

UNITED STATES DEPARTMENT OF LABOR

L. B. Schwollenbach, *Secretary*

BUREAU OF LABOR STATISTICS

Ewan Clague, *Commissioner*



Developments in Consumers
Cooperative Movement
in 1946



Bulletin No. 904

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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., June 24, 1947.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on developments in the consumers' cooperative movement in 1946, prepared by Florence E. Parker of the Bureau's Labor Economics Staff.

EWAN CLAGUE, *Commissioner.*

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

(IV)

**Bulletin No. 904 of the
United States Bureau of Labor Statistics**

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Developments in the Consumers' Cooperative Movement in 1946

Summary

TO COOPERATORS in the United States, the outstanding event of 1946 was the biennial Cooperative Congress, which made far-reaching changes in the structure of the organized cooperative movement in this country. The year was also notable for the substantial progress in the fields of cooperative housing and medical care; for the unusually large number of new branches opened or new departments added by established associations; and for the organization of national federations of cooperative housing associations, of cooperative medical-care associations, and of students' cooperatives, as well as of an international association to carry on trade in petroleum products among the cooperative movements of the various countries of the world.

There was continuance and expansion of previous efforts toward closer relationships with other groups, such as labor, churches, and farmers. Particularly successful have been the moves in the direction of labor, which are now paying dividends in the active support of cooperatives by unions and their members in many places.

Developments Among the Local Associations

As usual, many new distributive cooperatives were started during the year, and an unusually large number of associations opened new branches or added new departments. Electrical-appliance departments were among the most popular. According to report, some 2,300 local associations were dealing in electrical appliances by early 1947, but only 23 percent were carrying a full line. Other new departures included departments for building supplies, lumber yards, coal yards, a carpenter shop, general stores, gasoline stations, cold-storage lockers, dry-cleaning service, watch-repair service, a dry goods store, and a hardware store. One local association bought a sawmill, another an ice-cream plant, and a third a small petroleum refinery for heavy fuels. One association became an agency for the sale of small airplanes. In Connecticut a cooperative store association

opened what was said to be the first cooperative gasoline station in that State.

Urban associations.—The year 1946 saw some advance in the spread of cooperation in urban areas. In Chicago, six existing associations had by August 1946 voted to become branches of the city-wide Chicago Consumers' Cooperative, formed in 1945. Each thereby became a "district assembly" of the association. Two others were reported as in process of formation. The first supermarket of the new association was opened in November 1946, and early in January 1947 the leasing of a site for a second was announced. The association's membership in September was stated to have passed 1,800.

Other cities were reported to be interested in the Chicago procedures, one of which is a \$5 nonreturnable membership fee, used to defray the expense of a paid staff of organizers. "Another is the city-wide enlistment of members, with the gradual development of natural centers for intensive organizational work. The latter feature permits people who are sufficiently interested in co-ops to invest and participate before there is immediate prospect of a store in their neighborhood and create a common pool of capital for use throughout the city."¹

In the Twin Cities, membership meetings approved a proposed merger of Cooperative Services (Minneapolis) and Co-ops, Inc. (St. Paul), under the name Twin Cities Cooperative Services. The Minneapolis group operates several automobile service stations and a feed, coal, and lumber yard; a food store was sold to the St. Paul association early in 1946. The latter was already operating five grocery stores and had just purchased a bakery to supply its stores. In Cheyenne, Wyo., the gas cooperative opened a supermarket in the spring of 1946. The two Berkeley, Calif., cooperatives (one operating a grocery store and the other a gasoline station and hardware and appliance store) merged to form the Berkeley Cooperative Center, with a combined membership of about 1,400.

In New York City, Consumers Cooperative Services, operating seven cafeterias and four grocery stores, reported the largest volume of business in its 26-year history in 1945-46 (\$1,373,424) and an increase in membership from 5,536 to 7,130. Its plans call for an eventual chain of 20 stores within a 10-mile radius of its warehouse.

Greenbelt Consumers Services, in Greenbelt, Md. (within the metropolitan area of Washington, D. C., where many of its members are employed), had a business of \$1,162,851 in 1945 and an increase to \$1,428,586 in 1946. Membership also rose from 1,820 to nearly 2,000 in the first 6 months of 1946. The association is raising

¹ Co-op News (Chicago), November 20, 1946.

money for a new cooperative shopping center, to house a food market, restaurant, soda fountain, bakery, bowling alley, game room, and nursery. The association already operates all the other businesses in town (theater, barber shop, beauty parlor, and drug store). It also operates a bus service throughout the town. In the period 1940-45 the sum of \$79,294 was returned to the patrons in savings.

The need for intensified effort in organizing urban areas for cooperation was emphasized in a sectional meeting of the Cooperative Congress. Most of the speakers advocated organizing drives, financed either by nonreturnable membership fees or from the resources of an established local association or regional. Stress was laid upon the necessity of adequate capitalization before opening a new store or association, thus enabling the enterprise to operate efficiently and with a considerable volume, as well as to buy to advantage, thereby permitting it to be competitive with the chains. All the speakers favored a city-wide cooperative chain for large urban centers, and one speaker even favored centralized management of local associations by the regional wholesale, on the ground that it would coordinate cooperative efforts within the region, enable local needs to be reflected easily and quickly at the regional level, and provide better opportunities for employee advancement.

SPECIAL TYPES OF COOPERATIVES

Housing Associations

Progress of local associations.—Reports received by the Bureau of Labor Statistics show that housing cooperatives are being formed all over the country. Especially active are veterans for whom the housing situation is very difficult but who have had priority above others in the building field and have the advantage of Government loans and guaranties. In some places veteran groups are undertaking the development of outlying tracts, including the installation of utilities, streets, etc.; in others, the association contemplates taking over existing buildings for remodeling. One group is sponsoring a homestead development in Alaska. In the District of Columbia a veterans' cooperative was the successful bidder for Naylor Gardens—a 475-unit development built by the Government during the war.

Types of dwellings planned range all the way from apartments, through single-family dwellings on city lots, to subsistence homesteads with land ranging up to several acres. In one case a students' cooperative composed of veterans is erecting prefabricated houses on land owned by the university.

Numerous housing developments on the cooperative plan are being sponsored by labor groups. In Washington, D. C., printing-trades workers are planning an apartment-house project. In South Bend,

Ind., members of a local of the UAW-CIO took the initiative in a housing cooperative to build single-family units. Employees of the Omaha district of the Corps of Engineers are reported to have initiated a contemplated suburban community of 600 homes; so detailed were their plans that they even included space for a helicopter landing field. Racine, Wis., is the scene of a housing project in which members of AFL and CIO unions, as well as the local consumers' cooperative, are participating.

In most cases a single project is planned, with membership limited to the prospective residents in the project. However, an identical type of open-membership technique has been adopted by two housing associations, one in New Haven, Conn., and the other in Washington, D. C., entirely independently of each other. In both cases a general open-membership cooperative acts as sponsoring and initiating agency for specific housing projects. Individuals desiring to reside in developments sponsored by the parent association must first join the latter. Ownership and control of the project eventually are turned over to a second association, composed entirely of residents of the project. Such an arrangement affords membership to many persons who do not themselves need living accommodations but are desirous of helping to further the cooperative housing plan, while at the same time it insures final control by the tenant-members of the conditions under which they live.

Numerous mutual housing associations are reported, formed to take over completed developments. In all cases that have thus far come to the attention of the Bureau, these intend to operate on the Rochdale principle of retention of title by the association, with the member receiving a lease to the dwelling he occupies. Of the permanent housing projects built under the defense housing program by the Federal Government, with funds supplied under the Lanham Act, eight were earmarked for "mutual ownership" after the war. These included three in New Jersey, one in Pennsylvania, one in Ohio, one in Indiana, and two in Texas.

Under the plan worked out, if the residents of the project desire to purchase the dwellings, they are required to form a nonprofit mutual home ownership corporation. The corporation is then given a 2-year lease, with option to buy at the end of that time (if it has demonstrated its ability to operate the property efficiently). At the end of December 1946, two corporations—one in South Bend, Ind., and the other in Dayton, Ohio—had served their 2-year probationary period and exercised their option. Appraisal of the property had been made and negotiations for purchase were in progress. The other six projects were being run by ownership corporations, but as their 2-year leases had not yet expired, no further step could yet be taken.

Federally built projects financed by other funds have also been put up for sale by the Defense Homes Corporation of the Federal Housing Agency. The Naylor Gardens project, already mentioned, was one of these. In August 1946 it was reported that a mutual housing association, formed for the purpose of bidding in the village of Greenbelt, Md., had obtained 200 members toward the 472 (25 percent of the total 1,887 dwellings) required in order to bid; by the end of the year more than half of the residents had indicated their desire for ownership. In Detroit it was reported that a move was on foot to form a mutual housing association to purchase Norwayne Homes there, with 50 percent of the tenants in favor of purchase.

In the Twin Cities of St. Paul and Minneapolis, an unusual housing development is under way. A complete village of 1,200 acres on the shore of a lake has been planned and is being built through the efforts of three cooperators, of whom one owned part of the necessary land, one was an architect, and the third was a contractor. In this project the resident-members come into a going concern, buying their lots and subscribing for shares. Each house will be financed individually, by the member. The village is to be developed section by section, as the lots are taken. The three developers each have one vote and hold all of the preferred stock. They will retain control until the project is under way, then surrender their votes "one at a time—to each group of 500 home owners as the village grows." In other words, not until 1,500 residents have moved in will the members have complete control of the project. Speculation is to be prevented by association control over the sale price, which is to be arrived at by an appraisal board of three (one representing the owners and one the association, and the third a neutral outsider).

The one cooperative project, as far as this Bureau's knowledge goes, to be undertaken thus far under an urban redevelopment law is the East River Cooperative Apartments in lower Manhattan, N. Y. This project is sponsored by a group of citizens, including the leader of the successful Amalgamated apartments in the same city. It will provide 796 apartments in 12-story buildings that will occupy only 25 percent of the land area of 4 city blocks. As the purpose of the act under which the project is being carried on is to promote slum clearance, the project will have the advantage of land obtained at condemnation rates and a 25-year tax exemption on the buildings. By mid-November 70 percent of the apartments had been applied for. The maximum cost of the project has been set at \$7,000,000 and rentals may not exceed \$15 per room.

Cooperative principles.—Only a few of the housing associations, except those in which dwellings are of the multiple-unit type, seem to be adopting all-the-way cooperative procedure. In several cases

the planned function of the cooperative will be merely that of acquiring the site and contracting for the construction of the dwellings. Title will be given to individual members as they pay for their lots, and individual financing is to be arranged for the houses. In other cases the cooperative will also oversee the construction; it will not retain title to the completed units, but will relinquish them to individual purchasers. The data at hand do not in most cases reveal what, if any, restrictions are to be imposed in order to prevent speculation by the owners.

Where an entirely new subdivision or community is planned, in a number of cases it is intended that the housing association shall retain ownership of certain designated areas to be used for shopping facilities, recreation, or other community activities. In some cases, trading facilities are to be run by a cooperative organized for the purpose; in others, they are to be leased to private dealers.

In general, it appears that the extent of cooperative practice contemplated is in direct relationship to the degree of previous experience of the members with cooperatives.

Although usually it appears that the associations plan to operate on the Rochdale principle of one vote per member, one association states that its voting procedure will allow a member one vote for each room in the dwelling unit occupied.

Actual accomplishments.—In no case had any of the associations mentioned above actually built any dwellings by the end of 1946, although some of the organizations had been in existence for as long as 2 years. There were two reasons for this: restrictions on building materials, and uncertainty as to prices. In many cases, however, the association had bought land (ranging in those for which data were available from 100 to 253 acres) and others had taken options on sites. Some had selected architects or contractors, or both, and a few had gone so far as to obtain plans for a whole community lay-out.

Few were optimistic as to any early start on actual construction. One association placed its construction date as the "summer of 1947 or later," largely depending on construction costs, but in most cases 1948 was regarded as more probable. The few exceptions were the veterans' groups which were counting on priorities and GI loans.

Federations.—A conference of housing cooperatives, held in Chicago in May 1946, authorized the formation of the National Cooperative-Mutual Housing Association. Organization was completed just before the national Cooperative Congress in September 1946, and the association was represented at that meeting. It is expected that the federation will turn its energies to the exchange of experience, provision of technical service, accounting, training of project managers, etc., leaving the handling of building materials to National Cooperatives (the commodity organization) and its regional wholesales.

The housing section at the Cooperative Congress presented a resolution, which was adopted, urging among other things that National Cooperatives establish a strong division for the procurement of building supplies,² and that the National Cooperative Finance Association organize immediately a program to make mortgage credit available to cooperative and mutual housing associations.

Structurally, the national housing association is expected to be a federation of regional associations, which will in turn be composed of State federations of local associations. Already one regional has been formed by the housing cooperatives in Indiana, Michigan, and Minnesota, under the name of North Central States Housing Association.

Provision of Medical and Hospital Care

Progress of local hospital associations.—From the Mississippi River westward, the spread of cooperative provision of medical care was outstanding in 1946. The greatest advance was in the formation of hospital associations. At the end of 1945 there were in operation six cooperative hospitals—one each in Florida, Kansas, Minnesota, and Texas, and two in Oklahoma. By the end of 1946, reports indicated that at least 9 cooperative hospitals were in operation and 13 associations were known to have been formed and under way. At least 22 others were in process and some of these had received charters, but data as to their exact status at the close of the year were not available.

In October 1946 ground was broken in Sandpoint, Idaho, for the first unit of a \$100,000, 17-bed community hospital, on a 3½-acre plot near Lake Pend d'Oreille. The 725 members hoped to have it in operation by the summer of 1947.

Of the other associations concerning which progress reports are available, the association at Ely, Minn., reported pledges of \$38,000 from 300 persons in October; it planned to remodel a former school building. At Fosston in the same State, the association had incorporated and elected its board of directors; no data were available as to membership or funds. In Greenbush, Minn., money was being raised for a 20-bed cooperative hospital. The hospital at Two Harbors, which started operation as a cooperative in November 1944, announced in 1946 its intention of establishing a small branch hospital at Grand Marais, 85 miles eastward on the north shore of Lake Superior.

The purchase of a 10-bed hospital by a cooperative association with members in two counties in Missouri—the first of its kind, known to the Bureau, in that State—was reported at the end of the year.

In South Dakota, cooperators at Leola had raised \$18,000 toward the erection of a 20-bed building after only a week's work in November

² National Cooperatives stated in a letter to the Bureau of Labor Statistics, dated December 12, 1946, that it was already getting under way with the expansion of its facilities in this field.

1945; no later report has been received. In Winner, in October 1946, the Farmers' Union and local farmers' cooperatives were reported to be sponsoring and supplying organizing funds for a \$100,000 cooperative hospital. The organization, Rosebud Cooperative Hospital, Inc., had already been formed, and 243 paid-up members, each contributing \$100, had been obtained.

In Texas, over a score of hospital associations had been formed under a 1945 law authorizing their formation in places of less than 2,500 population. At Friona, by September 1946, 500 persons had joined a cooperative hospital association and had paid in \$100 each toward the construction of a 30-bed hospital. At Olton plans were being made to remodel the building formerly used as a county courthouse. Construction of a hospital was under way at Rising Star, where a membership of over 700 had been obtained. The cooperative wholesale at Amarillo has been giving some assistance to these groups.

In most places the hospitals have been organized in rural districts which have previously had little or no medical or hospital facilities. In Washington State, however, urban industrial workers as well as farmers have been behind the organizing drive that has been going on for the past 18 months. The regional cooperative wholesale, Pacific Supply Cooperative, has had a full-time "cooperative hospital field counselor" at work throughout Idaho, Oregon, and Washington. In Seattle, Group Health Cooperative of Puget Sound was formed in 1946, with widespread community support including that of various local labor organizations, State and local Granges, and cooperative associations. Among the labor organizations were the boilermakers, milk-wagon drivers, aircraft mechanics, and Renton Central Labor Council. The members of the 1946 board of directors of the association included a representative each of the aircraft mechanics and boilermakers, a representative from each of four local consumers' cooperatives (one a students' cooperative at the State University), two Grange representatives, and a local businessman.

In November the association, which had originally planned to buy a surplus Government hospital at Renton, announced that it had merged with a doctor-controlled organization, the Medical Security Clinic. The latter was operating a 60-bed hospital and a large downtown clinic, with a staff of 18 physicians, and was providing prepaid service for some 7,500 members. Not altogether satisfied with private group practice, the clinic management had sent its manager to attend the conference of health cooperatives at Two Harbors, Minn., in August 1946.

His report and the months-long conferences that followed, with representatives of Group Health Cooperative, resulted in the decision to become part of the latter group. According to the manager—

Frankly, the ideas presented came as a pleasant surprise to most of us, for we quickly recognized that cooperative medicine closely paralleled what we had been

talking about, that we needed only to change names, rather than thought or intent, to make our conclusions into a good co-op leaflet. Cooperative medicine from the doctor's viewpoint, as I see it, means this: (1) A working arrangement which guarantees that no person, no thing, no corporate set-up, or sets of bylaws, comes between the doctor and his patient. * * * (2) Protection of the new doctor from exploitation. * * * (3) Provision of working conditions which offer financial security and stimulate the highest type of professional activity.³

Membership in the association costs \$100. Monthly dues are \$3 per month for an adult; \$1.50 each for the first two children; maximum family charge, \$9.00 per month. For these amounts the association will give the following: (1) Care in the home, clinic, and hospital, plus coverage while traveling, (2) prescriptions filled for members, without extra charge, in the pharmacy owned and operated by the clinic, (3) X-rays as ordered by staff physicians, (4) laboratory procedures required in diagnosis, (5) physical therapy treatments, and (6) vaccinations and inoculations. The association plans to add also a dental-care department which will operate on a cost-plus basis. Economic security for the staff is provided under an arrangement (financed equally by the association and the doctors) by which a physician retiring at 65 after 35 years' service receives a retirement payment of \$25,000. Each year one-fourth of the annual net income of the association is to be paid to the medical staff, and an equal amount to the other employees.

Olympic Cooperative Hospital Association, at Sequim, and Kitsap Cooperative Hospital Association, at Bremerton—both on the Olympic Peninsula—were negotiating for hospital buildings at the close of the year, and a new association had been formed at Deer Park.

In Oregon the Community Hospital Association in Hermiston reported over 250 members in October, and the Salem Community Health Association sponsored by the Farmers Union had about 500 members. At Newberg an organizing drive was getting under way late in the year.

Cooperators in Wisconsin have made several attempts to organize cooperative hospitals, but have been blocked by the Wisconsin law which reserves to the medical profession the right to conduct prepaid group plans. The Wisconsin Association of Cooperatives—a State-wide organization of 214 cooperatives of all types (consumers', producers', and REA associations)—has pledged its support to an effort to amend the law so as to permit the formation of consumers' cooperative medical-care associations.

Prepaid medical care.—Group Health Association, Washington, D. C., which operates a clinic and pharmacy and which originally provided service for Federal employees only, early in 1946 adopted the open-membership principle on a "group basis," accepting Negroes as well as whites. Among the new groups reported as admitted under

³ Quoted in *Pacific Northwest Cooperator* (Walla Walla, Wash.), November 1946.

the new policy were employees of the local consumers' cooperative (an association operating 6 stores in the District of Columbia and Virginia), those of the Farm Bureau insurance companies, and those of the National Council of Farmer Cooperatives. The association also purchased a site of some 20,000 square feet on which it plans to erect a medical center.

Health insurance.—Among the associations providing cash benefits to meet the cost of medical and hospital care, Group Health Mutual of St. Paul, Minn., had a total membership of about 45,000 persons in April 1946. It added to its previous services a combination plan with benefits ranging from \$5 to \$200 for surgical cases, obstetrical benefits up to \$60, ordinary hospital benefits up to \$4.25 per day, and special hospital benefits up to \$50. Among the new groups being served by the end of the year was the personnel of Pacific Supply Cooperative, in Idaho, Washington, and Oregon.

Medical-care federations.—Although cooperative medical care is still in its infancy, steps toward federation have already been taken. In the spring of 1946, six associations on the Pacific Coast formed the Northwest Cooperative Hospital Federation, to coordinate their educational and promotional work.

A Nation-wide conference of health cooperatives was held in August 1946, at which were present delegates not only from medical-care associations but also from labor and farmer groups interested in the provision of medical care. This conference authorized the formation of a national association, the purpose of which would be "to engage in educational and other activities for the promotion of the health and well-being of its membership and the public, and to carry on the following activities: (1) Educational, (2) advisory service in legal, management, technical, and organizational fields, (3) public relations and legislation, and (4) research in the field of medical economics." Adoption of articles of incorporation and bylaws for the new organization, the Cooperative Health Federation of America, was announced at the Cooperative Congress in September. At the same time a labor committee was formed, with headquarters in Washington, D. C., to foster the formation of prepayment medical-care plans; a small executive committee (including a representative of the medical profession) was elected to further the federation's work. A drive is to be made to obtain the affiliation of "all prepaid medical-care plans in which consumers have effective control." The previous federation, Group Health Federation of America,⁴ formed in 1940, disbanded and turned its assets over to the new organization.

⁴ It accepted into membership doctor-controlled as well as consumer-controlled plans.

Electric-Power Cooperatives

The Administrator of the Rural Electrification Administration reported, at the end of 1946, that for the first time in the 11-year existence of the REA, the outlook for the program was "grave" and that "horizons for rural electrification are shrinking."⁵ This situation he attributed to the much greater cost of materials and construction and to the fact that the REA power lines are being extended into "leaner" neighborhoods with only 1 to 3 consumers per mile of line. In some cases the costs are so high as to preclude new projects from being self-liquidating. By December 31, 1946, some \$957,000,000 had been earmarked or expended for loans. Of 1,008 REA borrowers, 929 were cooperatives, 39 were public power districts, 20 were other public agencies (mainly municipalities), and 20 were commercial power companies. Altogether, 1,549,057 consumers were being served by REA-financed systems at the end of June 1946, and only Connecticut and Rhode Island had no REA lines.

In Oklahoma, the citizens of one town are reported to have voted unanimously to sell the city-owned power system to a local REA cooperative, and a Kansas cooperative laid an 8-mile oil pipe line from adjacent oil fields to its generating plant. In Wisconsin, Dairyland Power Cooperative, formed by 19 Wisconsin and Minnesota REA cooperatives, purchased (subject to the approval of the Wisconsin Public Service Commission) privately owned properties including 8 hydroelectric plants, 470 miles of transmission lines, and 1,300 miles of distribution lines in the two States. Five electricity cooperatives in South Dakota late in the year bought out a private company, the purchase involving 2 generating plants and 256 miles of distribution lines. Other purchases planned or made were carried to the courts or administrative agencies for determination, being decided adversely in some cases and favorably in others (see page 34). On the other hand, several REA cooperatives were reported to have sold out to private interests.

Insurance Associations

In Indiana the Farm Bureau Fire & Tornado Insurance Co. was launched early in 1946, as the result of a poll among Farm Bureau members in 1945; at the end of its first 5 months of operation it is reported to have had \$16,000,000 of insurance in force. The Hoosier Farm Bureau Life Insurance Co., previously established, added to its benefits a group hospitalization and surgical expense benefit policy; by October 1946 the plan had gone into operation in 21 counties. Large gains in new business were also reported by the five companies operating under a unified system in Minnesota and Wisconsin, by the Grange life insurance association covering the northwestern States,

⁵ Rural Electrification News (Washington), January 1947, p. 2.

and by the Ohio Farm Bureau insurance companies (writing fire, life, and automobile insurance in 12 States and the District of Columbia). The Ohio companies in 1946 purchased their fourth office building in Columbus, to provide additional office space for the 1,300 employees there.

COOPERATIVES IN SPECIAL GROUPS

Students' Cooperatives

The year 1946 was one of revival of activity for the campus cooperatives furnishing rooms, meals, or both. The departure of the male students into the armed forces during the war years had resulted in seriously decreased membership and cessation of activities in many cases, only partially compensated for by some expansion of cooperative facilities for girl students.

As the young men returned from service into the educational institutions and new students entered for the first time, many of the former student associations were revived and new associations were formed. The greatest problem for the cooperatives was that of finding quarters.

Some strong associations solved their problem by purchase, either voluntary or because that was the only means by which a building could be obtained. On the Pacific coast the University of California Students Cooperative Association, which dates from 1933 and was already serving meals and operating six houses for students, bought a large residential hotel which, with furnishings, cost \$125,000. The building and its interior garden covers nearly half a city block and is being used to house 150 women members of the cooperative. It was reported that the association had 655 members in October 1946.

In Seattle the Students Cooperative Association, whose 275 members attend the University of Washington, purchased two additional houses accommodating about 45 young men.

In Illinois the student cooperatives at the University of Chicago in 1945 formed a federation to perform various services for them. Early in 1946 this federation, United Cooperative Projects, bought a large house near the campus, accommodating some 33 roomers. The University of Kansas Student Housing Association, a central organization operating several rooming and boarding houses, bought a large house in Lawrence, formerly occupied by a fraternity. At Baker University, in the same State, the Men's Cooperative Club lost its quarters in a rented house. However, this informal group incorporated under the name, Students Cooperative Association, and bought a nine-room house, paying a rent which it is reported will amortize the purchase price in 4 years. Funds are being raised through the sale of stock to other cooperative associations in the area.

Other organizations were reported to be raising money with which to buy residences for their members. At North Dakota Agricultural College (Fargo), the revived student organization, NDAC Farmers Union Cooperative Association, launched a drive for funds with which to build a permanent residence hall. Funds were being solicited in the form of capital stock in the new venture, from Farmers' Union cooperatives and sympathetic individuals. The building is planned to accommodate 38 roomers and about 60 boarders.

As the students' necessity to economize is one of the major motivating factors in the establishment of campus cooperatives, lack of money is their chief handicap in becoming owners. Some of the associations, as noted above, are trying to solve their problem through incorporation (many have been simply informal groups) and the issuance of capital stock paying a fixed rate of interest. The stock is then offered to local cooperatives in the region and to individuals. Others suggest that financing could be done by an organization combining all cooperatives on a campus (as at the University of California, University of Washington, etc.) more successfully than would be possible for a one-house association.

Others are considering the long-term possibilities of a central revolving fund which could be used over and over to help finance various student cooperatives. This idea was advanced early in the year by the Central League of Campus Cooperatives, which had already raised some \$2,000 for the purpose. It has since proceeded along this line, assisted by legal advice from the regional wholesale, Consumers Cooperative Association.

Federation for various purposes among student cooperatives has made a good deal of progress. On many campuses individual associations have formed a "cooperative council" for exchange of experience, pooled buying, and other activities.

A second step—the formation of federations of student cooperatives in a given area—was taken as early as 1938 with the establishment of the Midwest Federation of Campus Cooperatives. This was followed in 1939 and 1940 by the Pacific Coast Students Cooperative League and Central League of Campus Cooperatives, respectively.

The year 1946 saw the formation of the North Central Federation of Campus Cooperatives.

In general it is expected that the territorial coverage of the student federations will correspond, at least roughly, with that of one or more regional wholesales. The Pacific League's membership would therefore consist of representatives from student cooperatives in California, Oregon, and Washington, and may include also those in Idaho, Nevada, and Utah. Midwest territory would cover Illinois, Indiana, Ohio, and Michigan. Central would include Arkansas, Colorado,

Iowa, Kansas, Nebraska, Oklahoma, and Wyoming. North Central's territory would cover the Dakotas, Minnesota, and Wisconsin, and possibly Montana. No federations have as yet been formed for the Atlantic States (including Pennsylvania), for the Southeast, or the Southwest, although representatives from student cooperatives in Eastern Cooperative Wholesale territory (North Atlantic States and New England) have held conferences to discuss the possible formation of an eastern league.

The capstone to the student cooperative network was reached with the organization of the North American Students Cooperative League in 1946. To it the various regional federations and the newly formed (1946) Canadian Students Cooperative League are expected to affiliate. The Central League of Campus Cooperatives was the first to become a member of the new national organization.

The meeting at which the NASCL was formed was attended by representatives from six regional cooperative wholesales, National Cooperatives, and the Cooperative League of the USA. Their presence attested to the interest of the organized consumers' cooperative movement in the student cooperatives and their desire to foster closer relations. Headquarters of the national student federation are at the cooperative center in Chicago, where are also the offices of the Cooperative League and National Cooperatives.

Student cooperatives purchase their groceries and other supplies through the regional wholesales and the latter in turn assist them in organizing, with business advice, in legal matters, and in other ways. Several of the wholesales have helped to meet the cost of sending delegates to annual meetings of the student leagues. The possibility of careers in the cooperative movement for graduated members of student cooperatives was foreshadowed by the attendance of the educational director of Pacific Supply Cooperative at the 1946 conference of the Pacific Coast Student Cooperative League. According to report, he was there "to see to what extent the student cooperatives could be looked to for future leadership personnel."⁶

Practical knowledge of the operation of consumers' cooperatives was gained by 12 students, sponsored by the American Friends Service Committee, who during the summer of 1946 worked in cooperatives during the day, studied cooperation in the evening, and lived together on a cooperative basis.

Although most of the students' enterprises are run for the benefit of unmarried students, a large proportion of the enrollment at the various campuses consists of married ex-servicemen. For these, probably most of the universities and colleges have provided quarters either on the campus or adjacent to it. In numerous cases these veterans' families have also organized cooperatives, usually for the purpose of

⁶ Co-ops on Campus (Chicago), September 1946, p. 2

purchasing groceries. Some of these are limited to veterans; others are open to all the students, faculty, and staff. Veterans' cooperative stores are reported to have been formed at Alabama Polytechnic Institute, Iowa and Michigan State Colleges, the Universities of Florida, Kansas, Minnesota, and Wisconsin, and Texas A & M College.

Cooperatives of Other Groups

An Indian cooperative, formed in 1939 to market the baskets, beadwork, and other handcraft products of a group of Winnebago Indian families in Wisconsin, opened a cooperative grocery store at the beginning of 1946. The store's shelves were filled with "co-op label" goods bought from the regional cooperative wholesale. In New Mexico a new Indian cooperative store was reported at Ramah, and an official of the Albuquerque Consumers' Cooperative informed a representative of the U. S. Bureau of Labor Statistics that Indians at Isleta Pueblo had requested the cooperative to open a branch there. Chippewa Indians on a reservation in north central North Dakota started a cooperative general store which began business in September 1946. Only Indians on the reservation are to be admitted to membership, although any other persons may patronize the store.

As noted in previous reports, cooperative associations in the War Relocation Centers, established to house Japanese-Americans removed from the Pacific Coast during the war, at their peak did an annual business of some 10¼ million dollars. All these centers were closed at the end of the war and the cooperatives naturally lapsed with them. That some of the residents there have really absorbed the cooperative idea is indicated by reports in the Associated Cooperator (organ of the cooperative wholesale at Oakland, Calif.). One of the wholesale's fieldmen reported early in 1946 that in one farming locality in the San Joaquin Valley returned Japanese-Americans, together with Caucasians, had already formed one new consumers' cooperative and another (entirely Japanese) was in process of formation in another place. On the basis of his reports the wholesale voted to assign a worker to assist other similar groups that might wish to organize.

Developments Among the Federations

COMMERCIAL FEDERATIONS

Joint activities.—Two regional associations were admitted to membership in National Cooperatives in 1946: British Columbia Cooperative Wholesale (Vancouver, B. C.), and Tennessee Farmers Cooperative Association (Columbia, Tenn.). The latter is reported to be a federation of 30 farmers' marketing and purchasing cooperatives in the TVA region. The national organization, now a federation of 22 regional wholesales, voted to buy Cooperative Mills, at Auburn, Ind.,

a flour mill formerly owned jointly by a number of regional wholesales. The annual meeting of the association also authorized a national program for the production of lumber by National, to be financed by the member regionals and their retail members.

Coal rights on some 6,000 acres in Kentucky are reported to have been acquired by joint action of Indiana and Ohio Farm Bureau Cooperatives and Midland Cooperative Wholesale. A new association, the Millers Creek Coal Cooperative, was formed to mine the coal. Midland Cooperator reported (October 9, 1946) that the property was expected to provide about a fifth of the coal distributed by the three regionals. (Indiana Farm Bureau Cooperative Association already owned a majority interest in another mine in Kentucky.) Shortly afterward, the directors of Central States Cooperatives (Chicago) decided to join the above group and assist in financing it.

Three regional consumers' wholesales (Midland, Farmers Union Central Exchange, and Central Cooperative Wholesale) and a producers' marketing cooperative (Farmers Union Grain Terminal Association) cooperated in the formation of Northwest Cooperative Mills in 1945, to manufacture feed and commercial fertilizer. The grains used in the manufacture of the feeds will be supplied by the marketing association. By September 1946, it was reported that the new organization's headquarters building, feed mill, and seed-cleaning plant—all in the midway section of St. Paul—and a fertilizer plant at Green Bay, Wis., were nearing completion. Since its formation in 1945, Northwest Cooperative Mills has been operating a soybean plant originally owned by Farmers Union Central Exchange at Menomonie, Wis., and a small leased seed plant at Thief River Falls, Minn. Several of the regional wholesales joined in the formation (in February 1946) of the Central Farmers Fertilizer Co., with headquarters in Chicago.

It was reported in July that National Cooperative Refinery Association had, in the period October 15, 1945, through June 1946, drilled 37 producing and 9 dry wells. Several others had been drilled down to the oil sand.

A fire in August on its timber land adjacent to the International Lumbering Association's shingle mill in British Columbia resulted in the loss of some 2,000,000 feet of cut timber and much equipment. This caused a shut-down of operations for some time.

Cooperative Plant Foods (the members of which are Midland Cooperative Wholesale, Indiana Farm Bureau Cooperative Association, Wisconsin Cooperative Farm Supply Co., and Illinois Farm Supply Co.) completed the erection of a fertilizer-mixing plant and an acidulating plant in 1946.

A new service federation was formed in mid-1946 by the three local cooperatives in Lake County, Ill., to run an electrical-

appliance store in Waukegan. Before the end of the year it had decided to open a furniture department. In Iowa it was reported that 19 local cooperative associations with a combined membership of 7,000 persons, had formed the Propane Gas Cooperative, to store and distribute propane gas (used for cooking, heating, refrigeration, etc.). This will be a boon in rural places and, as one report put it, will give the farm home "all of the advantages of city living."

Expansion by individual wholesales.—Associated Cooperatives, California, added to its previous services for local associations "management counsel" through a field supervisor, for the purpose of working with local boards to put their associations "on a sound businesslike operating basis." In May the wholesale announced its first management contract (containing a 90-day cancellation clause) with a local affiliate. The California wholesale, as previously reported, in 1945 adopted the policy (in places where no local distributive cooperative exists) of entering into agreements with local retailers to distribute its cooperative and dairy equipment. By July two dealers, one in Merced and one in Sacramento, had entered into such an arrangement. It is expected that these dealers "will cooperate * * * in the development of a cooperative program among the farmers in the area."

An accounting service for member cooperatives was started by this wholesale in September. A \$65,000 warehouse in Oakland was purchased at the end of the year; a site at Emeryville, acquired in 1945 but never built upon because of inability to obtain authorization, is to be put up for sale. Following its announced intention of expanding into the building-materials field, Associated Cooperatives invested \$15,000 in a lumber mill near Eureka, giving it purchase rights to the output. Its new building-supplies department was scheduled to start operations in January 1947.

In Chicago, Central States Cooperatives had an experience similar to that of the California wholesale, in failing to obtain permission to build on the land it bought early in 1946. Later, it acquired an existing warehouse and office building, but was unable to obtain possession from the company occupying it. Illinois Farm Supply Co. opened a fertilizer manufacturing plant in 1946.

The Indiana Farm Bureau Cooperative Association completed the conversion of its skimming plant to a cracking plant and the latter went into operation in May 1946. This step increased the daily gasoline capacity from 3,000 to 4,000 barrels and made possible the production of 80-octane gasoline from 60 instead of 28 percent of the crude oil. It was reported that the wholesale would thereafter be able to supply from its own refinery (which occupies a 20-acre tract near Mt. Vernon, Ind.) almost all the petroleum requirements of its member associations. In April this association was reported to have 72 pro-

ducing oil wells. In addition to its three sawmills in Arkansas, the wholesale reports that it is also "financing and controlling" three in Mississippi. The feed mill at Hammond,⁷ which the wholesale bought in the fall was severely damaged by fire shortly after it came into the possession of the wholesale.

A stock issue of \$600,000 by Michigan Farm Bureau Services, to build a fertilizer-manufacturing plant, was oversubscribed. A large fertilizer factory with an annual capacity of 40,000 tons, was placed in operation by Minnesota Farm Bureau Service Co.

In the spring of 1946, Midland Cooperative Wholesale purchased 440 acres of oil-bearing land in Oklahoma, near its refinery at Cushing; the tract had 21 producing wells in operation at the time of purchase, yielding some 1,600 barrels of crude oil daily. Later in the year two producing wells were brought in, one in an area owned by Midland and the other on a 900-acre tract in which it owns a half interest. A \$15,000 addition to its oil-blending plant and office building in Minneapolis was authorized by the board of directors.

The Laurel (Mont.) petroleum refinery owned by Farmers Union Central Exchange (St. Paul, Minn.) was seriously damaged by fire in June 1946, but was able to resume partial operation almost immediately. In July it was reported that 4 wells had been brought in on the 200-acre tract the association had leased from the State for \$39,000 in 1945 (300 acres adjoining were later acquired). These wells were producing between 65 and 75 barrels of crude oil per day. An oil-trade journal was quoted as predicting that the earnings from the 4 wells would retire the entire investment cost in 1 year. Other accessions to its facilities by the wholesale included additions to its warehouse at Great Falls, Mont., and the expansion of its headquarters in South St. Paul.

Consumers Cooperative Association (Missouri) made improvements at its lubricating-oil refinery valued at about \$1,000,000 in 1946, designed to increase the productivity and make possible the recovery of by-products. During the first half of 1946, it purchased a lease on 300 acres in Kansas and a third interest (with two independent operators) on 1,860 acres in Oklahoma. The latter it will operate for the other two owners. With these acquisitions, the association reported, it had under its control nearly 100 square miles of oil-bearing land. At the end of its fiscal year (August 31, 1946) it had 448 producing wells, yielding 31 percent of its refineries' requirements; of these, 45 were drilled and 54 were purchased during the year and 19 were sold or abandoned. For the third successive year all of the needs of its affiliates for refined fuels were supplied from its own refineries and that of the National Cooperative Refinery Association.

⁷ Formerly operated by the Farm Bureau Milling Co. (members of which were the Indiana and Wisconsin Farm Bureau Cooperative Associations, Michigan Farm Bureau Services, and Illinois Farm Supply Co.).

In December 1946 the wholesale announced the purchase of privately owned oil property in Kansas and Oklahoma, including 189 wells producing 70,000 barrels of crude oil per month and 20,000 acres of developed and undeveloped leases; also the purchase of a controlling interest in a Kansas company with 99 wells and 65,000 acres of oil leases. These additions increased the total number of wells owned or controlled by it to 736.

A new petroleum terminal at Watertown, S. Dak., was opened by this association in 1946. Since the end of the war the wholesale has resumed its overseas shipments, and its lubricating oil has been sent to eight countries (Australia, Belgium, China, France, Netherlands, Norway, Sweden, and Union of South Africa). Improvements to its sawmill at Swisshome, Oreg., increased its weekly capacity from 17 to 22 carloads; lack of railroad cars, however, was a continuing handicap throughout the year. The output of its cannery was expected to reach 350,000 cases (140,000 cases in 1944-45) as a result of adding numerous less-perishable commodities.

Eastern Cooperative Wholesale (New York City) bought a new and larger branch warehouse in Cambridge, Mass., increasing its space by about 93,000 square feet. Its annual meeting authorized the erection of a branch warehouse building on land already owned in Philadelphia and approved a program calling for addition of electrical appliances, and expansion of the departments handling household and automotive supplies and perishable and nonperishable groceries.

The Pennsylvania Farm Bureau Cooperative Association built a chick hatchery. Consumers Cooperatives Associated (Texas), which bought a petroleum refinery in 1945, purchased 24 producing oil wells in 1946, near Roswell, N. Mex., and Midland, Tex. Since the passage of the Texas cooperative-hospital enabling act in 1945, this wholesale has been assisting organizing groups to purchase equipment and supplies from the War Assets Administration. It has also made available to them lists of hospital equipment, estimates of costs, etc.

On the Pacific Coast, Pacific Supply Cooperative (Walla Walla, Wash.) and the newly formed Cascade Cooperative Wholesale took over a large building in Seattle which will serve as headquarters for Cascade and as a branch warehouse for Pacific. Pacific Supply Cooperative purchased two privately owned feed mills in central Oregon, bringing its total to three.

Central Cooperative Wholesale (Superior, Wis.) bought another warehouse in Superior and erected a branch warehouse in Escanaba, Mich., from which to serve cooperatives on the Upper Peninsula. Other expansion planned included a terminal at Wadena, Minn., and a lumberyard at Virginia in the same State.

NONCOMMERCIAL FEDERATIONS

Congress of the Cooperative League.—The most important cooperative event of the year was the national Cooperative Congress, held in September. This was a joint congress of the Cooperative League (educational body), the Cooperative Finance Association, and National Cooperatives (wholesale association). Its deliberations covered the whole range of cooperative effort in the consumer field; its sessions dealt with production, promotion, insurance, distribution, finance (including credit unions), housing, health, recreational, education, women's activities, young people's activities, personnel, relations with various groups (labor, churches, urban-rural, etc.), as well as international relationships and activities.

Among the more important actions of the congress were the following: (1) The transfer from the Cooperative League to National Cooperatives of employee training, general educational work, and publicity; (2) the transformation of the Cooperative League into a national organization, which would be a federation of national organizations in various branches of the consumers' cooperative movement (distribution of commodities, credit, electricity, insurance, medical care, housing, and recreation), to carry on research, statistical, and public-relations work; and (3) the passage of resolutions (*a*) urging the establishment of an international cooperative petroleum association, (*b*) requesting the International Cooperative Alliance to establish a branch in the United States, (*c*) declaring "full and unqualified support of the entire United Nations effort," and (*d*) favoring the establishment of a permanent Inter-American cooperative educational institution with branches in North and South America. A meeting of the board of directors of National Cooperatives, previous to the Congress, established as policy that in future all production on a national scale is to be carried on by National Cooperatives. Action taken by the congress on other specific subjects is here noted under such subjects.

A new association, Arizona Cooperative Association, whose first activities, it is reported, will be in writing insurance and making small loans, was admitted to membership in the League in 1946.

Other educational federations.—The past 2 years have seen the formation of many noncommercial federations. Some of these have been formed mainly as a means of defense against attacks such as those made by the National Tax Equality Association,⁸ others to provide a clearing point of experience for existing cooperatives, and all to provide educational service and materials.

⁸ State-wide councils for this purpose exist in Colorado, Iowa, Kansas, Missouri, Montana, North and South Dakota, Nebraska, Wisconsin, and Wyoming. These in turn are federated in the National Association of Cooperatives, formed in 1944.

Following the example of certain other States, cooperatives in Minnesota early in 1946 formed the Minnesota Association of Cooperatives—a State-wide association for all types of cooperatives. Its announced purpose is to “present a united front in advancing and defending the interests of cooperatives of all kinds,” provide “research, public relations, and educational services,” and act as a clearing house on matters of common interest.

State or regional educational federations of consumers' cooperatives have already been formed for Connecticut, the D. C.-Maryland-Virginia area, New England, and New Jersey. Many federations have also been established, covering a metropolitan area, one or more counties, or other regions of less than State-wide coverage. Many of these also are not limited to any one type of association but seek to embrace and to forward the interests and expansion of all cooperatives in their area, promoting their understanding of each other's problems and providing mutual assistance.

In addition, several of the regional wholesales have been encouraging the formation of educational federations throughout their trading areas. It is pointed out that such federations are valuable in increasing the members' knowledge of cooperative principles and aims, in arousing and sustaining the membership interest, in carrying on drives to increase cooperative membership and business, in arousing cooperative interest among young people, and in fostering better public understanding of cooperatives.⁹ In May 1946 Consumers Cooperative Association announced the formation of six such federations, and a seventh was being organized; these included three in Colorado, one in Iowa, two in Kansas, and one in Missouri.

In the territory of Midland Cooperative Wholesale several educational federations have been started in Minnesota and Wisconsin, and Central Cooperative Wholesale announced the establishment in September of a federation for Western Minnesota. In Ohio the Farm Bureau Cooperative Association has been fostering the formation of small discussion groups or “advisory councils,” with great success. As of September 1, 1946, there were 1,385 such councils, the main purpose of which, it was stated, was to “make democracy work.” The agenda of these councils therefore covers practically all subjects (including cooperatives) affecting the life and welfare of the people.

The new federations of students', medical-care, and housing cooperatives have already been mentioned (pages 6, 10, and 14).

⁹ Cooperative Consumer (Kansas City, Mo.), May 15, 1946.

Problems of Organization and Structure

ON THE NATIONAL LEVEL

A proposal for the merger of the Cooperative League, National Cooperatives, and the National Cooperative Finance Association has been under consideration for several years. The boards of the three organizations had approved a single executive for the three and established a joint committee to work out the details of consolidation. At the national Cooperative Congress in September 1946, after many protracted meetings during the year, the committee presented a surprise report and recommendations which differed completely from previous plans. Briefly, it proposed that, instead of a merger, National Cooperatives would become the national organization for the distributive branch of the cooperative movement, combining commercial activities with educational and publicity work and therefore taking over Rochdale Institute, the Co-op Magazine, Cooperative News Service, and national employee training, all of which had previously been departments or functions of the League. The latter (which celebrated its thirtieth birthday in March 1946) would carry on research, compile statistics and other information, and do public-relations work on an over-all basis. It would become the national organization of all branches of the consumers' cooperative movement in this country—distributive, electricity, credit, insurance, housing, medical care, etc.

The report and recommendations were accepted by the congress, after considerable discussion.

Unlike the situation in many European countries, in the United States each branch of the cooperative movement has developed independently. The REA cooperatives, credit unions, student cooperatives, medical-care associations, and distributive associations each have their own national federation. The federations in the fields of housing, medical care, and provision of meals and rooms for students have only recently been formed and have as yet no great accomplishments to their credit.

The Credit Union National Association ("CUNA") became a fraternal member of the Cooperative League in 1939, and the Cuna Supply Cooperative became a full member in 1942. The affiliation of the latter (a commodity organization) probably will hereafter be through National Cooperatives. The new federations of students' associations and of housing and medical-care cooperatives undoubtedly will affiliate with the League, but no relationship has as yet existed with the REA cooperatives; their affiliation has still to be won. No national insurance federation exists, though some of the most powerful of these associations have been consistent financial supporters of the the League.

It appears, therefore, that the solid underpinning of the League at present consists of only the distributive movement and these insurance organizations. Support from the other branches either consists largely of good will or has still to be won. Undoubtedly the new structural plan offers a much wider scope for the League than before, if the latter is successful in rallying to its banner the various service branches of the movement.

ON THE REGIONAL LEVEL

The 1946 annual meetings of Eastern Cooperative League and Eastern Cooperative Wholesale approved a committee draft of a constitution and bylaws of a proposed consolidation of the two that has been under way for some time. The name of the new organization is Eastern Cooperatives, Inc.

In the territory of the above organization, which serves local cooperatives on the whole eastern seaboard as far south as Virginia, a move among some of the New England associations to secede and form a separate wholesale for that region was under study during 1946. The report of a committee, appointed in conformity with instructions from a membership meeting in February, was laid before a special meeting held in September 1946. The committee recommended the establishment of a separate wholesale. Debate at the meeting covered the possible deleterious effects of such a move on the unity of the cooperative movement in the East, and the difficulty of financing a new wholesale. The meeting decided to postpone action until April 1947, with an enlarged committee gathering more facts in the meantime.*

Among the district federations, Cooperative Services, Bruce Crossing, Mich. (handling petroleum products), voted to merge with Copper Country Cooperative Enterprises (a fish-marketing organization that evolved out of a self-help cooperative started during the depression). This action caused some threats of withdrawal of associations that were members of Cooperative Services; no information is available to indicate whether action was actually taken.

Education, Recreation, and Publicity

Realizing that the foundation of a sound cooperative movement is an informed membership, well grounded in the cooperative philosophy, and that well-trained efficient employees are essential to the financial success of the organizations, the cooperative movement lays great stress on educational work directed to both these requirements.

Education.—The central educational organization of the consumers' cooperative movement is Rochdale Institute, established in New

* At the April meeting the proposed separation was rejected, but with a recommendation of greater independence of action for the Cambridge (Mass.) branch warehouse of Eastern Cooperative Wholesale.

York City in 1937 and moved to Chicago in 1944. Provisionally chartered by the University of the State of New York in 1938, it received an absolute charter from that institution in 1945. In 1946 it held two short-term institutes—a 2-week course for educational directors, and a cooperative and labor institute sponsored jointly by the Wisconsin School for Workers. It also offered an 8-week course in the history, philosophy, methods, and practices of cooperation designed for those seeking employment in cooperatives, those already working in cooperatives, and “teachers, ministers, social workers, and co-op lay leaders” wishing to inform themselves about the cooperative movement. At the 1946 Cooperative Congress the director of the Institute reported that, during the 2-year period since the 1944 congress, the school had given 43 weeks of schooling to 436 students.

The Cooperative Correspondence School, initiated by Central Cooperative Wholesale in 1943 but now sponsored by six regional wholesales, continued in 1946 its courses in principles, practice, and administration and was reported to have an enrollment of over 1,000 students.

In addition, many of the regional wholesales themselves offer technical courses for cooperative managers and employees, and either alone or in cooperation with Rochdale Institute also offer advanced courses along the same lines. Under the auspices of Eastern Cooperative League and Wholesale, an institute for cooperative leadership was held in July–August, which also covered personnel matters, and housing. Under the same sponsorship a conference of educators and school administrators held earlier in the year discussed “education for democratic living.” Central Cooperative Wholesale announced the inauguration of “membership clinics” to be held three times a year, to “discuss basic problems, train leadership, plan contact activity, and give an opportunity to exchange suggestions and ideas so that educational effort on the part of the locals and the Central Cooperative Wholesale will meet the greatly expanding requirements.” In connection with the opening of a “co-op supermarket” in Lansing, Mich., a 4-session course in cooperation, open to public as well as members, was given.

During 1946 a score of students from South America came to the United States in a move sponsored by the Bolivarian Cooperative Union,¹⁰ Rochdale Institute, Consumers Cooperative Association, the University of Kansas City, and the U. S. Farm Credit Administration. The training combined academic courses with actual work in cooperative enterprises.

Early in the year Midland Cooperative Wholesale created two annual fellowships of \$1,000 each, for graduate study at the University

¹⁰ A federation of cooperatives in Bolivia, Colombia, Cuba, Panama, Peru, and Venezuela.

of Minnesota in the fields of "business administration and economics, particularly agricultural and consumer economics."

Among the general educational institutions of the country, several were reported to have included cooperative subjects. Cornell University was said to be giving a course in cooperative law, Harvard University continued its course in consumers' cooperation (given for a number of years in cooperation with the New England Cooperative Federation), and the University of Kentucky offered a short course for cooperative officials. The Cooperative and Labor Institute held at the School for Workers of the University of Wisconsin was attended by both CIO and AFL unionists.

A number of cooperative nursery schools—some of which were started in 1946—have come to the attention of the Bureau, mainly in the metropolitan area of Washington, D. C., and in and around Chicago. There are probably many others not known. The advantages of these schools, it is said, are that they provide the children with excellent preschool experience and afford their parents an opportunity to work with and observe training procedures under trained teachers and to participate in a nonprofit, cooperative enterprise.

Recreation.—In the cooperative movement, education and recreation usually go hand in hand, in that each generally contains elements of the other. In various places throughout the United States, local or regional cooperatives sponsor cooperative parks or camps as vacation spots for cooperators and their families; in connection with these, lectures, movies, etc., are usually given which provide information on cooperatives. Several of the regional wholesales also give courses for recreational leaders, in a vacation setting. In addition, the Cooperative Society for Recreational Education each year for a decade has conducted a national recreation school for persons training as cooperative recreation directors. The 1946 school was reported to have drawn the largest enrollment in the history of the organization.

Among the vacation events of 1946 was an auto caravan of cooperators which toured the cooperatives of Saskatchewan and Manitoba, Canada, and several centers in North Dakota, Minnesota, and Wisconsin. In Philadelphia, a "consumers' cooperative theater," Philadelphia Civic Theatre Cooperative, to be operated "for and by Philadelphians of all ages, colors, and beliefs,"¹¹ was started.

Publicity.—Cooperators have for some years been using radio as a means of spreading their message. In August the Federal Communications Commission granted the Potomac Broadcasting Cooperative (Washington, D. C.) permission to construct its own FM (frequency modulation) radio station. The new cooperative will operate in the DC-Maryland-Virginia area. It will issue both common and (non-

¹¹ *The Cooperator* (New York), October 11, 1946.

voting) preferred stock, the former to be held by cooperatives in the area, the latter to be offered to individuals and nonprofit organizations. It is reported that an application for an FM license was also made by the Connecticut Cooperative Federation.

Relationships with Other Groups

WITH LABOR ORGANIZATIONS

Closer relationships between the cooperatives and organized labor developed during 1946, continuing a movement that has been under way for a number of years. At the 1946 AFL convention the report of the Federation's executive board noted "significant progress in strengthening the ties between the AFL and the Cooperative League of the USA." It said, further:

We commend the growing interest in consumers' cooperation which is developing among our unions. We urge all affiliated unions to take an active part in the consumer cooperatives in their communities, and where there are no well-managed cooperatives, to organize them.

At the 1946 Cooperative Congress the United Auto Workers (CIO), in a speech by its president, pledged its support in a strong drive to organize consumers' cooperatives in all communities in which it has locals. This is to be done through a series of advisory committees composed of key UAW and cooperative staff members. A month later the first full-time worker under this arrangement was appointed for the Michigan area. UAW workers were reported as being active in the organization of cooperatives at Detroit, Flint, Iron Mountain, Jackson, Lansing, and Pontiac.

The Minnesota State Federation of Labor, at its 1946 convention, adopted a resolution urging all the local unions to appoint committees on cooperatives. Its public relations department will assist these committees in informing the union members about the cooperative movement. In Massachusetts the State Federation of Labor appropriated from its treasury money to pay the tuition of 10 unionists in the course in cooperation offered by the Massachusetts Department of Education. The Federation has for a number of years joined with the New England Cooperative Federation in sponsoring a course on cooperatives given by Harvard University.

Individual local unions are also reported to be actively supporting the organization of new cooperatives in various places. Among these reported as in process of formation in 1946 were cooperatives in Iron River, Mich. (iron miners, CIO), Negaunee, Mich. (miners and steel workers, CIO), Eveleth, Minn. (iron miners and other unionists), Borger and Crane, Tex. (oil-field workers' union), Burlington, Vt. (auto workers, CIO), and Everett, Wash. (aircraft and other unionists). In Arizona, AFL unionists are said to have sponsored the new Arizona Cooperative Association, recently admitted into membership

in the national Cooperative League. In Connecticut a CIO union is reported to have turned over the first floor of its building to accommodate a new branch store opened by the local cooperative.

Several successful labor-cooperative conferences were held in 1946. The resolutions of one of these, held in Milwaukee in September, indicate the scope which such conferences may cover. These resolutions urged cooperative and union assistance for the new national housing and health cooperative federations and the formation of union-sponsored health plans in Wisconsin, recommended the formation of credit unions by every trade-union and cooperative, and endorsed the Wagner-Ellender-Taft housing bill. A labor-cooperative conference in Minneapolis, attended by representatives of AFL, railroad, and CIO unions, resulted in the establishment of a permanent labor-cooperative council for the furtherance of urban cooperatives. Plans were made for the exchange, through the Minnesota Association of Cooperatives, of labor and cooperative news among the periodicals of both groups.

There have been many instances, over the years, of cooperative aid to striking unionists. In 1946 several cooperatives gave aid to striking iron miners in Michigan, Minnesota, and Wisconsin. Among these were the cooperative oil and store associations in Rock, Mich., which donated \$100, the small store in Ishpeming, which voted them half of the store's total earnings of \$200, and the cooperative store at Wakefield, which gave \$50. In addition, the annual membership meeting of Central Cooperative Wholesale (Superior, Wis.) voted to contribute \$1,500, the district petroleum cooperative at Hurley, Wis., gave \$200, and the Van Buskirk cooperative in the same State donated \$100. The 3½-month strike was successful in winning the wage increase and improved working conditions demanded by the workers.

In two strikes, Eastern Cooperative Wholesale reported that it had sold directly to union representatives food supplies needed for their members which the strikers were reported to have been refused by other wholesalers. Striking automobile workers in Toledo were reported to have used the local cooperative as their commissary, spending their strike-fund vouchers for co-op groceries.

The Fort Bragg (Calif.) consumers' cooperative contributed \$100 per month to the relief funds of striking lumber workers.

Striking automobile workers received a carload of wheat from 10 members of a Farmers' Union local in Montana—a step characterized by officials of the farmer and union groups concerned as “symbolic of growing farmer-labor unity.”

WITH CHURCHES AND CHURCH GROUPS

Several conferences of clergymen and cooperatives were held during the year. Among these was one in Minneapolis in October, sponsored by two regional cooperative wholesales and a grain-market-

ing cooperative, which was attended by ministers of many faiths as well as by representatives of cooperatives. Under the aegis of the Federal Council of Churches of Christ in America regional meetings on "the church and labor in consumers' cooperation" were held in Columbus (February), Baltimore (April), and Seattle (December). These meetings reaffirmed the Council's endorsement of the cooperative movement and the wish to "encourage the extension of cooperative techniques and other similar means of bringing about economic justice and brotherhood." The annual meeting of the Unitarian Fellowship for Social Justice, held in May 1946, adopted a resolution urging the American Unitarian Association to consider transferring its investments to consumers' and producers' cooperative enterprises.

It was reported ¹² that Pope Pius XII, in a message to a conference of French Catholics in Strasbourg, France, advocated the formation of cooperatives in preference to nationalization of industry, declaring that "the cooperative form of economic life is more conformable to the teachings of Christianity, notably in what concerns human personality, the working community, and private prosperity."

CONSUMER-FARMER RELATIONSHIPS

There were numerous indications, during 1946, of the increasing desire of urban dwellers and farmers to come together on common ground. In various places in the Middle West, farmers and townspeople were working together for the establishment of new associations to run cold-storage locker plants, retail stores, electrical appliance and service businesses, etc. Meetings were held to explore new ways and means of working jointly for their common good. One such meeting, in Grand Rapids, Minn., in June 1946, was called by a committee representing the Farm Bureau, iron-ore miners, and paper-mill workers, assisted by a department of the cooperative wholesale at Superior, Wis. Another, in Minneapolis, in September, brought together 260 delegates from eight States, representing Farmers' Union locals, cooperatives, and AFL, CIO, and railroad labor organizations.

Several sessions of the 1946 meeting of the American Institute of Cooperation (an organization of farmers' cooperatives) were devoted to consumers' cooperative purchasing.

It has been the policy of cooperative associations sponsored by farm organizations (Grange, Farmers' Union, Farm Bureau, etc.) to admit to membership only members of the sponsoring group; some also practice the policy of check-off of farm-organization dues from any patronage refunds declared by the cooperative. Membership restriction is of course a violation of Rochdale principles. The explanation

¹² Cooperative News Service (New York), September 2, 1946.

of the restriction in this case lies largely in the facts that these farmers' cooperatives in large measure owe their very existence to the educational work done by the parent farm organization, and that only in recent years have the farmers' cooperatives providing consumer goods and services identified themselves in any number with the consumers' movement that practices the Rochdale principles. It is also true of these cooperatives, as well as of those not connected with any farm organization, that they must restrict their membership to farmers if they wish to claim exemption from Federal income tax;¹³ and they must meet certain membership requirements in order to borrow under farm credit laws. However, each year a number of the farmers' retail cooperatives (especially those sponsored by the Farmers' Union) adopt the open-membership policy.

One farmers' cooperative paper in Nebraska is advocating open membership on the grounds that a town family which patronizes the farmers' cooperative in sufficient volume to earn the price of a share of stock has shown its good faith and should be given a voice in its affairs, and that it is doubtful whether the small saving realized by a distributive cooperative through tax exemption compensates for the violation of cooperative principle.¹⁴

A tendency in the opposite direction is indicated in the recent movement of the farmers' marketing cooperatives into retail marketing of farm produce, not through consumers' cooperatives but through outlets owned by the farmers as producers.¹⁵ Cooperative Producer and Consumer Family Foods, started as a department of the Cooperative G. L. F. Exchange at Ithaca, N. Y., in 1941, became an independent organization in 1944. By September 1946 it was operating 20 retail stores, of which 13 were of the supermarket type. In the fall of 1945, the Indiana Farm Bureau announced its adoption of a similar plan. Its first retail outlet was obtained by purchase of a privately owned supermarket in Veedersburg, Ind., in June 1946.

WITH EMPLOYEES ¹⁶

The employee-retirement plan adopted by Midland Cooperative Wholesale in 1944 celebrated the end of its first year of operation in September 1946. This plan, financed by employee contributions of 3 percent of wages and association contributions of up to 5 percent of pay roll, initially covered only employees of Midland and of Central Cooperative Wholesale but was later opened to employees of affiliates of these two organizations. New members are accepted only at the

¹³ Nonfarm cooperatives have no exemptions.

¹⁴ Nebraska Cooperator (Omaha), July 17, 1946.

¹⁵ See Bureau of Labor Statistics Bulletin 859, pp. 18-20.

¹⁶ No study of collective agreements or round-up of changes in working conditions in cooperative associations was made by the Bureau. The information in this section therefore includes only the scattered items on this subject that came to the Bureau's attention.

beginning of each operating year. At the end of the first year 875 employees of 84 cooperatives were participating in the plan. At the beginning of October 1946, new adherents raised these numbers to 1,550 employees and 137 associations.

Consumers Cooperative Association (Missouri) announced in July that it would start a similar plan for "workers in regional and local cooperatives throughout the Middle West," beginning September 1, 1946. Retirement age under the plan will be 65 years. The scheme will be on a contributory basis—3¼ percent from employees, and from the employing cooperatives enough "to maintain the plan on a sound basis" (but not over 6 percent of pay roll).

A cost-of-living bonus, based on the U. S. Bureau of Labor Statistics' index of consumer prices, was granted to its employees by Midland Cooperative Wholesale. Under its plan the amount of bonus is determined quarterly in accordance with the rise or fall in the index.

Local associations in increasing numbers are adopting the policy of devoting a specified proportion of the association's earnings to paying bonuses to the employees, thus providing a direct incentive toward improved efficiency.

Associated Cooperatives of California in February 1945 put its warehouse employees on a 5-day, 40-hour week (previously 44 hours). Several months later these workers joined the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers (AFL) and in July the wholesale signed a collective agreement with the local.

For a number of years Eastern Cooperative Wholesale has had an agreement with a local of the International Brotherhood of Teamsters. A sudden strike was called by the union at the end of January 1946, in the effort to enforce demands upon the Wholesale Grocers Association. Although the cooperative was not a member of that association, its employees were also called on strike. The cooperative stated its willingness to accede to whatever terms were obtained from the grocers' association, but requested that its trucks be allowed to operate, as had been done on previous similar occasions. Failing in this, the wholesale signed a contract granting the demands, but served notice that if more favorable terms were given by the union to the grocers' association, it would expect the same consideration.

Range Cooperative Services,¹⁷ Hurley, Wis., at its annual meeting voted its employees an extra day of vacation for each year of service, in addition to the one week already allowed. An extra week's vacation was also given by Greenbelt (Md.) Consumers Services, with the proviso that the time be spent at cooperative conferences, camps and training sessions, with the association also paying for transportation to these sessions as well as "75 percent of other minimum expenses."

¹⁷ Until April 1946 the name of this association was Iron Cooperative Oil Association.

International Cooperative Relationships

International cooperative congress.—In the international field, the event that overshadowed all others was the congress of the International Cooperative Alliance (the first since 1937) held in Zurich, Switzerland, in October. It was attended by delegates from the cooperative movement of 20 countries (including 21 from the Cooperative League of the USA), observers representing the governments of 7 countries (including the United States), the Economic and Social Council of the United Nations, and the International Labor Organization. Among the resolutions passed by the congress were those—

1. Calling for the establishment of formal relationships between the Alliance and the cooperative organizations of agricultural production and the World Federation of Trade Unions.

2. Urging the International Bank to create an administrative unit for cooperatives and give them access to available sources of funds for reconstruction.

3. Favoring free trade among the nations.

4. Urging that the Atlantic Charter be implemented by placing under UN the control and administration of the oil resources of the world, beginning with those of the Middle East, "by and with the consent of the States involved, these resources to be administered in such a way that cooperative organizations can be assured of receiving an equitable share."

5. Favoring cooperative representation in government bodies concerned with the economic and social policies of the State.

The predominant theme of the congress was the furtherance of cooperative international trade. At a conference preceding the congress it was decided that the International Cooperative Trading Agency should absorb the International Cooperative Wholesale Society.¹⁸ International machinery to deal in petroleum products, either as a separate agency or as a department of the Trading Agency, was first proposed at the congress of 1937. No action was taken, however, as only a start in such trade had been made—by one regional wholesale (Consumers Cooperative Association) in the United States—and the time did not seem propitious.

Shortly after VE-day, a national petroleum cooperative was organized in Sweden, which immediately placed a large order for lubricating oil with CCA. In 1946 Norwegian cooperatives formed a petroleum association, and a few months later the Cuban movement did likewise. In order to expedite its shipments, the Swedish association in 1946 bought a 13,500-ton oil tanker which is being used to transport to Sweden its purchases of motor oil produced by the CCA refinery.

¹⁸ The Wholesale Society, established in 1919, had never carried on any commercial activities but was simply a medium of exchange of experience and information among the cooperative wholesales of the various countries.

The 1946 congress of the International Cooperative Alliance completed the organization of the International Cooperative Petroleum Association, the formation of which had been approved in principle by a meeting of representatives of the International Cooperative Alliance and the International Cooperative Trading Agency in September 1945. It was specified that the new association would not come into existence until 10 central organizations had signed up for membership and at least \$500,000 of its authorized capital of \$15,000,000 had been subscribed. However, it was reported before the end of the congress that cooperatives in 22 countries had indicated their intention to participate and that \$900,000 in share capital had already been pledged. The headquarters of the new association are to be in New York City. Howard Cowden, president and general manager of CCA, to whose efforts the creation of the new association is mainly due, is to be its temporary manager.

United Nations.—In February 1946, the General Assembly of the United Nations confirmed the bestowal of permanent consultative status for the International Cooperative Alliance in the Economic and Social Council. Murray Lincoln, president of the Cooperative League of the USA, was appointed by the ICA as its representative at the sessions of the Council in May 1946.

Cooperative relief measures.—Late in 1945, 22 relief agencies in the United States formed a nonprofit cooperative organization for European relief. These agencies were later joined by 3 others. They included the American relief agencies for 7 different countries, the welfare organizations of 7 religious faiths (Catholics, Quakers, Jews, Christian Scientists, Congregationalists, Unitarians, and Churches of Christ), representatives of AFL and CIO unions, the Cooperative League of the USA, and various other relief organizations. The new organization, Cooperative for American Remittances to Europe (CARE), soon got under way. Its packages of food, according to a report made at the 1946 cooperative congress in September, were then being shipped to 11 countries of Europe, the governments of which have agreed not to levy duties or taxes upon them. The cooperative reserves the right to designate the agency within each country which will act as distributor. In France, Finland, and Poland the cooperatives are so designated. In Norway the cooperatives have assisted in the distribution. By September 1946 CARE had shipped some 4 million dollars' worth of food to Europe, the money for which was donated by individuals and groups in the United States. "Patronage refunds" totaling 50,000 \$10 packages of food were declared on the 1946 operations of the organization; in this case, however, the "patrons" were not the donors of the packages but the needy in Europe, who received this extra amount of relief. The

president of CARE is the president of the Cooperative League of the USA.

In 1944 cooperatives of various countries started the so-called "Freedom Fund" for the rehabilitation of cooperatives in war-devastated areas. About 1¼ million dollars was raised, of which cooperatives in the United States contributed nearly \$93,000. Of the latter sum, \$15,000 was invested in CARE, with an additional \$15,000 loaned for one year, and \$5,000 was appropriated to defray the expense of bringing young Italian cooperative leaders here for study of United States cooperatives. Cooperatives in France, China, and Austria had been aided from the general fund.

Laws and Decisions Affecting Cooperatives

STATE LEGISLATION

Few State legislatures met in 1946. Among those which enacted legislation relating to or affecting cooperatives, the Kentucky Legislature authorized (ch. 51) the formation of nonprofit medical-service plans, the services of which are "administered by doctors of medicine." In order to operate, such corporations must receive a certificate of "convenience and necessity" and be adjudged in the public interest; must have the participation of 51 percent of the eligible licensed doctors in the county, and (although specifically exempted from insurance laws) must deposit a surety of \$10,000 with the Custodian of Insurance Securities. The above conditions would probably prevent the operation of a cooperative having its own clinic.

In New York, chapter 787 added a new section to the cooperative law, authorizing the dissolution, by proclamation, of cooperatives that have failed for 3 consecutive years to file required reports with the commissioner of agriculture and markets. Such delinquent associations are given a 3-month period of grace in which to supply these reports, before actual dissolution takes place; a fee of \$25 is imposed on associations which take advantage of this period, for the issuance of a certification of compliance and a fee of \$40 for filing such certificate. The law reserves to associations formed under the cooperative law the right to use the word "cooperative" or any modification or derivative thereof; by chapter 800 of the 1946 laws the word "cooperation" is also reserved for their use. Dental-care benefits are added (by chapter 548) to the medical-care and hospital-care benefits allowed to be provided by membership corporations or cooperative associations. Group Health Cooperative, organized under the cooperative law, is given specific authorization by chapter 675 to reincorporate under the membership corporation law, if within 6 months from the passage of the act (April 10, 1946) all its members vote to do so.

A South Carolina act (Act No. 417) authorized any 10 "leading and capable citizens" to form a nonprofit hospital-service plan on a prepayment basis. Such a plan must be maintained as a nonprofit "cooperative corporation" and must renew its license annually. The directors (not fewer than 9 nor more than 24) must include representatives of the participating hospitals, licensed physicians, and the general public.

DECISIONS AFFECTING COOPERATIVES

Funeral cooperatives in Iowa won a victory in May 1946, under a decision by the State supreme court. It held, in *State of Iowa v. Winneshiek Cooperative Burial Assn.* (22 N. W. (2d) 800) that the cooperative association in the case was properly organized under the Iowa cooperative law, as an association for the purpose of conducting the "mercantile business" authorized by that law; that embalming was a business and not a profession, and that an association with a licensed embalmer may carry on a funeral-service business without contravention of the statute against corporate practice of a profession.¹⁹

RFA cooperatives.—Several court decisions were made during the year affecting electricity cooperatives. On the Pacific Coast, the effort of a private power organization to block an REA cooperative from building and operating an electric-power plant in Walla Walla County was rejected by the superior court. In Washington and Oregon, 13 public utility districts and a number of cooperatives formed Interstate Electric, Inc., for the purpose of purchasing the properties of a subsidiary of a holding company that had been ordered by Securities Exchange Commission to dissolve. The cooperative purchase was designed to prevent a proposed consolidation of the subsidiary with another of the same holding company. The cooperative contended that the consolidation would give the new company a monopoly over Bonneville power and impede the growth of public power distribution. Its contention was rejected by the Federal Power Commission as "lacking in substance," and approval for the merger was granted.

In the Middle West, the Wisconsin Public Service Commission denied the application of Badger Electric Cooperative to buy the properties of a privately owned hydroelectric company. The commission held that the cooperative (financed 100 percent by REA) violated the rule against 100-percent financing of utilities and that its bid was too high; the commission also challenged the cooperative's financial ability to service the 7-county area to be covered. Rehearing was denied, and later a suit by the cooperative for judicial review was dismissed by the circuit court of Dane County. In Iowa, a U. S.

¹⁹ For review of previous actions, see Bulletins Nos. 768 (p. 3) and 859 (p. 23).

Supreme Court decision, reversing prior decisions by the Federal Power Commission and the Circuit Court of Appeals for the District of Columbia, opened the way for an Iowa REA cooperative to operate a hydroelectric generating station; the court held that permission of the State board (which had twice refused it) was not necessary, and application could be made directly to the Federal Power Commission (*First Iowa Hydro-Electric Cooperative v. Fed. Power Commission*, 328 U. S. 152).

The Minnesota Supreme Court upheld the right (disputed by a private power company) of a cooperative creamery to obtain power from an REA cooperative of which it was a member and of the latter to serve it; specific permission had already been granted by the village in which the creamery was situated and under whose franchise the private power company was operating (*Gen'l. Minn. Utilities Co. v. Carlton County Coop. Power Assn.*, 22 N. W. (2d) 673).

Decisions on taxation.—Several decisions helped to clarify the tax position of cooperatives in 1946. The Commissioner of Internal Revenue ruled that the patron to whom a patronage refund is credited must be notified of the credit by mail, as soon as possible after the refund has been declared. The U. S. Supreme Court, in a case not related in any way to cooperatives (*Comr. of Int. Revenue v. Wilcox et al.*, 327 U. S. 404) enunciated, however, a principle bearing upon the tax issue, that taxable income cannot “accrue from the mere receipt of property or money which one is obliged to return or repay to the rightful owner.” In California, the U. S. Circuit Court of Appeals held that to claim exemption from taxation on patronage refunds “there must be a legal obligation on the part of the association, made before the receipt of the income, to return to the members on a patronage basis, all funds received in excess of the cost of the goods sold” (*Amer. Box Shook Export Assn. v. Comr. of Int. Revenue*, 156 Fed. (2d) 629). In Ohio the Circuit Court of Appeals ruled that an electric-power cooperative was exempt from taxation under section 101 (8) of the Internal Revenue Code, as a nonprofit organization “operated exclusively for the promotion of social welfare” (*U. S. v. Pickwick Electric Membership Corp.*, 158 Fed. (2d) 272).

Taxation of Cooperatives

Farmers' cooperatives meeting certain requirements as to membership and nonmember business have exemption from Federal income tax on amounts held in reserves and on interest paid on share capital; nonfarm cooperatives pay taxes on both of these. Neither type of association is taxed on amounts returned in patronage refunds.

Largely because of charges of unfair competition by cooperatives, made by the National Tax Equality Association,²⁰ the Small Business

²⁰ See Bureau's Bulletins Nos. 821 and 839.

Committee of the House of Representatives held hearings over a period of several months in 1945. Its first interim report²¹ was issued in April 1946. In it the committee concluded that tax-exempt farmer cooperatives have a slight tax advantage in their reserve and interest exemptions but that consumers' cooperatives and nonexempt farmers' associations have no advantages not available to all types of competitive business; that, since the cooperative serves only as an agent for its members, to whom its income belongs, taxation of its income would "require a drastic change in the basic principles of our revenue laws"; that "there is substantial evidence to show that the cooperative movement operates as a very successful means of combating monopolistic concentrations and, as such, is a very healthy addition to the American economy"; and that "many of the most vocal opponents of cooperatives are themselves members of cooperatives and their firms engage as members in cooperative enterprises."

The principal recommendations of the committee were that a single Federal agency be authorized to compile statistics of all types of cooperatives; that the Bureau of Internal Revenue amend its regulations to require cooperatives to issue to each patron evidence of his equity; that farmers' purchasing cooperatives be restricted to the handling of farm production supplies; that the retention of refunds be limited to a period of 5 years; and that Congress act to provide a basis for establishment, operation, and federation of nonexempt associations.

This report was followed, according to the chairman of the Committee, by a flood of letters to Congressmen from small businessmen, "on a scale rarely encountered." A statement issued by the Committee early in June 1946 reiterated the belief that cooperatives, far from being "a threat to the free enterprise system," are actually "an integral part" of that system and "a powerful means of combating monopoly."

Numerous decisions of the courts and of the U. S. Tax Court have held that amounts returned in patronage refunds are not taxable income to the association. Some representatives of profit business seem to agree with it. Thus, a representative of the National Association of Manufacturers, in an address delivered before the Indiana State Grange, expressed the opinion that there is "no justification" for "taxing at the source patronage refunds paid to customers of cooperatives," but he believed that amounts not so distributed should be taxed as earnings.

During 1946 several court decisions relating to taxation, involving or applicable to cooperatives, were delivered (see page 35).

Attitude of farmers' cooperatives.—One of the farmers' papers has expressed the view that the tax exemptions of farmers' cooperatives could be eliminated without hurting the associations. It pointed

²¹ House Report No. 1888 (79th Cong., 2d sess.).

out that nearly half do not now claim exemption, preferring to operate on an open-membership basis,²² and that, actually, "the growth of cooperatives is impeded by having exemption."²³ The Illinois Agricultural Association, in its 1946 convention passed a resolution supporting changes in the Internal Revenue Code and regulations that would provide tax exemption for agricultural cooperatives "on only that portion of their earnings which is distributed to their members or patrons."²⁴ Late in the year the National Association of Cooperatives formulated its own recommendations. It proposed legislation recognizing that all forms of business have an equal right to exemption on patronage refunds, taxing refunds retained in the business without the patron's authorization, allowing exemption on dividends or interest on share capital only as to amounts actually paid therefor "at the specially limited rates set up in the law," and requiring all cooperatives to file income-tax returns and to report each patronage refund of \$100 or more. No prediction can, of course, be made as to what if any action on the subject will be taken in the 80th Congress which convened in January 1947.

²² In order to qualify, a farmers' cooperative must show that all its members are farmers and not over 15 percent of its business is done with nonmembers.

²³ Nebraska Cooperator (Omaha), June 19, 1946.

²⁴ Co-op News (Chicago), March 1946.

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