

UNITED STATES DEPARTMENT OF LABOR  
BUREAU OF LABOR STATISTICS

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# Developments in Consumers' Cooperative Movement in 1944



*Bulletin No. 821*

[Reprinted from the *Monthly Labor Review*, March 1945, with additional data]

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## Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,  
BUREAU OF LABOR STATISTICS,  
*Washington, D. C., March 23, 1945.*

**THE SECRETARY OF LABOR:**

I have the honor to transmit herewith a report on developments in the consumers' cooperative movement in 1944, prepared by Florence E. Parker of this Bureau.

A. F. HINRICHS,  
*Acting Commissioner.*

HON. FRANCES PERKINS,  
*Secretary of Labor.*

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**Developments in the Consumers' Cooperative Movement  
in 1944**

*Summary*

ACCELERATED expansion of goods and services, consolidation of previous advances, and further acquisition of productive facilities took place in the consumers' cooperative movement in the United States in 1944.

Indorsement of the cooperative movement and its objectives was given by an increasing number of organizations in the religious, labor, farmer, social, and political fields. At the other extreme was the attack launched upon the movement by an organization of private businessmen, on the ground of inequality in taxation. Under particular fire was the exemption of patronage refunds—an exemption previously upheld by the courts and again confirmed by the U. S. Tax Court in September 1944. Several other court decisions on various matters, rendered during the year, were also in favor of the cooperatives.

The outstanding event of the year was the holding of the fourteenth congress of the Cooperative League of the U. S. A., whose members are the various regional organizations.

*Congress of the Cooperative League*

The most important event of the year in the consumers' cooperative movement was the holding of the fourteenth biennial congress of the Cooperative League at Chicago, October 8-13, 1944. This, the largest congress as regards both attendance and subject matter and decisions, was concerned not only with the various aspects of cooperation in this country but also with cooperation on the international level. Presaging greater cooperation between the movement in the United States and the South American countries, a delegation of visitors from the Bolivarian Cooperative Union (recently organized by the cooperative movements in Colombia, Cuba, Ecuador, Panama, Peru, and Venezuela) attended the cooperative congress and visited cooperative enterprises in various parts of the country.

Resolutions adopted by the congress urged every regional wholesale to become a member of the new National Cooperative Finance Association, called for additional investment in cooperatives sufficient to release all cooperative enterprises from "any outside or noncooperative debt," and advocated expansion of cooperative credit unions and banking facilities. A resolution instructing the directors of the Cooperative League (educational) and of National Cooperatives

(wholesaling) to work together for the merger of these organizations into "one strong national cooperative association" failed to pass. The resolution was referred to the board of directors of the two organizations involved, for their joint consideration, with instructions to present recommendations to a special congress of delegates from the two organizations, to be called within a year.

All national and international labor unions were urged to establish within their organizations a consumers' division to promote the development of cooperatives; the cooperative movement would in its turn create a labor division to work with them. Other resolutions called for expansion of cooperative insurance, promotion of voluntary cooperative health services, encouragement of campus cooperatives, closer cooperation with credit unions and rural electricity cooperatives, and (for cooperative employees) a liability and retirement program and the establishment of minimum standards for their health, safety, leisure, and recreation.

In the international field, the congress recommended the creation of a commission to work with representatives of cooperatives in other countries in the western hemisphere in the formulation of a program of education involving the exchange of students, teachers, and employees and the use of radio and educational trips. It favored the creation of a mission to work with cooperatives and United Nations Relief and Rehabilitation Administration in devastated areas; and close cooperation with that agency on reconstruction matters; and urged upon UNRRA, the International Labor Office, and the War Foods Administration the creation of a joint committee on cooperatives to serve as a point of contact with international cooperative organizations. The International Cooperative Alliance was invited to hold its next (1946) congress in the United States.

### *Developments Among the Local Associations*

#### NEW SERVICES AND FACILITIES

Never since the Bureau has been following the development of consumers' cooperatives in the United States has a greater expansion of services and facilities among local associations been reported.

Opening of new stores by existing store associations or buying clubs was reported from all parts of the country. In territory served by Consumers Cooperative Association 17 self-service stores were opened, 9 of which were departments of oil associations or directly sponsored by them and 5 were combination locker plants and stores; 6 retail units formerly operated by the wholesale were taken over by local cooperatives formed for the purpose. Eleven new stores were opened in the area served by Central States Cooperatives. In the New England and Middle Atlantic States, where 40 new food stores were reported in 1943, it was stated that the rate was considerably greater in 1944; in the 3-month period ending in June, 23 new stores were opened.

In many cases these were branch stores in the same town or nearby communities. Numerous urban associations were in this group. Notable among them were two opened by a Negro grocery cooperative in southern California, two opened by an association in the District of Columbia, and one food store undertaken by an association already operating one food store, seven cafeterias, and a bakery in New York

City. From Texas came reports of both petroleum and cotton-gin associations which, with the encouragement of the wholesale association, are undertaking to handle "farm and home merchandise."

The practice in cooperative distribution in this country has commonly been in the direction of new services rather than in the multiplication of one service in several places. As the urban associations grow, however, they are beginning to change this pattern. Several associations now have attained "chain-store" size (i. e., they operate 4 or more establishments of a single type). Such widening of operations makes the problem of democratic control by the members somewhat more difficult and is giving rise to a practice of holding district meetings, attended by the members in the neighborhood served by each store, at which policies are discussed and delegates to a central membership meeting are elected.

Many associations purchased buildings or land for store or oil-storage operation. One association whose property was destroyed by fire, erected a new, modern building equipped with air conditioning. (A small number of associations had already installed this feature.) In a substantial number of cases the purchase consisted of the land, buildings, and business of private dealers in the community. In one case the purchase (by a grocery cooperative) involved a furniture store and undertaking establishment formerly operated privately.

Scattered reports indicated that the movement of oil associations into grocery and other fields continued. In Montana alone, four petroleum associations were reported to have taken this step. Two in Nebraska undertook the operation of both a food store and cold-storage locker plant, and one in Minnesota opened a store to handle groceries, hardware, and appliances. Another petroleum association opened a store to handle groceries, feed, and men's work clothing.

Aside from groceries, possibly the most popular new line of activity in 1944 was the provision of cold-storage lockers for members' supplies of fruit, vegetables, and meat. Such ventures (new associations or new activities of established associations) were voted by cooperatives in at least 15 States (Connecticut, Indiana, Iowa, Kansas, Maryland, Minnesota, Mississippi, Nebraska, New Hampshire, New York, North Dakota, Ohio, Texas, Wisconsin, and Wyoming). Among the reports coming to the notice of the Bureau, North Dakota led with at least 8 associations newly in this field. In numerous other cases, the acquisition of locker facilities was authorized, as soon as materials could be obtained. In many associations the cold-storage service includes not only the cutting and freezing of meat but also the slaughtering of the animal from which the meat is obtained. It may also be noted that at least two grocery-store associations, one in New Jersey and the other in Montana, were reported to have started slaughtering in order to furnish meat for the store.

Other less-usual types of services included a department (in a grocery cooperative) for drugs and sundries, and one for sewing-machine rental (by a feed store). Of five unusual associations, one (the membership of which consists of teen-agers) operates a recreation center, one revives and presents old motion pictures, one operates a nursery school, the fourth (in Texas) purchased land and built an arena where the members practice the roping of steers, and the fifth is a cooperative residence club for war refugees.

Cooperative Distributors and Consumers Book Cooperative, both engaged in mail-order activities, were forced to suspend operations because of supply and manpower difficulties.

A number of mergers of associations took place, usually involving the amalgamation of associations in the same town, which were running different types of merchandising business.

#### SPECIAL TYPES OF ASSOCIATIONS

*Medical-care associations.*—In spite of adverse wartime conditions, some progress was made in extension of medical care by cooperative methods. In Detroit, Mich., and in Williston, N. Dak., a health service was being organized in the last quarter of 1944; in both cases the objective was the establishment of a clinic owned by the association. In Detroit a cooperative hospital was regarded as also a possibility, but under the Williston plan existing hospital facilities were to be used. A 35-bed hospital, formerly operated privately, was taken over in November 1944 by a cooperative organized for the purpose in Two Harbors, Minn. The establishment of a cooperative hospital was also being considered in Missouri. In Washington, D. C., the clinic association whose members are Federal employees experienced increasing difficulty, because of war conditions, in maintaining an adequate medical staff. In spite of this, its membership increased.

Among the associations which contract for hospital or medical care, or both, on a prepayment basis but have no facilities of their own, Group Health Mutual, St. Paul, Minn., reported that in 1944 its membership rose from 10,500 to 23,000. Most of this increase was attributed to a new plan of "milk check deductions" undertaken by cooperative creameries to pay the membership dues of their members in the medical-care plan. At the end of the year 24 cooperative creameries had this plan in effect. In Duluth a local union adopted a group health plan under which the premiums were paid by the employers of the unionists.

*Insurance associations.*—The outstanding event in the insurance branch of the movement was the coordination, climaxing 3 years of planning, of the activities of five of the six life, fire, and automobile insurance associations in the North Central States—Cooperative Insurance Mutual, Cooperators' Life Association, Cooperators Life Mutual, American Farmers Mutual, and Central Mutual Fire Insurance Association. (Midland Mutual Fire Insurance Association, first ratified, then withdrew from the arrangement.) By this action a unified insurance program, covering cooperatives in the States of Wisconsin and Minnesota, was obtained.

The extension of patronage group life insurance continued. Under this plan a cooperative insures the lives of its members, the benefits varying with the amount of the member's patronage of the association during the preceding year. In Minnesota, Cooperators' Life Association reported in June 1944, that 19 associations had taken out such insurance since the beginning of the year, and that a total of 40 associations in the State had policies of this kind, covering over 18,000 members and representing insurance in force of nearly \$2,000,000,000.

*Electricity and telephone associations.*—The REA reported in its Rural Electrification News for September 1944 that some 800 REA



electricity associations were in operation at that time. A report<sup>1</sup> issued about the same time noted, however, that little more than 40 percent of the farms in the United States are electrified, and set forth a 3-year plan for further expansion after the war, which would be of "area coverage" in order to insure service to thinly settled as well as thickly settled districts. Such area action was shortly thereafter made possible by the Department of Agriculture Organic Act of 1944 (the Face Act) which liberalized the terms under which REA loans can be made.

Pointing out that there are now fewer telephones in rural areas than there were 20 years ago, the report above noted suggested a possible tying-in of power lines with telephone systems, in order to extend the telephone service. A bill (H. R. 1665), introduced in Congress early in 1945, provided for the authorization of such extension of REA jurisdiction. Another Congressional approach to the rural telephone situation was made in two bills (S. 2213 and H. R. 1278) which would create a telephone authority similar to the Rural Electrification Administration.

Acquisition by REA cooperatives of privately owned plants—for both generation and for distribution of electricity—was reported in numerous instances in various parts of the country.

#### COOPERATIVES IN SPECIAL GROUPS

In the conventions of two campus cooperative federations—Midwest and Central—which were held in the spring of 1944, post-war development of student cooperatives was stressed; the latter meeting voted to investigate the possibilities of a foundation to finance students' cooperative housing. One speaker stated that, of 24 State universities approached regarding such housing, 10 were planning to build dormitories after the war, 4 were willing to establish university-owned cooperatives, and 5 were willing to subsidize cooperatives run by the students themselves.

At the University of Minnesota steps were taken to organize a council of student cooperatives.<sup>2</sup>

Considerable expansion of cooperative activity among Negroes occurred in 1944. The opening of two new branches by a grocery association in California has already been mentioned, and one of the branches opened by the Washington, D. C., association was to serve the residents in a Negro housing project, in which a buying club had been in operation for some time. In Chicago two new associations were started, one a buying club sponsored by the Brotherhood of Sleeping Car Porters and the other a store to serve the residents of a large interracial housing project. The latter has also sponsored the formation of a credit union and is planning a cafeteria for serving noonday lunches. A housing development in Michigan developed first a buying club, then a store. In Florida a grocery association that has been in operation for several years opened a new department for drugs and sundries. Steel workers led in the organization of an association admitting both Negroes and whites in Gary, Ind.; the

<sup>1</sup> Rural Electrification After the War: A preliminary report (Rural Electrification Administration, St. Louis, Mo., September (?) 1944.

<sup>2</sup> At the time the Bureau's study of student cooperatives was made, in 1941, such councils already existed at the universities of Chicago, Michigan, Missouri, Texas, and Wisconsin.

association has purchased land and at the end of the year was campaigning for funds to finance a store building.

Much cooperative activity has also occurred among the residents of white housing projects, and both buying clubs and stores were reported to be under way or already in operation. Another interesting wartime development is the reported revival of apartment-house tenants' interest in the so-called "cooperative apartments" so common a decade and a half ago.

Greater interest and participation in cooperatives was evidenced by labor unionists and their organizations. As noted elsewhere, numerous labor organizations endorsed the cooperative movement and urged its extension by and among their members. Individual unionists (including a number of high-ranking officials of international unions) have been active in cooperative affairs. Among the associations formed in 1944 were several either sponsored by organized labor or in which unionists were prominent.

### *Developments Among the Federations*

#### COMMERCIAL ORGANIZATIONS

*Expansion of national or joint enterprises.*—Two additional regional wholesales were admitted into membership in National Cooperatives, Inc. These were the Utah Cooperative Association and the Manitoba (Canada) Cooperative Wholesale, Ltd. The membership of the national organization had previously consisted of 14 regional wholesales in the United States and 2 in Canada. National Cooperatives, which made its first ventures into production in 1943 with the purchase of a chemical-products plant and a milking-machine factory, in 1944 expanded the first enterprise by the addition of seven new products and the latter by beginning the manufacture of electric water heaters for household use.

A shingle mill and timber tract acquired by National Cooperatives in February was later incorporated as a separate, subsidiary organization, the International Lumbering Association. Late in the year it purchased a tract of timber containing about 100 million feet of lumber, largely cedar.

Four regional wholesales (Midland, Indiana Farm Bureau Cooperative Association, Illinois Farm Supply Co., and Wisconsin Cooperative Farm Supply Co.) cooperated in the formation of Cooperative Plant Foods, Inc., which will operate a \$500,000 fertilizer acidulating plant erected by them. The plant, expected to go into operation about December 1, 1944, will produce superphosphate, an essential ingredient of all mixed fertilizer.

*Expansion by individual regional and district wholesales.*—Numerous productive facilities also came into the ownership or control of individual wholesales. Among the new acquisitions were the purchase of a fourth interest in a Kentucky coal mine by Indiana Farm Bureau Cooperative Association; an oil-compounding plant by Cooperative Services (Waterloo, Iowa); soybean-processing plants by Farmers Union Central Exchange, Consumers Cooperative Association, and Ohio and Pennsylvania Farm Bureau Cooperative Associations, respectively; a fertilizer plant by the Ohio association; and an alfalfa-dehydrating plant by Consumers Cooperative Association, which also

established a geological and exploration division with 5 full-time geologists. This last-named association suffered a disastrous explosion at one of its refineries, in which 14 employees lost their lives, and also lost its largest lumber mill by fire, during the year.

Indiana Farm Bureau Cooperative Association in July voted the construction of a new "cracking" plant, with a capacity of 2,500 barrels per day, to be erected as soon as approval could be obtained from WPB. Ohio Farm Bureau Cooperative Association late in the year announced that it had obtained priorities for the erection of a grain terminal elevator. Range Cooperative Federation, service organization for northern Minnesota cooperatives, authorized the construction of a slaughterhouse. National Cooperatives was asked by its grocery committee to study the possibilities of acquiring flour mills with capacity sufficient to supply the entire needs of the cooperative movement.

Midland Cooperative Wholesale created much interest both within and without the movement when it bought a feed mill in Wisconsin and with it an entire village.

New office or warehouse buildings or both were purchased or erected by Cooperative Service Co. (Waterloo, Iowa), Consumers Cooperative Association (this association also started construction on another warehouse), Ohio Farm Bureau Cooperative Association, Midland Cooperative Wholesale, Farmers Union Central Exchange, Consumers Cooperatives Associated, and Southern States Cooperative. The manager of the Oregon Grange Wholesale noted in his annual report that additional warehouse space would be needed, as a result of increased business.

Among new services started by Consumers Cooperative Association were the addition of flour and household drugs in its grocery department, a new legal division, and a new management division to operate the C.C.A. retail department, as well as the stations and stores under management contract with C.C.A. Southern States Cooperative adopted a plan whereby it will "finance, establish, operate, supervise, and keep accounting records" for frozen-food locker plants in communities served by the wholesale.

In Wisconsin, the annual meeting of the A & B Co-op Oil Association (Ashland, Wis.) authorized several new services as soon as arrangements could be made. These included warehousing and the distribution of farm machinery, roofing and building material. The Northern Wisconsin Cooperative Park Association voted to sell its properties to Cooperative Services, at Maple, Wis. The park had been closed for nearly a year because of wartime restrictions on travel. Cooperative Services authorized construction of a cold-storage locker plant, and approved plans for a processing plant. Central Cooperative Wholesale took over the trucking service of the Range Cooperative Federation and the handling of fresh produce (after the dissolution of Cooperative Terminal in April 1944). The annual meeting also directed the continuance of a full-time worker with junior cooperators and youth leagues, and appropriated \$18,000 for radio broadcasts. In October, Midland Cooperative Wholesale announced the appointment of two full-time workers to deal with relations with church groups and with labor groups, respectively; a third worker to deal with business groups was to be appointed later.

Several of the regional wholesales carried on intensive drives for additional capital to finance ventures planned or under way.

In California, Associated Cooperatives of Northern California dropped "Northern" from its name and became the cooperative wholesaling organization for the whole State. An ambitious program of expansion was adopted.

The establishment of two new wholesales was reported. Southwest Cooperative Wholesale, at Phoenix, will serve cooperatives in Arizona and adjoining States, and will handle household and farm supplies, building materials, work clothing, women's ready-to-wear garments, petroleum products, tires, and other items. Four Maryland cooperatives established Federated Cooperatives of Maryland, to act as their joint purchasing agent and provide auditing and other services.

#### EDUCATIONAL AND SERVICE FEDERATIONS

In California, Southern California Cooperators, a regional service organization, in its annual meeting authorized a program for the ensuing year including publicity, furnishing of speakers, managers, and auditing service, and the development of a regional health program. At the opposite side of the country, the Potomac Cooperative Federation was formed by associations from the District of Columbia, Maryland, and Virginia, to coordinate the activities and experience of the associations in the area, further their educational and business activities, work for the establishment of a branch wholesale warehouse by Eastern Cooperative Wholesale, and eventually undertake such services as auditing for member associations.

In Illinois, associations of the Waukegan-North Chicago area formed an educational federation, the Lake County Co-op Council, with a full-time educational director. The Chicago cooperatives also organized the Chicago Cooperative Finance Association, capitalized at \$100,000, to assist in the financing of new cooperative projects.

Eastern Cooperative League, with headquarters in New York City, at its annual meeting authorized a 5-year plan of development and the raising of a fund to be used in the furthering of the cooperative movement in the various areas served by the league.

In the Philadelphia area, the 16 associations affiliated with the Philadelphia Area Cooperative Federation are financing an ambitious educational and merchandising program with a full-time "supervisor" who goes from store to store, assisting them in their problems of operation. The funds for the work come from dues of 0.2 percent of sales paid by all 16 associations, dues of 0.5 percent paid by 13 of the associations which desire field service, and voluntary contributions in the form of regular dues paid by individual cooperators.

The Texas Federation of Cooperatives in its annual meeting voted for a strong educational campaign to present the cooperative point of view to the public, to work for fair legislation and to oppose legislation discriminating against cooperatives, and to "take the lead in solving cooperatives' auditing problems."

Representative of 11 cooperative associations of various types toward the end of 1944 organized the Central Wisconsin Cooperative, "to promote and encourage joint cooperative projects in the area." In the same State cooperative funeral associations formed the Wisconsin Federation of Funeral Co-operatives,<sup>3</sup> for "educational,

<sup>3</sup> Similar federations exist in Iowa and Minnesota.

organizational, and legislative" purposes, and possibly later the manufacture of caskets and other funeral supplies. Earlier in the year representatives from burial cooperatives of five States (Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin) had met, with the purpose of forming a national association. The functions of the association were outlined as those of coordinating activities "with regard to National and State legislation, personnel selection, and exchange of information on management, prices, advertising, and purchasing of equipment."

### *Intercooperative Relationships*

In Indiana, where certain urban cooperative associations have for some time been obtaining coal for their members from the Farm Bureau cooperatives, a conference of farmer and city consumers was called late in 1944, to work out further relationships.

Resolutions calling for elimination of competition and duplication of effort by the Central Cooperative Wholesale, Midland Cooperative Wholesale, and Farmers Union Central Exchange were passed in conventions of the three wholesales. These three organizations, originally handling different commodities and serving different areas, have expanded their territories and services so that there is at present a good deal of overlapping. In numerous cases two or more of these wholesales have already taken joint action for a common end. The above resolutions are an additional step toward what may eventually work out to be a merger of two or of all three, in the interests of economy and efficiency.

In several areas moves for coordination of activities of associations and exchange of experience were taken. In Canton, S. Dak., a picnic was held, bringing together the members of the various local cooperatives—store, petroleum association, electricity association, telephone association, grain elevator, creamery, insurance association, and lumber yard.

The 1944 convention of C.C.A. adopted a resolution calling for closer coordination between consumer purchasing cooperatives and producer marketing cooperatives "to the end that goods may be moved directly from producer groups to and through consumer cooperatives, without waste or lost motion, and with a view to raising the levels of nutrition and standards of living and health for all people."

By an arrangement made between the two wholesales, Consumers Cooperative Association (Missouri) received from Farmers Union State Exchange (Nebraska) 200,000 gallons of gasoline in exchange for the same amount of burner oil. C. C. A. also supplies other regionals with grease, paint, and canned goods.

From the Pacific Coast it was reported that several meetings of representatives of Grange Wholesales of Washington, Idaho, Montana, and California, had been held, with a view to joint buying of supplies, and that "considerable progress" had been made.

### *Education and Recreation*

Rochdale Institute, the central training center for cooperative employees and the nucleus of what is expected to develop into a cooperative college, was moved from New York to Chicago in 1944, in order to be nearer the cooperative "center of population." Organ-

ized in 1937, the Institute was chartered by the University of the State of New York. The 1944 move brings the Institute under the immediate sponsorship of the Cooperative League.

Courses given at the Institute headquarters include both general courses in cooperative subjects as well as vocational training, followed by practical work in some cooperative enterprise. Courses given in regional centers are undertaken in collaboration with the regional educational director and relate mainly to cooperative vocations. Such regional courses have been given for a number of years, especially in the Midwestern States. In addition, six of the regional organizations are sponsoring a cooperative correspondence school, begun in 1943, giving courses in three fields: Administration, technical instruction for store employees, and a beginners' course in the principles and practice of consumers' cooperation.

At the University of Wisconsin a training school, sponsored jointly by labor and consumer groups and under the direction of the university's School for Workers, was held in July.

The annual training school for cooperative recreational directors had an added feature in 1944, consisting of a special course for educational field workers. Outstanding in the recreational field was a concert at New York Town Hall, sponsored by a cooperative association of the city.

### *Laws and Decisions Affecting Cooperatives*

Undoubtedly the decision of most general interest to the public as well as to cooperatives themselves was the unanimous ruling of the U. S. Tax Court on September 29, 1944. That decision, rendered in the case of *United Cooperatives, Inc. v. Commissioner of Internal Revenue*, held that patronage refunds are the property of the members and not the association and therefore are not properly taxable income to the association. Interest payable, at the rate of 8 percent, on the common stock of the association was held to be subject to tax.

Acting on a joint petition by Midland Cooperative Wholesale, the Cooperative Service Co. (Waterloo, Iowa), and a number of independent refiners, the Interstate Commerce Commission in March 1944 ordered a 20-percent reduction in the freight rate on low-grade petroleum products from midcontinent territory into Minnesota, Wisconsin, the Dakotas, Nebraska, Iowa, part of Missouri, and upper Michigan. The railroads petitioned for rehearing, which was granted.

Cooperative trucking associations owned by farmers' cooperatives, which haul farm products and supplies for the members, were declared by the United States District Court for the District of Minnesota to be exempt from the permit and certificate requirements of the Interstate Commerce Act. In other words, such an association is not required to register and obtain a license as a common carrier.

The appeal of the New England Cooperative Federation, to the Massachusetts Public Utilities Commission, for exemption of consumers' cooperative association shares from the "blue sky" law,<sup>4</sup> was denied on March 9, 1944. Farmers' marketing associations had already been exempted. An amendment exempting consumers' cooperatives, also, was passed unanimously by both houses of the

<sup>4</sup> See Monthly Labor Review, March 1944 (p. 554.)

legislature in 1943, but was vetoed by the Governor. The Federation announced that it would continue its efforts, in spite of these setbacks.

*Decisions affecting REA cooperatives.*—The purchase of the Missouri properties of the Iowa Utilities Co. by the Grundy Electric Cooperative of Trenton, Mo., was upheld by a unanimous decision of the Missouri Supreme Court in a case in which the transfer of the property to the cooperative was attacked by three private power companies as not in the public interest.

In a similar case 14 power companies appealed from a decision of the Missouri Public Service Commission, allowing the sale of certain utility property to the Sho-Me Electric Cooperative at Columbia, Mo.<sup>5</sup> The Cole County Circuit Court, which heard the appeal, in May 1944 affirmed the order of the commission. The Northwest Missouri Electric Cooperative in July 1944 asked the Commission for permission to buy the properties of the United Utilities Corporation of St. Joseph. No report of the commission's decision has come to the Bureau's attention.

After long delay and struggle against the opposition of private power interests, three rural electric cooperatives in Ohio, which had a total of some 2,400 miles of line and were serving nearly 7,500 customers, in 1944 completed the purchase of a private power company serving contiguous areas.

In Oklahoma, in response to a request by a State senator for a ruling, the State Attorney General expressed the opinion that the Rural Electric Cooperative Act of the State gives electricity cooperatives "authority to sell 'electric and plumbing fixtures, appliances, apparatus and equipment' if the selling thereof is reasonably 'deemed necessary, convenient or appropriate to accomplish the purpose for which the cooperative is organized.'"

### *Employer-Employee Relationships*

One of the main developments in the field of relationships with employees was the adoption of a retirement plan for cooperative employees, sponsored by the Central and Midland Cooperative Wholesales. The plan, which will initially cover the employees of the two wholesale organizations, is expected to be adopted by most of the member associations for their own workers. The scheme provides for a contributory system (employees contributing 3 percent of wages and associations up to 5 percent of pay roll) which at age 65 would provide an annuity of 1 percent of the employee's average monthly wage times the number of years of contribution. This is intended to supplement the benefits under the Social Security Act.

Several additional associations were reported to provide health and hospital protection for their employees, the cost being borne by the association. Midland Cooperative Wholesale reported in December that servicemen who plan to return to their former jobs with the association will go on the pay roll on the day of their discharge from the armed forces, provided they report for duty within a year thereafter.

An employment and placement clearing-house service was started in the Cooperative League.

<sup>5</sup> For summary, see *Monthly Labor Review*, March 1944 (p. 557).

A number of associations reported the payment of bonuses on wages for 1944.

Consumers Cooperative Association late in the year hired a full-time safety and training director whose duty it will be to eliminate the causes of accidents among the 1,800 employees of the wholesale.

### *Cooperatives and the War*

Reports from various parts of the United States were indicative of the unusual difficulties—problems of supplies, transportation, manpower, etc.—encountered by cooperative enterprises as by other types of business. The reported “heavier sledding” in the Eastern States was accompanied by a larger-than-usual number of associations reporting operating losses in the first half of 1944, especially among those whose volume of business was small. “The percentage of savings to sales \* \* \* was 3.1. The percentage of loss to sales of those suffering loss was 2.2. The percentage of net savings (earnings less loss) to sales for all these societies was 2.2 percent.”

The output of cooperative productive enterprises is helping to win the war. The Laurel, Mont., refinery of Farmers Union Central Exchange, St. Paul, exceeded its quota of codimer for aviation gasoline by 21.6 percent, winning Government commendation therefor. A Government-owned refinery, operated by Consumers Cooperative Association, Kansas City, Mo., which started operation in May, went into full production in July. Each day, according to report, the plant produces enough 100-octane aviation gasoline “to supply 30 Flying Fortresses, with a flying escort of 70 fighter planes, on a round trip from London to Berlin.” C.C.A.-owned plants are also supplying the Government with 500,000 gallons of lubricating oil, 756,000 gallons of 80-octane gasoline, and 10,000 barrels of re-refined oil per month in addition to lumber, canned food, and dehydrated food. Former cooperative employees write of eating at the front “co-op label” canned foods, produced in cooperative plants.

### *Post-War Reconstruction and International Cooperation*

Remembering the high death rate among cooperative associations in the depression of 1921–22, regional cooperatives are urging upon their affiliates the necessity of putting their financial affairs in order, paying off their debts, reducing or eliminating credit business, keeping down inventories, and building up special reserves for the post-war period.

At the same time, the desirability of various post-war moves for expansion of the cooperative movement and its services are being considered. Thus, the executive committee of National Cooperatives has been directed to take responsibility for an aggressive program of cooperative housing at the end of the war. One regional wholesale has circularized all of its affiliates (and they in turn have circularized their members), to obtain their wishes with regard to a long list of suggested new services. These services run the gamut from new lines of goods, new services to members, and new branches, to employee training and member and public education. The circular also covers proposed means for financing such new activities. Information thus obtained will indicate the direction of expansion desired by the



members, and make possible the preparation of a blueprint for post-war use.

One cooperative periodical recently commented on the self-help cooperatives that sprang up widely among the unemployed in the depression period from 1932 to 1935 and later died out, as jobs became more plentiful. It pointed out that a similar development might occur if the war is followed by depression, and stated: "It is the belief of several cooperative leaders that consumer cooperatives should step in and take the leadership in the development of such cooperatives in order to tie them as closely as possible with the consumer cooperative movement and establish them on a more permanent and socially useful basis."<sup>6</sup>

In the wider field of the post-war economy of the United States, cooperatives are also advancing suggestions and plans and calling attention to the part that the cooperatives are equipped to play. The Cooperative League of the U. S. A. recommends that the sale of surplus goods by the armed forces at the end of the war be carried out through nonprofit channels, to prevent a recurrence of the situation at the end of World War I. It notes that the cooperative movement has facilities to handle at least part of the goods in that way. Grange cooperatives in the Northwest have proposed the establishment of a cooperative, sponsored by them, to take over some of the housing projects undertaken as a wartime measure, for resale to cooperative members. The housing organization could also, it is suggested, be used in the disposal of other surplus war goods.

During 1944 the board of directors of National Cooperatives voted to complete its application for membership in the International Cooperative Trading Agency, which has headquarters in London.<sup>7</sup>

Arrangements were made to incorporate the International Cooperative Trading and Manufacturing Association (authorized by the Cooperative Conference on Post-War Reconstruction, held in Washington in January 1944) on December 21, 1944—the hundredth anniversary of the founding of the Rochdale Society of Equitable Pioneers. Associations affiliated with C.C.A. voted to invest \$150,000 in the association. A delegation of cooperative officials from England and Scotland came to this country in the autumn of 1944, to discuss the whole program of international commercial relations.

In September 1944 the drive for the so-called Freedom Fund throughout the cooperative movement got under way. The fund is to be used in loans and grants for the rehabilitation of cooperatives in devastated areas, and is to be administered by the International Cooperative Alliance. The goal in the United States is \$500,000. The Cooperative League of the U. S. A. has urged the International Cooperative Alliance to call a meeting of cooperatives of the various countries. Pointing out that a number of countries have already been liberated, it noted that delegates could be sent from these countries, and the reconstruction program could be inaugurated without delay. A representative of the International Cooperative Alliance has already been sent to Paris to determine the needs of the French cooperative movement, and \$100,000 has been allocated which is to be used mainly for trucks and other means of transport of goods.

<sup>6</sup> Consumers' Cooperation (New York), December 1943.

<sup>7</sup> For description of this body, see *Monthly Labor Review*, June 1944 (p. 1165).

The International Labor Conference held at Philadelphia, April 18-May 12, 1944, made several decisions affecting or relating to cooperatives. At the suggestion of the International Cooperative Alliance, cooperatives were named among other organizations in a resolution recommending restitution of funds or property confiscated by the Germans. Other recommendations adopted included one that, in dependent territories, "the assistance and development of cooperative societies \* \* \* shall be accepted as part of the economic program of competent authorities" and that for this end consideration should be given to adoption of adequate legislation covering all types of cooperatives, and the creation of special services to promote and supervise the development of cooperatives and to encourage education in cooperation; in appropriate cases cooperatives should be given adequate representation on public bodies affecting their interests. In connection with consideration of the structure of the International Labor Organization itself, a recommendation was made that an ILO Committee be established containing representatives of various types of cooperatives in the different countries, in order to make their experience available to the ILO and enlist their support for it. The admission, as observers, of cooperative representatives into meetings of the Conference was also recommended.

### *Attacks and Endorsements*

Cooperative associations of farmers that meet the conditions prescribed by Congress (12 U. S. C. 1141j), (1) are eligible to borrow from the regional banks for cooperatives and from the Central Bank for Cooperatives; (2) and such associations are not required to obtain a certificate of public convenience and necessity, or a permit or license, for the operation of motor vehicles under the Federal Motor Carrier Act of 1935 (49 U. S. C. 301, 303), but other provisions of that act relative to qualifications and maximum hours of service of employees, and safety of operations and standards of equipment, are applicable to such associations. A cooperative association of producers meeting the requirements of the Capper-Volstead Act (12 U. S. C. 291) is exempt (3) in its normal business operations from the antitrust acts, and (4) all cooperative associations, whether agricultural or otherwise, may pay patronage dividends without violating the Robinson-Patman Act (15 U. S. C. 13); and (5) cooperative associations of farmers that conform to the requirements specified by Congress (26 U. S. C. 101, paragraph (12)) are exempt from the payment of Federal income taxes.

As is evident from the above, nonfarmer cooperatives are affected only by the exemption from taxation of patronage refunds.

All of the above rights and privileges are under fire from organized private business. Retail dealers in the feed, coal, lumber, and other business in the fall of 1943 formed an organization, first called the League for Protection of Private Enterprise, but later changed, first to Central Coordinating Group and then to National Tax Equality Association. Stating that the cooperatives, through the return of patronage refunds, were underselling private merchants by as much as 30 percent, the group announced that its first aim would be to "equalize tax laws between co-ops and private enterprise." This the cooperative associations interpreted to mean that the new organization would promote legislation to tax cooperative refunds, a con-

viction which was strengthened by the incorporation in the income tax law of 1944 of a provision requiring labor unions, cooperative associations, and other hitherto exempt organizations, to file an income-tax return.

In June 1944 representatives of farmer organizations established the National Conference of Cooperatives, to combat attacks against cooperatives and to preserve "the rights now granted to bona fide cooperative organizations by Federal and State laws, regulations and administrative practices." Although farmers' cooperatives were the group most pointedly under attack, numerous cooperative publications pointed out that the whole cooperative movement was involved. A trade magazine for private food dealers likewise noted that any legislation taxing patronage refunds would also affect the voluntary chains of independent retail dealers who federate in order to obtain the advantages of volume buying, refunding to the member dealers the savings made in this way. Cooperative publications have called to public attention the loans available to private business through the RFC, the tax exemption provided by various States to attract new industries, and the tax exemption by many States of all or certain types of personal property of manufacturers, as well as the protection enjoyed by private industry under tariff provisions.

During the last half of 1944 State-wide associations of all types of cooperatives, farmer and nonfarmer, were organized in a number of States, to inform the legislators and the public generally, regarding the tax situation of cooperatives. Among these States were Colorado, Iowa, Kansas, Missouri, Montana, the Dakotas, Nebraska, Wisconsin, and Wyoming. By the end of the year, the National Conference of Cooperatives had changed its name to National Association of Cooperatives and included in its membership a number of consumer regional wholesales, among them Midland Cooperative Wholesale, Central Cooperative Wholesale, Farmers Union Central Exchange, and Consumers Cooperative Association.

#### ENDORSEMENTS

The cooperative movement received endorsement from many organizations and persons during the year. Among these were the Northern Baptist Convention, the National Catholic Rural Life Conference, Pope Pius XII, and the conference of the Religion and Labor Foundation. The Reorganized Church of Latter Day Saints sponsored six study courses in cooperative leadership.

The American Federation of Labor, which endorsed the cooperative movement as early as 1918 and has renewed the endorsement from time to time, voted in its 1944 convention to establish a department of consumers' cooperation within the Federation, with a full-time executive and the necessary staff. Earlier in the year the United Automobile Workers (C.I.O.) had established a similar division in its international headquarters, and the convention of the C.I.O. Michigan Council ordered the creation of such a division. The United Hatters, Cap, and Millinery Workers endorsed consumers' cooperation and instructed its executive board to help in the promotion of cooperatives in every city where its members live. The American Federation of Hosiery Workers pledged close relationships with the movement and instructed its executive board and locals to collaborate

with church, farm, and educational groups in the promotion of consumers' cooperatives. The United Transport Service Employees of America (C.I.O.) also endorsed the movement and urged its delegates to encourage its growth.

Among the farm groups favoring cooperation were the North Dakota Farmers Union, Oklahoma Farmers Union, and Wisconsin Farmers Union. Other groups included the American Country Life Conference, National Urban League, the Republican Party, the Progressive Party of Wisconsin, Socialist Party, Liberal Party of New York, Social Democratic Federation of New York, and Michigan Commonwealth Federation.

The Governors of the States of Minnesota, Vermont, and Wisconsin each established a State-wide "cooperative week" by proclamation.

## Bureau of Labor Statistics Reports on Cooperatives

## Bulletins <sup>1</sup>

- No. 797. Activities of credit unions in 1943. Price 5 cents.
- No. 796. Operations of consumers' cooperatives in 1943. Price 10 cents.
- No. 770. Cooperative associations in Europe and their possibilities for post-war reconstruction. Price 35 cents.
- No. 750. Directory of consumers' cooperatives in the United States, as of January 1, 1943. Price 15 cents.
- No. 740. Student cooperatives in the United States, 1941. Price 10 cents.
- No. 665. Organization and management of consumers' cooperatives and buying clubs. Price 15 cents.
- No. 659. Consumers' cooperation in the United States, 1936. Price 25 cents.
- No. 608. Organization and management of cooperative housing associations. Price 10 cents.
- No. 606. Organization and management of cooperative oil associations. Price 5 cents.

### Reprint Pamphlets<sup>2</sup>

- Serial No. R. 1483. The cooperative movement and the war.  
Serial No. R. 1660. International aspects of the cooperative movement. (Reprint of a section of Part 1 of Bulletin No. 770.)  
Serial No. R. 1216. Operations of cooperative burial associations, 1939.  
Serial No. R. 671. Cooperative telephone associations. (Reprint from Bulletin No. 659.)

<sup>1</sup> For sale by Superintendent of Documents at prices indicated. How to order publications: Address order to Superintendent of Documents, Government Printing Office, Washington 25, D. C., with remittance in check or money order; currency is sent at sender's risk; postage stamps not acceptable.

<sup>1</sup> Copies free on application to Bureau of Labor Statistics, Washington 25, D. C., as long as supply lasts.