aptitude for cooperative leadership in post-war reconstruction, to be executives in organizational and administrative cooperative work and educators in the field of international cooperation."¹⁹

Among the public educational institutions giving courses in cooperation were three colleges in North Carolina and four in Ohio. The teaching of cooperation is required in all State-aided schools in Wisconsin. In North Dakota it has been required in the high schools since 1937, and under a new 1943 law will hereafter be contained in the curriculums of State teachers' colleges and the teachers' college of the State University.

A special committee was formed in the Cooperative League to explore the possibilities of a national cooperative college or training school.

¹⁸ Accumulation of a similar fund has been under way in Great Britain since the spring of 1943.

¹⁹ Rochdale Cooperator (Rochdale Institute, New York), September 1, 1943.

Cooperatives and Labor

The chairman of the standing committee on labor and cooperatives of the Federation of Churches of Christ in America stated that by the autumn of 1943 there were at least 130 consumers' cooperative associations whose membership consisted largely of trade-unionists. Most of these were in midwestern cities, with scattered associations on the West and East Coasts.

Among the labor organizations which endorsed the cooperative movement in 1943 and directed further study with a view to organizing cooperatives were the Automobile, Aircraft and Agricultural Implement Workers of America and the International Photo-Engravers Union of North America.

The annual meeting of Central Cooperative Wholesale, a large proportion of the membership of which consists of farmers, passed a resolution reaffirming its belief in the right of labor to organize and bargain collectively, and condemned the antilabor legislation being promoted by certain farm groups. Increase of hours of CCW employees from 40 to 44 per week, in order to offset the manpower shortage, was approved.

Central States Cooperatives, a wholesale association with headquarters in Chicago, adopted a general labor program. It calls for (1) payment of the prevailing scale of wages (or better, if the financial condition of the association warrants it); regular wage increases in pay, after a probationary period of 6 months, until the maximum rate is reached, and recommendations for wage adjustments "in the light of ideal wages for the respective positions" before providing for patronage refunds; (2) working hours conforming to Government regulations, to be reduced as soon as conditions permit, and payment of time and a half for overtime beyond 8 hours per day and 40 per week; (3) opportunity for employees on routine jobs to qualify for higher-grade positions; (4) 1 week's paid vacation after 1 year's service (proportional leave for employees of 6 months' service) and 2 weeks after 2 years' service, and 1 day of sick leave per month cumulative to 5 days; (5) group life and hospital insurance and medical care, half to three-fourths of the cost being paid by the employing association; (6) collective bargaining, and representation of employees at meetings of directors and of department heads. The policy calls for careful examination of employee grievances and resort to arbitration if necessary. It pledges that "there shall be no sudden firing."

Late in the year Consumers' Cooperative Association installed a "health unit" to give first aid to injured workers and to inaugurate a program of preventive medicine throughout the labor force.

National Cooperatives has a hospital and medical-care plan for the employees of one of its manufacturing plants, part of the cost of which is paid by the association. Midland Cooperative Wholesale has a similar plan for the employees (and their families) of both its wholesale and refinery departments. This association and Central Cooperative Wholesale have been carrying on a study looking toward the establishment of a joint pension plan for their employees. This move, approved by the annual meetings of both wholesales, will be carried out through Cooperative Insurance Services.

The 1942-43 report of the Rural Electrification Administration stated that relations between REA cooperatives and their employees greatly improved during the year. Compliance with the Fair Labor Standards Act was quite general, and the Administration worked out, in collaboration with the International Brotherhood of Electrical Workers, a guide for collective bargaining between cooperatives and their employees.

In Michigan the farmers' organizations affiliated with the State Farm Bureau joined with it in the formation of a Public and Labor Relations Service. It appeared from the announcement²⁰ that the purpose of the new service would be that of resisting organization of the cooperative employees by labor unions, rather than of cooperating with them. Other announced duties were to assist the member farmer cooperatives in changing from a wartime to a peacetime economy, in conforming with Government regulations, and in suggesting "proper educational and public relations methods to farm cooperatives."

Endorsements and Recognition of the Cooperative Movement

As already noted, the president of the Cooperative League of the U. S. A. was appointed as one of the United States delegates to the United Nations Food Conference at Hot Springs, Va., in May 1943. That conference recommended encouragement of producer and consumers' cooperatives and urged that the various nations study their laws to insure the removal of any obstacles to cooperative development.

Representatives of cooperatives were also appointed to the U. S. Department of Agriculture's national wholesale food industry advisory committee and to the OPA farm-equipment advisory committee.

The National Rural Life Conference of 29 national organizations concerned with rural life problems noted that producer, consumer, and credit cooperatives could assist in reversing the "long-time trend to absentee ownership" of farm lands. Regarding post-war problems the conference favored the rehabilitation of cooperatives in all the countries of the world and urged that the relief programs "be organized on a cooperative basis so that relief will not pauperize but will contribute to self-help activities on the part of those so assisted."

The first Catholic conference on consumers' cooperation, held in Chicago on May 22 and 23, 1943, endorsed cooperatives already in operation in Catholic schools and colleges, voted for a program of adult education in cooperation, and recommended the holding of regional Catholic conferences on cooperation.

The committee on the church and cooperatives of the Federal Council of Churches of Christ in America voted at its meeting, early in 1943, to call an Interfaith Conference on Self-Help Cooperatives.

²⁰ Michigan Farm Bureau News (Lansing), February 6, 1943.