Developments in Consumers' Cooperatives in 1950

A Record of the Year's Events

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UNITED STATES DEPARTMENT OF LABOR
Maurice J. Tobin, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner
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A Record of the Year's Events
Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., September 18, 1951.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on events in the consumers' cooperative movement in 1950. This report was prepared by Florence E. Parker, of the Bureau's Office of Labor Economics.

EWAN CLAGUE, Commissioner.

Hon. Maurice J. Tobin,
Secretary of Labor.

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Developments in Consumers’ Cooperatives in 1950

Progress in 1950

Considerable improvement in the consumers’ cooperative movement during 1950 was indicated by reports received by the Bureau of Labor Statistics from various sources. Among the retail associations, volume of business (in terms of dollar sales) generally increased, but earnings were usually less than in 1949. Among the wholesale associations all but a few showed substantial rises in sales. Their earnings also showed a marked gain over the previous year, when a number were caught in the price “squeeze” in the petroleum market.

Extensive modernization of plant took place among both retail and wholesale associations, as well as among productive federations. Additional productive facilities were bought or erected, and a considerable amount of oil-bearing land was leased or otherwise acquired. In a few cases productive enterprises were disposed of.

Events important to the cooperative movement were the seventeenth biennial congress of the Cooperative League of the USA, the fourth annual convention of the Cooperative Health Federation, and the formation of the National Association of Housing Cooperatives. The League meeting heard reports on the 50 years of cooperative development, since 1900, in various branches of the movement. It adopted a 4-year plan, looking toward closer relationships in the movement, toward a program of research and information in cooperation with educational institutions and research agencies, and toward cooperative development in whatever new fields seem appropriate.

Congress of the Cooperative League

The Cooperative League of the USA is the keystone of the consumers’ cooperative movement in the United States. Its membership consists of the regional cooperative wholesales of the distributive movement and their national buying agency (National Cooperatives), educational cooperative federations, and the national federations in the various branches of the cooperative movement. These are full members, entitled to representation in the congress of the League and on its board. Individuals and local cooperatives may become associate members without voting power.

Admission to membership of additional organizations was announced at the seventeenth biennial cooperative congress of the League, held in Chicago, October 11-13, 1951. These were the Farmers Cooperative Exchange, a regional cooperative wholesale in Raleigh, N. C.; Cascade Cooperative League, an educational federation in Seattle, Wash.; and the New Cooperative Co. (one of the largest consumers’ cooperatives in the United States), of Dillonvale, Ohio. The National Rural Electric Cooperative Association, with headquarters in Washington, D. C., national federation of the REA cooperatives, had applied for membership but its application had not yet been acted upon.

Federations already in membership include the National Association of Housing Cooperatives, Cooperative Health Federation, Cooperative Finance Association, Cooperative Society for Recreational Education, National Cooperatives, Inc., North American Student Cooperative League, and the Insurance Conference.

The executive secretary, commenting on the work of the League in presenting the consumers’ and cooperative viewpoint to the public, to other organizations, and at congressional hearings, stated: “We have, I believe, succeeded in making it clear to the Congress [of the United States], if not to the Nation, that cooperatives desire no special favors from Government and that our principal aim in all our legislative work is to open the door as widely as possible to the people that they may attack their own problems by cooperative action.”
The representative of a management-consultant firm employed by the league to make a study of the cooperative movement made a report to the Congress. He noted that cooperatives ranked high in “terms of social sensitivity, * * * in service rendered, in ideals, in loyalty, in hard work and ‘drive to overcome obstacles,’ in their contribution to the economy, and in their accomplishments compared to their resources.”

Several points were presented, representing the “major needs of the less progressive manage­ments”: (a) Defining the functions of the board of directors (i. e., setting objectives, determining broad policies, trusteeship control), (b) manage­ment thinking in terms of broad general policies, not merely of specific operating decisions, (c) long-range as well as short-range planning, (d) enlistment of employee participation, (e) adequate controls to enable checks on accomplishments in relation to plans, (f) adequate physical and financial resources, and (g) executive direction and leadership.

Regarding the last point, the study indicated (a) too little evidence of sound salary administra­tion, (b) haphazard, spotty, and inadequate selec­tion of supervisory and executive personnel, (c) insufficient delegation of responsibility and authority by otherwise capable executives, (d) too little use of productive incentives, “even the inexpensive psychological incentives,” and (e) reliance upon high ideals and devotion to the cause, instead of modern psychology, to produce team work and high morale. The report concluded by emphasizing that “during the next 10 years the ability of cooperatives to provide larger benefits to the members and patrons; the ability to seize new opportunities; the ability to influence the economy down the middle way—the ability to accomplish these high objectives lies principally in the hands of management.”

Various other speakers summarized the trend of development, since 1900, of the cooperative petroleum associations, cooperative stores, health plans, electric-power cooperatives, insurance associations, credit unions, and farmers’ cooperative purchasing and marketing associations. Cooperators from Canada and South America described the cooperative movement in those countries.

The outstanding feature of the meeting was the adoption of a 4-year plan. The general purposes of the League were set forth as follows:

To spread knowledge and information concerning principles and methods of cooperation.
To promote and develop consumer cooperation in countryside and city.
To promote cooperative methods in distribution and production of farm and home supplies, goods, and services.
To encourage organization, growth and effective operation of cooperative businesses.
To foster the organization of federations of cooperatives in various fields.
To maintain membership in the International Cooperative Alliance and promote interest in international cooperation in the United States.
To engage in such educational activities as will help to realize the foregoing purposes, and to encourage other educational agencies to also carry on similar educational activities.

By all these means to protect and promote the general welfare of all the American people and to make possible a democratic, orderly and progressive adjustment of our free society to the circumstances of a constantly changing world.

The goals of the plan were as follows:

1. The institution of a national education and research program, under a full-time educational director and including (a) the establishment of courses in cooperation in at least five additional colleges and universities each year, (b) the arrange­ment and conduct of conferences for board mem­bers, education and public relations directors, and workers, (c) the conduct of a broad research pro­gram, (d) work with colleges and other research agencies on cooperative research, (e) the develop­ment of materials for use in courses of study, (f) the development of effective literature on cooperatives, and (g) the development of an advisory board of experts outside the movement to help guide this phase of the plan.

2. A greatly strengthened legislative program. This would include (a) the formulation and dis­semination of statements regarding the League’s policy on broad questions affecting cooperatives and the general welfare, and (b) efforts to increase League-member participation in the legislative program through testimony before congressional committees and other public bodies.

3. A broad public relations and information program. This would be developed through a central committee composed of League members’ public relations directors, expansion of the League’s Cooperative News Service, fast dissemination of information from locals and regionals to the League and vice versa, increased cooperative participation in community activities, and in-
increased use of radio and visual materials, including films.

4. Closer working relationships among cooperatives at all levels, through the exchange of speakers, conferences, joint projects, and a national intercooperative committee. This would include, also, close relations with the International Cooperative Alliance, International Cooperative Petroleum Association, and other international trading associations.

5. Expansion into new fields, requiring a careful survey of various needs and the practical possibility of meeting them by cooperative action.

Local Associations

The decreases in earnings of retail cooperatives, which appear to have been fairly general, seem to have been due mainly to lower margins resulting from wage increases and other higher costs of operation at the same time that volume of business was in many cases declining. Another factor was that many of the wholesales to which they are affiliated returned either no patronage refunds or considerably smaller amounts than usual. Because of the interdependence of the retail and wholesale associations, the misfortunes of either set up a chain reaction that affects the other.

Although the picture of cooperative operation in urban areas—especially in the large cities—has not been a cheering one on the whole since the end of the war, there have been a number of outstanding exceptions.

In Palo Alto, Calif., where the store association moved into new and greatly expanded quarters in 1950, it was reported that at the end of the year the cooperative was serving 10 to 15 percent of the population. The association operates in its shopping center a grocery and meat market, a service station, drug store, housewares store, and an insurance agency. It furnishes accommodations also for the cooperative credit union. Parking space for 80 cars is provided. At other locations it has a cold-storage plant and a dry-cleaning plant. A full-time educational director is employed. In its 15 years of operation, patronage refunds have been paid every year. This association is one of the dozen million-dollar urban cooperatives in the United States.

In the same State, the Services Consumer Cooperative was organized in San Diego in 1950, upon the closing of the Navy commissary there. After Navy men led a whirlwind campaign for membership and capital, a large store was opened on June 1. A sales volume of nearly $500,000 and earnings of over $8,000 were reported at the end of the year. Membership in December was reported as 3,433. The association operates a grocery and meat market, a liquor store, an appliance department, and a laundry and dry-cleaning agency.

The Greenbelt (Md.) Consumers Services operates many different businesses in that town (including a supermarket, movie theater, variety store, lunch room, shoe-repair shop, barber, and beauty shops, etc.). It took its first step toward expansion outside the town in 1950 by leasing space for a supermarket in a new shopping center in Takoma Park, Md. The association, in the $2-million class in 1949, increased its sales by $200,000 in 1950.

United Cooperative Society of Fitchburg, Mass., another association with over a million dollars in sales, remodeled and expanded its quarters. The facilities now house a supermarket, dry-goods and appliance departments, offices, and a bakery. This predominantly Finnish cooperative, dating from 1910, has met the problem faced by all old associations—continuance and renewal of membership interest—by infusions of new blood. Its general manager and some of its directors are young veterans of World War II. On sales of $1,296,999 the association had earnings of $37,325; it returned patronage refunds amounting to $18,696.

The United Cooperative Society of Maynard, Mass., reported that operations were good despite unemployment in the woolen mills (the town's main industry). Volume of business increased slightly, to $1,312,308, and savings of $30,912 were realized. This was somewhat more than in 1949. Patronage refunds totaled $19,686.

Consumers Cooperative Association of Eau Claire, Wis., formed in 1935, did a business of $1,250,102 in 1950, and realized earnings of $32,828. Its operations were expanded in 1950 to include sewing machines, heating and plumbing installation, and a shoe department. Its previous lines included groceries, meats, produce, hardware, appliances, dry goods, and a lunch counter.

In Minnesota, Virginia Cooperative Society in 1950 became the second in that area to attain sales
DEVELOPMENTS IN 1950

of a million dollars. The cooperative has grocery, meat, furniture, and hardware departments in its main building. Recently it opened a clothing store, handling complete lines of men’s, women’s, and children’s clothing. It also has a feed department, and branch food stores are operated in two nearby towns.

The cooperative department store in Arlington, Va., moved into the group of the largest urban associations, with sales of $1,046,240, and its operations were “in the black,” after several years of losses. The association inaugurated something new with the opening of an exhibit room for the display of craft work produced by its members and others. The exhibit is changed every 30 days.

Eastern Cooperatives, Inc., a wholesale association in New Jersey, whose affiliates are all urban associations, announced early in 1951 that on the basis of reports thus far received “Eastern co-op food stores did very well in 1950.” In eastern Michigan, also, union-supported food markets, which were barely breaking even in 1949, were stated to have had a good year in 1950. Other city cooperatives were pulling up slowly after more or less extended periods of operating losses. However, small city operations were still closing in a number of places throughout the United States, generally after several years of operation at a loss.

Many cooperatives expanded into new facilities, mainly gasoline service stations and food stores. In most cases, expansion and remodeling were followed by substantial increases in sales and membership interest.

The construction of a new $20,000 chapel was reported by the 2,000-member cooperative burial association in New Ulm, Minn.

Some associations—though, it appears, fewer than usual—were either organized or opened for business in 1950. Among the latter were a modern food market and a gasoline service station, respectively, in Saginaw, Mich., and Lorain, Ohio, where for 2 years labor-led groups had been organizing and raising capital. A campaign of similar length, in Akron, Ohio, culminated in the start of a new building to house departments for groceries, meats, drugs, clothing, hardware, and petroleum products. In several places, cooperatives and labor groups sponsored discount arrangements on clothing, appliances, and other articles not handled by the local cooperative.

One Michigan store association built a factory for the manufacture of cheese. A creamery association in Wisconsin opened a grocery store. In Minnesota a petroleum association opened a restaurant capable of serving some 100 diners. It also has a banquet room. A cooperative burial association was taken over as a department of a farmers’ marketing association (thereby disappearing from this Bureau’s co-op coverage).

In Michigan a part-time store was opened, and was reported to be operating on a cost-plus basis. This kind of operation not only runs counter to the Rochdale procedure of sale at current prices, but also is dangerous in that no one can predict with certainty what the final cost of operation will be. Any considerable margin of error might be fatal. Such a practice also provides no margin for either patronage refunds or for future expansion.

A Negro cooperative in Washington, D. C., organized in 1945, opened a food store in November 1950. Educational work, collection of funds, and difficulty in obtaining suitable quarters accounted for the delay. On the other hand, a second Negro cooperative, in Richmond, Va., closed its branches and by the end of the year was operating only the original store. In Chicago, a Negro association in a large housing project celebrated its sixth anniversary. The cooperative, which already operated a large food market, opened a variety store in 1950. Auxiliary to the cooperative is a group of women members who have pledged themselves to buy everything possible from the store and to save something each week to be invested in the shares of the organization.

“More locker plants...tougher going” was the report from the Farm Credit Administration regarding the cold-storage cooperatives. A drop of 16 percent in average number of lockers rented and in average volume of food processed, as compared with 1946, was revealed by a study made by that agency. “Yet except for a few shake-down points...locker plants are in good shape.” The FCA estimates that about 10 percent of the frozen food plants in the United States are cooperatively owned.¹

The Franklin Cooperative Creamery Association, the largest cooperative of its kind in the

¹ News for Farmer Cooperatives (Farm Credit Administration, Washington, D. C., October, 1950).
United States, organized by striking milk-wagon drivers in 1921, started a new delivery route—via airplane—in 1950, to serve airplane ground and flight crews in the Aleutian Islands, some 3,000 miles from the association's plant in Minneapolis. Total sales of the organization in 1950 amounted to $5,724,272.

Credit unions appear to have had another banner year in 1950. How the current restrictions on installment buying will affect their operations remains to be seen.

The year also brought some misfortune. Two associations in the Midwest suffered loss by fire, one losing its store building and the other its automobile garage. In both cases the facilities were immediately rebuilt. The store association increased the facilities in its new building to include a complete line of men's and boys' clothing and footwear.

Local strikes in several places reduced cooperators' buying power, resulting in a lower volume of business for the cooperative. Near crop failures (resulting from drought, killing frosts, etc.) had the same effect in others. One association's aid to strikers, in the form of credit, was reported to have worsened its financial position somewhat. Extensive flood damage to inventory, equipment, and buildings was reported in Minnesota.

Several cooperatives closed one or more branches, but in a few instances a local cooperative was formed or planned, to take over the operation. In at least one case a cooperatively owned gasoline station was leased to a private operator.

A number of small city associations closed their doors in 1950, generally after several years of operation at a loss. In some cases it was reported that a substantial part of the original membership had moved away, or the neighborhood had so changed as to make further operation impracticable. One eastern association opened a grocery store early in May 1950 after a year's organization work. The store was not successful and was closed at the end of the year.

In a few cases the cooperative group decided to continue as a buying club. In several others, members were becoming active, almost immediately, in forming a new organization. In one of these, "never-say-die cooperators . . . who have buried five co-op stores in the past half century, immediately began talking about a new co-op."  

The city-wide association launched in Chicago in 1945 began operation in 1946. Its purpose was to unify the cooperatives already in existence and to open new branches until the entire city would be served. Two existing associations joined, as did a third for a period. At one time the cooperative had 3,200 members and was running six stores. The organization operated at a loss, almost from the start. By 1950 three stores had been closed or sold. At the end of the year two of the remaining stores (those antedating the city-wide organization) were returned to the members for renewal of independent operation. The third was sold at auction. The city-wide association has not been dissolved. Its directors said in their final report that it may be used to provide service in other fields, such as health service or discount buying.

The death of this ambitious undertaking naturally has aroused discussion. One cooperative writer commented: "What was the fatal flaw in such a line-up will be a matter of debate for a long time to come. . . . Hindsight prompts one observation that the very idea of a city-wide ownership of a co-op robs it of the relatively intimate character which in most instances seems essential to sound co-op growth." Another stated: "At this distance, we'd say the trouble . . . was lack of sufficient cooperative understanding and spirit—in short, lack of fundamental cooperative education. Imagine a cooperative thrown together by paid solicitors and manned by people who knew nothing about cooperative philosophy."  

The reports of cooperative auditing services have stressed certain danger points revealed by financial statements of local associations. Among these were (1) decreased liquidity of operating funds, resulting from investment in buildings, equipment, etc., which cost more than was expected; (2) smaller gross and net margins as a result of declines in sales volume and rising costs of operation (labor, fuel, supplies, taxes, etc.); and (3) greatly increased accounts receivable. One report, covering 146 petroleum associations, noted that accounts receivable had increased 30 percent in the year.

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1 Cooperative Builder (Superior, Wis.), December 21, 1950.
2 Farmers Union Herald, (South St. Paul, Minn.), February 19, 1951.
3 H. L. Herron, in Nebraska Cooperator (Omaha, Nebr.), March 3, 1951.
The same trend, though not so pronounced, was noted among the store associations. This report also commented on the slowdown of inventory turn-over, and suggested that these two factors—accounts receivable and funds tied up in slow-moving merchandise—"can seriously restrict a co-op’s operations and often injure its credit standing with suppliers." Other serious causes of loss are spoilage and wastage. The auditing association estimated that, in the petroleum associations studied, such waste resulted in a combined loss of over $200,000 per year, or about $1,450 per cooperative.

In the North Central States, the affiliates of Central Cooperative Wholesale in their winter meetings discussed means of overcoming the disadvantages of small-store operation. It was reported at one meeting of northern Wisconsin associations that only 4 of the 40 largest associations and 8 of the 40 next largest associations showed operating losses as contrasted with 11 of the 24 smallest associations. "Even if experienced managers were available, the small co-ops could not afford them. The solution lies in multiple-store operations." Groups of stores, it was felt, could afford the best management. Other meetings came to the same tentative conclusion—that integration might be the answer.

Cooperative leaders on the North Atlantic seaboard were convinced that the recession in the cooperative movement there was basically due to lack of educational work to ground the members in cooperative philosophy. Several expressed the opinion that the movement had been sold to the membership on the wrong basis—i.e., the purely economic possibilities.

**Housing Associations**

The year started with the introduction into Congress of a bill to provide direct Government loans to housing cooperatives, through a new agency. Although reported out by committees in both houses, it failed to pass. The measure had the support of cooperative, church, labor, and veterans’ groups, but was opposed by real-estate and builder organizations. The law finally enacted (Housing Act of 1950) directed (by sec. 213) the FHA to assist cooperatives in the planning of projects and in other technical matters. An assistant commissioner was given charge of the new program, regulations were issued, and a "kit" of materials and forms was assembled, which included a guide to show cooperative groups how to use FHA aids and apply for insurance. Personnel to deal especially with cooperative applications were established in each FHA insuring office. "Public interest" advisory groups, composed of representatives of cooperative, labor, church, and other groups, are being formed in each area.

However, no definition of a genuine housing cooperative was laid down. As a result many of the proposed projects are the plans of the regular builders, not of the cooperative groups to be housed. This is a reversal of the accepted cooperative procedure. A builder, architect, or technician who benefits by the project in a financial way is prohibited from being an incorporator of a cooperative by FHA regulations. The regulations do not prevent the use of section 213 to promote the same kind of sales device long used by builders—the construction of housing which is sold, on the so-called "cooperative" basis, to families which then form an organization to operate the property cooperatively.

Early in August the Public Housing Administration announced the complete cessation of sales of war housing because of the Korean situation. This stopped negotiations then in process for the purchase of such housing by mutual associations of tenants. Later, the order was relaxed to permit handling the projects on an individual basis.

This action was followed by Regulation X, designed to curb inflation and conserve materials. Regulations issued by FHA, pursuant to this regulation increased the down payment required and shortened the period of amortization. Among cooperatives this applied to co-venture associations (in which members receive title to their dwellings) but not to all-the-way cooperatives (in which the association retains title and the member receives only a leasehold). The order also did not apply to applications submitted prior to October 15, 1950.

A further tightening of regulations pertaining to cooperatives came on January 11, 1951, with the extension of the restrictions to all multi-unit projects. This in effect made practically all cooperatives subject to them.6

6 Few housing projects consisting of detached dwellings are on the "all-the-way" basis, but practically all apartment projects (multi-unit) are so operated.
For all-the-way cooperatives the maximum FHA insurance is 83 to 88 percent (formerly, under section 213, 85 to 90 percent), depending on the percentage of veterans in the membership of the project. The amortization period remains 40 years.

It is evident, therefore, that although housing cooperatives ended the year 1950 in a better legal position than before, they were little better off financially. The middle-income families that constitute the main cooperative membership found difficult even the 10–15 percent down payments previously required. Higher down payments coupled with larger monthly payments for amortization interpose an insuperable bar in many cases.

As of November 20, 1950, the Washington FHA headquarters announced that 202 applications had been received under section 213. These involved a total of $247,449,450 and 27,252 dwelling units. It was stated that the projects were about equally divided between all-the-way cooperatives and co-venture associations. The status of these applications was as follows: Applications in process, 178; statements of eligibility issued, 17; commitments issued, 4; and mortgages insured, 3.

During the spring of 1950, a series of meetings of representatives of local housing cooperatives in the East and a few from the Midwest and Far West resulted in the formation of the National Association of Housing Cooperatives. It received a charter in August. The purposes of this new federation are to assist in the organization and development of new associations, act as a medium for exchange of experience, and represent the interests of the cooperative housing movement before congressional committees and in negotiations with Federal agencies. As it grows in strength, the federation hopes to assist in the formation of regional organizations such as that in New York (noted below), and to provide technical and other services. It took over issuance of the news letter previously published by the National Cooperative-Mutual Housing Association, formed in 1946, which had never been very active, mainly because of lack of funds. Headquarters of the new federation are in Washington, D. C.

The president of the Amalgamated Housing Corp.—the organization that, up to 1950, had been responsible for construction of more dwelling units on the cooperative basis than all other housing groups combined—spoke at the Cooperative League congress concerning the problems in the cooperative housing field. He reported that his group had erected 1,500 dwelling units since the end of the war. It was his contention that, if there is to be any significant expansion of cooperative housing, organizations must be developed for that specific purpose, which can utilize “the accumulated experience resulting from both successes and failures of the past.” He went on to report the formation in New York City of such an organization, the Community Services and Management Corporation. This corporation was formed late in the summer under the New York limited-dividend law. Before the end of the year, it had announced its sponsorship of a planned project to provide housing for 1,400 families, in the Corlears Hook section of lower Manhattan. It will be a redevelopment of a slum area and, as such, will involve the rehousing of families occupying buildings on the site, that must be razed. The sum of $1,000 each was advanced by the A. H. Consumers Society (which operates stores and other cooperative enterprises in the Bronx buildings of the Amalgamated Housing Corporation), the Aaron E. Norman Fund, and the Cooperative League of the USA. The E. A. Filene Good Will Fund is also participating by purchasing bonds of the new organization, to the total of $100,000.

It was pointed out that housing projects owned by the residents provide stability of population and a community of interest which favor the formation of cooperatives in various fields—stores, credit unions, insurance, etc.

Also of interest is the one workers’ productive association known to the Bureau of Labor Statistics to be operating in the construction field. It is Cooperative Builders, Inc., Seattle, Wash. This association was started in July 1948 when 40 building-trades workers each paid a $500 membership fee and subscribed for $500 worth of non-voting preferred stock. The cooperative has already built several groups of houses. It estimates that by mass purchase of materials it saves from 10 to 30 percent. The average net earning per house for the association is about 7 percent, but cannot (under its bylaws) exceed 8
percent. Earnings are divided among the members on the basis of number of hours worked.

Medical Care

The principal event in the field of medical care was the holding of the fourth annual convention of the Cooperative Health Federation of America in Seattle, August 10–12. Over 500,000 persons are covered by organizations affiliated with the Federation.

The Federation’s president pointed out that it seeks to promote (a) the people’s right to operate in the field of medical economics, (b) the positive promotion of health as well as treatment of the sick, (c) prepayment plans for comprehensive medical care, (d) group practice, (e) the highest quality of medical care, and (f) consumer or lay control of the business and economic aspects of prepayment plans.

Acting on the Federation’s recommendation, several affiliates had applied for approval by State and local medical societies. The only one which had received approval by midsummer 1950 was Group Health Association, Washington, D. C. Two plans in New York (Health Insurance Plan of Greater New York and Group Health Association) had applied; their applications had been acknowledged but not acted upon. Two others (Arrowhead Health Center and Community Health Center, both in Minnesota) had applied but had not received an acknowledgment. Labor Health Institute (St. Louis, Mo.) had made no formal application, but all its staff doctors are members of the county medical society. (In certain other States, doctors on the staffs of consumer-sponsored prepayment plans are reported to have been refused admission to local medical societies.)

The secretary of the Federation reported: “Despite repeated efforts to arrange for further joint meetings between the AMA Council on Medical Service and representatives of consumers of medical care, we have not during the whole course of 1950 succeeded in bringing forth from the AMA any favorable response.”

Regarding the lawsuits by or on behalf of cooperative medical-care plans, the Seattle case was dismissed by the King County court but will be appealed to the State Supreme Court; testimony in the Oregon case was completed in the spring of 1950 but no decision has been announced at the end of the year; and in California the case was about to go to trial. In Oklahoma, the association at Elk City brought suit against the county medical society, charging a boycott and various other injurious practices. The association asked for damages of $300,000 and a restraining injunction.

At the institute preceding the convention, it was reported that 30 States have laws which either bar or discourage the formation of consumer-sponsored plans. This explains in part why plans now exist in only a few States. The same report outlined the steps to be taken in forming a health plan, with special emphasis on the legal aspects. Specific problems, such as actuarial difficulties in formulating an adequate system of dues and fees, and the minimum essentials and capital needed to establish a branch clinic, were also presented in detail.6

The Bureau of Labor Statistics does not know of any new cooperative for medical care that was started during the year. One contract plan, organized in 1949, received its charter in 1950, enabling it to begin operations. Four cooperative hospitals were opened for service; however, one cooperative association leased its building to a private physician for 15 years for $1.

Two of the largest urban medical-care plans, at Washington, D. C., and Seattle, Wash., enlarged their facilities. The former bought a 10-story building, to house the various departments of its clinic (previously in several places) and provide additional space. The latter, which has both hospital and clinic, built a 30-bed addition to the hospital, bringing the total number of beds to 85.

In Staunton, Ill., members of locals of the Progressive Mine Workers (independent) took the lead in a 4-year community drive that netted 2,000 members in the hospital association, each paying a membership fee of $50. Some of the local labor unions also made contributions from their treasuries. An unused school building was bought for $1 and remodeled into a 50-bed hospital to serve 16 towns in the area. The hospital was ready for use in May 1950. In the interval, however, the Illinois Legislature had (in 1949) passed a law authorizing the establishment of nonprofit medical-care plans, but only on condition

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6 Papers on these and other subjects were compiled and published later. The compilation, entitled “First Annual Group Health Institute,” is obtainable from the Cooperative Health Federation, 343 S. Dearborn Street, Chicago 4, Ill.
that they be controlled by physicians and that at least a majority of the physicians in the area were willing to participate. The hospital association was unable to obtain the cooperation of the local doctors; when the hospital was opened in November, after standing idle for 6 months, it was not on a cooperative or prepayment basis. It was reported that an amendment to the 1949 law, permitting cooperative operation and control, would be sought in the 1951 session of the legislature.

Other developments during the year were (1) the establishment of a fund by Group Health Mutual of St. Paul, Minn., to help finance the education of students in medicine and related fields who intend to enter cooperative health work, and (2) drives in Chicago for establishment of an optical-care service and of a complete health center. The AFL building-service employees' union spearheaded the drive for the health center.

Campus Cooperatives

A number of new student cooperatives were formed during the year, and it was reported, late in the year, that 35 new associations were in process of formation. However, this phase of the cooperative movement is already anticipating another recession as college students leave for military service.

In addition to problems of income tax (i.e., trying to establish their exemption as nonprofit organizations) campus cooperatives also have problems peculiar to them but arising largely from the failure of public officials to understand their method of operation. Among the difficulties reported during the year were their classification as "commercial" users of electric power (at about double the household rate), as "restaurants" and thus subject to the requirement that milk be served in individual containers (increasing the cost 30-40 percent), and as commercial rooming houses and thus in violation of "residential" zoning regulation.

In Berkeley, Calif., the students' association owns five dormitories (3 for men and 2 for women), accommodating 450 students. These and an additional 400 students get meals from the cooperative. On the Los Angeles campus of the same university a students' association runs four houses, two of which are owned and two rented; 191 male students occupy these houses. The association has real assets of $96,000. In Seattle, the students' housing association runs 11 houses, accommodating 275 students.

A survey of 140 University of Nebraska students revealed a saving of about $75 per semester for students living in cooperative houses, as compared with costs in rooming houses and dormitories.

A number of the local student cooperatives have been assisting individuals from Displaced Persons Camps abroad to come to the United States for study in educational institutions, by providing room and board for them and assisting them to get part-time work.

The annual meeting of the North American Student Cooperative League was held in Los Angeles, August 20-September 3, 1950. One of the topics that received a good deal of attention was the condition of the regional leagues. To a considerable extent the effectiveness of these, it was reported, has depended on a certain amount of subsidy from a regional wholesale (such as Midland and Consumers Cooperative Association). It was suggested that a committee be appointed to study relationships between the regional and national leagues, and the desirable functions of each. Other questions considered were the attitude of university administrations toward campus cooperatives, problems of house management, relationships between cooperatives on the same campus, and relations with cooperative wholesales.

A noteworthy action of the conference was the passage of a resolution calling attention to the open-membership clause of the national league's constitution, deploiring violations of this cardinal Rochdale principle, and directing the board to deal with member cooperatives violating the principle "with such penalties as seem appropriate." A Negro member of a student cooperative at Chicago was elected president of the league.

Early in 1950 the North American Students Cooperative League established a service to help graduates obtain employment in the cooperative movement. Ten regional cooperative wholesales were reported to have expressed a willingness to cooperate in the plan.

5 St. Louis Post-Dispatch, February 27, May 31, June 1, October 10, November 6, and November 20, 1950.
5a Such legislation was passed in June 1931.
8 For an account of the court case of one association in Chicago, involving this last point, see p. 19.

* The cost of the students' publication, Co-ops on Campus, is borne by the Cooperative League of the USA.
North Central Student Cooperative League, Central League of Campus Co-ops, and Midwest Federation of Campus Co-ops held annual meetings for the discussion of problems and exchange of experience. It was reported that the revolving fund of the Central League, used for loans to help student cooperatives improve and expand their housing facilities, was about $5,000. A drive was under way to sell more certificates of indebtedness to increase the fund. Late in the year Pacific Coast Student Cooperative League, the first league to be established (in 1937), announced its decision to liquidate, and local student cooperatives were asked to affiliate directly with the National Student Cooperative League.

Intercooperative student councils were reported to have been organized at Cornell University and the University of Wisconsin.

Central Organizations

Joint Activities of Wholesales

National Cooperatives, Inc., a Nation-wide buying agency for the regional wholesales, reported a 17.2 percent decrease in business to $10,407,020. However, it had earnings amounting to $50,186, as compared with a loss of $42,888 in 1948-49. Further, the first 3 months in its next fiscal year (1951-52) earnings rose to $67,728. Its flour mill at Auburn, Ind., was sold in August 1950, the reason given being a decline in the volume of business. The association had already disposed of the plant manufacturing household chemicals and cosmetics. National Cooperatives, Inc. continues to manufacture hot-water heaters, milking machines, and milk coolers. A possible merger of National and United Cooperatives, Inc. (Alliance, Ohio) was discussed at the annual meetings of these organizations, but action was postponed.

Regional Wholesales

Associated Cooperatives (Oakland, Calif.) discontinued handling hardware, farm supplies, and building materials. This left departments for groceries, household supplies and appliances, petroleum products, and other miscellaneous items. The discontinuance of some departments resulted in a drop in its total distributive business from $1,121,500 in 1949 to $827,000 in 1950; the grocery volume, however, showed an increase of 11 percent. Whereas the wholesale went “into the red” in 1949 to the amount of over $63,000, its 1950 operations showed earnings of $10,455. The wholesale's financial position was reported to have shown a marked improvement. Suggested for consideration by the membership were (a) wholesale operation of a retail branch “at a location it could serve economically,” or (b) a retail warehouse operation in conjunction with the wholesale.

In Illinois the Central States Cooperatives started a retail branch in a new public housing project in midsummer 1950. It was stated that as soon as the project was fully occupied and the residents had organized a cooperative, ownership and management of the store would be turned over to it. The general manager reported that the wholesale's earnings in the last 3 months of 1950 were more than sufficient to wipe out losses in the earlier part of the year.

The first Canada–United States joint cooperative action to come to the attention of the Bureau was reported from Michigan. It was stated that a new cooperative supermarket in Windsor, Ont., would purchase supervisory and bookkeeping service from Eastern Michigan Co-ops, an area service federation in Detroit, Mich.

Purchase of a fertilizer plant in New Albany, Ind., was announced by the Indiana Farm Bureau Cooperative Association in November. The plant has a spring capacity of 35,000 to 40,000 tons of superphosphate and mixed fertilizers.

In Michigan, Farmers Petroleum Cooperative purchased 18 oil wells in that State, producing about 250 barrels daily.

Midland Cooperative Wholesale (Minneapolis, Minn.) reported in March that its 159th oil well had just been brought in. The wholesale has leases on 7,200 acres in Oklahoma and 2,000 acres in Wyoming. It has been bringing in new wells “at the rate of more than one a month for the past year.” The cooperative also owns 23 natural-gas wells. Sixty-five percent of the wholesale's assets are invested in productive facilities. A fire at its refinery in Cushing, Okla., in March caused some $4,000 worth of damage. The year 1949 saw a decrease in Midland's sales for the first time in 22 years and a net reporting loss for the first time since its formation in 1926. A reversal of this downward trend occurred in 1950. The first 8 months' operations showed considerably in-

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8 Midland Cooperator (Minneapolis, Minn.), February 27, 1950.
Increased sales and some earnings, with a substantial improvement in the wholesale's financial condition. Further, it was reported, "because of a change in pricing policy and other factors," its member cooperatives would "receive direct benefits, through lower prices," of almost $500,000.11

Farmers Union Central Exchange (St. Paul, Minn.) early in 1950 called in all of the preferred stock—to the amount of $248,550—issued to help finance the purchase of its petroleum refinery at Laurel, Mont. All of the shares were redeemed in cash. In September its second oil well in a new field in Wyoming was brought in, and drilling for a third was immediately started. About 6 weeks later, the Exchange, in association with a private company, brought in a well in still another new field, in Montana, where the wholesale "has an interest in a considerable acreage."12

Minnesota Farm Bureau Service Co. completed at Moorhead, Minn., a $250,000 fertilizer plant with an annual capacity of 18,000 tons. It already had at St. Paul a $750,000 plant with its own river terminal. The wholesale estimates that in 1949 the members of its local cooperatives saved $647,000 on their fertilizer purchases alone.13

Consumers Cooperative Association (Kansas City, Mo.) reported an increase in business of about 12 percent over 1948-49 and earnings exceeding half a million dollars, as compared with less than $45,000 in 1948-49. The number of affiliates decreased from 1,455 to 1,417.

More than $333½ million gallons of refined petroleum products were produced in CCA's four refineries during the year ending August 31, 1950. Some 54 oil wells were drilled during the year, of which 43 were producers. Eighteen uneconomical wells were plugged, and 167 wells in Illinois, Kansas, and Oklahoma were sold during the period, leaving 911 wells in Kansas, New Mexico, Oklahoma, and Texas to CCA. The wholesale controlled almost as many barrels of crude oil as in the previous year. The refinery output, however, rose sharply. For this reason, the crude oil coming from wells owned or controlled by CCA formed a smaller proportion of the total needed—47.1 percent, as compared with 58.3 percent in 1948-49. Only 28.1 percent was actually owned. The rest came from wells in which the wholesale had a part ownership and was operator of a lease. CCC had under lease 161,495 acres of undeveloped land in seven States.

Increases in output compared with 1948-49 were reported for its lumber mill, paint factory, and printing plant. Cannery output was reduced, because of unsold stocks on hand. The rising prices of tin cans and declining prices paid to corn growers combined to produce a situation in which the cans cost more than the contents. Also, "six increases in freight rates since World War II have severely restricted the area in which products of the Scottsbluff cannery can move at competitive prices."14 The amount of canned goods distributed at wholesale increased almost 46 percent, however.

CCA provides management service for 33 affiliated local cooperatives.

The member associations of Eastern Cooperatives, Inc. (N. J.) voted a sweeping reorganization of the wholesale more than a year ago. Under it members recently voted to write off 55 percent of their share capital in the wholesale. This will wipe out the deficits accumulated during several years of operation at a loss. Three area corporations have been formed, one each in New York City, Boston, and Baltimore. They are now subsidiary to the wholesale, but are to be purchased by the local associations in each area. The corporations are already operating under local direction and will be taken over entirely as soon as purchase is completed.

The central organization will retain its packaging and processing operations, its testing kitchen, and the publication of a paper. It will further provide market information, pool area orders, and carry on any other activities voted by the membership.

The wholesale reported that every branch and department was in the black at the end of 1950, in spite of closings of small member associations, and consequent loss of their patronage. The organization as a whole had net earnings of $36,045 as compared with a loss of $91,392 the previous year. The total business declined to $3,187,500 from $3,767,800 in 1949.

Farm Bureau Cooperative Association (Ohio) announced plans for the erection of a $2 million

11 Midland Cooperator (Minneapolis, Minn.), October 30, 1950.
12 Farmers Union Herald (St. Paul, Minn.), November 20, 1950.
13 News for Farmer Cooperatives (Farm Credit Administration, Washington, D. C.), November 1950.
14 Cooperative Consumer (Kansas City, Mo.), March 16, 1940.
catalytic cracking plant at its Louisville, Ky., refinery. The plant, expected to be ready for use July 1, 1951, will have a capacity of 3,000 barrels of crude oil daily. This will result in a 50-percent increase in refinery capacity.

Pennsylvania Farm Bureau Cooperative Association purchased from local affiliates two additional chick hatcheries.

The refinery owned by Utah Cooperative Association broke all its previous records for production in June 1950. Plant improvements, including a debutanizer and a flash tower, increased the capacity of the plant from 700 to over 1,200 barrels per day.

Pacific Supply Cooperative (Washington) built a modern seed-cleaning plant at Madras, Oreg. During the year the plant processed 2,500,000 pounds of Ladino clover seed, or about a third of all such seed produced in the United States in the period. The wholesale leased for crude-oil exploration 123,740 acres in California, Wyoming, and the Province of Alberta. This wholesale reported an increase in business of over $3 million (20 percent) in 1950, and earnings of over half a million dollars. The general manager’s report noted increased accounts receivable, largely because of affiliates’ increases in business “without adequate capital structure on their part to carry the load.”15 As part of its services to local associations, the wholesale opened a new department to provide management service, and began an insurance department that will pool the insurance needs of the wholesale and member associations.

Central Cooperative Wholesale reported in early autumn that its sales had been adversely affected by the late spring that reduced the hay crop and “floods that covered hundreds of square miles in our trade area.”16 Nevertheless, at the end of the year, total sales showed an increase of about 3½ percent over 1949. Net earnings totaled $199,929, as compared with $36,653 in 1949. Its local associations, it said, had “done a fine job in reducing the accounts receivable” from them by the wholesale; as a result, its total receivables were lowered by over $100,000 during the year.

The wholesale reported indications of Communist plans for “renewed efforts at infiltration”

16 Cooperative Builder (Superior, Wis.), October 5, 1950.

of the cooperative movement in that region. In the early 1930’s Communist-controlled local co-operatives were expelled from the wholesale, which they had tried to subvert to the Communist cause. Several later attempts to refalliate have been unsuccessful. The latest plans indicate a determined effort to infiltrate local associations with a view to controlling them.

District Wholesales

Among the district wholesales, Northern Cooperatives (Michigan) added to the activities of its refrigerator department, the processing and freezing of Copper Country strawberries. Trico Cooperative Oil Association (Minnesota) reported sales of $533,583—an all-time high. It increased its sales of fuel oil more than 30 percent over the previous year. Range Cooperative Federation’s semiannual meeting authorized negotiations for a summer-camp site and the formation of a non-profit educational association to run the camp. The Federation, which already owned one creamery (in Virginia, Minn.), bought another in International Falls. Range Cooperative Services (Hurley, Wis.) suffered an operating loss of about $6,000, in 1949–50 as a result of overexpansion. Steps were taken to correct this situation and it was announced that greater volume, requested from its six member associations and others in the area, would solve its difficulties.

Service Federations

The Co-op Federation of the Chicago Area suspended its program of joint advertising (through a weekly handbill), joint meat buying, and store supervision because there were not enough associations in the area to finance these services. Its centralized bookkeeping service was maintained.

In the Copper Country area of Michigan, representatives from seven associations met in June to explore the possibilities of pooled buying, joint advertising, etc.

Productive Federations

A $3½ million modernization and expansion program was announced early in 1950 by National Cooperative Refinery Association. The association is owned by five regional wholesales. The new program was to include a polymerization plant, cracking unit, and a 30-mile, 8-inch pipe-
It was expected that this would increase its capacity from 18,000 to 22,500 barrels a day. The association reported that refinery operations showed a loss because of the "price squeeze" in the industry, yet crude-oil production was so profitable that the association had earnings of nearly $700,000 in the year ending June 30, 1950. More than 6 million barrels of crude oil were processed.

Northwest Cooperative Mills, the members of which are three regional wholesales and a grain marketing association, made a $30,000 addition to its fertilizer plant. This increased its capacity by 7,000 tons. The association imported 60,000 pounds of red clover seed from Sweden.

**Education, Recreation, and Publicity**

**Education**

Intensive training courses were given by several of the regional cooperative wholesales during the year.

Midland Cooperative Wholesale sponsored an institute for cooperative managers, in January; one of the features of the program was a series of "commodity clinics." Midland also offers 25 annual scholarships for high-school graduates, designed to assist them through 2 years of college. These students work for Midland between semesters. They are assisted in finding cooperative employment when their courses are completed.

Central Cooperative Wholesale announced a series of courses: For January, an applianceservice school, bookkeeping course, cooperative training school (including merchandising, personnel policy, and cooperative principles), and farm-machinery clinic; for February, a farm-machinery service school and cooperative training school; and for April, a bookkeeping course. Similar courses were offered again in the fall. Some 800 persons were reported as having graduated from these schools.

One- and two-week training courses offered by Consumers Cooperative Association included those for appliance servicemen, general managers, petroleum managers, and food-store managers. A series of "clinics" was offered to bookkeepers. The "commodity clinics" included courses on fertilizer, petroleum products, propane gas, machinery, feed, and refrigeration. Clinics for directors of local cooperatives were given at various places throughout CCA territory late in 1950.

For 20 years, Eastern Cooperatives, Inc., has held an annual cooperative institute combining education and recreation. The 1950 institute was held in July at Wellesley College. It was conducted (as succeeding institutes will be, also) by a newly organized Cooperative Institute Association, a federation of local cooperatives which also accepts individual memberships.

Utah Cooperative Association held its first employee-training school, for 3 days, in June 1950.

The Cooperative League of the USA sponsored its 14th annual School for Group Organization and Recreation, designed for workers in education and recreation.

Universities and colleges also provided a number of cooperative activities. In Wisconsin, the University School for Workers held its seventh Co-op and Labor Institute, combining recreation with information for unionists on consumers' cooperatives. Columbia University Teachers College offered a 2-week school for cooperative educational and organizational directors in June. A 3-day seminar for cooperative managers held at the University of Minnesota covered developments in good management, basic principles underlying human relations, and job-instruction methods.

Arousing the interest of women has been an important objective of far-sighted cooperatives. In the Midwest the women cooperators have their own separate organizations, the women's cooperative guilds, which do educational work among the women, run summer camps, put on food demonstrations at cooperative stores, etc. A tribute to the worth of such activities was paid by the Cooperative Builder on the 20th anniversary of the guild movement in that area: "Both ideologically and commercially, the women's co-operative guild movement has been an invaluable asset to the CCW area cooperatives and to their wholesale... There are any number of current examples of the value of the guild movement to our co-ops. We shall name two: The Denham, Minn., co-op owes most of its rejuvenation and revitalization to the local guild, and the new Grand Rapids, Minn., co-op food store owes its very existence to

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18 One week each month.
DEVELOPMENTS IN 1950

a local guild. Here was one community where the guild preceded the co-op.]

The financial and other difficulties of Eastern Cooperatives led naturally to extended discussion among its affiliates and their members as to the basic causes of these troubles. Insufficient educational work at both the wholesale and retail levels was concluded to be an important cause. A series of meetings to consider means of revitalizing local associations by educational work was held throughout the year in the New York district. By the end of the year, sentiment seemed to be swinging towards the formation of a separate organization, somewhat similar to but better than the former Eastern Cooperative League.

An institute in Rockford, Ill., to provide teachers with information on cooperative food service, credit, insurance, housing, and medical care was sponsored jointly by the local of the American Federation of Teachers (AFL) and the Cooperative League of the USA.

Recreation

In the Lake Superior area, Mesabi Range cooperators acquired a new summer camp capable of accommodating "several score" of adults and children.

In northern Wisconsin where the local cooperatives have owned a "cooperative park" for some 20 years, a conference was called to discuss the future of the park. Cooperative Services (district wholesale) and the Women's Cooperative Guild each voted $500 to make needed repairs and improvements. In the meantime, the camp for 35 children of cooperative store members was held in rented quarters. An interregional youth camp, also in Wisconsin, was sponsored by Midland and Central Cooperative Wholesales, the federated insurance service, and other locals and federations for the third consecutive year.

In New York, the annual 9-week summer day camp conducted by Amalgamated Housing Corporation was attended by 242 children—the largest number in the 18 years of operation. Cooperative store associations in the New York-New Jersey area held a summer camp for both adults and children.

In Missouri, Consumers Cooperative Association sponsored several recreation events, including a 5-day vacation camp for cooperators' families at Estes Park, Colo., and three 1-week youth camps.

Publicity

In Washington, D.C., WCFM, a radio station owned by cooperative associations and individuals, began the manufacture of long-playing records of outstanding classical music. One of its programs won second prize in a Nation-wide contest conducted by Ohio University's Institute for Education by radio.

In the New York area, the Council for Cooperative Development and local cooperatives resumed a weekly radio program giving buying advice over station WFDR (owned by the International Ladies' Garment Workers' Union).

The Nebraska Rural Radio Association, composed of individual farmers and their cooperative organizations, received permission from the Federal Communications Commission to build a 25,000-watt radio broadcasting station. Its call letters will be KRVN.

Endorsements

The 1950 National CIO convention urged CIO support for cooperatives "as a supplement to the trade-union movement in defending the interest of the consumer in our national economy." It asked also for support of the Council for Cooperative Development in its work "to coordinate the efforts of the Cooperative League of the USA and the American labor movement in developing soundly conceived and administered cooperative enterprises."

In Minnesota, the State CIO convention recognized consumers' cooperation as "a practical, economically sound, and democratically desirable form of direct action" and reaffirmed resolutions of previous conventions in "giving wholehearted approval to the program of consumers' cooperation" and in urging effective support by affiliated unions and the active participation of their members in cooperatives.

"All possible aid" to cooperatives was voted by the Michigan State Convention of the Commu-
cations Workers of America (CIO). Members were urged to help create cooperative committees and to support the Council for Cooperative development.23

The Minnesota State Federation of Labor (AFL) reaffirmed its support of the cooperative movement “as a legitimate part of our economy.” Pointing out that cooperatives serve as a yardstick against monopoly, the resolution stated that cooperatives are among the largest taxpayers in many Minnesota towns and “represent free enterprise at its best.”24

Both the American Farm Bureau Federation and the National Grange passed resolutions at their annual meetings, supporting cooperatives and deploiring the current attacks upon them.

The Federal Council of the Churches of Christ in America called a conference in February to consider the responsibilities of Christians and the Church in economic life. This meeting passed a resolution that included recognition of the service of “such institutions as cooperatives and collective bargaining.”25 Another church group, the Council for Social Action of the Congregational Christian Churches, issued a statement “strongly” opposing “any attempt to tax earnings of true cooperatives. It is essential to understand that a true cooperative makes no profits and consequently cannot pay an income tax based on profits.” It pointed out that court decisions had upheld this point of view.26

The Midcentury White House Conference on Children and Youth adopted among its recommendations one for the development of a “cooperative housing program geared to the needs and income of middle-income families.”27

At least two daily newspapers spoke in support of cooperatives. One, the Minneapolis Star and Tribune, under the heading “Co-ops Do Great Job,” said: “It is hard to imagine what upper Midwest agriculture would be like without the cooperative movement. The cooperative movement needed no Government subsidy or special protection to flourish. It succeeded because it has inherent virtue as a way of economic life.”28

The other newspaper, the Des Moines Register, noted that the Chamber of Commerce of Eagle Grove, Iowa, participated in the co-op barbecue put on by 23 local cooperatives in the section. “What interests us is that it was jointly sponsored by the private businessmen of Eagle Grove and the farm co-ops. We hear so much about how the cooperatives are ‘ruining’ small business that we are interested in the good feeling between them that apparently exists around Eagle Grove. Maybe the national lobbyists who rant about the competition of the co-ops ought to find out what goes on in Eagle Grove.”29

The president of the Cooperative League of the USA was appointed by the United States Government to serve on the 12-member Advisory Committee for the National Security Resources Board. The Board consists of representatives of industry, labor, agriculture, and the general public.

Labor and Cooperatives

A city-wide council was established in Toledo with the help of the National Council for Cooperative Development, to enlist the aid of unions in a joint cooperative-labor effort to develop urban cooperatives. It was reported that the largest union in the city, the CIO auto workers, had joined and would take part in completing the organization of a new cooperative shopping center. A local council was organized in Janesville, Wis., in the spring. Its function was to act as an advisory council to the local cooperative store association, to keep union members informed of cooperative activities, and to assist in joint cooperative-labor action on any issues of common interest.

The fourth annual labor-cooperative conference in Michigan was held in September.

In Shelburn, Ind., miners who had suffered first a tornado and then a long-drawn-out strike were aided by a truckload of “co-op label” foods donated by CIO unions of Flint, Mich. During an automobile strike in the spring of 1950, cooperatives in eastern Michigan announced the ways in which they would assist the strikers: “Serve as collection points for donations of food for strikers from customers; serve as purchasing agents for strike kitchens; honor welfare orders issued by unions to their members at a discount; cash strik-
DEVELOPMENTS IN 1950

In 1950, development in cooperatives included measures such as checking accounts being freed; giving a discount on large orders; and working out collective-buying agreements with private merchants on behalf of strikers and others. The retirement fund of the Midland and Central Cooperative Wholesales increased from $1,182,761 to $1,430,000 during 1950. In the same period, the number of employees covered decreased from 2,201 (in 147 cooperatives) to 2,080 (in 157 associations).

Some 56 cooperatives had joined the retirement system of Consumers Cooperative Association by the end of August, and 1,517 employees were covered. Assets of the fund increased from $982,510 to $1,495,308. Part of the funds in this plan are being "invested in insured mortgages to help farmers become owners of good family-type farms. Up to $200,000 has been made available for this purpose." Refunds of payments in excess of the amounts needed to operate the plan were paid to the participating cooperatives. These totaled $85,760. The wholesale reports that it has never had a strike in its 18 years of operation.

Utah Cooperative Association announced in October that it expected to inaugurate an employee retirement plan early in 1951. The proposed plan calls for a 3-percent contribution by employees and 5 percent by the wholesale. At first the plan will cover only the wholesale's employees in Salt Lake City and those at the refinery in Jensen. Later, it is expected that the plan will be broadened to permit coverage of employees of cooperatives affiliated with the wholesale.

Taxation

The board of directors of the Cooperative League, at their meeting in January 1951, voted for a "thorough study" of the tax system in the United States, "plugging all present tax loopholes." University and other tax experts will be asked to make the study. The League's official position is that "the ultimate recipient of the income" should be the payer of the tax, not the corporation through which the income was made.

Scattered reports give some indication of cooperatives' tax payments. Thus, Consumers' Cooperative Association reported that its affiliates in Colorado paid $83,000 in local property taxes, whereas the stations of their major old-line competitor paid only about $20,000. The wholesale itself reported that, although it voluntarily gave up its exemption as a farmers' cooperative, it paid no Federal income tax. This resulted from taking advantage of the depletion allowances and other special privileges granted to producers in the oil industry. During the past few years it has purchased several privately owned oil companies not one of which, it said, had ever paid a Federal income tax.

Greenbelt (Md.) Consumers' Cooperative reported that it paid $20,620 in taxes during 1949. This figure included $5,589 in Federal income tax and $912 in State income tax. The Farmers Union Cooperative, Laverne, Okla., paid a total of State and local taxes for 1949 of $20,159, although it is exempt from Federal income tax. The Cooperative Oil Association, Caldwell, Idaho—a nonexempt association—paid $14,303 in taxes for the same year.

Pacific Supply Cooperative estimates, on the basis of returns for 31 percent of its affiliates, that these associations paid approximately $1,066,915 in taxes in 1949. Its own taxes for the year ending June 30, 1950, amounted to $131,985, not including Federal income tax from which it is exempt.

Legislation

Federal Laws

Housing: A bill was introduced in Congress in 1950 providing for the establishment of a National Mortgage Corporation for Housing Cooperatives, to make loans to cooperative and nonprofit housing groups. The corporation would obtain its funds by selling its securities to the public. This bill was reported out by the Housing Banking Committee and (in somewhat amended form) by the Senate Committee on Banking and Currency.

The bill finally passed (section 213 of Public Law 475) authorizes the FHA to insure mortgages on property held (a) by nonprofit cooperatives, the permanent occupancy of whose dwellings is restricted to members (all-the-way cooperatives), and (b) by nonprofit organizations established to construct homes for members (co-venture associations).

30 The Cooperator (Pallisades Park, N. J.), March 27, 1950.
31 Cooperative Consumer (Kansas City, Mo.), August 31, 1950.
32 Idem, January 31, 1951.
Eligibility for insurance is restricted to projects not exceeding $5,000,000, or $8,100 per dwelling unit. Insured mortgages on such projects may not exceed 90 percent of the replacement cost. The amount is increased by one-twentieth of 1 percent for each 1 percent of veterans in membership; if at least 65 percent are veterans, the unit cost may be $8,550 and the insured mortgage may cover 95 percent of the project cost. Mortgages may run for not over 40 years, at 4 percent. Section 213 also authorizes the FHA to furnish technical advice and assistance in the organization of cooperative projects and in their “planning, development, construction, and operation.”

**Taxation:** While the Congress was considering Federal income tax bills in 1950, a determined effort was made by the National Tax Equality Association to change the tax status of cooperatives. Urban (nonfarm) cooperatives have no exemptions of any kind, but farmers’ cooperatives meeting certain conditions as to membership and nonmember business are given exemption from payment of the tax on capital stock and on earnings placed in the reserves. Patronage refunds received by individual cooperators from farmers’ marketing associations are subject to Federal income tax, but members of consumers’ cooperatives are not required to pay a tax on amounts saved through collective purchase of consumer goods.

One of the objectives of the campaign waged for the past several years has been an amendment of the tax law to require cooperatives to pay taxes on sums returned to their members in “patronage refunds.” The United States Tax Court and other Federal courts have invariably held that such money is not income to the association and therefore not taxable to it, if the cooperative has a written obligation in its bylaws to make such refunds.

The bill reported out by the House Ways and Means Committee rejected proposals to tax unallocated reserves of exempt farmers’ cooperatives and the earnings from “sideline” businesses auxiliary to a cooperative’s main business. It did, however, contain a provision imposing a 10-percent withholding tax on stock dividends (i.e., “interest”) paid by all cooperatives except mutual savings banks, building and loan associations, cooperative banks, mutual insurance companies, and rural electric cooperatives. The same withholding tax was to be levied on patronage refunds of marketing associations, farm-supply associations, or associations furnishing “service incident to the trade or business of the members.” These provisions would not have changed the tax status of grocery or other consumers’ cooperatives. It was said that the committee expected these provisions to net some $20 million in additional revenue from persons who had been “underreporting” such income in the past.

The bill passed both the House and Senate, but the withholding provision for both cooperatives and corporations was struck out by the conferees, and the measure finally agreed upon did not contain this clause. One consideration was the uneconomic amount of bookkeeping that would be required.

The factor that particularly disquieted cooperative leaders was, as one editor put it: “The committee for the first time has put cooperative patronage refunds on the same basis as corporation dividends,” thus ignoring the peculiar nonprofit character of cooperative business.

**Credit unions:** The 1950 session of Congress, through Public Law 484, amended the credit union law of the District of Columbia, raising the maximum unsecured loan permitted from $50 to $300.

**State Laws**

There was little State legislation affecting cooperatives in 1950, since few legislatures were in session.

In Georgia the legislature passed a law (Act No. 691) authorizing the formation of nonprofit prepayment medical-care plans. The law specified, however, that the majority of the directors of such a plan must be “licensed doctors of medicine” and that every licensed physician in the area served must be given the right to participate.

Virginia previously reserved the use of the word, “cooperative,” in the corporate name to cooperative marketing associations and electricity cooperatives. A 1950 amendment (ch. 300) authorizes its use not only by such associations but also by associations organized under any other statute providing for cooperatives. A member of any

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But see later restrictions (p. 6).

Midland Cooperator (Minneapolis, Minn.), June 5, 1950.
cooperative may enjoin the use of "cooperative" by any organization violating the provisions of the amendment.

The same State added a new section (by ch. 365) to its tax law. It provides that every cooperative "conducting a mercantile, merchandise, or brokerage business on the cooperative plan" shall hereafter be taxed as a merchant by the State and by the city or town in which it does business. The amendment specifies that no such organization shall be exempt from any merchant's license tax levied locally or by the State. Contributions (up to 5 percent of earnings available for distribution as patronage refunds) made by corporations or cooperatives for charitable purposes are exempted (by ch. 574) from the State income tax.

Statutes authorizing the formation of cooperative telephone associations (to take advantage of the Federal act) were enacted in Georgia (Act No. 673), Kentucky (ch. 147), and Virginia (ch. 324). Unlike the other two States, the Virginia law does not specify that the associations shall be rural in character. It does, however, make telephone associations subject to the State Corporation Commissioner, like "other similar utilities."

The credit union laws were amended in several States. In Kentucky (ch. 177) the fees for examination of credit-union books were revised upward; in most cases the fee was doubled.

The Massachusetts Legislature passed an amendment (ch. 266) permitting credit unions to invest not more than 2 percent of their outstanding share capital in shares of cooperative banks and saving and loan associations. The authorization previously covered only securities permitted as investments to savings banks. The total unsecured loan permitted was raised from $100 to $3,000 and the maximum loan period was extended from 1 to 2 years (ch. 84). The life of the Central Credit Union Fund was extended for another 10 years (ch. 464).

New York amended its credit union law (ch. 272) to provide for the admission of the spouse of a member to membership unless expressly prohibited by the bylaws. Employees retired on pension may continue their membership. Organizations, all the members of which are eligible to membership in a credit union, may join and may borrow up to the amount of their shares and deposits in the credit union. Chapter 342 prohibits a credit union from making loans on real estate beyond an aggregate of 25 percent of its paid-in shares and from making personal-property loans if the aggregate loans on real or personal property exceed 40 percent of the shares. Minor changes in phraseology are made by Chapter 12.

In Rhode Island, no credit union may establish a branch without the consent of the State Board of Bank Incorporation (ch. 2474). The board must issue a charter when satisfied that the agreement of the incorporators is in conformity with the law, and that the conditions under which the credit union is established do not render its successful operation unlikely. Previously, the charter was to be issued when the board was satisfied that the public convenience and advantage would be promoted by the operation of the credit union. An unusual authorization was given by chapter 2610 permitting credit unions to receive jewelry, stocks and bonds, and "property of every description" for deposit and safekeeping and to construct and lease safe-deposit vaults for members. The association is expressly exempted from liability for the safety of such property.

Virginia had formerly made mandatory the provision that directed the State Corporation Commissioner to take possession of the assets of an insolvent credit union or one in violation of the law. This provision was made permissive only by chapter 80. The same amendment also gave the Commissioner discretion to apply to any court in the State for the appointment of a receiver. Chapter 394 reduced the license taxes levied on credit unions; the additional sum imposed on those with capital of over $100,000 was reduced from $2 per thousand on all capital in excess of $100,000 to 50 cents per thousand.

Court Decisions

Central States Cooperatives finally won a 4-year dispute with Watson Bros. Transportation Co. The company refused to vacate the warehouse the wholesale had purchased in 1946, and the cooperative finally sold the building and sued for damages. At the instance of the company, the case was removed from the Municipal Court of Chicago to the United States District Court which decided in favor of the cooperative and awarded damages of $20,000 in a decision handed down on December 23, 1946. The company posted a supersedeas
bond for the above amount and appealed to the United States Circuit Court for the Seventh Circuit. The latter held that the district court was without jurisdiction. The cooperative then appealed to the United States Supreme Court which reversed the decision and remanded the case for further consideration. Judgment for damages was affirmed on February 2, 1950. Rehearing was denied on April 4, 1950.

The appeal of the company for a writ of certiorari was denied by the Supreme Court on October 9, 1950, thus closing the case.

The Greenhills Home Owners Corporation (successor to a profit corporation of the same name) applied to the Secretary of State of Ohio for a nonprofit charter. His refusal was appealed to the Supreme Court of the State. Its decision upheld the secretary in his refusal. Although the members of the association bound themselves not to accept any pecuniary gain, the court’s decision was based upon the possibility that indirect benefits might accrue, which would prevent the corporation from being a nonprofit organization.

A dissenting opinion pointed out that corporations for profit were characterized by the distribution of dividends on the basis of stock held.

In Chicago, United Cooperative Projects (a student organization at the University of Chicago) lost a 4-year court battle for the right to occupy Howarth House—a house accommodating about 35 students. A local property owners’ association brought suit to compel the association to vacate, on the ground of violation of a local zoning ordinance. The cooperative contended that it was not a commercial rooming house, but a “single family-type organization.” It further contended that “the real issue is that it has open membership, including Negroes, which some local residents are alleged to be opposed to.

From an order of the Superior Court of Cook County, restraining further use of the house on

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18 Central States Cooperatives, Inc. v. Watson Bros. Transportation Co., Inc., 71 Sup. Ct. 44.
20 A Farm Credit Administration report in which the above decision was reviewed (Quarterly Summary of Cases Relating to Farmers Cooperative Associations No. 46, June 1950) expressed the opinion that the dissent “represents the general rule” and that the majority opinion was “directly at variance” with the Supreme Court decision in the case of United States v. Pacific Coast Wholesalers Association.
21 Co-op News (Chicago), April 10, 1950.

the ground of evidence that it had “an adverse effect upon the value of the plaintiff’s property” and violated the zoning ordinance, the cooperative appealed to the Illinois Appellate Court. The latter upheld the lower court’s decision, in March 1950. The cooperative then appealed to the State Supreme Court for a rehearing. That court held that there was nothing unreasonable in the zoning regulation and affirmed the decree of the lower court.

Medical Care

As previously noted, the United States Department of Justice brought suit in the Federal Circuit Court against the Oregon State Medical Society and several local societies. It charged that the Oregon Physicians Service, organized by them, was in conspiracy to monopolize prepaid medical care in the State and that the medical societies were boycotting and otherwise obstructing the work of hospital associations and insurance plans and were refusing to admit to membership physicians participating in such plans.

The presiding judge of the Circuit Court for the Ninth Circuit handed down his opinion on September 28, 1950. He pointed out that his work as a trial judge did not permit “the preparation of a formal opinion in so complex a case.” However, he offered the following conclusions for consideration in a final determination: (1) The purpose of the doctors in organizing the Oregon Physicians Service was to “save themselves and their profession from threatened socialization”; (2) the defendants had not sought to restrain the use of hospital facilities by others, “except in cases of lawful and legitimate professional discipline of individual doctors for unprofessional conduct”; (3) the intent was not to restrain or monopolize, and their actions did not have that result, “nor does unreasonable restraint exist”; and (4) the practice of medicine is not a trade within the meaning of the Sherman Act.

The Department of Justice took the case to the United States Supreme Court, which, in April 1951, agreed to hear the case in the October term.

The case of the Community Hospital, Elk City, Okla., against the Beckham County Medical Society was expected to come up for hearing in the spring of 1951.

Taxation

The Consumer-Farmer Milk Cooperative (Long Island City, N. Y.) was involved in two cases in 1950. The first had to do with the disposition of the association’s assets in case of dissolution. It appeared that an amendment to the bylaws was introduced at a meeting of the board of directors in September 1949. This amendment provided for the division of the assets among the members upon dissolution of the association. There was doubt as to the legality of such a provision and no action was taken by the board. However, a member brought suit in the New York Supreme Court for a declaratory judgment and for an injunction restraining the board from adopting the amendment.

In its decision the court found that dissolution was not threatened or even contemplated, and that therefore injunctive relief was not appropriate. It held that, in the event of dissolution, the members had no rights in the “substantial assets” accumulated from the operating savings and the “tremendous number of unclaimed patronage dividend vouchers.”

The court found that the purposes and activities of the association were “essentially of a charitable and public character. Within the wider definition of that term, it is a charitable corporation.... Upon dissolution, its assets must be distributed in accordance with the doctrine of cy pres.” The court expressly noted that, on questions of taxation, “different considerations” might apply.

The second case was the association’s appeal from a decision of the Commissioner of Internal Revenue to the United States Circuit Court of Appeals for the Second Circuit. It had asked for exemption under Section 101 (8) of the Internal Revenue Code, which exempts “civic leagues” or organizations not organized for profit but operated exclusively for the promotion of social welfare. In its appeal the association referred to the decision on dissolution noted above. The tax decision had been based on two points: (1) On dissolution any surplus could be distributed to members, and (2) the distribution of patronage refunds was a distribution of profits to the members who received them. In the appeal the Commissioner abandoned point (1), apparently because of the above decision. Regarding (2), the court found that the association, starting with borrowed capital of $6,000, had accumulated assets of more than $138,000 and net worth of more than $15,000 by September 30, 1943. Refunds were paid each year to farmer members. Only a small percentage of the consumer refunds were ever claimed or paid, since in order to collect them the patron must clip and turn in vouchers printed on the milk containers. The total amount payable to consumers during 1939–43 was $39,923, but only $3,050 was actually paid. Sums set aside for educational purposes “were insignificant,” and ranged from $350 in 1939 to $147 in 1942.

The court found that “concededly the association had been engaged to some extent in promoting social welfare. But it has not been exclusively so engaged. ... Laudable as some of the cooperative’s purposes may be,” it would be an unrecognizable distortion to stretch the phrase, “social welfare,” to include activities that resulted “primarily in financial gain to individual members.” Since the refunds to consumer members were so small, the court concluded that the association was essentially a farmer cooperative. The organization did not, however, claim the exemption for such associations granted under Section 101 (12) of the Internal Revenue Code.

The court affirmed the Commissioner’s decision holding the association taxable.

One of the selling points of the National Tax Equality Association, in soliciting contributions to be used in the tax campaign against cooperatives, was that such contributions were deductible from the Federal income tax. In a recent decision the United States Tax Court held that such was not the case. The court found that the primary function of the NTEA was to bring about a revision of the tax statutes. Therefore, contributions to it cannot be claimed as deductible under the

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47 I. e., “as nearly as is practical” on the basis of a charitable organization.
provisions of the Revenue Code exempting sums given to organizations, no substantial part of whose activities consists of propaganda work or attempts at influencing legislation.

International Developments

The executive board of the International Cooperative Alliance refused a membership application from Hungary in 1949, on the ground that the so-called cooperative movement there was controlled by the government and was not democratic. This action was attacked as illegal by the ICA members from the Soviet Union, Poland, and the Communist group of Italy. However, the action was upheld by the central committee of the Alliance in a meeting in Finland in August 1950. Delegates from 21 countries defeated a resolution of censure of the executive board by a vote of 58 to 32. In November 1950 the board decided that the central organization formed in Poland to take the place of “Spolem,” the former federation (a member of the Alliance), was not independent of the government and could not be accepted as a member. Also rejected on the same ground were applications from Albania and German federations in Soviet-controlled Germany.

The Eighteenth Congress of the Alliance will be held in Copenhagen, Denmark, in September 1951.

As an organization given consultative status by the United Nations, the ICA voted to maintain permanent observers at both Geneva, Switzerland, and Lake Success, N. Y.

At the December meeting of the UN Food and Agriculture Organization, a representative of the International Cooperative Alliance proposed that the FAO invite the world’s marketing and consumers’ cooperatives to form a world Surplus Commodity Cooperative. Through it the exchange and distribution of surplus foodstuffs on a business basis would be possible.

The International Cooperative Petroleum Association reported a membership of petroleum cooperatives in 21 countries, as a result of the accession of 5 new members. Eight others were reported to be in various stages of qualifying. A business of just under $2 million was reported—three times as much as in 1948–49—in spite of increasing barriers to world trade. Earnings totaled $55,255, and were considerably smaller than in 1948–49 ($150,581), mainly because of smaller patronage refunds from Consumers Cooperative Association (Mo.) from which some of the lubricating oils and refined fuels come.

Cooperatives played a leading part in the formation of CARE (Cooperative for American Remittances to Europe). The president of the Cooperative League of the U. S. A. is also president of this latter organization. It was reported at the League Congress that CARE was distributing not only relief (in the form of food, blankets, etc.) but also books, toys, and commodities for use in rehabilitation and reconstruction in twenty-odd countries. Agreements were reached with India and Yugoslavia during the year and shipments were begun. The Government of Czechoslovakia, however, terminated its agreement and gave CARE notice to withdraw from that country.

In the United States, the Cooperative League reported that its Freedom Fund for assistance in rehabilitating cooperative movements abroad, had disbursed $92,652 in its 4 years of operation. This money was contributed not only for scholarships and educational material, but also for the purchase of livestock, plant equipment, and petroleum products and seed.

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Bureau of Labor Statistics Reports on Consumers’ Cooperatives

Bulletins

No. 858. Organization and Management of Cooperative and Mutual Housing Associations. 20 cents.
No. 904. Developments in the Consumers’ Cooperative Movement in 1946. 15 cents.
No. 922. Operations of Consumers’ Cooperatives and Credit Unions in 1946. 15 cents.
No. 932. Developments in the Consumers’ Cooperative Movement in 1947. 15 cents.
No. 942. Cooperatives in Postwar Europe. 15 cents.
No. 964. Developments in the Consumers’ Cooperative Movement in 1948. 15 cents.
No. 1024. Organization and Management of Consumers’ Cooperatives. (Revision of Bull. No. 665.) (In press.)

Reprint pamphlets

Serial No. R. 1660 (Rev.). International Aspects of the Cooperative Movement.

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