

UNITED STATES DEPARTMENT OF LABOR

L. B. Schwellenbach, *Secretary*

BUREAU OF LABOR STATISTICS

A. F. Hinrichs, *Acting Commissioner*



Development in Consumers' Cooperative Movement in 1945



Bulletin No. 859

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(III)

Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., February 15, 1946.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on developments in the consumers' cooperative movement in 1945, prepared by Florence E. Parker of the Bureau's Publications Staff.

A. F. HINRICHS, *Acting Commissioner.*

HON. L. B. SCHWELLENBACH,
Secretary of Labor.

(IV)

*Bulletin No. 859 of the
United States Bureau of Labor Statistics*

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**Developments in the Consumers' Cooperative
Movement in 1945**

Summary

FURTHER acquisitions of productive plant by central cooperative organizations, a continuation of the diversification process that has been under way for several years, a growing appreciation of the importance of educational work, and greater interest in the strengthening of international cooperative ties marked the year 1945 for the cooperative movement in the United States. With the announced goal of providing cooperatively in each locality as many goods and services as possible, cooperators made considerable progress in the commodity field and were showing unusual enthusiasm for cooperative provision of such services as cold-storage lockers, medical and hospital care, and housing. Steps were also taken for strengthening the cooperative structure by greater coordination of activities, particularly at the national level.

Preliminary reports indicate increases in membership and business of both local (retail) and wholesale associations,¹ and a determined drive toward greater business efficiency. Cooperative leaders are painfully aware of the pitfalls inherent in the artificial prosperity of war economy and in the uncertainties of the postwar period, and are striving to avoid them by obtaining greater emphasis on sound financial, operational, and cooperative practice in all parts of the cooperative movement.

Definite gains were made in relations with other groups, notably with labor and church organizations, which are becoming aware of the advantages of cooperatives and in numerous cases are actively fostering them.

The year 1945 was an extremely active one as regards legislation affecting cooperatives. Altogether, 44 legislatures met in regular or special session; many of them considered and/or passed measures on cooperatives, or affecting them directly or indirectly. In the latter class were bills introduced or passed in a number of States, reserving solely to the medical profession the right to operate medical or hospital plans on a prepayment basis. Such laws would of course have the effect of preventing any further extension of cooperative plans, in these States, in this field. The cooperative movement has

¹ Statistics of operation of various types of cooperatives will be presented in a report to be issued later in the year.

also found itself increasingly, of late years, on the defensive against attempts to restrict its activities through the medium of legislation and is generally coming to the conclusion that although it should not identify itself with political parties (remaining neutral in that respect), for its own survival it must concern itself actively with legislative matters. The cooperative movement of the United States is also participating more actively in international cooperative affairs and took several steps in that direction in 1945.

Developments Among the Local Associations

NEW SERVICES AND FACILITIES

The year 1945 was another period of expansion among the local associations, this taking place by birth of new organizations and diversification of established associations. Unusual activity was reported from various parts of the United States. In the North Central region, the field organization director of Central Cooperative Wholesale commented upon the "unprecedented" number of requests for assistance in organizing, which forced the wholesale to engage two additional field workers.

From reports it appeared that the majority of the new associations were grocery and supply stores. Cold-storage locker facilities also were in great demand among the cooperators, continuing a trend noted for several years. In some cases this new service was provided by existing associations (stores, gasoline stations, creameries, etc.), in others by separate associations formed for the purpose. Illinois maintained a leading place in this field, but numerous new facilities were reported for other States, notably Nebraska. One gasoline and store association in the latter State bought the cold-storage plant owned by the town in which it was situated. The new associations also included a considerable number of gasoline stations and a scattering of numerous other types.

In Michigan an association was formed to handle automobile accessories and electrical appliances and provide repair service. Other interesting new organizations were a veterans' cooperative, in Seattle, organized to deal in surplus war commodities purchased from the Federal Government for use by veterans, and a cooperative nursery school in New Jersey.

Urban cooperation showed some advances. In Texas an association was formed which was described as "the first urban cooperative in the Southwest"; it handles groceries, petroleum products, automobile accessories, fuel, and household appliances. Discussions among cooperatives in Chicago resulted in the formation of Chicago Consumers' Cooperative, intended as a city-wide cooperative. Plans are not only to cover into the new organization the associations already in operation but to organize new stores in sections not now having them. By late fall a crew of 10 was canvassing the city, signing up prospective members. In the District of Columbia, Rochdale Cooperative, already operating four groceries, opened a large market in nearby Virginia and announced the prospective opening of another in the same State in the spring of 1946; for legal reasons both were to be incorporated as separate associations but operated by the parent association under management contract. A Negro association in one

of the suburbs of Washington also voted to amalgamate with Rochdale and was taken over by the latter early in the fall. Thus, at the end of 1945 this association was operating six stores.

In New York City, Consumers Cooperative Services continued its expansion into food distribution and by the end of the year had over 6,000 members and was running four grocery stores and seven cafeterias. Co-ops, Inc., of St. Paul, Minn., was operating its main store (started in 1939) and one branch, at the beginning of 1945. During the year a third store with both white and colored members was opened; a fourth store, owned by a cooperative association in Minneapolis, affiliated with it under a management contract, giving both organizations the advantages of buying in greater volume.

Modernization of premises continued in 1945. Other associations bought larger and better quarters or constructed new buildings. Along with this process went expansion into new activities, as a result of which numerous associations moved out of the category of petroleum associations or grocery stores into that of general merchandising.

One North Dakota petroleum association bought a garage with an apartment and hotel rooms on the second floor. A grocery association in the same State started a cafeteria as one of the departments of the store. A Minnesota petroleum association bought out a private women's wear and general-merchandise store; and Co-op Services, a petroleum association in Minneapolis operating six gasoline stations, acquired an automobile-repair garage and a coal, feed, and building-materials business. Another petroleum association, in Wisconsin, bought a 3-acre property containing three large ice houses and loading equipment, coalyard, etc., with railroad siding adjoining the tract.

Several mergers of associations were reported as having taken place or having been authorized in 1945, but these were much fewer than in the preceding few years. Among the most interesting of these was one reported from the Twin Cities. In a special meeting in December, the Minneapolis association mentioned above approved "in principle" an amalgamation with Co-ops, Inc., of St. Paul, operating four food stores. If this proposal is carried out, it will provide a considerable range of commodities and services for members in both cities.

SPECIAL TYPES OF ASSOCIATIONS

Housing and Construction

With the lifting of controls on building materials in October 1945 (later partially reimposed), interest in the cooperative provision of housing began to quicken. Reports received by the Bureau indicate that groups are forming for this purpose at scattered places throughout the United States.

One group in Illinois is reported to have purchased 90 acres of farm land in a Chicago suburb, on which it plans to develop houses with one-acre and half-acre plots. Twenty sites are to be reserved for war veterans and public employees. An entire village is planned, served by cooperative food store and service enterprises.

In New York City the Amalgamated Housing Corporation is constructing another apartment building in the Bronx. "Amalgamated" dwellers constitute the largest single cooperative housing enterprise in the United States; nearly a thousand families have already

been provided for in buildings previously constructed. Patronage refunds on rents paid in 1944 amounted to \$21,175 for the Bronx buildings and \$8,604 for a smaller enterprise in downtown Manhattan; for 1945 combined earnings will total about \$43,000, of which some \$26,000 (1 month's rent per apartment) will be returned in refunds. In addition, the members have established various auxiliary co-ops—food store, electricity-generating plant, laundry service, milk distribution, credit union, and a wide social and cultural program.

The manager of the housing enterprise is of the opinion that "in no other field does a first cooperative venture lead to so many others" as does a housing cooperative.

New York City is also the scene of construction of the first cooperative housing to be carried on under the State Urban Redevelopment Act.² The project, on the lower East Side, will provide accommodations for 762 units in an area formerly covered with slums; in the new project the buildings will occupy only 30 percent of the land. Eastern Cooperative League (which has headquarters in New York City) has added to its staff a housing specialist; part of his time is spent with the league and part with the new housing project just mentioned.

Several housing associations are reported as having been formed in California, and others in Washington, D. C., Pennsylvania, and Washington State.^{3a}

In the Detroit area, where an association composed mainly of automobile-factory workers pioneered a few years ago in the construction of rammed-earth (pisé) houses, a store association has entered an activity new for cooperatives. It started a factory for the manufacture of prefabricated cottage-type houses of 4 and 6 rooms. Individuals wishing to buy homes will become members of the cooperative. They will pay at the current selling price and will make the usual down payment required under Federal Housing Administration regulations. Earnings made by the cooperative will be returned to the members in proportion to their payments. In Texas, the cooperative wholesale association, Consumers Cooperatives Associated, is handling prefabricated farm buildings, ready for erection.

Mutual housing.—After the inauguration of the defense housing program a plan was worked out whereby permanent housing built by the Government could be acquired, after the end of the emergency, by the residents of such projects under a mutual ownership arrangement.³ During a "transition" period a mutual ownership corporation formed by the tenants would operate the project, with an option to purchase at the end of 2 years. The tenants would make their payments to the association. Advantages of the plan to the purchaser are that no down payment is required,⁴ the initial capital is advanced by the Government, and all the planning and construction are done by it.

Eight projects were constructed for mutual ownership; six are being operated by mutual housing associations, and two of these—Walnut Grove Village (250 dwellings) in South Bend, Ind., and Greenmont

² The act authorizes and provides certain benefits for housing projects the purpose of which is slum clearance and the redevelopment of blighted areas. These, of course, call for large-scale activities. The land is acquired under condemnation proceedings and the housing is exempt from new taxes for 25 years.

^{3a} For the guidance of such groups the U. S. Bureau of Labor Statistics has revised its former bulletin on organization of cooperative housing associations; the revision (Bulletin No. 858) will be available for distribution early in the summer 1946.

³ The plan was started by the Federal Works Agency in 1941 but passed to the Federal Public Housing Authority of the Federal Housing Agency when that body was established in February 1942.

⁴ However, one cooperative housing expert regards this as a disadvantage to the association, because members with only a small stake (or none) in the enterprise have less concern in its success. He believes that the members' equity in no case should be less than 20 percent.

Village (500 dwellings) in Dayton, Ohio—are negotiating for purchase of the project.⁵ In addition, the mutual plan would be applicable to several hundred permanent Federal war housing projects which under the law must be sold within 2 years after the end of the emergency. To this list may be added the three “greenbelt” towns (Greenhills, Ohio, Greendale, Wis., and Greenbelt, Md.) built in the middle 1930’s under the subsistence homesteads program.

Specific recognition for the financing of mutual housing associations would be conferred in the General Housing Act of 1945 (S. 1592) now under consideration in Congress.

Medical and Hospital Care

Some advance was made in the cooperative provision of medical and hospital care. In Minnesota a new association, Pelican Valley Health Center, was incorporated to operate a modern hospital and medical center on a prepayment basis. The Community Health Center at Two Harbors, which began operation as a cooperative at the end of 1944, finished its first year’s operation with net earnings (savings) of \$15,373. Its annual meeting amended the bylaws to provide that in the event of the dissolution of the association, its assets were to be turned over to some other nonprofit or charitable organization.

The oldest cooperative hospital in the United States, started in 1929 in Elk City, Okla., erected a 40-bed nurses’ home. In Washington, D. C., Group Health Association, a cooperative clinic for Government employees, celebrated its eighth birthday (November 1945) and announced a membership list of 8,687.

On the Pacific Coast a drive for cooperative hospitals was being carried on in the closing months of the year, under the auspices of Pacific Supply Cooperative; the drive is headed by the founder of the cooperative hospital at Elk City. At the end of the year, hospital associations were being organized at Buhl and Sandpoint, Idaho, and Salem, Oreg., and meetings were being held at various places in the Puget Sound region with a view to the formation of others. A cooperative hospital was also reported as in process in Nebraska.

Among the cooperative organizations providing medical and/or hospital care on a prepaid, contract basis, several enlarged their benefits. Thus, Group Health Mutual in Minnesota broadened the benefits under its hospital-expense plan and three plans for medical care. Its arrangements permit either individuals or groups to join. One group which recently joined consisted of the employees of 24 cooperatives in Hennepin and Ramsay Counties, north of Minneapolis and St. Paul; 155 employees with 238 dependents entered in this group. Another group consisted of the 171 members (with 62 dependents) of two A. F. of L. unions (butcher workmen and food and drug workers) in Duluth. The benefits were provided under the unions’ collective agreements with the Retail Grocers’ Association and Retail Meat Dealers’ Association of the city, the premiums being paid by the employers. In addition to hospital and medical benefits, the contract provides accident and life insurance. In mid-1945 Group Health Mutual reported a total membership of 31,000 persons, 7,278 new members having been added in the first 6 months of the year.

⁵ Several of the housing projects also have consumers’ cooperatives providing various goods and services for the community.

Group Health Cooperative in New York City provides cash benefits to cover the cost of hospitalization. In its plan some 3,000 physicians participate. During 1945 the association, without any increase in premium rates, added visiting-nurse service and increased the benefits payable toward expenses of certain operations; amounts paid range, for the various types of surgery, from 15 to 100 percent of cost.

As already noted in this article, difficulties are being placed in the way of cooperative medical-care plans by the passage (or attempted passage) of State legislation which would limit medical associations to those run by physicians. In order to help overcome some of these difficulties, the board of directors of Central Cooperative Wholesale instructed its educational workers to give all possible aid in the organization of cooperative hospitals and to arrange for specialized legal advice in that field jointly with Midland Cooperative Wholesale.

COOPERATIVES IN SPECIAL GROUPS

Several regional meetings of student cooperatives were held in 1945. The largest meeting of this kind was that of the Central League of Campus Co-ops, held at Columbia, Mo., with over 100 delegates from 12 associations on 7 campuses participating. The Midwest Federation of Campus Co-ops met at Oberlin, Ohio. In New York City, a meeting of representatives from 6 campuses from Vermont to Virginia agreed on the formation of a federation that would coordinate the activities of student cooperatives in those States at all school levels; an organization committee is to report to a second meeting during the Easter 1946 vacation. The Cooperative League of the United States of America reports that interest has also been manifested in the possibilities of a federation for campus cooperatives in Minnesota, Wisconsin, and the Dakotas.

Financing student activities and obtaining housing facilities appear to be the major problems confronting the students' cooperative organizations. In Chicago an attempt was made to solve these problems, as well as to provide central bookkeeping and an educational program, through a new organization, United Cooperative Projects. It is proposed that the six cooperative houses on the campus dissolve and that their members join the new association, the funds of the houses being made over to it.

Among the Negro cooperatives, the Cooperative Commonwealth of Gary, Ind., organized in 1944, carried on a series of drives for capital, finally raising enough to purchase a site and \$4,000 toward the building of a store; the group was expecting to start construction toward the end of the year. The People's Co-op in Indianapolis, also started in 1944, launched upon a capital-raising campaign in a program of expansion. The Potomac Federation (Washington, D. C.) reported, regarding Red Circle Stores at Richmond, Va., that its membership had reached 1,250 and it was operating three food stores; the association had been hard hit by lack of manpower and the shortage in meat, with the result that its annual sales of about \$200,000 were cut in half. In Chicago a store, described as the "largest Negro-owned, consumers' cooperative store in America," was opened in Altgeld Gardens, a large housing project in that city. In the same city white church groups discussing race relations became interested in a Negro cooperative in an adjoining neighborhood, which has been in operation

since before the war. Joint meetings followed and many of the whites became members of the cooperative—now an interracial group.

In October it was announced that a cooperative store owned by the Indians of the Black River Falls (Wis.) area would open shortly. An Indian handicraft cooperative is already in operation there.

EFFECT OF WAR AND POSTWAR CONDITIONS

Cooperatives, like other businesses, had to contend with continued shortages of goods in 1945, as well as lack of manpower. The end of the war and the lifting of gasoline rationing gradually eased both of these difficulties somewhat, and urban petroleum cooperatives (which had suffered severe losses in volume of business during rationing) began to show some improvement.

The changed conditions resulting from the sudden end of the war had also begun to show some unfavorable effects on the cooperative movement, before the close of the year. With the termination of the War Relocation Centers for Japanese-American civilians who were evacuated from the West Coast at the beginning of the war, the cooperative enterprises operating there had to be liquidated. In 1944, the 9 centers had cooperatives operating 166 stores and service centers and employed about 1,800 persons; their membership totaled 36,896. The cooperatives at five of the centers were affiliated with regional wholesales. In another case the closing of the local shipyard meant the end of the cooperative store. Undoubtedly there were similar situations in other war centers.

Restrictions on travel resulted in the postponement or elimination of general cooperative meetings. In most regions, instead of the usual central meeting, a series of district meetings was held. Both Midland Cooperative Wholesale and Central Cooperative Wholesale noted an unanticipated gain—a much greater membership participation than had previously been the case. The former pointed out that “people are more likely to ask questions and discuss points of interest in a small meeting where they know most of the other participants than in a large meeting which tends to submerge individuals and emphasize the mass. . . . Thus war restrictions have brought about an improvement in the democratic process of our cooperative wholesale.”

In spite of reported increases in number of associations, membership, and business, cooperative leaders emphasized certain dangers faced in the immediate postwar period. Local associations were being warned (1) to reduce their inventories, drop slow-moving items, and accelerate their rate of stock turn-over, (2) to reduce accounts receivable and move swiftly to a cash basis (one leader regards this as the most vulnerable point in the whole cooperative structure today⁶), (3) to obtain more-adequate member-owned capital, and (4) to put operations on the most efficient basis possible, recognizing that much of the apparently satisfactory results of the past few years was undoubtedly the result of the artificial prosperity of war conditions.

An official of the Cooperative League of the USA listed the 10 major postwar jobs of the cooperative movement as follows: To reemploy and train for bigger responsibilities the 2,000 cooperative

⁶ A cooperative paper, *Cooperative Consumer*, paraphrasing Mark Twain's remark, emphasized that there are two times in the life of a cooperative when it should not grant credit—when it can afford it and when it can't.

employees returning from war service, to put its financial house in order for a potential crash, to expand cooperative activities to meet all the needs of the members, to push promotional work more actively, to expand into territory not served or not adequately served by co-operatives, to expand the cooperative productive facilities, to develop a national cooperative finance structure, to encourage greater coordination among the various branches of the movement, to promote economic and scientific research by cooperatives, and to organize international cooperative reconstruction and cooperative world trade.⁷ As pointed out by various cooperators, the basic factor upon which all cooperative expansion rests is educational; without an aware and informed membership (even though volume of business may increase) the cooperative content of the movement will languish and finally cease to exist, whereupon it becomes only another business. They emphasize that the need for increased membership among persons well-informed on cooperative philosophy and aims is immediate and essential if the aims of the movement are to be realized.

Developments Among the Commercial Federations

EXPANSION OF NATIONAL OR JOINT ENTERPRISES

During 1945 two additional regional wholesales became members of National Cooperatives, Inc. These were the Farmers' Union State Exchange (Nebraska) and Alberta (Canada) Cooperative Wholesale. With this addition, the membership of the national organization includes 20 regional wholesales, of which 16 are in the United States and 4 in Canada. Much of the energies of National Cooperatives during 1945 went toward the development of programs of production and of merchandising appliances under the cooperative label. Early in the year the board of directors authorized the expenditure of \$30,000 to \$40,000 for preliminary work in design and engineering of "co-op label" refrigerators. Contracts were signed with tire manufacturers for co-op tires and tubes for passenger automobiles, and a program was adopted looking toward the cooperative sale of a long line of household electrical appliances. Uniform architectural designs and color scheme for various types of cooperative enterprises were also adopted, to make cooperatives quickly identifiable throughout the country. The board of National Cooperatives also recommended that each regional member engage the services of an architect to carry out the new designs. An additional representative in Washington, D. C., was appointed, to concern himself solely with surplus war commodities being disposed of by the Federal Government. The Surplus Property Administration late in the year invited 26 regional cooperative wholesales to appoint representatives to a Cooperative Wholesale Advisory Committee. The wholesales were selected with the purpose of affording the best territorial as well as commodity representation. The committee is to assist in formulating and recommending policies and methods as regards disposal of surplus commodities, which affect the interest of cooperatives.

In the spring of 1945 three regional wholesales—Central Cooperative Wholesale, Midland Cooperative Wholesale, and Farmers Union

⁷ Midland Cooperator (Minneapolis), September 26, 1945.

Central Exchange—formed a joint enterprise, Northwest Cooperative Mills. The group of owners was joined shortly thereafter by Farmers Union Grain Terminal Association, the largest cooperative grain-marketing organization in the United States, which also operates a chain of grain elevators and lumber yards in several States. The formation of the new association was another evidence of the increasing tendency of the regional associations in these North Central States to pool their activities in various ways, to serve approximately 1,000 local associations which are affiliated with them.

The first step by Northwest Mills was the taking over of a soybean processing plant at Menomonie, Wis., originally owned by Farmers Union Central Exchange, which had been in operation for 5 months. Several months later, the new organization purchased a 16-acre tract at Green Bay, Wis., on which to erect a fertilizer plant, leased a seed-processing plant at Thief River Falls, Minn., and also bought ground in St. Paul on which to construct a feed mill and a seed-processing plant. It was hoped that materials could be obtained, permitting construction to get under way by January 1946. Before the end of 1945 the Menomonie plant had already been enlarged by additional storage capacity; the soybeans used in the plant were obtained mainly through farmers' marketing cooperatives in the Menomonie area and elsewhere. Early in January 1946 acquisition of land for a second fertilizer plant, at Winona, Minn., was announced.

National Farm Machinery Cooperative (Shelbyville, Ind.) contracted with a private plow-manufacturing company in Ontario, Canada, for machines to the value of \$1,444,000 in 1946, under the "co-op" label. Another cooperative manufacturing association, Cooperative Plant Foods,⁹ built a second fertilizer plant, at Scherer-ville.

National Cooperative Refinery Association, owned by 5 regional wholesales, with a refinery at McPherson, Kans., early in 1945 bought out an independent producer in Wichita, giving NCRA "a substantial working interest" in 46 producing wells, and leases on some 18,000 acres of "well-located drilling sites." As of July 31, 1945, the cooperative refinery organization had 55 producing wells.

EXPANSION BY INDIVIDUAL REGIONAL AND DISTRICT WHOLESALERS

Among the regional wholesales, acquisition of land and erection of a new building to cost \$150,000 were authorized by the membership of Central States Cooperatives (Chicago), which in addition started a centralized accounting service for cooperatives in the Chicago area (such a service was already in operation in the Detroit district). Associated Cooperatives of California added new departments to handle insurance, electrical appliances, farm supplies and hardware, engaged a second field worker, and purchased a site on which it will erect a headquarters building and warehouse. This wholesale also adopted a sales procedure not previously used by any of the consumers' cooperatives though practiced by several of the farm-supply organizations. It voted to use private dealers as agents for the distribution of "co-op label" goods in farm communities where no cooperative at present exists, regarding this as the best way to speed cooperative

⁹ Members are Midland Cooperative Wholesale, Indiana Farm Bureau Cooperative Association, Illinois Farm Supply Co., and Wisconsin Cooperative Farm Supply Co.

purchasing by the farmers there. In such cases the dealers' patrons who were purchasers of co-op goods would be organized into a cooperative association which would be a member of Associated Cooperatives, with full voting rights and an elected advisory board of directors; patronage refunds from the wholesale would be paid to the individual patrons in proportion to their purchases. The wholesale believes that this procedure will result in building up "a group of farmers with cooperative consciousness * * * which would be capable of supporting a retail cooperative when the opportunity * * * arose"—years earlier than would otherwise be possible.

Indiana Farm Bureau Cooperative Association built a cracking plant at its petroleum refinery at Mt. Vernon, Ind., almost doubling gasoline production and making it possible for the wholesale to supply 75 percent of its members' needs. The wholesale also purchased some 700 acres of oil-bearing land in Illinois, with several producing wells and offset locations; this purchase brought the wholesale's total petroleum production to over 3,500 barrels per day. Contract was let for a new building with 100,000 square feet of space, to serve all the association's warehouse needs and house a farm-machinery repair shop and a garage for the association's fleet of transport trucks. A third lumber mill was purchased near Benton, Ark.; according to reports, the Benton holdings include a modern sawmill, 3,200 heavily wooded acres owned outright and timber rights to some 9,000 acres additional, 26 houses for workmen, and miscellaneous equipment. Light-weight aluminum roofing was added to the lines of goods handled by the wholesale.

In Minnesota, Midland Cooperative Wholesale (Minneapolis) was authorized by vote of its member associations to issue preferred stock and to acquire additional oil-bearing properties with the purpose of insuring a sufficient supply of crude oil for the association's refinery. Farmers Union Central Exchange (St. Paul) established two new departments—a service and maintenance department one of whose major duties will be to insure best safety practices in all the association's enterprises, and an oil exploration and production department to investigate sources of new crude oil, arrange for leases, and drill test wells. Oil rights on 200 acres in Montana were obtained late in the year.

Consumers Cooperative Association (Kansas City) put into operation its new sawmill at Swisshome, Oreg., replacing the one destroyed by fire in 1944, and purchased 18 million feet of additional timber. Over 100 new oil wells were acquired by purchase or drilling during the year, bringing its total to 436 by the end of 1945, with leases on 49,762 acres of oil-bearing land. These new purchases, the wholesale reported, would enable it to provide 25 percent of its crude-oil requirements. For the second successive year it was able to supply all the needs of its members for refined fuels. It sold the small sawmill at Hill City, S. Dak.

Eastern Cooperative Wholesale (New York City) added a department of control, not only to carry on the accounting work of the wholesale but also to provide central bookkeeping service and auditing for member associations, and added a duplicating and offset-printing service. Membership meetings authorized the issuance of preferred stock to finance an expansion program, two new branch warehouses in

Hartford, Conn., and Washington, D. C. (and the enlargement of existing branches in Boston and Philadelphia), two new departments to handle electrical appliances and automotive supplies and frozen foods and fresh meats, and a design service to provide advice on store lay-out for members.

Two wholesale organizations bought petroleum refineries early in 1945. The Ohio Farm Bureau Cooperative Association purchased a refinery (its second) from a private company and a controlling interest in a pipeline company, both in Kentucky. In Texas, Consumers Cooperatives Associated bought a plant at Levelland, with topping and cracking units capable of turning out 5,500 barrels per day.

In the Far West, Pacific Supply Cooperative (Walla Walla, Wash.) erected a new chemical plant in Portland, Oreg., to manufacture fertilizer, fungicides, and insecticides, costing \$150,000; it started operation in November 1945. The organization also decided to buy the Idaho coal mine it had previously leased, and voted to open new warehouses in Seattle, Wenatchee, and Spokane and to sponsor a new wholesale grocery association to serve the Puget Sound area. In January 1946 the new association, Cascade Cooperative Wholesale, was formed, with headquarters in Seattle; it was expected to begin operations before the end of the month. Pacific Supply Cooperative had contracted to supply it with its "full line of co-op merchandise" through the new PSC warehouse in Seattle.

A program of expansion of plant and other facilities, proposed by the board of directors of Central Cooperatives Wholesale (Superior, Wis.) and involving an expenditure estimated at \$1,337,500 over an 18-month period, was adopted by the membership of the wholesale. A new service—insulating houses with pulverized rock wool blown into walls—was started; and a new department to handle electric-wiring supplies, farm tools, and barn equipment was authorized to be started as soon as these commodities should become available. The establishment of an architectural service to assist local cooperatives in their building programs was also approved.

Among the district-wide organizations, Range Cooperative Federation (Virginia, Minn.) purchased a site on which to build a new funeral home, and adopted plans for a branch mortuary in Hibbing; the membership meeting instructed the board of directors to look for a site for a slaughterhouse (the organization operates a plant for manufacture of sausage and cured meats).

Problems of Organizational Structure

Regional and national cooperative congresses have considered recently, for a number of years, the question as to which arrangement is the more effective: separate central organizations for educational and for commercial activities, or a single organization combining the two.

Until the middle 1930's the trend in the United States had been toward separate organizations. Under the structural arrangement of the national Cooperative League, practically all of the educational work in the various regions was done by regional leagues affiliated with the national body. As the regional wholesales developed, however, they began to undertake the business training of their employees and in connection therewith began to give courses in the

philosophy of cooperation and do more or less publicity work, acquainting the public with the aims of the movement. This led to the development of their own educational departments and to considerable overlapping with the regional cooperative leagues.

The first action to meet this situation was taken at the end of 1938 when the Northern States Cooperative League (serving local associations in Minnesota, northern Wisconsin, northern Michigan, and the Dakotas) became a federation not of retail but of wholesale associations and central service organizations, relinquishing the educational work for local associations to the wholesale organizations of the region. Before the end of the ensuing year the league ceased operation altogether, though it did not give up its charter.

In 1939 an amalgamation of educational and business activities took place both in northern and in southern California, the leagues and wholesales being replaced by organizations called, respectively, Associated Cooperatives of Southern California and Associated Cooperatives of Northern California.¹⁰

In the Illinois-Indiana-Ohio region, The Cooperative Wholesale and Central States Cooperative League merged at the end of 1940, taking the name of Central States Cooperatives.

The question of amalgamation of the two organizations serving the Middle Atlantic States—Eastern Cooperative Wholesale and Eastern Cooperative League—has been under discussion since about 1937. In 1940 a membership meeting unexpectedly vetoed an amalgamation because of a fear that in the new organization merchandising activities would be overstressed, to the detriment of educational work and the expanding service activities. Since that time a joint committee of the two bodies has been considering the whole question. Its report, made in 1945, pointed out the widely diversified fields into which the cooperatives are expanding and stressed the need of a central organization to coordinate and hold these developments together. It proposed the consolidation of the league and wholesale, with all activities coordinated through a single board of directors. At the beginning three functions were viewed as being of major importance: (1) Education and organization work, (2) finance and accounting, and (3) production and distribution. The committee proposed that, as far as practicable, any particular business service be "administered" by board members from associations engaged in that activity. The matter was discussed in a series of meetings held throughout the territory and finally came before a joint annual meeting of league and wholesale, held in November, at which the formation of a new association, possibly called Eastern Cooperatives Associated, was approved. The boards of the league and wholesale were instructed to start action immediately and to submit the recommended details of structure and new bylaws for membership action within 6 months.

The structure of the Cooperative League of the USA came up for discussion at the biennial congress of 1938, in connection with a proposed revision of the league's constitution, and the matter was referred to a constitution committee. At the 1944 Congress of the Cooperative

¹⁰ Associated Cooperatives of Southern California later took the name Consumers Cooperative Wholesale; it went out of business in 1942. Associated Cooperatives of Northern California in 1943 dropped "Northern" from its name and now serves the entire State.

League of the USA a move toward the consolidation of the League (educational body) and National Cooperatives (wholesale) failed to pass, but the matter was referred to the directors of the two organizations with instructions to present recommendations to a special delegate meeting within the ensuing year. A joint committee was later appointed, which presented recommendations to the two associations and to the National Cooperative Finance Association at their quarterly board meetings in June 1945. Following the recommendations of the committee, the three boards approved in principle (1) a single executive for the three organizations and (2) the allocation of funds by national business organizations of a certain percent of their volume of business, to be used for educational purposes. The joint committee was instructed to work out the details regarding (1) national organization structure, (2) national staff organization, (3) national programs of education, business, and finance, and (4) budgets. The report of the committee was presented to a joint meeting of the League, wholesale and finance associations, late in January 1946 and was adopted by the meeting. The matter will come up for decision at the biennial congress of the Cooperative League in October 1946.

Education, Recreation, and Publicity

EDUCATION AND TRAINING

Numerous courses were given by Rochdale Institute in 1945, the first year since its removal from New York City to Chicago. Among those given were two courses for training educational and commodity field workers of regional organizations, a 2-week institute for educational directors and organizational managers of local cooperatives, a "co-op and labor" institute for teaching labor union agents and others ways and means of organizing cooperatives, an 8-week course in the philosophy and practice of consumers' cooperation, and an advanced 2-week course for food store managers. The Institute was accepted as an accredited school under the G. I. Bill of Rights, as were also colleges offering courses in cooperation in which on-the-job training as well as academic instruction is given.

The Cooperative Correspondence School, started in 1943 and sponsored by six regional wholesales in the United States and one in Canada, was continued in 1945 with three courses—administration, the cooperative employee in food and general merchandise stores, and principles and practice of consumers' cooperation. Courses designed for employees of petroleum cooperatives and farm-supply associations were being drawn up.

In addition, individual cooperatives, local and central, carried on some work of this kind. Consumers Cooperative Association, a regional wholesale, early in 1945 announced that thereafter it would provide 2 weeks' training or its equivalent, all expenses paid, for managers of its member cooperatives, for its own branch and department managers, and "eventually, appropriate courses for all key employees meeting the public." As a start in carrying out this plan, a 5-session course was held over 5 weeks in February and March, during which 169 headquarters employees were "made acquainted" with the Consumers Cooperative Association organization (its business, per-

sonnel and management policies, its financing methods, and the ways in which it differs from profit business); and 42 cooperative employees were given 2-week courses in bookkeeping and technical problems connected with the petroleum industry.

In the Middle Atlantic States—the Eastern Cooperative League area—an accelerated program of education has been getting under way. Area federations are being developed to carry on field work and guidance among the affiliated associations and to assist in the formation of new cooperatives. Such federations are in operation in Connecticut, New Jersey, the central and western Pennsylvania area, the Philadelphia area, the D. C.-Maryland-Virginia area, New England, and the New York metropolitan area. Some of these are new (the New York federation was formed in 1945); others, such as Potomac Cooperative Federation and New Jersey Cooperative Federation, have been in existence for several years. It was announced that one of the first tasks of the New York Metropolitan Cooperative Federation will be to start joint bookkeeping, as one step in a long-range program for greater business efficiency of the local cooperatives. The annual meeting of the New England Cooperative Federation was informed of the establishment of a similar service, for local associations too small to have a bookkeeper of their own. Other activities of this federation include a booking service for cooperative films, a weekly news letter, a speakers' bureau, training schools for cooperative employees and board members, and aid to local associations in incorporating their organizations. The federation also participated, with the Massachusetts Department of Education, in giving a weekly course in consumers' cooperation, at Harvard University, which ran through the last quarter of the year. The federation's work is financed mainly by pledges from its 32 member associations, amounting to one-tenth of 1 percent of their sales.

A similar educational structure is being created in various parts of the area served by Midland Cooperative Wholesale. Several cooperative associations in southern Minnesota and northern Iowa were reported in the spring of 1945 to have formed an educational association; later this association hired a full-time educational director to carry on an educational program. The work was to be financed partly by payments of one-half of 1 percent on sales of the participating associations each month; Midland agreed to contribute an equal rate on their monthly purchases from the wholesale. Educational federations have also been formed to serve northwestern Minnesota, southeastern Minnesota, west central Wisconsin, and central Wisconsin; educational field workers have been hired, part of the expense being borne by the wholesale. The announced objective of the program is "to create a favorable environment for efficient operation and expansion of cooperative activities by informing more people about cooperatives through group activities, improving public relations, establishing a coordinated public information service, and developing local leadership."¹¹

The cooperative association in one of the three "greenbelt" towns—Greenhills, Ohio—engaged a full-time worker to take charge of a program of recreation, education, membership extension, and members' discussion groups.

¹¹ Midland Cooperator (Minneapolis), August 15, 1945.

During recent years there has been a trend toward the formation of cooperative councils to the membership of which associations of all types—consumers' service and distributive, as well as marketing—in a given area are eligible. These councils keep the associations informed of developments in the various branches of the movement, serve as a clearing house of experience, and join in defense against any threats to the cooperative movement. Vermont has had a State-wide council for several years and a number of county councils have been formed in Minnesota and Wisconsin. In Minnesota 21 of 24 cooperative associations in Roseau County were represented at a meeting at which Roseau County Cooperative Council, an organization for education and exchange of cooperative experience, was started in 1945. Nine Iowa associations formed a central organization—South Central Iowa Cooperatives—in 1945 for the promotion of a better understanding of the cooperative movement and its enterprises.

Among the educational institutions of the United States, the Institute of Social Science at St. Louis University held a 2-week course on social work which included work on consumers' cooperatives, cooperative marketing, and credit. The Farm Credit Administration, making inquiries among land grant colleges, discovered that about half of the 34 colleges reporting were giving one or more special courses on cooperatives, in addition to general courses in accounting, business law, etc.

RECREATION

The ninth annual national cooperative recreation school was held simultaneously with the second annual educational directors' institute, June 24–July 7, 1945. The purpose of these schools is to train students to serve as directors of recreational and educational programs. A combination recreation and educational camp was held in California in July. The group in attendance passed resolutions stressing the need for unity of action in the cooperative movement on the Pacific Coast and recommending the organization of an annual conference to which all cooperatives on the Pacific Coast, Alaska, and western Canada would be invited to send delegates. For the past 6 years the New Jersey Cooperative Federation has sponsored a vacation camp at Delaware Water Gap. At the 1945 camp, steps were taken toward the formation of a separate permanent camp association and eventual ownership of a camp site.

COOPERATIVE PUBLICITY AND PRESS

A new film relating the story of the development of petroleum cooperatives in the United States was released by the Cooperative League of the USA early in the fall of 1945 and National Cooperatives announced that it had contracted for an educational film to be shown to consumer groups and servicemen.

Several years ago the cooperatives encountered difficulty in obtaining radio time over the commercial networks, to present the cooperative viewpoint.¹² A step regarded by the cooperatives as a signal victory for them was taken by the Federal Communications Commission in mid-1945 when it notified radio stations that it would look with disapproval upon policies barring the sale of time for the discussion of

¹² See Bureau's Bulletin No. 738 (p. 6) for details.

controversial issues or for the soliciting of membership in noncharitable organizations, including consumers' cooperatives. It was reported also that the Senate Committee on Small Business was forming a unit for the encouragement of FM broadcasting by small business, farmers, labor unions, and cooperatives. Potomac Cooperative Federation announced late in the year that it had applied to the FCC for a FM radio-station license. About the same time, Ohio Farm Bureau Cooperative Association also voted to "acquire" a radio station.

Cooperative press.—For many years a cooperative press has been in process of development, and now there are many organs not only at the national and regional level but among the local associations as well.

The Cooperative League of the USA, National Cooperatives, and Cooperative Finance Association of America publish jointly a monthly periodical, *Co-op Magazine*, described as a "journal of technical assistance and information for local cooperative officers, employees, and committee members." The Cooperative League also issues (1) a mimeographed weekly news service, for use by cooperative and other editors, which gives news of current developments in the cooperative movement in this country and abroad, as well as covering international cooperative activities; and (2) *Co-ops on Campus*, issued monthly for student cooperatives. Also at the national level is *Rochdale Cooperator*, published monthly by Rochdale Institute, national training school of the consumers' cooperative movement, devoted mainly to education and news of courses offered, but also containing general articles on other cooperative subjects.

Practically all of the regional wholesales have their own publications, issued monthly, semimonthly or weekly, and a great many of the larger retail cooperatives also publish regular or occasional news sheets. Much cooperative information is also available in some of the farmers' papers, notably those of the National Farmers Union and its State divisions. In Nebraska in 1945 a new monthly periodical, *Nebraska Cooperator*, was started. It is sponsored by the State wholesale, Farmers Union State Exchange, and two local cooperative associations which disagreed with policies reflected in the *Nebraska Union Farmer*. The new publication is devoted entirely to cooperation and news of cooperatives. The *Nebraska Union Farmer* continues to carry cooperative items as well as other news of interest to farmers.

It is the ambition of the cooperative movement to have its own newspaper, and the subject has been discussed many times, but each time it was felt that the time was not yet ripe.

Relations With Other Groups

RELATIONS WITH CHURCH GROUPS

Several church, labor, and cooperative conferences were held during the year, and 75 representatives of Catholic, Protestant, and Jewish faiths formulated a 15-point program for rural agriculture, which favored cooperatives "as a means of intellectual, moral and material advancement," and urged the encouragement of cooperative production.

RELATIONS WITH LABOR

Continuing efforts were made during 1945 to bring about closer relationships with the labor movement. Co-op and labor conferences were held in various places, attended by representatives of AFL and CIO organizations and by cooperators. Partly as a result of these conferences, many unions have appointed committees on cooperatives; in St. Paul 10 unions formed such committees with a view to the establishment of a cooperative council in the St. Paul Trades and Labor Assembly. Midland Cooperative Wholesale sent its labor relations director on a "good will tour" during which he addressed union groups throughout Wisconsin. In Racine the consumers' cooperative aided the workers in a local strike.

In Minnesota the State conventions of both AFL and CIO endorsed cooperatives and deplored the NTEA attacks upon them. The CIO meeting in a general resolution pointed out the danger of "false barriers" being raised between the farmers and industrial workers and urged a closer understanding and a common program of action. The Illinois Federation of Labor reaffirmed its previous endorsements of cooperatives. The United Automobile Workers (CIO) called upon the U. S. Department of Labor to create three new bureaus for labor production, workers' education, and consumers' interests (including cooperatives).

Growing recognition of the importance of good relations with their own employees has resulted in the creation of personnel departments, with one or more full-time workers, by almost every regional organization. Most of this expansion came during the war, which threw manpower problems into sharp relief. Provision of good wages and working conditions has long been one of the cooperators' tenets but one not always observed. In addition, the question of old-age security for cooperative employees has arisen many times and the topic has been considered in several cooperative congresses.

The first organizations in the consumers' cooperative movement to take steps in the direction of retirement benefits were Central Cooperative Wholesale and Midland Cooperative Wholesale. The retirement plan for their employees adopted in 1944, was put into effect as of October 1, 1945, by Midland Cooperative Wholesale. Its own employees and those of all of its member associations are eligible for coverage; the five insurance cooperatives of Minnesota and Wisconsin which operate together under a unified system¹³ voted to participate in the plan also.

Central Cooperative Wholesale which, because of lack of personnel, was unable to carry out its part of the plan, also voted to come under the Midland plan for its employees and those of its member cooperatives. Purchase of a share of stock in Midland will be required of such associations. The plan is contributory; employees will pay 3 percent of their "wage classification" (monthly wage plus credit for period of service) and the employing association will make such contribution as is necessary to make the plan actuarially sound. Benefits, payable at 65, are supplemental to those received by the employees under the social-security system. By October 1, 1945, 18 cooperatives, members

¹³ See BLS Bulletin No. 821 (pp. 4, 11).

of Central, and 54 Midland members had joined the scheme, in addition to the 2 wholesales and the 5 insurance associations.

Late in 1944, a retirement system was adopted by the Pennsylvania Farm Bureau Cooperative Association (wholesale) and the Pennsylvania Farm Bureau Federation for their employees. The plan provides for both employer and employee contributions. The worker's contribution will consist of $2\frac{1}{2}$ percent on earnings of \$3,000 or less and of 5 percent on all over that amount. All employees will be guaranteed an annual bonus amounting to $2\frac{1}{2}$ percent of earnings as long as the plan is in effect, the amount to be applied to the payment of their retirement contribution; any bonus payment in excess of $2\frac{1}{2}$ percent will be paid to the employee in cash. A worker with salary over \$3,000 must make an additional, direct, contribution of $2\frac{1}{2}$ percent on his earnings in excess of that amount. The plan became effective January 1, 1945, and included all employees between the ages of 30 and 65; for those under 30 membership is optional.

The joint annual meeting of Eastern Cooperative League and Eastern Cooperative Wholesale, held in November 1945, approved the principle of a retirement plan for their employees and those of affiliated associations. A committee was instructed to work out specific proposals.

CONSUMER-FARMER RELATIONSHIPS

One development of the past few years, which has caused some disquiet in the consumers' cooperative movement, has been the tendency of farmers' marketing groups to enter the retail field, not through consumers' cooperatives but through outlets owned by farmers as producers. These departures have been prompted by poor prices obtainable by farmers through the usual wholesale channels, the desire to increase the use of farm and dairy products and consequently the market for them, and the wish of the farm organizations to control the product all the way to the consumer.

For a number of years, dairy farmers have operated retail stores selling various dairy products (milk, butter, and even ice cream) to the general public. Among these may be cited the dairy stores in Atlanta, Ga., the Equity Dairy Stores¹⁴ in Illinois and Ohio, and the poultry and chicken store in Philadelphia.

In 1941, the Cooperative G. L. F. Exchange, Ithaca, N. Y., organized a new department under the name Cooperative Producer and Consumer Family Foods. In 1944 it became an independent organization, owned by local farmers' cooperatives; by the end of 1945 it had 15 such members. It operates 10 supermarkets in 7 New York cities, at which it sells meats, fruits and vegetables, dairy products, baked goods, and "standard groceries." Only part of these products is provided by the member cooperatives; other products are purchased from producer organizations as far away as California and Florida. In addition the association operates 4 dairy and egg stores and 2 locker plants. The association states: "We will eventually build a bakery, probably in Syracuse. We also hope to gain some experience in the restaurant and diner field as a method of marketing our products."¹⁵

¹⁴ Some of these also carry sandwiches and other luncheon foods.

¹⁵ News for Farmer Cooperatives (Washington, Farm Credit Administration), December 1945 (p. 13).

A similar organization, to operate under the name Cooperative P & C Family Foods of Indiana, was announced in October 1945 by Indiana Farm Bureau Cooperative Association. The announced purpose of the organization is to "provide a co-op pace-setter for the food-distribution industry and to channel back to the farmer more of the profits involved in processing and distributing his products." The first stores were expected to be opened in county-seat towns "where the support of a considerable body of cooperative-minded farmers could be counted on"; later the cities would be "invaded." Indiana Farm Bureau Cooperative Association is one of the regional wholesales affiliated to National Cooperatives, which attacks the problem of distribution from the consumers' viewpoint. In view of this, the formation of the new organization has called forth some adverse comment from other regional wholesales which are also National members, and speculation as to the effect of the new marketing outlets on the consumers' cooperatives of farmers and townspeople in the county-seat towns and cities "invaded."

It was reported that another regional wholesale, Ohio Farm Bureau Cooperative Association, had rejected the new producer-controlled system because of its lack of consumer participation in benefits or savings, in accordance with Rochdale principles. In Ithaca, it is reported, Cooperative P & C Family Foods plans the formation of "consumer councils" around each store. Such councils would be used as a medium through which to obtain "consumers' views as to products they want and how they want them," but would have no voice in policymaking or control of the organization. The P & C bylaws, it is said, "permit the board of directors to distribute up to 49 percent of any dividends that may be declared to consumer patrons."

The founder of the Cooperative G. L. F. Exchange, although actively favoring farmer control of products all the way to the consumer, acknowledges the right of the consumer groups to work back in the other direction. "If consumers do this, they undoubtedly will meet head-on with producer cooperatives at certain points and conceivably make a mutually satisfactory deal, or they may go right by each other and establish parallel marketing systems."¹⁶

The policy of Ohio Farm Bureau Cooperative Association, as voiced by its president, has been to encourage the formation of retail *consumers'* cooperatives in towns and cities, which would supply a market for the goods of farmers' cooperatives. Such relationships are being extended in several regions. At a meeting in November 1945 the board of directors of Central States Cooperatives adopted a resolution favoring fair prices to farmers through a more direct distribution of farm products to the urban consumer and the sharing of resultant savings between consumer patrons and the farmer suppliers. It was pointed out that such a system had been in force for many years in the Cooperative Trading Co. at Waukegan, Ill. A report by Eastern Cooperative Wholesale contained a list of farmers' cooperative marketing associations with which the wholesale had had direct trading relationships, obtaining thus the foods needed to supply its member retail associations. This policy was

¹⁶ Nebraska Union Farmer (Omaha), March 14, 1945.

commended by Nebraska cooperators; noting that ECW gives preference to farmer cooperatives "whenever quality, service, and other factors are equal," an editorial in the Nebraska Cooperator for January 16, 1946, commented:

That is fair enough. Let farmer cooperatives follow the same policy toward consumer cooperatives, and there need be no serious friction between the two. The open market can determine what fair prices should be.

In New York State and in Indiana, farmer cooperatives are putting stores in towns and cities to serve as outlets for farm products. Patrons of these stores will have no ownership or voice in them. It is much better, and more in line with cooperative principles, for urban consumers to have their own cooperatives and then deal with farmer cooperatives, as Eastern Cooperative Wholesale is doing.

Similar sentiments were voiced in Pennsylvania Co-op Review, Midland Cooperator, and Cooperative Builder, organs of Pennsylvania Farm Bureau Cooperative Association, Midland Cooperative Wholesale, and Central Cooperative Wholesale, respectively.

In Indiana, a movement toward closer relationships between urban and rural people was reported, which had started in 1944 in a series of discussions of mutual problems. The movement was initiated by a local of the United Automobile Workers (CIO) in South Bend, which had been buying coal for its members through the St. Joseph County Farm Bureau Cooperative. At its suggestion, members of the two organizations began to meet monthly to discuss matters of common interest. Similar get-togethers began to take place in Elkhart, Marshall, and La Porte Counties. In the fall of 1945 a new cooperative, Rural-Urban Cooperatives of Elkhart County at Bristol, was formed. Plans for similar organizations were reported to be under way in the other three counties, which would serve both urban and farmer consumers and also provide an outlet for the farmers' produce. Additional services, such as cold-storage lockers, gasoline filling stations, and electrical repair service are planned.

INTERNATIONAL RELATIONS

"Convinced that the cooperatives have a tremendous stake in a just and permanent peace," the Cooperative League sent the chairman of its committee on international cooperative reconstruction to attend the meetings of the United Nations Security Conference held at San Francisco in the spring of 1945. Other representatives reported the proceedings to the cooperative press.

Two formal proposals were presented to the Conference by the cooperative representatives. One urged the establishment of an International Cooperative Office in the Social and Security Council of the United Nations Organization and the other, presented on behalf of the International Cooperative Alliance, petitioned for advisory status for that body in the new Organization. The Conference, however, confined its deliberations to the broad general principles of world cooperation and adjourned without taking action as regards representation of specific nongovernmental agencies. The UNO General Assembly, meeting in London early in 1946, voted at its final session to give permanent consultative status to the International Cooperative Alliance, World Federation of Trade Unions, and American Federation of Labor.

International relief.—The cooperative movement enlarged its international ties in January 1945 when the Cooperative League of the USA became an associate member of the American Council of Voluntary Agencies for Foreign Service. The council includes most of the voluntary agencies engaging in relief and rehabilitation, in connection with UNRRA. The League was also one of the 22 relief agencies which late in the year united to form the Cooperative for American Remittances to Europe (CARE).

The drive for the cooperatives' Freedom Fund, designed to assist in the rehabilitation of cooperatives in foreign countries came to an official end on March 31, but continuance of contributions was urged. Later in the year the cooperatives assisted in the collection of food for use in Europe.

International trade.—Various steps were taken toward the furtherance of international trading among cooperatives.

Even before the war there was a considerable interchange of goods from country to country and in the United States one of the regional wholesales, Consumers Cooperative Association, had shipped to cooperatives abroad substantial quantities of grease and motor oil from its own plants. The international trade was carried on mainly through the International Cooperative Trading Agency and the Scandinavian Cooperative Wholesale. The war greatly hampered these activities and increased the difficulty of maintaining contacts, but some business continued. Shortly after VE-day, the cooperative movement in Sweden organized a national petroleum cooperative, the members of which are Kooperativa Förbundet (the Swedish Cooperative Wholesale Society) and Svenska Lantmannens Riksförbund (a federation of local agricultural cooperatives); one of the first acts of the association was to order from CCA some 150,000 gallons of lubricating oil. Later in the year, the French cooperative movement ordered from CCA 2,175,000 gallons of motor oil.

A Wisconsin consumers' cooperative announced a plan for distributing through cooperative channels in the United States marmalade made by producer cooperatives in British Honduras. It was reported at the National Catholic Rural Life Conference that cooperatives in many Latin American countries were desirous of starting direct trading relationships with the United States cooperative movement.

In September 1945 meetings of the International Cooperative Alliance (of which the Cooperative League of the USA is a member) and the International Cooperative Trading Agency (of which National Cooperatives, Chicago, is a member) were held in London. The Alliance approved in principle the formation of an international cooperative petroleum association proposed by the United States delegation, and appointed a committee to work out the practical details. The ICTA meeting decided to merge the International Cooperative Wholesale Society (an organization for exchange of experience and information) with the International Cooperative Trading Agency.

The International Cooperative Alliance was invited by the United States cooperative movement to hold its 1946 meeting in this country.

Laws and Decisions Affecting Cooperatives ¹⁷

MEDICAL AND HOSPITAL CARE

The board of directors of the Cooperative League of the USA in April 1945 appointed a committee "to protect cooperatives from legislative attack." It was authorized to call a conference of cooperative and prepayment health plans to fight any further legislation that would hamper the development of medical-care cooperatives. Events indicated the wisdom of this action, for bills were introduced in a number of States, the purpose of which was to reserve to the medical profession the sole right to establish and operate plans for medical and hospital care, thus preventing consumer action in this field.

In Iowa, legislators amended the code, to provide for "medical service corporations" at least a majority of the directors of which are physicians (ch. 209). A similar law was enacted in North Dakota (ch. 154).

The South Dakota Legislature passed an enabling act for hospital-service plans (ch. 114), which required that the hospitals joining in the plan, the medical profession, and the general public all be given representation on the boards of directors of such corporations.

In Minnesota a bill was introduced by the State medical profession which, according to an opinion by the State attorney general, would "prohibit citizens who are not doctors of medicine from forming a nonprofit medical service plan corporation." Although fought vigorously by the cooperatives, the measure as passed (ch. 255) authorized the formation of "nonprofit medical service plan corporations * * * by not less than 21 persons, all of whom shall be legal residents of this State and duly licensed and registered doctors of medicine." Bills sponsored by cooperatives, which would have given specific authorization to cooperative medical-care organizations, were killed in committee in both houses of the legislature.

A Tennessee act (ch. 113) authorized the formation of "nonprofit medical service plan corporations," at least a majority of whose incorporators are physicians licensed to practice in the State.

The most hotly contested action of the year took place in Wisconsin where several bills were introduced. One proposed a State system of socialized medicine; another merely authorized medical-care plans; a third proposed a plan controlled by the State medical association; a fourth would have amended existing laws to put all hospital plans under the control of doctors and/or the State medical society; and a fifth authorized the Blue Cross to expand its activities to cover medical as well as hospital care. The bill for socialized medicine was later rewritten by its author, who transformed it into an enabling measure for cooperatives providing hospital and/or medical care; this was supported by the consumers' cooperative movement.

Two laws dealing with sickness care were finally passed. One (ch. 553) amended the previous law on hospital-service corporations to provide (among others) that such corporations should "declare no dividend, benefit, or pecuniary profit, to be paid to or received by any of their members, directors, or officers." The other (ch. 494) author-

¹⁷ Coverage not entirely complete as final text of 1945 laws for 11 States (Alabama, California, Colorado, Connecticut, Delaware, Indiana, Missouri, New York, North Carolina, Oregon, and Pennsylvania) was not available when this report went to press (April 1946).

ized the State medical association or county medical societies to establish prepaid sickness-care plans. The governor, in signing the second, stated that it was "at most an authorization," not preventing further action by a future legislation. As it stands, only medical societies are authorized to form such corporations.

In Oklahoma, where the cooperative hospital at Elk City has had a 15-year fight for existence against the opposition of the medical profession, a law (title 63, ch. 1) was passed, establishing a State Board of Health and providing for the licensing of hospitals, sanitoriums, etc. It prohibited any such institution (except those Federally owned and the State mental hospitals) from operating "or continuing to operate" after July 1, 1946, without obtaining a license from the State Board of Health. The latter is composed of 9 persons, at least a majority of whom must be licensed physicians and members of the State medical association. The commissioner of health (head of the board) is "authorized" to issue licenses and to revoke them for failure to comply with regulations. In the latter case hearings must be held and if the license is revoked or suspended a new application "shall be considered" and a new license "shall be granted" upon proof of correction of the conditions complained of. Court review is provided for.

The Texas Legislature passed an act (ch. 70) authorizing lay groups to establish nonprofit cooperative hospitals and to provide "medical, dental, health, surgical, nursing, hospitalization, and related services and benefits" for members and their families. Such associations are to be limited to towns of 2,500 population or less. The stated purpose of this act was to increase the health facilities in rural areas and to provide care for low-income families.¹⁸

BURIAL SERVICE

In Iowa, where the contest between the private undertakers and the cooperative burial associations is of long standing, another suit¹⁹ was brought by the State attorney general against the Winneshiek County Cooperative Burial Association at Decorah, on the grounds (1) that funeral service was not authorized by the cooperative law under which the association was incorporated, and (2) that the latter was practicing embalming without a license or being able to obtain one. (The association has always hired the services of a licensed embalmer.) In a decision rendered April 27, 1945, the judge of the district court of the county ruled that the State had failed to prove either of its contentions, and dismissed the suit. It was expected that the case would be appealed to the State Supreme Court.

In an attempt to clarify the status of cooperatives, the Iowa State Federation of Cooperative Burial Associations sponsored an amendment to the 1939 funeral code that would have given specific authorization for cooperative burial associations. This amendment failed to pass.

The Wisconsin laws regulating embalming, burial, etc., were amended (ch. 209) as follows (amendment in italics): " * * * no

¹⁸ The Cooperative League of the USA reported its News Letter of January 24, 1946, that since the law went into effect (Sept. 8, 1945) charters for 25 cooperative hospital associations had already been granted.

¹⁹ For discussion of previous litigation, see *Monthly Labor Review*, March 1944 (p. 555), or Bulletin No. 768 (p. 3).

permit to operate a funeral establishment shall be issued by the State Board of Health unless * * * *each such funeral establishment has in charge, full time therein, a licensed funeral director.*" The cooperatives were somewhat apprehensive of the effect of this law upon cooperative burial associations operating branch establishments, as it appeared that each such branch might be required to have a full-time funeral director.

TAXATION OF COOPERATIVES

As reported for 1944,²⁰ the cooperatives (especially those of farmers) have been under fire from an organization of businessmen, operating under the title of National Tax Equality Association. The declared point of attack was the alleged exemption of cooperatives from taxation. Congressional recognition of the matter was evidenced by the announced decision of the Small Business Committee of the House of Representatives to make a study of taxation of cooperatives as it affects small business. Later, it decided to concentrate on financial problems of small business, dealing with the tax situation only as it might be raised by the witnesses before the Committee. The Committee held hearings over a period of several months in various places throughout the Middle West, as well as at Washington. Representatives both of private business and of cooperatives appeared, and a great deal of testimony was submitted. The Committee's first interim report was issued in April 1946 (House Report No. 1888).

The NTEA charges, the Congressional hearings, and the general knowledge that a similar study was in process in Canada²¹ touched off legislative maneuvers in a number of States.

In Kansas two bills—one to repeal the State's exemption of farmer cooperatives from income tax (modeled after the Federal Internal Revenue Code), and the other taxing deferred patronage refunds—were defeated after farmer representatives stormed the Statehouse. The legislature finally adopted a concurrent resolution (No. 16), directing the legislative council to make a study of cooperatives during the next 2 years and make recommendations to the 1947 session of the legislature.

A bill to tax patronage refunds of cooperatives, reportedly introduced at NTEA request, was defeated in Maryland, the legislature of which adopted instead a resolution ordering a study of cooperatives' tax status to be reported to the next session.

In Ohio a bill to investigate cooperatives was opposed by the cooperative movement and no action was taken upon it.

Two measures relating to the taxation of agricultural cooperative associations were passed in Pennsylvania. The first (H. Bill 871)

²⁰ See Bureau's Bulletin No. 821 (p. 14).

²¹ The Royal Commission on Cooperatives, of Canada, charged with examining the tax status of cooperatives in that country, issued its report late in 1945. It recommended, in brief, that the Income War Tax Act and Excess Profits Tax Act be amended to provide for taxation of cooperatives on the same basis as others, subject to the following: (1) That cooperatives and others be allowed to deduct from taxable income patronage refunds, excess handling charges, discounts, rebates, etc., paid or credited to patrons in proportion to patronage, provided that such amounts are paid in cash or its equivalent within 6 months, that formal provision (in laws, bylaws, or contract) is made for such payments, and that all patrons receive the same rate of return. (2) That interest on shares, paid at a fixed rate, be allowed as a deduction if paid annually. (3) That a newly formed cooperative be exempt from income tax during its first 3 years of existence.

The Commission recommended that housing cooperatives be included among the cooperatives covered above, but that cooperatives providing telephone service, electric power, or medical or hospital service be exempt from all income or excess profits taxes.

amended an act of 1889, imposing a 3-percent tax on net earnings, by exempting these cooperatives from the tax. The other (H. Bill 872), proposed by the associations themselves, imposed on incorporated farm cooperatives with capital stock a State excise tax of 4 percent on all net income (the same rate paid by other corporations). This tax is to be in lieu of all other taxes except those on real estate. In addition, an investigation of the tax status of farmer and urban cooperatives was ordered to be made by the joint legislative research commission; the Pennsylvania cooperatives believe that as the commission has decided to "cover the entire problem," all nonprofit organizations (building and loan associations, mutual insurance associations, credit unions, mutual savings banks, and mutual rural telephone companies) may be included in the study.

OTHER LEGISLATION²²

In Nebraska an amendment to the law on licensing of cold-storage plants, sponsored by the State Farmers Union, was passed (ch. 227). The amendment, designed to "forestall any possible use of the law to restrict the number of locker plants or to keep new plants out of the field," forbids the State Department of Agriculture "arbitrarily" to restrict the number of plants or deny a license, as long as the sanitary and other requirements of the law are complied with. An Oklahoma law (title 63, ch. 7), regulating the sanitary and other conditions of frozen-food locker plants and providing for their licensing, specified that a license must be issued if inspection shows that the plant's "operations, construction, and equipment" conform to the regulations.

In the educational field, a bill introduced in Idaho, "without the knowledge" of the cooperatives, that would have provided for State college and high-school courses in cooperative marketing and consumers' cooperation, passed the house but failed to pass in the senate. In North Dakota a bill which would have prohibited the use of the funds of a cooperative or labor union for educational purposes was killed in committee.

In Massachusetts the New England Cooperative Federation was successful in its second attempt to obtain exemption (as provided in other States) of small cooperatives (with capital of \$50,000 or less) from having to obtain brokers' and salesmen's licenses to sell their own shares of stock as required by the Blue Sky law.

Other legislative action included an amendment to the Idaho law permitting the election of directors by share voting or proxy voting (ch. 70), minor amendments in Minnesota (chs. 205, 459), and West Virginia (ch. 29), and an amendment in South Dakota giving cooperatives the power to amend their articles of incorporation (ch. 29). Two laws in Pennsylvania clarified the status of nonstock farm cooperatives (H. Bill 873) and provided for incorporation of farm cooperatives with capital stock (H. Bill 874).

The North Dakota amendment authorizing cooperative housing (ch. 152) has already been mentioned.

²² Credit union legislation will be included in the annual report on operation of credit unions, to be issued in the fall of 1946.

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BULLETINS ¹

- No. 858. Organization and management of cooperative and mutual housing associations. (In press.)
- No. 850. Activities of credit unions in 1944. Price 5 cents.
- No. 843. Operations of consumers' cooperatives in 1944. Price 10 cents.
- No. 821. Developments in the consumers' cooperative movement in 1944. Price 10 cents.
- No. 770. Cooperative association in Europe and their possibilities for postwar 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. 606. Organization and management of cooperative oil associations. Price 5 cents.

REPRINT PAMPHLETS ²

- 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.)

¹ 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.

² Copies free on application to Bureau of Labor Statistics, Washington 25, D. C., as long as supply lasts.