

Developments in the Consumers' Cooperative Movement in 1947

Bulletin No. 932

UNITED STATES DEPARTMENT OF LABOR

L. B. Schwellenbach, *Secretary*

BUREAU OF LABOR STATISTICS

Ewan Clague, *Commissioner*



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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., April 15, 1948.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on developments in the consumers' cooperative movement in 1947, prepared by Florence E. Parker of the Bureau's Office of Labor Economics.

EWAN CLAGUE, *Commissioner.*

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

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Developments in Consumers' Cooperative Movement in 1947

THE OUTSTANDING DEVELOPMENT in the cooperative movement during 1947 was undoubtedly the unusual and widespread interest displayed by organized labor. This was awakened and spurred by pronouncements from the American Federation of Labor and the Congress of Industrial Organizations, favoring cooperatives as a means of helping to hold the economic gains made through collective bargaining. Results have been twofold: New cooperatives to provide not only food but also (less frequently) medical care and housing; and greater understanding and mutual respect between the local leaders of the two movements.

Next in importance was the attack upon the cooperative movement centering on the tax exemptions granted to farmer cooperatives in the Federal income-tax law,¹ as bestowing an unfair business advantage. The matter was taken up in hearings by two Congressional committees. No bills have thus far been introduced to change the law.

As regards operating results, 1947 appears to have been a fairly good year for consumers' cooperatives. The petroleum associations had one of the best periods in their history, in spite of shortages of supplies in some areas. Among the other distributive cooperatives, those with the greatest diversity of business seem to have made the best showing.

Among the service associations, student cooperatives were again expanding, and several bought new buildings to house their members. Preliminary reports also indicate a substantial pick-up in business among the credit unions and insurance associations. Housing and medical care—two subjects of great current interest—both showed some progress in 1947.

Record sales and substantial earnings are reported for a number of the regional cooperative

wholesales. Even with increased sales, however, 1947 proved to be a difficult period for those handling groceries only or mainly, and at least two sustained a loss on the year's operations. Among the wholesales which have gone into petroleum refining, difficulties in obtaining sufficient supplies of crude oil made it difficult or impossible to operate refineries at capacity, and resulted in further efforts toward ownership or control of sources of supply.

Developments Among Local Associations

Although the 1947 experience was generally good among the distributive associations, a number of liquidations occurred among the urban associations handling groceries only. These resulted in most cases from losses on less-desirable inventory acquired during the period of commodity shortages, higher operating costs, price uncertainties, and unsuspected weakness in management. A considerable part of these liquidations occurred among the eastern associations, but there were some among the consumers' cooperatives of farmer membership in the Middle West also. Others are reported to be in financial difficulties. Among this latter group, some are asking for management assistance from either the regional wholesale or the area federation. This situation is leading to renewed consideration of closer integration not only among associations in a metropolitan area, but also between retail associations and the regional wholesale.

In spite of economic uncertainties, however, many cooperatives opened new stores or new departments, and added new services. A number of mergers and negotiations for further action in this regard were also reported. Numerous new

¹ Cooperatives of nonfarm membership have no exemptions.

associations were formed, including a number of veterans' cooperatives. Some of the latter are grocery cooperatives to serve the families of student ex-servicemen; most of them will probably be temporary only and will dissolve when the students leave, on graduation.

A noteworthy feature of the new growth has been the widespread participation by organized labor, greater than at any time during the nearly 30 years in which the Bureau of Labor Statistics has been following the development of the cooperative movement. Although, in many cases, nothing concrete may result from this interest, reports indicate that from Vermont to Florida, and from New Jersey to the Pacific Coast, local unions and their members are taking action.

In some cases, medical care or housing is the service proposed. Generally, however, the aim is a full-scale cooperative store or even supermarket, and the collection in advance of funds sufficient to operate it. In the meantime, high living costs have led to case-lot sales at union halls and headquarters, or at depots opened for the purpose. Such sales have been widely reported throughout the East and Midwest.

Cooperative leaders, though welcoming labor participation in the cooperative movement, have expressed uneasiness over the case-lot sales (or buying club) idea, for a number of reasons: (1) Such sales lend themselves only to staple groceries (mainly canned goods), whereas it is the perishables that have increased most in price; (2) the grocery business is one of narrow margins, and it is feared that union members expect greater savings than are possible; (3) unless sales are made at prices sufficiently high to provide not only savings for the purchaser, but also a surplus from which to build capital for a full-fledged business, nothing permanent results; and (4) if sales are made at cost, or below the regular current retail prices, the antagonism of local retailers is bound to result.

Cooperators are therefore endeavoring to see that distributions take place through cooperative channels (to maintain the open-membership principle); that sales are made at or near current prices, with patronage refunds at stated intervals and the rest of the earnings put into a reserve for a future store; and that distribution is accompanied by educational work, to promote membership in a permanent cooperative.

Housing Associations.—Housing projects reported are of all sizes and in all stages of progress. For associations for which data are available the size of project ranged from 30 to 1,800 dwellings, with an average of about 350. Some associations had obtained the full number of members for which the project was designed; others were still in the recruiting stage.

Controls on building materials were lifted in June 1947, and this enabled other than veterans' groups to proceed with construction, but continued high prices were a deterrent. Another hindrance was the cessation of sale of public housing to cooperatives on a long-term mortgage basis; the all-cash requirement adopted put a brake on negotiations unless private financing could be found. The Administrator of the Federal Housing and Home Finance Agency announced late in the year that, in the disposal of Government-owned housing, preference would be given to veterans' cooperatives in cases where it is not feasible to subdivide a project for sale to individual buyers.

Housing associations were reported to be negotiating for the purchase of Government-built houses in Compton, Calif. (500 units), Audubon, N. J. (531 units), and Greenbelt, Md. (1,800 units). In Washington, D. C., a veterans' cooperative which had contracted for a 748-unit development obtained final ratification of the sale early in 1948.

Veterans' groups are also sponsoring new projects in a number of places. Thus, in New Brunswick, N. J., a veterans' cooperative, formed in the spring of 1946, bought a tract of 54 acres of rolling land which it subdivided into 206 plots of 70 by 110 feet, leaving 2 acres for a business area and 9 acres for parks and playgrounds. Ground was broken in January 1947. By August, 16 houses had been completed and were occupied, and 46 others were under construction; the association had 167 members and a waiting list (construction had had to be slowed down until the necessary utilities could be installed). However, the association is reported to have run into financial difficulties later in the year. The mutual-ownership plan was abandoned, the members in the completed houses were to be given title to their dwellings, and at last reports new construction had been stopped. The future of the project is uncertain.

At the Circle Pines development near New Brighton, Minn.—a project planned to provide

some 1,800 homes eventually—about 55 dwellings were expected to be ready for occupancy by the end of 1947. The cooperative shopping center was opened in September.

In Illinois, a cooperative association had completed the roads in its 60-family development, 22 miles west of Chicago, and 2 of the 45 member families had begun construction of their homes. In Indiana, members of an automobile workers' union organized a housing cooperative in 1946; by August 1947 it had 467 members and was nearing construction. Labor organizations are also behind housing projects being developed in Kenosha and Racine, Wis. In the latter city, by August 1947, some 200 members had been secured and financing had been obtained for a 370-house project. The building contract was let in November.

Cooperative apartment buildings were planned or under way in a few cases. In New York, Amalgamated Housing Corporation finished construction of a new building—its fifth project in the Bronx—which provided dwellings for the families of 30 veterans. Several months earlier it announced plans for another development, also in the Bronx, to consist of seven buildings providing some 700 apartments. This association, as reported previously,² is carrying on a slum-clearance and redevelopment project in downtown Manhattan, which will contain nearly 800 apartments; ground was broken in mid-November 1947.

In addition to the above-mentioned associations which have progressed to the construction stage, others (more numerous) had by the end of the year drawn up their community and architectural plans and some were engaged in improving the site, preparatory to construction.

Several regional housing conferences were held during the year, for the exchange of experience and information. At one of these, held in Racine, Wis., organization of the North Central Cooperative Housing Service was completed. At first only an information clearing house, the new regional is legally empowered also to render direct service in coordinating purchases, and to do research on building materials, methods, and problems. At another, in California, the regional cooperative wholesale was chosen to serve as coordinating center for financing, purchasing, and

public relations of cooperative housing groups in the State. The housing associations, five of which are members of the wholesale, agreed to finance a housing coordinator on its staff. A third conference, in New York, considered ways in which the regional wholesale's Clusa Service (giving real-estate brokerage and insurance service) and its housing consultant could be utilized more extensively by housing groups.

Medical and Hospital Associations. Progress was made as regards medical care. Reports indicate that at least 20 cooperative hospitals were in operation at the end of 1947, as compared with 9 at the end of the preceding year. Three other new associations had buildings in process of construction, and several of the older organizations enlarged their facilities. At least 30 other associations were under way, conducting membership drives and collecting funds, but the Bureau has received no reports regarding them. Texas was still the leading State (30 associations chartered), with the next States—Minnesota (7 associations) and Oregon (5 associations)—far behind. Reports from Wisconsin indicate that the 1947 law authorizing the formation of cooperative medical-care associations will result in activity there.

Among the associations with hospitals in operation, the reported membership ranged from about 400 to 2,500, with an average of about 1,350. The number of persons (members and dependents) eligible for treatment would be three or four times these figures.

It is estimated that organizing a cooperative hospital association requires from 1½ to 2 years. The large amount of capital needed for equipment and building, the technical knowledge required,³ and the large membership base that is essential for efficient operation are delaying factors. In at least two cases, it has been reported that these, plus local opposition from noncooperative sources, have caused the project to be dropped.

The Cooperative Health Federation of America held its first annual meeting at Elk City, Okla., in September 1947. The convention amended the association's bylaws to permit associate members (including labor unions, regional cooperatives, and farm organizations) to nominate 5 persons for membership on the board of directors, subject to

² See Bureau of Labor Statistics Bulletin No. 904 (p. 5).

³ Aid along this line is now said to be available through the Cooperative Health Federation of America, 343 S. Dearborn Street, Chicago 4, Ill.

approval by the other board members. The meeting mapped out a program of technical aid to new groups on legal, architectural, financial, and personnel problems, and of health education through distribution of leaflets. A link between this branch of the cooperative movement and the Cooperative League had already been forged when the secretary of the latter accepted the position of executive director of the federation.

Other Service Associations. No general statistics are available as yet on the 1947 operations. On the basis of scattered reports it appears that, with the lifting of credit limitations and the return of higher-priced consumer goods to the market, credit-union business took a sharp upward spurt. The insurance organizations connected with the consumers' cooperative movement also reported large increases in business, as well as the addition of new features and benefits. The organizations writing automobile insurance, however, noted increased accident claims, necessitating higher premium rates in some cases.

Central Structure and Functions

Two important steps had been taken in the cooperative movement in 1946: (1) The Cooperative Congress voted to make National Cooperatives the federation for the distributive branch of the consumers' cooperative movement, combining commercial activities with the employee-training, educational, and publicity work formerly done by the Cooperative League of the USA. The latter was to become a national organization for all branches of the cooperative movement, and also carry on research, compile statistics, and do public-relations work. (2) At a meeting of National's board of directors, immediately preceding the congress, it was decided that, in future, production on a national scale would also be centered in National.

Early in 1947, however, a move was made to divorce from National the productive department in which hot-water heaters and milking machines were manufactured. This action, it later appeared, resulted from the opinion, on the part of the producer-minded members of the organization, that the earnings of this department (which had been the most profitable operation of National) should not be used to assist in financing the promotion of *consumer* cooperation. However, meet-

ings of National members in March and May disclosed wide opposition to weakening the wholesale and also that this opposition came from member regionals which were the largest patrons of the department in question. The proposal was tabled at both meetings, and the May meeting adopted a budget providing \$96,000 for education in 1947-48 (as compared with \$48,000 in the preceding year), subject to the approval of the directors of the member regionals. It was proposed that the money be given to the League, which would then take over again the educational work and employee training, on a contract basis. This proposal was agreed to by the League, and became effective on October 1, 1947.

A further step away from the 1946 decisions was taken at a meeting of National's executive board on January 8, 1948, when it voted to sell its chemical-products plant, manufacturing cosmetics, household cleansers, and other chemical products. The reason given was "insufficient Nation-wide cooperatively organized demand" for these products.⁴ Opposition to this action is reported to have developed among some of National's members, and the matter may be reconsidered.

This series of acts almost completely nullifies the 1946 decisions, except that National will give some direct financial assistance to League educational work and that the League remains an over-all federation.

The League, meantime, has appealed to individual cooperators for contributions to enable it to broaden its educational work on housing, medical care, student cooperatives, etc., and to assist in developing cooperatives in areas that are now "cooperative deserts." Cooperative leaders have also suggested that League membership be open to dues-paying individuals as well as regional organizations.

Commercial Federations

Joint Activities of Wholesales.—National Farm Machinery Cooperative, owned by 12 regional wholesales, built a large addition to its cultivator plant at Bellevue, Ohio, and authorized the erection of a foundry building.

⁴ The same meeting voted to suspend publication of the *Co-op Magazine*, started in January 1945, because of the "diversity of needs for technical and occupational information" and the consequent "inability of the *Co-op Magazine* to do a thoroughly satisfactory job as a Nation-wide technical journal" (*Cooperative Builder*, Superior, Wis., Jan. 22, 1948).

The National Cooperative Refinery Association, owned by five regional wholesales, purchased control in a company from which it had previously been buying some of its crude oil. The addition of the more than 200 wells thus acquired, plus a number of new wells brought in later, raised its total to about 300 by October 1947. It expected to add thereafter two to four new wells per month.⁵ By mid-1947 it was reported to own or control 60 percent of its crude-oil sources.⁶ Its refinery was handling about 20,000 barrels of crude per day.

The Millers Creek Coal Cooperative, organized by three wholesales in 1946, was by the fall of 1947 producing 1,000 tons per day at one mine and was starting production at another.

Northwest Cooperative Mills (owned by four cooperatives) opened up two new productive units during 1947—a feed mill and research laboratory in St. Paul and a fertilizer plant in Winona, Minn.

Regional Wholesales.—Associated Cooperatives, California, dropped the dealer-agent program which had been adopted to accelerate the organization of cooperatives in farm areas.⁷ The reason given was that the arrangement had become unnecessary because of the rate at which rural cooperatives, independent of the dealer program, had developed. The wholesale's directors also voted to dispose of the association's interest in a privately owned lumber mill. This action was attributed to changed market conditions and the unwillingness of the wholesale to provide the additional capital that would be needed.

The annual meeting of another grocery wholesale, Central States Cooperatives (Illinois), authorized its board of directors "to begin—on an experimental basis—a complete management service to be provided by contract for those member associations which voluntarily agree to accept it." This association already provided bookkeeping and auditing service on the same basis. Late in 1947 it decided to open a branch warehouse in Detroit to supply cooperatives and unions in that area, when sufficient capital had been subscribed locally to finance it. By early November, nine union locals had subscribed \$13,560 toward a goal of \$30,000. Efforts to expand the business opera-

tions in farm supplies resulted in considerably increased patronage, mainly from farmers' cooperatives not previously patrons.

Indiana Farm Bureau Cooperative Association constructed an acidulating plant, with an annual capacity of 50,000 tons of superphosphate. It was reported that this association distributes over 20 percent of the fertilizer used on Indiana farms, and about 50 percent of the high-analysis fertilizer. Oil property with 80 wells producing an estimated 1,700 barrels daily, owned by the wholesale, was sold to a private company to "get capital for further oil exploration." These "explorations" resulted in five new wells in Indiana toward the end of the year. The wholesale will have the right to all the output of these wells as long as they produce. It will also have additional output from the same company, amounting to nearly 25 percent of the previous supply. Its sawmill at Pine Bluff, Ark., was sold along with some timber tracts; the reason given was the declining availability of good pine timber in the area. Having become part owner (with the Midland and Ohio Farm Bureau wholesales) of coal-mining property in Kentucky, this wholesale also disposed of its part interest in another mine in the same State.

Strenuous effort to increase the supply of crude oil for cooperative petroleum refineries was made during the year. Drilling on its oil leases in Oklahoma netted Midland Cooperative Wholesale 10 producing oil wells, bringing the total to 35 by the end of November 1947. The association also has seven natural-gas wells. Midland announced its intention of selling its property in Burkhardt, Wis., purchased in 1944, as the expansion of Northwest Cooperative Mills' feed facilities had made the Burkhardt mill "unnecessary and obsolete."

Rapid expansion of the propane ("liquefied") gas department of Farmers Union Central Exchange was noted. This association had, by February 1947, completed the construction of three bulk plants and a fourth was nearly done. The association was looking forward to the possibility, in the future, of manufacturing propane gas in its petroleum refinery at Laurel, Mont. The Exchange joined with the National Cooperative Refinery Association in "wildcat" drilling on the 7,000 acres jointly leased by them in northern Montana.

⁵ Nebraska Cooperator (Omaha), October 1, 1947.

⁶ Cooperative Builder (Superior, Wis.), August 14, 1947.

⁷ See Bureau of Labor Statistics Bulletin No. 904, p. 17.

Consumers Cooperative Association (Mo.) bought the aviation-gasoline refinery it operated for the Government at Coffeyville, Kans., making it the first cooperative to produce high-octane fuel and bringing to four the number of petroleum refineries owned by the association. Several months later it completed the construction of a furfural unit adjacent to the new plant. As a result of the purchase of a private oil corporation (including 151 oil wells, and leases on 15,398 acres of land in Kansas), by November 1947 Consumers Cooperative Association owned 955 oil wells and controlled over 140,000 acres of oil land. Its wells were reported to be producing about 50 percent of the crude oil needed by its refineries. Not including the octane plant, in 1947 its petroleum plants were producing at the rate of 225 million gallons of refined fuels annually. Contract for a 1½ million dollar dewaxing unit to be built at its Coffeyville, Kans., refinery was signed early in December.

In the 12-month period ending August 31, 1947, Consumers Cooperative Association shipped petroleum products valued at \$2,293,946 to 23 central cooperatives in 18 countries. This foreign trade is expected to be taken over and expanded by the new International Cooperative Petroleum Association.

CCA was reported in the spring of 1947 to be planning to buy, jointly with a small Midwest publishing company, a large paper mill from which to obtain newsprint for its semimonthly journal and printing department. A site was purchased and plans drawn for a branch warehouse in Denver. At Eagle Grove, Iowa, a plant to produce protein for feed was nearing completion at the end of 1947, and construction on a commercial-fertilizer plant was started in December. A shortage of boxcars forced a 2-week shut-down of its lumber mill in Oregon. Altogether, some 70 percent of the goods distributed to members were produced either in CCA's own plants or in those in which it is a part owner. Its annual meeting authorized the purchase of a site near Kansas City for a year-round school to house employee training, member education, youth work, and cooperative conferences.

In Nebraska, the Farmers Union State Exchange bought a privately owned oil-compounding plant which had been its source of supply for lubricating

oil for years. The annual meeting of the association, held in February, directed the board to obtain a jobbing agency for lumber.

Early in 1947, the consolidation of the Eastern Cooperative Wholesale and Eastern Cooperative League in New York was completed, the new association being named Eastern Cooperatives, Inc. Heavy operating losses and declining volume led to a sweeping study of this association, and resulted in a drastic reorganization. Discussion of possible ways of increasing member patronage and over-all efficiency led to proposals for an integrated operation whereby affiliated associations which accepted the plan would relinquish their operation to the wholesale. The plan was still under discussion at the end of the year.

Ohio Farm Bureau Cooperative Association acquired a new chick hatchery, in Jackson Center. In February 1947 the wholesale bought a six-story office building for its own use and that of other Farm Bureau activities. Several months later plans were drawn for a new nine-story office building for the Farm Bureau insurance companies, on the site of three buildings already occupied by them.

Pacific Supply Cooperative announced that it would build a branch warehouse in Spokane to serve associations in Idaho and eastern Washington. Central Cooperative Wholesale (Wisconsin) opened a branch warehouse in Escanaba, Mich., to serve the Upper Peninsula of that State. Several wholesales amended their bylaws, to allow member associations additional votes for increased patronage.

District Wholesales.—Northland Cooperative Federation (Rock, Mich.), announced plans for a bulk distributing plant in Nadeau, using a nearby cooperative as retailer; also for a bulk plant at Chatham as soon as materials and tanks became available.

Range Cooperative Federation acquired a new mortuary in Hibbing (it was already operating one in Virginia, Minn.). The federation also bought a privately owned creamery containing also 500 cold-storage lockers and space for the construction of as many more. Its annual meeting authorized the purchase of land for a summer camp. Cooperative Services, at Maple, Wis., began the construction of a new building to house its office staff and repair shop.

Service Federations.—Expanding business forced the Cooperative Publishing Association (Superior, Wis.) to buy additional typesetting and off-set equipment. Federated Co-ops, Inc., of East Central Minnesota added propane gas and storage tanks to the lines handled. Connecticut Cooperative Federation—which has provided field supervisory service for the member associations, the wholesaling of produce, and a slaughtering plant for the production of meat—voted in 1947 to start a bookkeeping and “internal auditing” service.

Problems of Structure and Organization

The current trend toward amalgamation of small associations into a single city-wide cooperative has been mentioned in previous reports. An even broader basis of integration has been proposed and is under consideration in at least two areas—those serviced by Eastern Cooperatives, Inc. (Atlantic Seaboard States), and Central States Cooperatives (Illinois, Indiana, Ohio, and southern Michigan). Under the plan suggested, the local associations which are members of the wholesale would enter into a contract with it whereby management and operation would be controlled by the wholesale. The local associations would retain control of general policies, membership relations, etc., and could terminate the management contract if and when they saw fit. It is argued, in support of the plan, that the arrangement would provide operating economies, uniform pricing and business policies, and greater efficiency. Opponents, on the other hand, express the fear that removal of active participation in actual operation will lead to an attenuation of interest by the local members, with resultant loss of loyalty and patronage. There is some evidence that this has already occurred in the locals of certain city-wide associations. The question of the extent to which centralization in the interest of greater business efficiency can be carried forward without sacrificing local and individual interest, participation, and control—in short, the main democratic feature of the cooperative movement—is certain to receive thorough debate throughout the movement. Also, the results of any steps taken in the direction of centralization are sure to receive close attention.

The question of concentration is being pointed up by the present operating difficulties of numerous

small associations, especially those in urban areas, already mentioned.

The possibilities of merging Central Cooperative Wholesale (Superior, Wis.), Midland Cooperative Wholesale (Minneapolis, Minn.), and Farmers Union Central Exchange (St. Paul, Minn.) have been under discussion for several years. Each of three associations has appointed a committee to study the matter and report back to the directors, who must in turn refer the question to the local associations. The three wholesales have joined forces on a number of occasions and are now joint owners (with Farmers Union Grain Terminal Association) of Northwest Cooperative Mills. Their combined distributive business in 1947 exceeded 59 million dollars.

Insurance Associations

Another step in the unification of the cooperative insurance program in Minnesota and Wisconsin was taken in 1947, with the passage of legislation in both States permitting the merger of existing companies. The Mutual Service Life Insurance Co. (Minnesota) and Cooperators Life Mutual (Wisconsin) merged under the name of the former. The next step, expected in 1948, will be the merger of two casualty organizations, American Farmers Mutual (Minnesota) and Cooperative Insurance Mutual (Wisconsin), into the Mutual Service Casualty Co. The Central Mutual Fire Insurance Co. will become the Mutual Fire Insurance Co. The five companies, at the beginning of 1947, were reported to have total admitted assets of 2½ million dollars.

In Indiana, the Hoosier Farm Bureau Life Insurance Co. celebrated its tenth anniversary, and announced nearly 50 million dollars of insurance in force.

In North Dakota, the Farmers Union Mutual Insurance Co., started in April 1944, had at the end of 1947 nearly 35½ million dollars of insurance in force. It writes fire, lightning, windstorm, and hail insurance.

The National Farmers Union Life Association, started in 1938, in 1947 added to its coverage patronage life insurance for members of cooperatives, as well as insurance against surgical bills. It is attempting, according to its statement,⁸ to develop “basic life insurances which will lend

⁸ National Union Farmer (Denver, Colo.), December 1947.

themselves readily" to the development of cooperative funeral homes.⁹

The Associated Cooperative Fire Insurance Companies of Sullivan and Adjoining Counties (Woodridge, N. Y.) reported nearly 8 million dollars of insurance in force at the end of 1946.

Relationships With Other Groups

Rural-Urban Relationships.—Closer farm and labor relationships, with emphasis upon cooperatives as a common ground and as a means of improving the economic status of both, were the subject of several conferences during the year. Among those coming to the attention of the Bureau were one held at Winona, Minn., one at Toledo, Ohio, and several at different places in Wisconsin. Cooperative, farmer, and labor representatives were present at all of them. Direct trading between consumers' cooperatives and farmers' marketing associations has been going on for years. In addition, cooperatives with both farmers and townspeople in membership have been springing up increasingly. In 1947, new cooperatives of this kind were reported from Indiana, Michigan, Nebraska, Oklahoma, and several places in California. Consumers' cooperatives in Oakland and San Jose, with union support, were reported to be sponsoring farmers' markets; and near Inglewood it was hoped that such a market, sponsored by labor and veterans, would grow into a consumers' cooperative. At the Farmers Union State Exchange store at Omaha, it was reported, the majority of the patrons are residents of the city, not farmers. A farm-supply cooperative and a city store in Ogden, Utah, are reported to have merged.

This trend is receiving much discussion pro and con within the cooperative movement. One group points out the interdependence of the farmers and the city workers, with the prosperity of the former directly related to that of the industrial workers, and holds that there is like dependence between the cooperatives of the two groups. Commenting on the present plight of some of the city cooperatives, *Midland Cooperator* (issue of December 24, 1947) states: "It is a serious situation, and one which deserves and is getting the concentrated attention of the leaders, not only of city coopera-

tives, but also of farmer cooperatives. For it is just as true as it ever was that cooperatives, as a movement, will never amount to much until they are as strong in the cities as they are in the rural areas." The membership of National Cooperatives and the Cooperative League includes farmer and city cooperatives. That the consumer philosophy is not accepted entirely even in those organizations, however, is indicated by the recent developments, previously mentioned, in National.

At the other extreme is the group which favors relations between producers and consumers on a business basis only: "The consumer cooperative as a customer of a farmer cooperative is all right. The relationship should be simply that of buyer and seller."¹⁰ This group opposes any partnership with consumers' cooperatives, on the ground that the "farmers and consumers are on opposite sides of the national economy," the one being a seller and the other a buyer.¹¹ Another point of objection on the part of this group is that "most farmer cooperatives feel that the leadership of consumer cooperatives is too much concerned in social reform."¹⁰

Churches and Other Groups.—The year 1947 saw the formation of the Catholic Council for Cooperative Development, an organization designed to coordinate Catholic cooperative activities. The headquarters of the Council will be in Chicago. Early in the year a series of six lecture discussions on cooperatives was held in that city, sponsored jointly by the Catholic Labor Alliance, Illinois Credit Union League, and the regional wholesale (Central States Cooperatives).

A resolution adopted by the Methodist Federation for Social Action stated that, "The economic problems of the whole population will not be settled without the development of consumer organization in cooperatives, consumer unions, and the consumers' use of purchasing power to keep down living costs and help prevent inflation." The New York East Conference of the same church went on record as favoring the investment of church funds in cooperative enterprises.

The 1947 convention of the American Veterans' Committee urged the "adoption of the principle

⁹ Several Farmers' Union cooperatives already provide funeral service.

¹⁰ *Cooperative Digest* (Ithaca, N. Y.), August 1947, p. 37.

¹¹ *Cooperative News* (Chicago), August 20, 1947.

of cooperative housing to help solve the housing crisis"; endorsed the cooperative movement "as an effective force in the development of political and economic democracy"; and, in the belief that "cooperatives should be fostered and encouraged as a matter of public policy," opposed "the placing of a special tax on dividends [i. e., patronage refunds] of cooperatives."

Education, Recreation, and Publicity

Scattered reports coming to the attention of the Bureau of Labor Statistics indicate that a number of educational institutions offered courses on cooperatives in 1947. Among these were a 2-hour credit course offered by Cornell University at its summer school; a course given by the extension school of Providence (R. I.) College; an institute on management of cooperatives given by the University of Minnesota at its center for continuation study; a 6-week course in consumers' cooperation offered by Wayne University (Detroit); and an extension course, intended primarily for union and church leaders, sponsored jointly by the Massachusetts Department of Education and the New England Cooperative Federation.

In Wisconsin, the appropriations made for teaching materials to be used for the courses in cooperation required by the 1935 law in the State University and normal schools, were eliminated during the formulation of the budgets for the State departments. An act finally passed (ch. 595), however, provides for "annual appropriations" of \$2,500 and \$500, for teaching materials.

The year 1947 saw the continuance and acceleration of employee-training work, notably by the regional wholesales. In Superior, Wis., a 4-week management training school attracted students (mostly managers of local associations) not only from Central Cooperative Wholesale affiliates but also from those of other wholesales. Superior is also the headquarters of the correspondence courses for cooperative managers and employees, sponsored by several of the wholesales.¹² Central Cooperative Wholesale also held a series of "circuit" schools in problems of administration for cooperative directors; and a 3-week course in co-

operative leadership for young people at Co-op Park, Brule, Wis.

Short courses for employees and managers of stores and petroleum associations, offered by Consumers Cooperative Association (Mo.), are expected to develop into a year-round school of cooperative leadership. The wholesale's third 5-year plan calls for such a school, with its own buildings and a full-time faculty. It is hoped to have the school in operation by 1951.

One of the first acts of the new International Cooperative Petroleum Association was the sponsoring of a school for students sent to this country from petroleum cooperatives in 10 countries. The course, which covered petroleum production, processing, and distribution, was given at the headquarters of Consumers Cooperative Association, using the productive facilities of that organization for teaching purposes.

In Ohio, the neighborhood discussion groups—regarded as a most successful adult education method—were continued. These groups discuss pro and con any subject interesting them as citizens; to them are also referred any proposed measures for expansion or otherwise contemplated by their cooperatives. In this way information and understanding are built up among the membership, which expresses itself freely. Measures which they approve can then be inaugurated, with the foreknowledge of membership support.

Eastern Cooperatives, Inc., in 1947 sponsored its eighteenth summer institute, which was held at Haverford College and included sessions on housing, health, labor and cooperatives, and employee round tables.

Such summer cooperative institutes, common throughout the cooperative movement—some sponsored by the regional wholesales or federations, some by cooperative women's guilds or other agencies—generally combine instruction with recreation, and offer family vacation facilities as well. In most cases, camp grounds are leased for the purpose, but in Michigan, Minnesota, and Wisconsin permanent associations own parks or camp facilities which are used for both education and recreation for cooperators of all ages.

Annually a school for the training of leaders in cooperative recreation is held, sponsored by the Cooperative League of the U. S. A. and National Cooperatives.

¹² Four of these courses were approved by the Veterans Administration for veterans' training.

Various recreational activities — concerts, dances, picnics, etc.—are featured by many of the more progressive local cooperatives. Chicago also has an association, the Cooperative Symphony Orchestra, which has given several concerts. In 1947, the annual cooperative tours sponsored by National Cooperatives' Tour Bureau, interrupted by the war, were resumed. One group of cooperators participated in a 6-week trip through several European countries, another group visited cooperatives in Canada and the North Central States, and a third visited those in the Eastern States. Several of the regional cooperatives also sponsored trips of varying length.

In the field of publicity, radio station WRFD, owned by the Peoples Broadcasting Corporation (an organization sponsored by the Ohio Farm Bureau Cooperative Association) went on the air September 8, 1947. In Washington, D. C., ground was broken for an FM radio station owned by the Cooperative Broadcasting Association (sponsored by the Potomac Cooperative Federation and other cooperatives in the area), in October 1947.

National Cooperatives' Film Bureau issued three new cooperative films for recreational, educational, and propaganda purposes.

Laws and Court Decisions

State Legislation.—Some 42 State legislatures met in regular session and 3 in extra session in 1947. Only a few enacted any legislation affecting cooperatives. For the most part these measures liberalize the provisions or extend the coverage of existing legislation. Rhode Island, in 1947, joined the ranks of the States with comprehensive cooperative laws.

The year was remarkable, however, for the number of States in which legislative bills inimical to cooperatives were introduced. Among the States where restrictive measures or those aiming at increased taxation were introduced, but failed to pass, were Colorado, Kansas, Maryland, North Carolina, North Dakota, Ohio, and Wisconsin. In North Dakota, also, restriction of the Farmers' Union insurance organizations was the purpose of three unsuccessful measures introduced. According to the Cooperative Builder (issue of March 27, 1947), "legislation aimed at harming REA cooperatives" was introduced in 22 States.

Among the measures enacted, *Arkansas Act No. 362*, directed especially at cooperative electricity associations, makes all cooperatives liable and subject to suits for acts of their agents and employees, "committed in the scope of their employment."

In *California*, chapter 1161 authorizes municipalities to grant a lease for not more than 50 years, on any property owned or controlled by them, to nonprofit corporations, to be used for housing developments.

The *Iowa Multiple Housing Act* (ch. 250) authorizes the formation of cooperative associations to "build and construct apartment houses or dwellings." It specifies that in apartment buildings, "the interest of each individual member shall be evidenced by the issuance of a certificate of ownership or deed to a particular apartment or room therein." Title to the land upon which the building is erected is to be held by the association's trustees. In the election of directors, each member has one vote, irrespective of the number of apartments he may own; joint owners of a single apartment also have but one vote. A three-fourths vote of the members and board of directors is required for either selling or mortgaging the property. For tax purposes, an individual apartment is deemed to be a "homestead" entitled to the homestead tax credit; veteran owners are entitled to the Iowa "veterans' tax benefit."

Several measures were introduced in *Kansas*, but the only one that passed was an act (ch. 458) requiring all cooperatives (except electricity cooperatives) to file an annual income-tax return.

In *Michigan*, insurance on the "assessment or cooperative plan" is authorized by chapter 111 (p. 178).

Cooperative enactments in *Minnesota* (chs. 61 and 354) amend the cooperative law to permit the holding of annual meetings at places other than the principal place of business, and even (in the case of federations of cooperatives) outside the State. New sections (secs. 308.36 and 308.361 of the code), added by chapters 510 and 513 of Acts of 1947, permit associations organized defectively, which have carried on their cooperative business in good faith, to amend their articles of incorporation and bylaws to comply with the cooperative law, thereby becoming legal and valid corporations de jure and validating all their previous business transactions. Chapters 62, 67, and 511 (not

coded) permit associations which have inadvertently run past the authorized period of existence to renew their charter, and chapter 512 (not coded) gives associations which have failed to file amendments a 30-day period of grace in which to do so.

The *New Mexico* Legislature by chapter 206 authorizes the formation of mutual domestic water consumers' associations in rural unincorporated communities, and provides for State grants for those fulfilling certain conditions.

In *Oregon*, an amendment (ch. 107) eliminates a former provision permitting a cooperative to cover into its funds patronage refunds not called for by the patron within 1 year, and prohibits profit-making companies doing business with cooperatives from participating in cooperative dividends. Another act (ch. 135) exempts from the provisions of the blue-sky law the stock or membership certificates, or patronage refunds, of cooperative marketing, purchasing, or irrigation associations.

A new cooperative law (ch. 1976) was passed in *Rhode Island*. It permits any three or more persons to form a stock or nonstock cooperative to engage in any lawful business permitted under the general corporation law (General Laws, ch. 116); and also authorizes the formation of federations of cooperatives. Annual meetings must be held, and special meetings if called for by one-tenth of the membership; district meetings are likewise authorized. At meetings vote by mail is permitted if the member receives a copy of the measures to be voted upon; proxy voting is prohibited. Each member has one vote; other organizations which are members may vote on some other basis, but not according to the number of shares held by them.

In the distribution of earnings, not less than 10 percent must be placed in the reserve until that fund equals at least 50 percent of paid-in capital. Patronage refunds need not be paid in cash, but may be credited toward the purchase of shares. The association may recapture, for its general funds, any amounts so credited to nonmembers, provided (1) the full amount necessary for membership is not accumulated within the period specified in the bylaws, and (2) no action is taken by the nonmember to become a member, even though

the full amount necessary for membership has been earned.

In case a member fails to patronize the cooperative for a period specified in the by-laws, the association may call in his shares, thereby terminating his membership. The shares of any member, up to the minimum necessary for membership (but not to exceed \$50), are exempt from garnishment for his debts. Interest of not over 6 percent may be paid on share capital; it shall be noncumulative.

Amendments to articles of incorporation and bylaws may be made by a two-thirds vote of a special meeting called for the purpose.

Except for the special cooperative features, cooperatives are subject to the provisions of the general corporation law. They also are subject to the same franchise taxes as are paid by corporations (the tax varies with the amount of share capital).

The law was sponsored by the Rhode Island Credit Union League.

In *South Dakota*, renewal of the corporate existence of cooperatives is authorized by chapter 34, and the formation of electricity associations by chapter 33.

The *Vermont* Legislature passed two acts relating to cooperatives: No. 106, permitting the consolidation of existing associations; and No. 104, amending the cooperative law to permit the formation of railroad cooperatives, the members of which may be nonprofit organizations, or any persons, corporations, or associations using the railroad's services.¹³

A *Washington* law (ch. 37) makes the payment of interest on share capital at not more than 8 percent, formerly mandatory, optional with the trustees of an association. Also optional is the provision for "reasonable reserves"; formerly the trustees were required to place in the reserves not less than 10 percent nor more than 25 percent of the year's earnings. At the option of the trustees, they may distribute "all or any portion" of the earnings in refunds on patronage to members and nonmembers (the latter to receive the same rate as members); formerly the distribution of earnings, after provision for reserves, was mandatory

¹³ It is understood that the purpose of Act No. 104 was to permit the reorganization of an existing railroad (the 407-mile Rutland Railroad) as a cooperative. Under the cooperative plan, shippers would become members and receive from earnings refunds on their patronage.

and had to be paid on wages of employees as well as on patronage. Hereafter, the distribution may be made at different rates on "different classes, kinds, or varieties of products handled." The amendment specifically authorizes the payment of patronage refunds, if desired, in "capital stock or other capital or equity certificates." The associations previously had the right to recapture patronage refunds unclaimed at the end of 6 months; this period was lengthened to 1 year by the 1947 amendment, which also made the provision subject to the "discretion of the trustees."

In *Wisconsin*, chapter 595 provided for continuing annual appropriations of \$2,500 and \$500 for the preparation of educational materials to be used in carrying out the provisions of the 1935 law (requiring the teaching of courses on cooperation in the State university and normal schools).

An act was also passed (ch. 408), with the support of the medical profession, authorizing the formation of nonstock, nonprofit cooperatives to provide medical and hospital care;¹⁴ dental care may also be added. Under the law the patient (member) must be given his choice among the physicians who have agreed to participate in the plan. No physician may be required to confine his practice to the plan alone, nor may any duly licensed physician be excluded who agrees to participate and conform to the requirements of the plan. Further, hospitals are forbidden to discriminate against any participating physician by refusing him the use of their facilities because of his participation. Property of associations formed under this act is declared exempt from taxation, as they are deemed to be "charitable and benevolent corporations."

Other Wisconsin acts of 1947 included one granting to Dairyland Power Cooperative, La Crosse, Wis., the power of eminent domain along the Flambeau River, for the purpose of constructing a dam (ch. 615); and one permitting mergers of mutual insurance companies (ch. 174).

Court Decisions.—There were comparatively few court decisions handed down in 1947 affecting consumers' cooperatives. Below are summarized those which were of general importance or in-

involved some general principle. Most of these affected electricity cooperatives.

Probably the case involving Consumers Cooperative Association (Missouri) was that of most general interest. In April 1947, the attorney general of Kansas filed an "ouster" suit against the association, requesting that it be placed in receivership, on the ground that it was exceeding the powers granted by the Kansas Cooperative Marketing Act,¹⁵ under which the association was incorporated. (He was chairman of the State charter board, which had previously refused to allow the association to increase its capitalization from 2 million to 12 million dollars. Shortly afterward, the association had filed suit against the board for a declaratory judgment.)

The association, in its newspaper, pointed out to its members that, if the suit were granted, every Kansas cooperative organized under the same law, which was carrying on any but a marketing business, would be placed in jeopardy.

The two cases were heard jointly by the Kansas Supreme Court, early in June. On July 12, the court, by a unanimous vote refused the writ of ouster and receivership requested by the attorney general (*State ex rel. Arn (Atty. Gen.) v. Consumers Cooperative Association*, 183 Pac. (2d) 423) and ordered that the request for increased capitalization be allowed, as the secretary of State had no authority in the matter (*Consumers Cooperative Association v. Arn*, 183 Pac. (2d.) 453). The association was directed to submit its stock issue to the Blue Sky Department of the State Corporation Commission for a determination as to whether it need be registered.

One of the grounds of complaint against the association being the size and variety of activities carried on, the court noted in passing that "If Consumers Cooperative Association had not engaged in operating its refineries and kindred other activities, it is doubtful if the other activities in which the State alleged it was engaged would have brought on as drastic a proceeding as an ouster suit. In other words, there was no particular attack on agricultural cooperatives as long as they confined their activities to the furnishing to their members of a few incidental supplies."

¹⁴ A similar measure was introduced in Minnesota, but failed to pass.

¹⁵ A somewhat similar suit had been brought in 1946 against Sho-Me Cooperative Power Association (Columbia, Mo.). For final decision, see p. 13.

In Florida, a county solicitor had filed information charging violation of law, because an intern working in the hospital of a medical-care cooperative, Centro Español de Tampa, had no license in the State. It was revealed, in an appeal to the Supreme Court of Florida, that the intern was a fully qualified physician who had practiced elsewhere; he was not practicing medicine in Florida, but was working under the hospital's medical director. The decree of the lower court, staying his trial on the charges, was affirmed (*Watson, Attorney General et al. v. Centro Español de Tampa et al.*, 30 S. (2d) 288).

The reorganization plan of the Sho-Me Power Cooperative was upheld by the Supreme Court of Missouri (*State v. Sho-Me Power Cooperative*, 204 S. W. (2d) 276). In 1946 the same court had held (191 S. W. (2d) 971) that the association could not legally operate as a public utility while incorporated under the cooperative law. It was given a year in which to reorganize; later the period was extended indefinitely. In February 1947 the association reorganized as the Sho-Me Power Corporation under the general corporation law of the State. When the petition was filed for approval, three utility companies intervened, charging that it was not validly incorporated but was still in reality a cooperative; that the corporation law did not permit the restrictions on the issuance and sale of stock contained in Sho-Me's articles of incorporation; and that its capital was "grossly inadequate" for the obligations and the size of the business to be carried on. All these charges were considered, and dismissed as without merit, by unanimous opinion of the four judges sitting in the case.

The employees of two Minnesota electricity cooperatives were held to be employed in interstate commerce and therefore subject to the provisions of the Fair Labor Standards Act (*Meeker Cooperative Light & Power Association v. Philips et al.*, and *Renville-Sibley Cooperative Power Association v. Walling*, 158 Fed. (2d) 698). In Ohio an electricity cooperative was held to be a nonprofit organization "operated exclusively for the promotion of social welfare," and the judgment of the lower court that it was therefore exempt from Federal income tax was affirmed (*United States v.*

Pickwick Electric Membership Corporation, 158 Fed. (2d) 272).

International Developments

From the Freedom Fund raised by cooperators in the United States for the reconstruction of cooperatives in war-torn countries several allocations were made in 1947, including the following: \$5,000 for the use of cooperatives in Germany, \$5,000 for seeds to be distributed through cooperatives in Poland, \$5,000 for sewing machines and other equipment for cooperative textile factories in Austria, \$15,000 for scholarships for students from abroad, to study cooperatives,¹⁶ and \$1,000 for educational materials for cooperatives in devastated countries.

The Cooperative for American Remittances to Europe (CARE), which the Cooperative League was instrumental in forming and for the initial expenses of which the first Freedom Fund disbursement was made, continued its activities in 1947. The organization reported late in April that to date it had sent packages of foods to Europe valued at over 19 million dollars, and nearly 36,000 blanket packages. The association also has a package of cotton textiles and one of woolen textiles. Four new countries—Great Britain, Bulgaria, Hungary, and Rumania¹⁷—were added to those to which packages may be shipped, bringing the total to 15. Two additional agencies (the Seventh Day Adventists and American Relief for Austria) were added to the list of CARE's sponsors.

Cooperators and their associations, throughout the United States, also contributed to the Friendship Train.

The International Cooperative Women's Guild was made a permanent consultant of the Economic and Social Council of the United Nations. Similar status had been accorded the International Cooperative Alliance¹⁸ in 1946.

¹⁶ The students taking the course on petroleum production, processing, and distribution were financed from this allocation.

¹⁷ In December 1947, CARE announced that, because of unsatisfactory relationships with the Rumanian Government, it had withdrawn its representatives from that country and would distribute no more relief packages there.

¹⁸ The cooperative movement in the United States is a member of the Alliance.

Bureau of Labor Statistics Publications on Consumers' Cooperatives ¹

Bulletin 665. Organization and management of consumers' cooperatives and buying clubs. 25 cents.

Bulletin 821. Developments in consumers' cooperative movement in 1944. 10 cents.

Bulletin 843. Operations of consumers' cooperatives in 1944. 10 cents.

Bulletin 850. Activities of credit unions in 1944. 10 cents.

Bulletin 858. Organization and management of cooperative and mutual housing associations. 20 cents.

Bulletin 859. Developments in consumers' cooperative movement in 1945. 10 cents.

Bulletin 890. Operations of consumers' cooperatives in 1945. 10 cents.

Bulletin 894. Activities of credit unions in 1945. 5 cents.

Bulletin 896. Nonprofit housing projects in the United States. 25 cents.

Bulletin 904. Developments in the consumers' cooperative movement in 1946. 15 cents.

Bulletin 922. Consumers' cooperatives and credit unions: Operations in 1946. 15 cents.

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