CONSUMER COOPERATIVES IN THE UNITED STATES

Recent Developments

Bulletin No. 1158
UNITED STATES DEPARTMENT OF LABOR
James P. Mitchell, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

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Letter of Transmittal

United States Department of Labor,
Bureau of Labor Statistics,
Washington, D. C. December 20, 1953.

The Secretary of Labor:

I have the honor to transmit herewith a report on Consumer Cooperatives in the United States. A portion of this report, dealing with cooperatives engaging in wholesale and retail trade was printed in the Monthly Labor Review for August 1953.

This report was prepared by Jean A. Flexner, of the Bureau's Office of Labor Economics, under the direction of Faith M. Williams.

The Bureau wishes to acknowledge the assistance of other Federal agencies in furnishing information on aspects of consumers' cooperation that fall within their fields of interest, specifically the Farmer Cooperative Service, U. S. Department of Agriculture, the Social Security Administration and Bureau of Federal Credit Unions, in the Department of Health, Education and Welfare, and the Federal Housing and Home Finance Agency.

Ewan Clague, Commissioner.

Hon. James P. Mitchell,
Secretary of Labor.

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CONSUMER COOPERATIVES IN THE UNITED STATES

INTRODUCTION

A review of developments in consumers' cooperatives in the United States, in recent years, shows the considerable variation which has developed from the Rochdale principles in both form and function of these organizations. The principles were evolved in the course of operating a small grocery store for a group of factory workers in Rochdale, England in the middle of the last century. The store traded in a few, simple, staple items. Today in the United States cooperatives endeavor to satisfy highly diversified consumer wants in intensively competitive fields of business. As in other countries, the cooperative form of organization has been utilized outside of the distributive field, to satisfy other needs e.g., for housing, consumer-credit and the professional services.

The degree of adherence to the Rochdale principles may vary with: (a) the provisions of State and Federal laws under which cooperatives are organized; (b) the function they seek to perform and the practices of their competitors; and (c) the need for attracting capital. In each of the fields to be considered, the Rochdale type of cooperative is found operating, together with modifications of the original cooperative form--some on a profit and some on a nonprofit basis.

These principles have been stated thus: "A consumer cooperative society shall be democratically controlled; there shall be open membership. No persons shall be denied membership in a consumers' cooperative unless it be known that they wish to join for the purpose of doing harm to the organization; money invested in a cooperative society, if it receive interest, shall receive a fixed percentage which shall not be more than the prevailing current rate; and if a cooperative society makes a net profit that profit shall be returned on the basis of the amount of purchases to the consumers who patronize the society."1/

Usually the initiative for organizing a consumers' cooperative is taken by the ultimate consumers themselves. Sponsorship by a non-consumer group often results in the sponsor retaining control. Cooperatives have been sponsored and financially assisted by other cooperative organizations and by labor unions, and by philanthropists like the late E. A. Filene. Business men have found uses for forms of organization which resemble the cooperatives; e.g., independent grocers may form their own cooperative to purchase supplies at wholesale; and private builders may undertake to build and sell an apartment house or group of dwellings to a cooperative formed by prospective tenants or owners. The Associated Press and the American Railway Company are listed as businessmen's cooperatives in the 1952 Year Book

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1/ Principles and Methods of Consumer Cooperation by Ellis Cowling. National Cooperatives, Inc., May 1947.

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of the Cooperative League, U.S.A. All mutual insurance companies have several of the cooperative characteristics--some companies have gone further than others, in encouraging active participation in the discussion of management policies and problems by their policy holders, and in channelling part of their investments into other cooperative enterprises.

Cooperatives frequently set up or invest in other cooperatives for the purpose of obtaining a source of supply, or a service (e.g., an auditing service). Subsidiaries, of course, do not conform to the Rochdale characteristics, except that earnings are usually distributed to the owning cooperatives in proportion to patronage rather than in proportion to investment. Sometimes this principle also must be scrapped; e.g., a radio station cannot pay patronage dividends since there is no patronage. Nevertheless, a number of radio stations today claim to be cooperatives, on the basis of ownership by other cooperatives, or of programs designed to further cooperative principles.

There is thus no single or simple definition of a consumers' cooperative. Statistical measurements are subject to wide variations, depending on how the associations are classified.

In recent years the activities of consumers' cooperatives in the United States have tended toward greater diversification. These activities include: medical care; housing; electricity generation and distribution; rural telephone service; insurance; small loans; nursery school care; recreation; meals; lodging, and supplies for college students; frozen food lockers and undertakers' and laundry services. The greatest number of members is found in the credit unions (5,196,393 in 1951); next, in the rural electric cooperatives (3,500,000). Policyholders in the mutual insurance companies with cooperative affiliations, number about 4,500,000. Cooperative and group health medical care plans, and cooperatives distributing consumer goods are next in order, with 800,000 and 500,000 claimed memberships, respectively. Much smaller are the housing, education, and burial cooperatives. Some 10 million families are believed to belong to one or more cooperatives in the United States.2/ Only rough estimates of membership are available, since cooperatives in the United States are not required--as they are in many countries--to register with, or report to, a central governmental agency.

The Cooperative League of the United States (CLUSA) has only a partial coverage of consumer cooperative membership, unlike its counterparts in the countries of western Europe, where the cooperatives are neatly pyramided into national federations which perform educational and policy-making functions, as well as engaging in wholesaling and banking for the benefit of the local societies. The League's regular, controlling members are regional wholesale

2/ 1952 Year Book, Cooperative League of U. S. A., p. 2, and Cooperatives Look Ahead, by Jerry Voorhis, Public Affairs Pamphlet No. 32, 1952.

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cooperatives (owned by local or district societies) and other large organizations including a mutual insurance company, the Credit Union National Association, and the National Rural Electric Cooperative Association. CLUSA's indirect, individual membership is preponderantly (80 percent) on farms.

The success of distributive cooperatives cannot be judged from membership data or volume of business, unless the ratio of earnings to volume of business is also taken into account. Membership may represent initial interest rather than continuing patronage. Some distributive cooperatives have taken steps to eliminate inactive members (e.g., Midland Cooperative Wholesale) by a revolving fund to retire blocks of stock periodically, replacing the stock of earlier issue with new issues. However, this practice is not yet general. Sales volume alone is not a good indicator because a large volume has sometimes been accompanied by net loss rather than gain. Although cooperatives disclaim an interest in profits as such, net earnings are important to them as a source both of investment funds and for allocation of patronage dividends. Net earnings per sales dollar are taken here as the criterion of success, rather than membership or volume of business.

It is difficult to judge the success of cooperatives in social welfare fields where economic indicators (such as net earnings) are meaningless; e.g., in medical care, education, and recreation. In these fields, membership figures, numbers served, and costs are the only possible statistical measurements of success. It should be recognized, however, that such statistics do not give any indication of the comparative quality of the professional services rendered.

COOPERATIVES IN DISTRIBUTIVE FIELD

The largest and most successful group of distributive cooperatives in the United States is the farmers' organizations. While they engage chiefly in marketing farm products for their members, they also supply their members and other patrons with various services and with commodities needed for farm and household use. Many farm organizations combine both producer and consumer functions; some are organized only to engage in the supply function. These cooperatives are local associations selling commodities to their members at retail; and these commodities are generally obtained through regional or wholesale cooperatives, owned by the local societies. There are some large centralized societies which sell both at retail and at wholesale; e.g., the Grange League Federation (GLF).

Statistics on farmers' marketing, service, and purchasing cooperatives are collected and published by the Farm Credit Administration. The definition of a bona fide cooperative used by FCA is based on the requirements of the Capper-Volstead Act (which exempted such organizations from the anti-trust laws); namely: (1) Farmers hold the controlling interest in

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the association; (2) no member of the association is allowed more than one vote regardless of the amount of stock or membership capital he owns therein, or, the association does not pay dividends on stock or membership capital in excess of 8 percent per year; and (3) the association does not deal in products of non-members to an amount greater in value than it handles for its members.

The nonfarm, or urban, distributive cooperatives are less numerous than the farm group, have not received government assistance, and have had to meet keen competition from other retailers. Retailing of consumer goods requires heavy and varied inventories, and rapid turnover; full displays of merchandise; and good store locations, with parking facilities. These cannot be provided without large capital, expert management and high-grade sales personnel. On many items sold, particularly in foodstuffs, margins are low and therefore the possibility of patronage refunds is necessarily limited. The economies to be realized by cooperative wholesales in manufacturing consumer goods are outweighed by the risks of competition with established companies having diversified and well-advertised products. (In some cases, arrangements have been made by cooperatives to have products made to their specifications by commercial producers, to be sold under the coop brand or label.) The great difficulties facing distributive cooperatives account for a high mortality and comparatively low earnings. The large turnover among consumer cooperative societies complicates statistical reporting.

Wholesale Trade. Most local cooperatives obtain a large proportion of their supplies from regional, district, or national cooperative wholesale associations, which they own. Manufacturing and service enterprises are sometimes operated by the wholesales, seldom by local associations singly.

Cooperative wholesales serving mainly local farm associations have prospered and expanded their business in the decade 1941-51, according to reports recently issued by the Farm Credit Administration.3/ In 1951, the 21 largest cooperative farm wholesales had sales totalling $802.2 million, of which 65 percent were in producer goods (feed, fertilizer, seed, insecticides, farm machinery and equipment, packaging materials, and steel products); 27 percent of sales was for petroleum products and automobile accessories; 3 percent for lumber, paint, and maintenance materials; and 4 percent for miscellaneous items. (See table 1). The miscellaneous group, which had declined from 7 percent in 1941, includes consumer goods--electrical equipment, groceries, coal, and other items. The volume of miscellaneous goods sold was somewhat larger in 1951 than in 1941, but the rate of increase was much less than for producers' goods. Apparently, even the prosperous and well-established farm cooperative wholesales find expansion in the consumer goods field difficult, or not attractive, as compared with producer goods and petroleum products.

3/ Operations of Major Regional Purchasing Cooperatives, Farm Credit Administration (Circular C-148, December 1952).

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Table 1. Supplies Distributed by Major Regional Farm Cooperative Wholesales,1/ 1941 and 1951

Items	Sales in thousands		Percent	
	1941	1951	1941	1951
Number of associations	17	21	—	—
All commodities	$169,831	$802,203	100.0	100.0
Producer goods	112,375	524,432	66.2	65.4
Feed	73,795	352,443	43.5	43.9
Fertilizer	15,684	71,221	9.2	8.9
Seed	4,850	30,094	2.8	3.8
Farm machinery and equipment	2,865	27,980	1.7	3.5
Package materials	9,782	17,781	5.8	2.2
Steel products	2,680	14,516	1.6	1.8
Insecticides	2,719	10,397	1.6	1.3
Petroleum products and auto accessories	42,001	218,973	24.7	27.3
Lumber, paint, and maintenance materials	2,970	24,694	1.7	3.1
Miscellaneous	12,485	34,104	7.4	4.2
Electrical equipment	1,342	8,879	1.5	1.1
Groceries	2,509	6,277	0.8	0.8
Coal	918	1,719	0.5	0.2
Other	7,716	17,229	4.6	2.1

1/ Includes associations doing at least $5 million worth of business per year, in 1951, and $2 million in 1941.

Source: Farm Credit Administration, U. S. Department of Agriculture, Circular C-148, table 4.

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In addition to the farm cooperative wholesales, three regional wholesale cooperatives4/ distribute mainly consumer goods to cooperatives with predominantly nonfarm memberships, and a national manufacturing and distributing cooperative5/ serves both farm and consumer needs. These four associations made sales valued at $8.2 million, in 1951, earning a net of $283,000 or 3.4 percent of sales. This return compares with 5.5 percent for the 21 major farm wholesales. A comparison of the operations of farm with nonfarm wholesale cooperatives is shown for the years 1941 to 1951 in table 2.

Over the 11-year period, the farm wholesale cooperatives had combined net earnings in every year which ranged from $3.10 to $6.72 per $100 of sales in 1949 and 1944, respectively. The experience of the four nonfarm wholesales contrasted sharply with that of the farm wholesales: one nonfarm cooperative suffered losses in 5 of the 11 years, 2 in 4 years, and 1 in 2 years.

The nonfarm wholesales on the whole prospered during the war years--volume of sales increased rapidly, even when adjusted for changes in the retail price level, patronage dividends were paid, and some reserves were built up. However, these successes formed only a modest basis for the major expansion carried out by each of these organizations in 1945 and 1946.

The business volume of the four organizations doubled between 1945 and 1946 and for the 3 years, 1946-48, averaged 75 percent above 1945; when sales are deflated for price changes, the rise was 33 percent. Each of the nonfarm organizations expanded both its commercial and noncommercial activities, taking on new lines or departments, assuming educational and publishing functions or undertaking to pay the costs previously borne by other organizations. Deficits began to pile up, reaching a cumulative total of more than $700,000 in 1949. (In none of the "good" war years had combined net earnings reached even $100,000.)

The situation forced drastic curtailment of operations, reorganizations, and liquidation of uneconomic activities. Retrenchment was completed by 1950; three organizations showed profitable operations in that year, the fourth in 1951. Balance sheets for 1951 and for 1952 continued to show encouraging gains. However, the accumulated deficits have not yet in all cases been eliminated.

It is too early (mid-1953) to assume permanence in the apparent recovery from the decline which followed postwar over-expansion of the major nonfarm cooperative wholesales. The postwar cycle revealed an unsolved

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4/ Associated Cooperatives, California; Central States Cooperatives, Illinois; Eastern Cooperatives, Inc., New Jersey.

5/ National Cooperatives, Chicago. Its departments in 1951 were groceries and other commodities, and milking machines; the cereal products division was liquidated in 1950.

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Table 2. Operations of farm and nonfarm wholesale cooperatives, 1941-51

	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941
Major regional farm supply cooperatives:											
Number of associations 1/	21	21	20	18	18	18	18	18	18	17	17
Sales, in thousands	$802,203	$693,608	$636,200	$647,442	$544,727	$423,963	$360,755	$348,759	$276,379	$220,902	$169,831
Net earnings	$44,057	$30,822	$19,819	$38,320	$29,032	$21,095	$17,811	$23,433	$17,742	$13,527	$9,548
Nonfarm wholesales:											
Number of associations 2/	4	4	4	4	4	4	4	4	4	3	3
Sales, in thousands	$8,209	$15,680	$17,015	$21,267	$19,575	$24,815	$12,466	$11,635	$8,047	$3,250	$2,530
Net earnings or loss (-), in thousands.	$283	$52	-$234	-$486	$124	-$19	$94	$72	$17	$70	$50
Net earnings or loss (-) per $100 of sales											
Farm associations	$5.49	$4.44	$3.10	$5.92	$5.33	$4.97	$4.94	$6.72	$6.42	$6.12	$5.62
Nonfarm associations	$3.37	$0.33	-$1.38	-$2.29	$0.63	-$0.08	$0.75	$0.62	$0.21	$2.15	$1.98
	Index numbers (1945=100)										
Unadjusted sales volume:											
Farm associations	222.4	192.3	176.3	179.2	150.1	117.5	100.0	96.7	76.6	61.2	47.1
Nonfarm associations	65.9	125.8	136.5	170.6	157.0	199.1	100.0	93.3	64.6	26.1	20.3
Sales in constant (1945) prices:											
Farm associations 3/	153.4	143.5	133.6	125.3	112.9	104.9	100.0	95.7	79.8	69.5	62.8
Nonfarm associations 4/	40.3	85.6	94.1	112.9	112.8	173.6	100.0	95.4	65.2	29.3	26.8

1/ From 1941 to 1946, associations having an annual farm supply business of at least $2 million each were included; in 1947, the minimum volume of business was raised to $5 million.

2/ All known cooperative wholesales outside the farm field are included. In 1943, National Cooperatives were first included. Prior to that time it operated as a brokerage agency.

3/ Adjusted by means of a specially computed wholesale price index weighted in accordance with the types of goods sold by the cooperative wholesales in 1945.

4/ Adjusted by means of CPI food component, since food is major item of business.

Sources: Operations of Major Regional Purchasing Cooperatives 1941-51, Farm Credit Administration (Circular C-148, December 1952), and Bureau of Labor Statistics files.

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dilemma: on the one hand, large sales volume is necessary to successful operation both by wholesales and member retails. Low volume may raise costs by increasing the burden of overhead and by preventing the savings associated with buying in large lots. On the other hand, more credit is required to carry on a large volume of trade. Urban cooperatives, unlike farm cooperatives, do not have access to the Cooperative Banks set up by the government and supervised by the Farm Credit Administration. Close to one-third of the loans made by the banks to cooperatives were to finance farm supply business. In the year ending June 30, 1953, almost $80 million was loaned for this purpose. Loans outstanding on June 30, 1953 were over $102.7 million. Between 1933, when the banks for cooperatives were established, and June 1952, a grand total of $600 million was loaned to farmers' cooperatives for their supply business.

When credit difficulties of urban cooperative wholesales are overcome and means are found to finance expansion at the wholesale level, the anticipated demand sometimes fails to materialize at the urban cooperative retail level. Such failure was an important factor in the case of two nonfarm cooperative wholesales. An active cooperatively-minded consumer group does not as yet exist in sufficiently large and concentrated numbers to support large cooperative retail stores. Education in cooperative principles is often proposed as the remedy, but the expense of such programs (including publications) was in part responsible for the large postwar deficits.

In spite of the marked prosperity of the large farm cooperative wholesales as a group, individual organizations have experienced some of the same problems faced by the nonfarm organizations. In order to meet these problems the managements of certain regional wholesale cooperatives--both farm and urban--are urging integration of stores of local associations into large systematized operations with bulk purchasing and unified store policies, and separation of nonproductive, nonpaying activities from commercial activities. Competition from the chain stores has been sufficiently keen to influence cooperatives to adopt some of their methods.

The Central Cooperative Wholesale, serving local societies in the Lake Superior District of Wisconsin and Michigan, after experimenting with integration in one district during 1951 and 1952, proposed that all of its member societies sign contracts with it for area merchandising service by the central organization. It anticipated that the next step would involve corporate mergers of cooperatives in each of the areas. The local cooperative would tend to become a branch store rather than an independent unit. Another step taken in 1953 by CCW was to set up all educational, promotional and publishing activities as a separate Cooperative Publishing Association--"to separate the propaganda from the beans", in the words of its organ, "Cooperative Builder."

The cooperative wholesales' centralization program has aroused opposition among the older members who have taken great pride in their educational activities and in independent voluntary neighborhood groups forming and

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financing their own societies to meet local needs. However, such groups are becoming less rather than more common, as immigrant groups experienced in consumer cooperation in Europe lose cohesiveness, and as the population becomes more prosperous and mobile. As family incomes rise, and ownership of automobiles gives consumers a wider shopping range, they appear to prefer variety of goods over the possibility of receiving small patronage dividends. Even in rural communities, a recent University of Minnesota study found, "the opportunity for the cooperative society to hold patronage has lessened."6/ The study concluded that a new type of consumer cooperative may emerge "very different in ideals and principles from the so-called traditional organization." Another possibility is that cooperatives may concentrate more on fields other than retail trade.

Local Associations (Retail). The volume of business done by the wholesales is only a rough indication of the business done by the retail cooperatives, since it is not known whether the proportion of the goods sold by the retail cooperatives, obtained through cooperative wholesales, has been increasing or decreasing.

Farm associations do the major part of cooperatives' retail business. Although feed, fertilizer, and farm supplies comprise three-fifths of the farm cooperatives' sales, they also do a large proportion of cooperative retail business in gas, oil, and consumer goods (including groceries and appliances). According to statistics of the Farm Credit Administration, retail sales by farm cooperatives in 1950-51 totalled $1.6 billion, of which 60 percent was farm supplies, 22 percent was petroleum products (of which over half is used on the farm), and 18 percent was groceries, hardware, building materials, and other consumer goods (see table 3). Although the 1950-51 data are not strictly comparable with those for earlier years,7/there is evidence that the farm associations have been steadily expanding their volume of supply-purchasing business.

6/ Consumer Cooperatives in Minnesota, by Professor Helen G. Canoyer (In Business News Notes, University of Minnesota School of Business Administration, November 1952).

7/ Beginning with the crop year 1950-51, the Farm Credit Administration revised its method of compiling and tabulating data. For the first time, data were published for the total number of farm cooperatives engaged in supplying their members (7,335). Formerly, only those associations whose main business was supply were shown. Also in 1950-51, supplies sold to members were shown with a commodity breakdown for the first time.

In view of the greater detail now obtained in Farm Credit Administration schedules on commodities sold by farm cooperatives to their patrons, it was deemed advisable to summarize these data for all farm cooperatives, in the same form as reported. The present data are not comparable with earlier series for farm cooperatives published by the Farm Credit Administration and the Bureau of Labor Statistics.

The BLS series for nonfarm associations has been discontinued because of the present impossibility of obtaining both a satisfactory benchmark figure for the total number of nonfarm cooperatives in a given year, and an accurate measure of year-to-year turnover.

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Table 3. Supplies distributed by farmers' associations, 1950-51, net or retail business

Commodity	Net Sales[1]	
	Amount (thousands)	Percent of total
All commodities	$1,644,208	100
Producers' goods	989,206	60
Farm machinery and equipment	63,152	4
Feed	683,268	42
Fertilizer	153,538	9
Seed	89,248	5
Petroleum products	366,013	22
Other supplies[2]	288,989	18

1/ Includes purchases by marketing associations; duplication of transactions between cooperatives eliminated.
2/ Includes building materials, insecticides, containers, automotive supplies, hardware, plant equipment, as well as groceries and consumer goods.
Source: Farm Credit Administration Miscellaneous Report 169, March 1953, table 4.

Table 4. Retail sales: All stores and cooperative stores, United States, 1948

Type of operation	Retail sales (in thousands)		Cooperative sales per $1,000 of all sales
	All stores	Cooperatives	
All types	$130,520,548	$1,066,841	$8.17
Grocery stores and other food stores. .	30,965,674	139,863	4.52
Eating and drinking places	10,683,324	7,862	0.74
General stores and general merchandise group	17,134,718	37,001	2.16
Furniture, furnishings, and appliance group	6,914,179	2,024	0.30
Automotive group	20,104,054	7,724	0.38
Gasoline service stations	6,483,301	107,941	16.67
Fuel, fuel oil, and ice	2,424,397	6,348	2.62
Lumber, building and hardware group (including farm machinery)	11,151,470	44,414	4.00
Feed, farm and garden supplies	3,146,859	707,264	224.75
All other retail	21,512,572	6,400	0.30

Source: U. S. Bureau of the Census; Retail Trade, 1948 (Bull. No.1-R-0).

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The total volume of goods sold by cooperatives (farm and nonfarm) to patrons at retail in 1948 (the latest year for which comprehensive Census data are available) was slightly over $1 billion (table 4). 8/ Of each $1,000 spent in retail stores, cooperatives took $8.17. The proportion for various commodities ranged from 30 cents for furniture, furnishings, and appliances, to $224.75 for feed, farm and garden supplies. Cooperative sales in food amounted to $4.52 per $1,000 of retail food sales. Two-thirds of cooperative retail trade was accounted for by feed, farm, and garden supplies, and only 18 percent by items that were clearly consumer goods.

To assist consumer cooperatives in improving their retail operations, the Cooperative League holds an annual forum at which store policies and relationships between managers, boards of directors, and members are discussed by participants representing these groups. The May 1953 conference heard a presentation of a comparative survey of the business operations of 26 cooperative urban retail supermarkets, which had beeen made by Consumer Distribution Corporation. The survey showed that for the 26 reporting stores the gross margin was 15.6 percent, expense 13.8 percent, and net earnings 1.8 percent of sales. Five reporting cooperative stores had net earnings exceeding 3 percent of sales. Some stores with large gross margins had high expense ratios. A large proportion of sales for the whole group were in grocery items on which the margin tends to be lower than that on produce and meats. The operating ratios compare rather unfavorably with those compiled for combination grocery stores owned by corporations.9/ Recommendations of the survey to increase net earnings were: (1) increase sales of meat and produce; (2) improve margins on meat; (3) improve produce margins of the smaller markets; and (4) possibly to pay higher wages, in order to attract more efficient personnel.

CREDIT UNIONS

Credit unions are the most numerous of any type of consumer-lender. Membership is limited to groups having a community of interest; e.g., common employer, or religious, fraternal, union, or professional groups. Their funds are obtained solely through purchase of investment shares by members and accumulation of reserves. Their assets may be used only to make loans to members or to invest in government securities. Loans are made for family emergencies, for home improvement, or for durable goods purchases.

8/ Data published by the Farm Credit Administration for retail sales of farm cooperatives make it appear probable that the Census understated the total volume of cooperative retail trade in 1948. However, it is not known whether the under-reporting affected mainly farm or nonfarm cooperatives, or both equally.

9/ Comparable ratios for 769 stores in the first 10 months of 1952 (with 1951 figures in parentheses) compiled by the Accounting Corporation of America were: gross margin 14.8 (15.22), operating expense 9.63 (9.72), and net profit 5.17 (5.50). Source: Mail-on-Monday Barometer of Small Business, Accounting Corporation of America.

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Credit union loans have risen more sharply since 1940 than total installment credit, reflecting rapid postwar growth in number of credit unions, membership, and resources.10/ More recently, the volume of credit union loans outstanding (excluding real estate loans) increased 28 percent between December 1951 and December 1952, and 42 percent between December 1951 and May 1953 according to reports published monthly by the Federal Reserve Board. Credit union loans in May 1953, constituted 5.2 percent of installment credit held by all types of financial institutions reporting, approximately the same percentage as in December 1951.11/

Membership of credit unions in the United States reached 5,196,393 in 1951, with 2.7 million members in credit unions chartered under various State laws and 2.5 million members in credit unions chartered under the Federal Credit Union Act. Loans outstanding at the end of 1951 totalled $747,476,131, as reported to the Bureau of Labor Statistics.

Between 1949 and 1951 membership in State chartered credit unions increased by 20 percent, and in federally chartered credit unions by 36 percent. The former, with 52 percent of total membership, made 60 percent of all loans outstanding. This predominance arises, in part, because some States permit credit unions to make loans on real estate, thus raising the average loan per member. Federal credit unions are restricted by law to loans covering a maximum 3-year period.

In 1952 Congress passed a law--with the approval of the credit union leaders--financing the full cost of federal supervision of federally chartered credit unions by means of a graduated scale of fees, increasing with size of assets. Previously fees had been collected to cover only the cost of annual examination of books. The Credit Union National Association takes pride in the fact that within 20 years of passage of the Federal Credit Union Act, these organizations had become financially self-sufficient. In 1952, Congress also extended the Federal Credit Union Act to the Virgin Islands, thus permitting credit unions to be chartered there.

Massachusetts and New York, in 1952, raised the legal ceiling on credit union loans which some other States had done previously. The earlier ceilings had become too restrictive in view of advances in the general price level. New York also in 1952 required credit unions to maintain surplus accounts proportionate to their liabilities. Massachusetts, in 1953, raised the permissive limit on their bank stock investments.

10/ Adapted from Business Conditions, July 1953, Federal Reserve Bank of Chicago, pp. 12-13.

11/ For more detail on States see tables in Operations of Credit Unions in 1951, in Monthly Labor Review, February 1953, pp. 155-158. The figure (theregiven) of 12 percent of consumer installment loans is not comparable with the 5.2 percent figure (here quoted) because the Federal Reserve Board has changed its series on installment credit, to include both direct loans and paper purchased by financial institutions (formerly only direct loans were reported); and to cover new types of financial institutions. For information on subsequent years write to Bureau of Federal Credit Unions, U. S. Department of Health, Education and Welfare.

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Puerto Rico, in 1951, strengthened its Federation of Credit Unions and established a Cooperative Bank to provide a source of credit for cooperatives, including credit unions.

ELECTRICITY AND TELEPHONE COOPERATIVES

Electricity cooperatives are organized chiefly in rural communities by farmers, for the purpose of building electric power or telephone lines and, sometimes, power-generating plants. They are organized under State laws, either under a specific enabling act for this type of cooperative, a general enabling act for this type of cooperative, an act authorizing incorporation of nonprofit associations, or in the absence of such statutes, under the general corporation law. The specific enabling acts generally give the cooperative greater freedom to deal with the legal, engineering, and economic problems peculiar to the public utility field.

The Federal Rural Electrification Act (1936) authorized self-liquidating government loans for the purpose of extending electric power lines; by a 1949 amendment, loans were authorized for extending telephone lines in rural areas not receiving central station service. Such loans could be made to persons, corporations, States and Territories, municipalities, public power districts, cooperatives, and nonprofit or limited dividend associations. In making loans for electrification, preference was to be given to public bodies and nonprofit organizations. The principal REA borrowers in both programs have been cooperatives. They have received assistance and supervision from the Rural Electrification Administration in accounting and auditing, on management and engineering problems, as well as guidance in organizational and legal matters.

The National Rural Electric Cooperative Association, established by these cooperatives in 1942, reported 900-member systems at its 1951 convention.

Electricity and telephone cooperatives depart from the typical Rochdale pattern in that patronage refunds are seldom paid and members do not have to provide capital. Charges are based on costs of operation, plus payments on loans made by REA, provided the Administrator is satisfied that the project will be self-liquidating. Any surplus is used for earlier retirement of the loan, instead of for patronage or stock dividends.

The cumulative record of REA, through the fiscal year 1953, shows 1.3 million miles of electrical lines energized, serving almost 4 million rural consumers. Among the 1,079 borrowers were 984 cooperatives. (See tables 5 and 6). Close to 90 percent of all farms in the United States are receiving central station electric current, more than half of them from REA-financed systems, according to REA. There has been a decline in loans authorized and miles of line energized, since the peak war year 1950 (Table 5). This is attributed by the Administrator of REA to attainment of the primary objective,

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namely "providing backbone central station facilities." The Executive Manager of the National Rural Cooperative Association, however, anticipates a continuing need for modernization, reconstruction, and expansion to keep up with increasing consumption of electricity on farms as farmers add various types of electrical equipment.

Household uses account for 80-90 percent of power consumption on farms according to surveys made by the Bureau of Agricultural Economics. Dairy farms and poultry farms, which use heaters and brooders, consume almost as much as the farm home when equipped with stoves, hotwater heaters, laundry, or other household appliances. An increase in dairy or poultry farming therefore might greatly increase the rural demand for current. In general, farmers tended to purchase household appliances earlier than electric farm equipment. They also tended to increase their power-consumption from year to year as electric home appliances and farm equipment were added.

REA borrowers assumed increasing responsibility for the operation of their systems in 1952 as detailed federal controls were reduced or eliminated. Repayment of principal and interest continued to exceed scheduled payments by as much as 27 percent in 1952. However, beginning with 1954, the borrowers' scheduled payments will rise more steeply. In 1956, they will be almost twice as high as in 1952. These increases will occur because most borrowers were allowed a 2-to-5-year development period during which interest and principal payments were deferred, to be spread over succeeding years at a heavier rate.

The telephone program of REA, in effect only since 1949, has made less progress. In 1952, REA personnel was being shifted from the rural electrification to the telephone program. As of June 30, 1952, there were 190 borrowers—80 were cooperatives and 110 were commercial telephone companies, the latter generally serving fewer subscribers than the cooperatives. (See table 7) No information on loan repayment is available for the telephone program.

In 1953, 42.5 percent of the nation's farms had telephones - only slightly more than in 1920. Many of the magneto phones installed after World War I deteriorated and were not replaced. The number of telephone associations serving rural areas has been substantially reduced since the 1930's by consolidation, which connected isolated service lines with companies or associations operating central switchboards. REA has assisted rural telephone associations in their management, technical, and personnel-training problems.

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Table 5. Annual electrification programs REA, 1945-1953

Fiscal year ending June 30	Miles of line energized	Consumers connected
Cumulative through 1945	424,072	1,287,347
1946	50,765	261,710
1947	71,944	294,294
1948	119,375	420,518
1949	173,529	514,311
1950	178,651	473,607
1951	116,162	295,536
1952	75,975	222,103
1953	60,970	182,514
Cumulative through 1953	1,271,443	3,951,940

Source: REA Monthly Statistical Bulletin, Table 3.

Table 6. Rural electrification borrowers financed by REA, fiscal years ending June 30, 1935 through 1953

Type of borrower	Total number	Cumulative total loans approved (in millions)
Total	1,079	$2,730
Cooperatives	984	2,594
Public power bodies . .	70	127
Power companies	25	9

Source: REA, Monthly Statistical Bulletin, Table 2.

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Table 7. Rural telephone systems borrowing from REA, 1950-52

Item	1950 and 1951	1952	Cumulative 1949-1952
Number of borrowers	113	77	190
Cooperative	38	42	80
Other	75	35	110
Loans allocated in year (in millions).	$41.3	$41.0	$82.3
Cooperative	$22.0	$26.6	$48.6
Other	$19.3	$14.4	$33.7
Subscribers added	155,816	95,234	251,050

Source: Report of the Administrator of the Rural Electrification Administration, 1950, 1951 and 1952.

HOUSING COOPERATIVES

In 1950 the Bureau of Labor Statistics surveyed 165 housing cooperatives, with 24,250 members holding 10,400 acres of land on which 28,330 dwelling units had been built, or were scheduled to be built.12/ The study included all known associations which met the following criteria: (1) initiative taken by the group to be housed; (2) nonprofit enterprise or sponsorship; and (3) membership determination and control of policies from the start.

Some additional information on cooperative projects has been received since 1950. A large apartment house, sponsored by the Omaha Education Association, was completed in Omaha in 1952 with a mortgage insured by FHA under Section 213 of the National Housing Act. A nonprofit, non-par-value corporation was organized in which 70 teachers each owns one share carrying one vote, and each holds a 99-year lease on his apartment. Final cost to members ranged from $7,300 to $15,900, with monthly payments from $35 to $90.50. The cooperative manages the project.

Greenbelt Veteran Housing Corporation, Greenbelt, Md., (a cooperative included in the Bureau of Labor Statistics' study cited above) completed purchase of housing from the government on December 31, 1952, for $7 million. Families who are, or become members, acquire perpetual use of the land and

12/ Cooperative Housing in the United States, 1949-50, Bureau of Labor Statistics' Bulletin No. 1093, U. S. Department of Labor, 1951.

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dwelling, on monthly payments to GVHC. If disposed of to an outsider, approval of GVHC must be obtained. GVHC collects monthly payments, including taxes, makes a lump sum mortgage payment to the government, and is responsible for maintenance and general supervision (e.g., of any structural changes proposed by occupants.) It also manages two apartment buildings. Subsequent to the first government sale, the cooperative acquired title to 700 acres of land for development, in line with the original town plan. This land may be disposed of to nonmembers. In this connection, several cooperative projects have made applications to the Federal Housing Administration for development of parcels of this land.

Four New York City labor union locals, two affiliated with the Teamsters (AFL) and two with the Utility Workers (CIO), are jointly planning to construct and operate a $21 million nonprofit housing project for 2,000 members' families. Their application for partial tax exemption was pending before the New York City council in mid-June 1953.

Section 213 was added to the National Housing Act on April 20, 1950, in order to assist nonprofit cooperative housing associations to obtain low-interest, long-term mortgage financing. The Federal Housing Administration is authorized to insure mortgages on two types of housing cooperatives—the sales type or co-ventures, and the management type or all-the-way cooperatives. A co-venture or sales-type cooperative is one which constructs dwellings but dissolves upon completion of the project and sale of dwellings to individual owners. The blanket mortgage which FHA has insured is replaced by individual mortgages as each unit is sold. An all-the-way or management cooperative continues in existence for the purpose of managing the property after construction is completed. Cooperatives taking advantage of section 213 may build only single-family dwellings if the blanket mortgage is to be converted, but if the mortgage is to continue, then either multiple or single-family units may be financed under section 213.

Although the projects financed by FHA under section 213 are technically cooperatives in form, the initiative for the project in most cases has come not from the group to be housed but from an outside sponsor, usually a private builder. "Self-propelled" cooperatives have encountered many difficulties because of their lack of experience with the complex problems involved in real estate, construction, mortgage financing, and FHA requirements. Furthermore, few cooperative groups have had the capital necessary to purchase the land and provide for all preliminary costs involved in large projects. In cases involving sponsored projects these costs are advanced by the sponsor. In cases where the dwellings are sold by the builder to a cooperative which continues to manage the project, the end result is practically identical with the all-the-way cooperatives.

By the end of May 1953, the Federal Housing Administration had received 673 applications for mortgage insurance on 82,855 dwelling units; 242 applications involving 40,600 units had been approved or were under examination.

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(See table 8.) Eighty percent of all applications were for the management type and two-thirds were from the New York area. One hundred and fourteen projects, with 20,950 units and with insured mortgages totaling $194.7 million, had either been completed or were under construction. Another 10 projects were ready to start, full member participation having been assured; members were still being recruited for 40 projects which had been screened by FHA. One of the principal reasons for the lack of progress in the 308 applications withdrawn or expired (table 8) was the difficulty of obtaining mortgage financing at the maximum 4-percent statutory interest rate. In 1953, Congress permitted a rise in the 4-percent interest rate for mortgage financing under section 213. FHA administrative rules have raised the rates--not to the full extent permitted by law--but to 4¼ percent on blanket mortgages and to 4½ percent on released individual mortgages.

Table 8. Progress of cooperative housing projects under section 213 of National Housing Act, May 1953

Item	Number of —		Value (in millions)
	Projects	Dwelling units	
Total applications received	673	82,855	$788.9
Active cases	242	40,601	382.1
Mortgages insured	114	20,950	194.7
Commitments outstanding	10	1,619	16.3
Eligibility statements outstanding . .	40	5,718	52.6
Applications in process	78	12,314	118.5
Eligibility statements expired	60	4,673	43.1
Cases withdrawn	248	20,080	198.4
Cases rejected	123	17,501	165.3

Source: Federal Housing Administration.

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MEDICAL CARE COOPERATIVES

In the field of medical care, the cooperative form of organization is barely distinguishable from other types of consumer-sponsored, or consumer-controlled group health plans. The voluntary federation in this field, the Cooperative Health Federation of America (CHFA), includes plans based on the following five principles: prepayment, comprehensive care, group practice, ownership and management of facilities by a voluntary member-association, and democratic control of the economic and business aspects. (In all plans, the medical services must be under the direction of a physician.) Although this last criterion is similar to one of the cardinal Rochdale principles, some plans belonging to CHFA are governed by boards of directors representing, but not elected by, large groups of users. Some are jointly managed by employers and unions, as required by the Taft-Hartley Act if the employer contributes to the plan under a collective-bargaining agreement. Still other plans, sponsored by labor unions for the benefit of union members and their families, are subject to the same general membership control as other union activities.

In December 1952, only 16 plans were affiliated with CHFA, but they served 802,000 persons. There were thirty-three plans which were regarded as Rochdale cooperatives; i.e., subject to control by the plan membership on the basis of one vote per member. These plans had a combined membership of 200,000 in 1951, an increase of 14 percent since 1949; 11 of these plans however, declined slightly in membership. Four cooperative health plans began operating and five ceased operating as cooperatives during 1951.

The Cooperative Health Federation of America assists cooperative and other groups in setting up consumer-sponsored medical care plans, lobbies for favorable legislation, collects funds to assist groups involved in litigation, and renders technical advisory service on operating problems. It provides 2- or 3-day forums at which organization, services, facilities, financing, and the interrelationships of group health plans are periodically discussed. During 1952 the Cooperative Health Federation enlisted the services of a number of specialists to serve as medical, legal, and accounting consultants to groups wishing to establish health plans. In 1953, the third annual Group Health Institute at St. Louis, Mo. brought together 100 active representatives of 29 group medical plans in the U. S. and Canada. The conference agenda included study of the Labor Health Institute of that city, which serves 14,000 members of AFL Teamsters' Local #688 and their dependents, with physicians serving on a part-time basis. Reports to the conference indicated that during the last few years union-sponsored and employer-financed plans have increased in number and scope, while other consumer-sponsored plans have experienced difficulty in financing expansion because of the high cost of new plant and equipment.

The 20 principles (appendix A) drafted by a joint committee of laymen and physicians in 1949, as a basis for cooperation between the medical profession and non-profit group health plans, appear to be slowly gaining local

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acceptance. Relationships between the organized medical profession and the consumer-sponsored medical care plans showed some improvement in 1952 and 1953, aided by court decisions. Local medical societies opened their membership rolls to group-health physicians in California, Washington, Oklahoma and Texas—in the first two States following court decisions.

A consumer-sponsored health plan in San Diego, Calif., obtained a favorable court decision in March 1952; a month later a suit involving the Beckham County Medical Society and the Community-Hospital-Clinic in Elk City, Okla., was settled out of court. However, a Minnesota suit by Two Harbors' Hospital and Clinic against the local Medical Society is still pending. In April 1952, the United States Supreme Court affirmed a district court's dismissal of the Government's suit against the Oregon State Medical Society which had alleged violation of the Sherman Anti-Trust Act (U. S. v. Oregon State Medical Society, 343, U. S. 326). The Supreme Court held that--seven years prior to the commencement of the suit--the conduct of the Oregon doctors, had undergone a significant change when in 1941 the society organized its own prepaid medical care plan. During the intervening period since 1941, furthermore , numerous doctors had accepted payments for services rendered to the plans that had formerly been boycotted by their society.

An almost universal obstacle to group health plans has been the common law principle, prohibiting the practice of medicine by a corporation. The principle, which is intended to prevent injury to the public by commercial exploitation and debasement of professional standards, has been specifically incorporated in some State medical practice laws. This doctrine has been set aside, under safeguarding conditions, in some States by statute, in others by court decisions where it was shown that the group practice of medicine was not operated for private profit and complied with professional standards. (An outstanding case is that of the District of Columbia Group Health Association)

Acts specifically authorizing nonprofit group health plans, controlled by laymen, have been passed in 13 States,13/ but no new acts have been passed since 1951. Twenty-nine States have laws authorizing the operation of prepayment medical care plans, controlled by physicians (so-called Blue Shield plans).14/ Three States (Illinois, Massachusetts, and Wisconsin) have laws which permit both types of plans. Nine States have no enabling acts.15/

13/ Connecticut, Illinois, Maryland, Massachusetts, Mississippi, New Mexico, New York, Oklahoma, Oregon, South Dakota, Texas, Washington, and Wisconsin.

14/ Alabama, Arizona, California, Colorado, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and Wisconsin.

15/ Arkansas, Delaware, Georgia, Indiana, Missouri, Nebraska, Nevada, Utah, and Wyoming.

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Laws of the Blue Shield type, it has been alleged, constitute a serious obstacle to the formation of consumer-controlled plans, because they either confer an exclusive privilege upon the doctor-controlled corporation, or require that the plan be open to all, or a large percentage of, qualified physicians, thus in effect barring an organized group-practice clinic.16/ Consumer-controlled plans that provide service benefits through their own facilities, however, are operating in 4 States where the only enabling statute is the Blue Shield type, in 10 States having specific enabling acts, and in 3 States having no laws on this subject.

Unions initiated a number of developments in the health field in 1952 and 1953. The International Association of Machinists (AFL) started a nationwide program, headed by a physician, to aid member locals in developing insurance or group health centers. The San Francisco Trades and Labor Council (AFL) is planning its own health center. The Union Eye Care Center, Chicago, Ill., which provides services for 70 AFL and CIO local unions, completed its first year in March 1953; members of these unions, with their dependents, number 90,000. The Sidney Hillman Health Center in New York City, financed jointly by the Amalgamated Clothing Workers of America (CIO) and the New York Clothing Manufacturers' Exchange, in 1953 decided to equip two additional floors, at a cost of $250,000. The United Mine Workers Welfare Fund (Ind.) is planning to build 10 hospitals in mining areas which lack adequate medical facilities. Some group practice clinics have been organized by the union to serve miners and their families.

The Health Insurance Plan of Greater New York (a community-wide plan, not a cooperative) serves 380,000 persons including the memberships of many local unions and groups of city employees for whom the city pays half of the premiums. It added three more housing developments to its membership in 1952, making a total of eight in which 75 percent of the tenants have made application for coverage. About 6,000 policemen and their dependents have also been enrolled recently.

16/ See Laws Affecting Group Health Plans by Horace R. Hansen in Iowa Law Review, 1950, vol. 35 (p. 209); and Cooperation in Medicine, Minnesota Law Review, 1951, vol. 35 (p. 373).

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APPENDIX A. SUMMARY OF PRINCIPLES ADOPTED BY AMERICAN MEDICAL ASSOCIATION, FOR LAY-SPONSORED VOLUNTARY HEALTH PLANS (1949).1/

1. The plan shall be nonprofit, paying no dividends to beneficiaries or others. Surplus shall be used for services, facilities, doctor-compensation, or reserves.

2. It is unethical for a physician to serve an organization or group which will derive a direct profit from his fees or compensation.

3. The plan shall be adequately financed and organized without capital stock.

4. The plan shall be operated under an autonomous administration, or trust, with segregated funds, devoted exclusively to provision of health services.

5. Promotion, sales and administrative expenses shall be minimal.

6. Quality of medical service shall be at highest possible level and shall meet State standards.

7. The plan shall provide all services promised to beneficiaries in agreement.

8. Each beneficiary shall receive a clear statement of terms of agreement re services, benefits and limitations.

9. Amount of dues shall be clearly stated and shall be adequate for proper financing of the risks involved.

10. No promotional material shall publicize skill or attainments of participating physicians.

11. Compensation of physicians may take any form not contrary to AMA ethics re contract practice.

12. Any duly licensed and qualified physician in the community who wishes to participate in the plan, who agrees to its terms and meets its standards, shall be admitted to the plan.

13. Prospective beneficiaries shall be told the names of participating physicians, and shall have freedom of choice, within reasonable geographic and professional limitations.

14. Governing body shall not interfere with the medical staff in the practice of medicine. Confidential doctor-patient relationship shall be preserved.

1/ Journal of the American Medical Association, June 26, 1949, pp.686-687.

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15. Medical staff shall participate in deliberations of the governing body and it is recommended that representatives of the medical profession should be members of that body.

16. All service outside the contract shall be payable by beneficiary to physician on "a fee-for-service basis."

17. Hospitals connected with plan shall be operated in accordance with sound public policy.

18. There shall be no discrimination in rates, benefits, terms, and conditions for all persons in the same class.

19. Reserve funds shall be prudently invested.

20. Plans desiring approval shall agree to regulation and periodic review by an appropriate accrediting body of AMA in consultation with the plan's sponsors.

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APPENDIX B. SUMMARY OF STATE LEGISLATION, 1952

Of the 12 legislatures in regular session in 1952, 6 enacted no laws on cooperatives (Arizona, Kentucky, Louisiana, Mississippi, Rhode Island, South Carolina). The other 6 States passed laws of minor importance to cooperatives:

Colorado amended its income tax law to exempt credit unions from tax on net income, provided 85 percent or more of gross income is derived from the business of making loans to members or from investment in U. S. bonds. Other cooperatives (formerly also exempt) are now required to report and to include in their gross income all distributions and allocations. Individuals are permitted to exclude from their gross income cooperative refunds or rebates if expended for personal, living, or family expenses. Cooperatives are allowed to deduct amounts allocated, credited or paid to members as patronage dividends, rebates or refunds during taxable year or within three months of its end; REA-financed cooperatives may deduct such amounts credited or paid or allocated to customers and members, (ch. 47, Laws of 1952).2/ In effect, Colorado has adopted the pattern of Federal taxation of cooperatives.

Massachusetts adopted minor amendments concerning credit union operations and cooperative banks (respectively, ch. 88, 95, 162, 163, 91; 149 and 257, Laws of 1952).

New York made slight changes in the laws regulating credit unions (ch. 268 and 307, Laws of 1952).

Michigan required all corporations (profit, nonprofit, or cooperative) to pay an organization fee and an annual fee for the privilege of doing business in the State (P. A. 180 and 183). Cooperatives would be permitted to operate as nonprofit organizations, provided they engaged in buying and selling products for members without direct pecuniary gain (P. A. 23). It has been pointed out that this might rule out patronage refunds, so that only cost-plus buying clubs would be able to qualify.

New Jersey, by proclamation of the secretary of state, dissolved 60 cooperative associations which had failed to file auditors' reports for three consecutive years as required by law.

Virginia authorized its Corporation Commission to withhold a certificate from a credit union when it has reason to believe that it has been formed for other than legitimate credit union business, or that the moral fitness, financial responsibility, and business qualifications of its officers do not command confidence (ch. 22).

Stock in agricultural cooperatives may be registered in the name of two or more persons, payable to any one of them as a survivor (ch. 166).

2/ Both farm and nonfarm cooperatives are permitted to deduct from their gross taxable income, amounts paid or allocated to patrons as dividends or patronage and amounts paid as interest or dividends on capital stock.

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APPENDIX C. RECENT DEVELOPMENTS IN CONSUMER COOPERATIVES IN OTHER COUNTRIES

For reasons of space, this review is limited to Canada and certain countries of Western Europe. It is not meant to imply that there have been less interesting developments elsewhere. In Asia and Africa, producer and agricultural credit societies, with governmental encouragement and assistance, have become important in the economy of a number of countries; consumer cooperatives are less well developed in these areas.

Canada.3/ Distributive cooperatives, in Canada, as in the United States are organized chiefly by farmers. The 1952 report indicates little progress to date in organizing consumer cooperatives in the urban centers of Canada. However, separate data are not available for nonfarm consumer cooperatives.

During 1951-52 (year ending July 31) 3,838 cooperatives engaged in marketing agricultural products, purchasing supplies, or providing services for their members. A total of 2,194 societies with 1,163,803 members engaged in marketing or purchasing, or in a combination of the two; 83 fishermen's cooperatives had 14,641 members and did $20 million worth of business; 339 "service" cooperatives had 195,027 members and did $8.1 million worth of business. Since some persons belong to several cooperatives, the grand total of 1,373,471 members includes duplication. The number of societies and members reported was somewhat lower than in the preceding year.

While the marketing of members' produce is the leading cooperative activity, Canadian farm cooperatives are increasing their purchasing of supplies for farm and household use. Merchandise sales constituted 20.3 percent of total cooperative business in 1952 compared to 5 percent twenty years ago. This type of business increased by $38 million (18 percent) between 1951 and 1952, the biggest annual increase since 1932. The total volume of supply-purchasing reached $248,050,700. Much of this business is combined with marketing. However, separate cooperative retail stores sold an estimated $114 million worth of goods in 1952. The proportion of total retail trade accounted for cooperative stores is somewhat higher than in the United States but is not above 2 percent.

Cooperative wholesales, owned by 1,710 local cooperative associations, operate in every Canadian province except Newfoundland. Eleven wholesales sold about $70 million worth of business in supplies to member associations, in 1952. These wholesales also carried on a somewhat larger volume of marketing business ($95.5 million). A total of 339 "service" cooperatives with 195,027 members, assets of $32 million, and revenue of $6.4 million in 1952 provided hospital and medical care, housing, transportation, electricity, and operated undertaking establishments, restaurants, student boarding houses, and recreation facilities.

3/ This account is based on Cooperation in Canada 1952, Twenty-first Annual Summary, Department of Agriculture, Ottawa, July 1953.

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In addition to the associations included in the statistics shown, more than 400 provincial farmers' mutual fire insurance companies carried risk insurance of $2.5 billion. A Cooperative Fire and Casualty Company was incorporated under a special federal act of June 30, 1951 and began to write fire and automobile insurance July 1, 1952.

The following table shows the commodity groups supplied to Canadian members and patrons in 1952:

Commodity groups	Number of associations 1/	Value of sales: Dollars (thousands)	Value of sales: Percent
Total	1,683	248,050	100.0
Feed, fertilizer, sprays	907	96,142	38.7
Food products	790	58,456	23.5
Petroleum products and auto accessories	639	25,966	10.5
Coal, wood, building materials	574	15,822	6.4
Clothing and home furnishings	474	7,871	3.2
Machinery and equipment	358	16,532	6.7
Miscellaneous	964	27,261	11.0

1/ Associations handling more than one commodity group are counted more than once. Some associations also market produce of members.

Great Britain. Consumer cooperatives have grown steadily since 1938 in membership, volume of business, and proportion of total retail trade handled, according to reports by the government's Registrar of Friendly Societies (including cooperatives) and estimates made by the Cooperative Union (the national federation of cooperative societies).

In 1952 membership had reached almost 11 million - an increase of 2 percent over 1951, and 31 percent over 1938, while population had increased only 6 percent. (See table p.27 Between one-fourth and one-half of British families are now believed to hold membership in cooperatives engaging in retail trade. Volume of business increased between two-and three-fold; however when adjusted for the rise in the price level, the increase was only about 15 percent. The percentage of national consumers' expenditures for goods and services of types handled by cooperatives, rose from 8.9 percent in 1938 to 9.3 percent in 1951. According to the 1950 retail trade census, cooperatives constituted 5 percent of all retail establishments and handled 12 percent of all retail trade (compared with 0.2 percent of the establishments and 0.8 percent of sales in the U. S.). The cooperative share of retail sales in certain lines is as follows: dairy products, 35 percent; specialized grocery stores, 29 percent; other food, 16 percent; coal, 15 percent; men's and women's wear, 14 percent; furniture, 9 percent; and drugs, 6 percent.

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Great Britain Cooperative Trading Societies, 1938, 1951, and 1952

	1938	1951	1952
Wholesale societies	2	2	2
Member societies	1,800	1,500	1,500
Sales (million £)1/.	153.5	435.8	482.2
Retail societies-number	1,168	1,109	1,107
Members (thousands)	8,357.8	10,744.6	10,931.5
Sales (million £).	262.4	649.8	704.2
Dividends on sales			
Million £	23.6	38.2	35.6
Percent of sales	9.0	5.9	5.1

1/ £ 1 equalled $4.89 in 1938. In 1951 and 1952 the official rate of exchange was fixed at $2.80. This rate does not necessarily provide an accurate measure of differences in purchasing power of a unit of currency in the two countries

Source: Reports of Registrar of Friendly Societies, London.

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As part of a national survey of personal incomes and savings made by the Oxford University Institute of Statistics in the spring of 1952, information was obtained on investment in cooperative societies, by income and occupation of head of income unit.4/ The sample studies showed membership in a cooperative society for 23 percent of the income units; 26 percent of the skilled manual workers, 21 percent of the unskilled, 17 percent of the clerical and sales workers, 20 percent of the managers, and 15 percent of the self-employed. One-third of the units with incomes in the £400-599 bracket5/ belonged to cooperatives. Most cooperative members had small investments; nearly half reported owning a single £ 1 ($2.80) share; more than two-thirds reported owning shares worth less than £ 10 ($28).

Reduction in the rate of patronage refunds since prewar is being studied by a special Committee of the Cooperative Union. Dividends on sales have been and still are at a much higher rate than is usual in the United States; the overall rate was 9 percent of sales in 1938, and in 1952, 5.1 percent. The decline has been partly explained by the government's regulation of retailers' gross margins as part of its price control program (only recently discontinued); another factor is the practice of paying refunds on total amount of purchases including heavy excise taxes on tobacco and other goods.

The highlight of the 84th annual congress held by the Cooperative Union in 1953 was the unanimous adoption of a report on social ownership and consumer problems, stressing cooperative ownership as an alternative to nationalization. Advantages urged for the cooperative form were its greater opportunities for the exercise of democratic control by the membership. The report indicated some apprehension lest a conflict develop between advocates of further nationalization and the cooperatives, particularly in areas where cooperatives have extended their control vertically over a related group of industries. The report criticized "the facade of consumer representation without really effective consumer influence" in the nationalized industries, and noted that centralization had removed "something which existed in municipal enterprises ," namely the direct responsibility of the municipal government to local users of gas, electric current and water, and the ready channels available for communication of consumer grievances.

4/ National Survey of Personal Incomes and Savings, by H. F. Lydall in Bulletin of the Oxford University Institute of Statistics, June and July 1953, vol. 15, nos. 6 and 7, pp. 208-209.

5/ At the official exchange rate of $2.80 = £ 1, this bracket amounts to $1,120-$1,680 a year.

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Scandinavia. Although consumer cooperatives in Denmark, Norway, and Sweden continued to increase their volume of sales in 1950-51, the increase was not substantial when adjusted for upward changes in the price level. In Norway and Sweden, cooperatives' wholesale trade increased more than their retail trade.

In 1950 Swedish cooperatives accounted for 15 to 20 percent of all retail trade and for an even higher proportion of sales of foodstuffs. Cooperative membership included 993,000 families, or between one-third and one-half of the population. Wage earners constituted 51.4 percent of the membership of consumer societies in 1951. The Swedish cooperative movement is the largest single employer of labor (next to the government) with 51,000 employees. In the cooperatives' establishments, works committees and special committees have been concentrating on the improvement of productivity and working efficiency.

In order to assist local societies in improving their store layouts and techniques and in building more self-service stores as well as warehouses, the Swedish Cooperative Union and Wholesale Society floated a loan in 1952 of which 68 million kroner had been subscribed by April—more than doubling its outstanding bond issues. (One krone = 19.3 cents U. S. at the official rate of exchange).

As in Great Britain, the Swedish cooperatives have helped to head off or slow down nationalization. In Sweden, they have specifically opposed nationalization of the oil industry.

Sweden adopted a special law to provide for the incorporation of cooperatives, effective January 1, 1953, replacing a 1911 Act which applied to both cooperatives and profitmaking enterprises.

The centenary of consumers' cooperation in Norway was reached in 1951. In 1950, one-fifth of all Norwegian families were enrolled in cooperatives - more than twice as many as before World War II. In 1951, approximately 13 percent of national retail trade in foods, textiles, shoes, and household goods (amounting to 705 million kroner) was carried on by cooperatives. There were 282,166 members enrolled in 1,097 consumers' societies in 1952, which did a business worth 801,847,000 kroner in 1952. (1 krone = 19.3 cents U.S. at the official rate of exchange). On sales to members a patronage refund of 1.3 percent was paid. Almost as large an amount was ploughed back into the societies' reserves and other funds. The Norwegian cooperative law was amended in 1952 to permit societies to operate in more than one county or municipality and to permit societies operating more than one store to sell to nonmembers. During World War II, the old prohibitions had been suspended. The Oslo society, in early 1953, operated about 75 stores.

How to safeguard consumer interests was the subject of an official committee report to the Norwegian Government in 1953. It recommended a Consumer Federation, with a secretariat to deal with prices, production, distribution, supplies, rationing, quality control, standards, research and information.

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Denmark, like Norway prior to 1951, still has legislation prohibiting common ownership of two or more shops in a municipality, and operating both a retail store and a producing enterprise. Revision of this obsolete legislation was demanded by the KFB (Urban Cooperative Union) in January 1953 but was opposed by the conservative press, which feared that a change might lead to the "American" system of retailing, and eliminate many of Denmark's 25,000 small shopkeepers.

The 1,900 Danish consumer cooperatives had 460,000 members in 1951 who, with their families, included from one-fourth to one-third of the total population. The annual volume of business in 1951 totaled 950 million Kroner; (One Krone = 14.48 U. S. cents) or about 10 percent of the nation's retail trade.

France.6/ French consumer cooperatives were handicapped by World War II inflation even more than those of other countries. Holdings of members were limited by law to 500 francs per person until a recent modification raised the maximum to 3,000 francs ($8.50 at the official rate of exchange). Not all members have increased their holdings to the new limit. Both the national wholesale society and the member locals are reported to be short of funds for investment in needed facilities. A government-established Central Fund for Cooperative Credit, for providing long-term credit, has also been handicapped by receiving only small appropriations. The cooperatives have their own Central Bank of Cooperatives for short-term borrowing. Finally, the French taxation system favored the small shopkeeper and tended to penalize large-scale operations, including those of cooperatives.

Cooperative trade accounts for 3 to 8 percent of total trade in commodities which cooperatives handle. The following figures show the extent of consumers' cooperation in France at the end of 1951.

	1951
Number of local societies	947
Membership.	2,552,000
Number of stores	7,586
Sales—million francs	87,723
million dollars	250.6
Wholesale society	1
Direct sales—million francs	9,000
million dollars	25.7
Commission sales—million francs	45,000
million dollars . . .	128.6

West Germany.7/ In 1948 the Central Association of German Cooperatives was re-established; German cooperatives had been liquidated in two actions by the Nazis in 1935 and in 1941. The Association represents consumer interests at

6/ This account is based on a memorandum on Consumer Cooperation in France, by Thorsten Odhe, 1953.

7/ This account is based on D.G.B. News Letter of June 1953, published by Executive Committee of German Federation of Trade Unions.

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the federal and local level, on legislative and administrative matters; engages in cooperative education, training, research and publicity; and audits books of member cooperatives. During 1952 cooperatives sought repeal of a long-standing, but unenforced statutory provision which prohibited sales to nonmembers. In September 1952 the question of restitution of cooperative property confiscated by the Nazis was finally settled in principle, although each case must still be adjudicated.

In 1951 it was estimated that 11 percent of the population belonged to families having membership in a cooperative, compared to 30 percent of the population in 1930. Cooperative members have been increasing rapidly in recent years; the rise from 1951 to 1952 was 15 percent. At this time total membership was 1,835,774. A total of 7,389 stores was operated in 1952; sales totaled 1,340 million Deutsche mark. (One DM = 23.8¢ U. S. at the official rate of exchange).

The wholesale purchasing company of Germany, Consumers Cooperatives (GEG), which also engages in production and importing, continued to make progress during 1952.

In re-establishing the central Association, particular effort was made to avoid duplication of functions, and to achieve simplification of structure and greater efficiency in management. Towards this end, the boards of the association and the wholesale (which share a headquarters building) hold joint meetings weekly to discuss organization, finance, administration, and broad policies in respect to production and trade. 8/

8/ Out of the Ashes, in The Cooperative Official, June 1953, Manchester England.

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