

Tax Question Spotlights Spectacular Growth of Co-Operative Movement in U. S. in Recent Years

Private Business Complains of Disadvantage;
Co-Ops' Volume Tops Five Billion Dollars

By AL JEDLICKA

When congress ponders a new revenue bill this fall, one of the major propositions under discussion will be the taxation of co-operatives. Under pressure of established tax-paying enterprises, the solons can be expected to comb the situation thoroughly, since the rapid growth of co-operatives in the present century not only poses the question of tax equality, but also of maintenance of revenue.

But though the question of taxation itself appears to head up the co-operative question now, there are other and even more deeply rooted underlying causes, principally the movement's threat to the traditional American business system. In this respect, the whole co-operative development may well shape as an economic evolution, though frequent cycles have robbed it of the consistency necessary for historical reform.

At the present time, however, American co-operatives are on a rising tide, with the strongly established farm organizations numbering 4,390,000 members being steadily complemented by urban consumer and manufacturing groups. During the 1943-'44 season rural marketing and purchasing co-operatives alone did over 5 billion dollars worth of business, mostly on a tax-free basis.

As a result of the steady growth of co-operatives spearheaded by the farmer associations, and their extension into various fields, traditionally established American businessmen are stirring uneasily. Whereas only the handler and supplier of agricultural products and material formerly had been pressed by the co-operatives, competition now has been extended to manufacturers of farm machinery, hardware, paints, electric refrigerators, washing machines, toasters, clocks, cigars, cigarettes, lipstick, tires and batteries.

In addition, co-operatives now drill wells, own pipe lines, refine petroleum, possess timber tracts, write insurance, and operate banks, telephone companies and electric power installations.

From the beginning, the co-operative movement assumed the nature of a joint enterprise for performing a non-profitable service for each participant's individual welfare.

Though contemporary history traces the real origin of the co-operative movement back to Rochdale, England, where poor working people organized a grocery co-op in 1844 to avail themselves of cheaper food, some historians credit the birth of the movement to local farm groups which banded together in the U. S. in the 1820s to reduce insurance costs.

Following the establishment of the local fire insurance groups, the co-operative movement assumed another form in the U. S. after the civil war in the national farm Grange, a social and educational organization also bent upon relieving stringent economic conditions. Eventually turning to co-operative methods to attain its early objectives, the Grange failed in promoting a purchasing co-op because of the unscrupulousness of agents; bogged in pushing consumer co-ops partly as a result of the panic of 1873, and gave up a farm machinery manufacturing co-op following overproduction and under-servicing.

As the co-operative movement began to take root here during World War I and congress recognized it as an instrument for aiding the farm producer, legislation was enacted to afford tax relief to operators. In 1916, congress stipulated that farmers, fruit growers and like associations organized and operated on a co-operative basis and acting as selling agents for their members should not be requested to pay an income tax on earnings.

In subsequent legislation, the solons provided that co-operatives could purchase as well as sell for producers; deal with non-members as well as members; become corporations and pay interest on stock, and not be prosecuted under the anti-trust laws.

The government also set up a federal agency to loan money to co-operatives in 1921, with the financial machinery expanded through the farm credit act of 1933. In 1933, the securities act also permitted co-operatives to sell equities without prior approval of the Securities and Exchange commission, which exercises that right over corporate issues.

Though historians claim for the

U. S. the credit for the birth of the co-operative movement, the Rochdale enterprise of 1844 still receives general recognition for establishing the three general principles under which co-operatives widely function today. These principles include:

1. One vote to each member regardless of stock holdings.
2. Distribution of net savings to patrons in proportion to their purchases.
3. Limited fixed interest on capital shares instead of variable and unlimited dividends.

Organization of farm co-ops is relatively simple, with the pattern moulded to give each member an equal controlling interest in the operations. Upon subscribing for capital stock or paying a membership fee, the local group then adopts by-laws and elects a board of directors. A manager is hired, policies outlined and facilities secured. Although in charge, the manager remains under supervision of the directing board.

In addition to observing the Rochdale principles in voting, savings distribution and stock payments, local groups often confine ownership to farmers raising products handled by the co-op; restrict securities transfers, and limit the amount of shares a member may hold.

While co-operatives are generally organized on the local level, they

more than 400 units at the most with 110,000 members doing about \$5,000,000 business annually. Though consumer labor co-ops have failed in the past, the CIO's entrance into the field on a limited basis bears watching anew, with the union tactics apparently aimed at making up future tighter wage rates by reducing staple living costs.

In singing the praises of farm co-ops, advocates describe the movement as a means of putting the country's gigantic rural plant on a more efficient basis, with resultant profits to the producer.

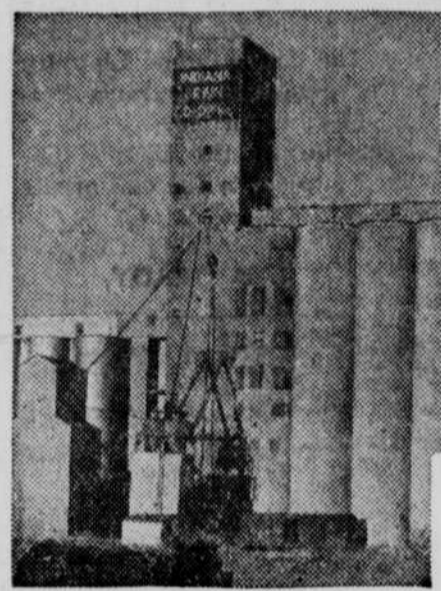
This increased efficiency can be attributed to both the size of co-operatives and the nature of their ownership. By banding together, farmers are able to purchase goods at lower prices, and group distribution results in smaller overhead and decreased handling charges. By owning the business, of course, co-operators avert dealers' margins.

Though tax-exempt co-operatives have been the target of competitive businesses complaining of their tax preference, R. Wayne Newton, manager of the National Association of Co-operatives, declares that the increased return of farmers results in payments of higher individual income taxes. At the same time, Newton says, the larger profits enable operators to spend more on merchandise in the local communities.

Charges that co-ops are making huge profits on their operations only serves to emphasize the size of margins formerly enjoyed by private dealers, Newton avers. By banding together for co-operative operations, farmers have tended to offset their



Successful co-ops include refinery at McPherson, Kan., top, and grain elevator of Indiana Farm bureau at Indianapolis, Ind.



usually affiliate with regional groups to obtain maximum efficiency of operation, with the regional bodies in turn sometimes combining with national associations. But, in any case, the local group retains a voice in the broadened organization through the selection of delegates.

While membership fees, stock sales and reserves provide working capital, co-operatives borrow on a large scale to finance operations, a study of the Farm Credit administration in 1939 revealing that approximately one-half of the co-ops then existent resorted to loans.

While figures show 4,390,000 members of 10,300 farm marketing and purchasing co-ops, the actual number of individuals participating in the movement may be considerably less since a person may belong to more than one organization.

With 7,522 units and 2,730,000 members, the farm marketing co-operatives do by far the largest business, with 1943-'44 activities totaling almost \$4,500,000,000. Handling of dairy products accounted for \$702,000,000; livestock, \$636,000,000; grain, dry beans and rice, \$452,000,000; cotton and its products, \$258,000,000; fruits and vegetables, \$160,200,000; poultry and eggs, \$130,000,000; tobacco, \$120,000,000; wool and mohair, \$107,000,000; nuts, \$49,000,000, and miscellaneous, \$115,000,000.

For the 2,778 purchasing co-ops with 1,660,000 members, total business was placed at \$730,000,000. Seventeen major regional procurement organizations alone secured \$151,640,000 of feed; \$50,702,000 of gas, oil and grease; \$19,871,000 of fertilizer, and \$10,893,000 of seed.

Never as successful in the U. S. as in Britain, American urban or consumer co-ops are insignificant alongside of the farm organizations. It has been figured that there are no

Geographic Division	Associations		Membership		Business	
	Number	%	Number	%	\$1,000	%
West North Central	4,142	40.2	1,348,630	30.7	1,531,040	29.7
East North Central	2,451	23.8	1,116,170	25.4	1,165,070	22.6
Pacific	828	8.0	244,270	5.6	798,420	15.5
Middle Atlantic	604	5.9	399,500	9.1	441,790	8.6
South Atlantic	477	4.6	401,400	9.1	378,440	7.3
West South Central	795	7.7	261,850	6.0	291,500	5.6
Mountain	569	5.5	211,350	4.8	249,910	4.8
New England	161	1.6	139,840	3.2	174,800	3.4
East South Central	273	2.7	266,990	6.1	129,030	2.5
Total	10,300	100.0	4,390,000	100.0	5,160,000	100.0

Study Co-Ops

Co-operative principle and the technique of co-operative action by rural and urban dwellers were given extensive study in religious training schools sponsored by Catholic and Protestant groups throughout the United States this summer.

Between June and September 57 rural life schools and institutes for Catholic priests and teaching sisters were scheduled by the National Catholic Rural Life conference. Not less than 30,000 priests and nuns were to be contacted.



THE SUPER-CHICKEN

The poultry world is out to produce the Chicken of Tomorrow. It is working on a postwar kluck-kluck that will give a greater percentage of white and dark meat, a fowl that will even have meat on the neck and wings.

The Baby Chick Association of America and outstanding poultry experts are to convene to set standards for the Postwar Bird. If they, by any chance, get an order of chicken on a train or in a restaurant on the way to the meeting, their zeal for the achievement of their goal should be warmed 90 per cent.

Our experience with chicken lately leads to the conclusion that there is a crying need for a chicken that will have any meat whatsoever on it.

We don't know about the Chicken of Tomorrow, but the Chicken of Today belongs among the war crimes.

There is not enough meat on most restaurant chicken to hold the feathers on. They must have been feeding these birds plastic cracked corn.

Or is it the fault of the chefs, whose practice it seems to be to cook a chicken only in some form that will magnify its faults?

There may be chickens in America with meat on them, but the restaurants have been getting the other kind. A good many chefs seek to cover up the faults of these birds by serving them in the style called "Southern Fried."

Now, the real Southern fried chicken is a delicacy, but too many cooks in the East, West and North have been merely demonstrating that they don't know their compass points.

We don't know what the stuff is that they have been frying the chickens in, but it could be a combination of sawdust, putty and discarded chewing gum.

We got a Southern fried chicken the other night that must have had a wrapper made from the sweepings of a porch where the painter had been burning off the paint with a blowtorch.

There was some excuse for the Southern fried "wrapper," as the chef didn't have much to work on in the first place. Our dining companion swore that his order was a woodpecker wrapped in fire-hose and dipped in hot tar.

The chicken a la king hasn't been running good, either. It has been strictly a libel on royalty.

And have you ordered any chicken salad recently? Now we know what becomes of those old ends of lead pencils.

FALL REVERIE
A haze on the far horizon,
The infinite tender sky—
The ripe rich tint of the cornfield
And the wild geese sailing high;
And all over upland and lowland
Hot brakes and the smell of gas.

Some of us call it autumn,
But others just let it pass.

SO SHE'S NERVOUS!
A California judge, granting Barbara Hutton a quickie divorce, was told by Barbara that her husband, Cary Grant, sometimes had queer moods and showed indifference to ward her guests which made her nervous. From the court records:
Judge—How did this affect you?
Barbara—It made me nervous.
Judge—Did you require the services of a doctor?
Barbara—Yes.
Judge—Decree granted.

Curious fellows, these jurists. If all the women in America who were made nervous by their husbands got divorces there wouldn't be a handful of homes left in the land. America is what she is because the wives and mothers bore a lot with the old man and managed to take a little nervousness in stride. There are thousands of husbands whose behavior toward the wife's friends is at times pretty bad. But even if the average husband started heaving crockery the wife would overlook it. Only when he hit a guest would she call a doctor.

MUSINGS
It is a fairly safe bet that the year 1945 will go down in history as the twelve months that saw nobody putting in any claims to be a superman.

It is going to seem nice to phone the fuel-oil man without beginning the conversation with a supplication, an apology, a character testimonial and a claim that you know his cousin well.

Overheard at a gas station: Just keep cranking until she begins to resist.



STAGE SCREEN RADIO

Released by Western Newspaper Union.
By VIRGINIA VALE

ONE year ago Darryl Fox, selected of 20th Century-Fox, Zanuck, of 20th Century-Fox, selected five comparatively unknown young players and predicted that within 12 months each would be a star. He was right. Jeanne Crain, Dick Haymes and Vivian Blaine are currently starring in the new technicolor musical, "State Fair" — though they don't seem exactly stellar material. June Haver is seen in "Where Do We Go From Here?" with Fred MacMurray, will be seen with Betty Grable in "The Dolly Sisters." William Eythe played opposite Tallulah Bankhead in "A Royal Scandal," and will be seen in a starring role in "The House on Ninety-Second Street," the F. B. I.-atomic bomb news-drama.

Alec Templeton, the blind pianist, recently returned to New York from Hollywood, where he completed

work on a Metro film, "Cabbages and Kings." He composed the score, will introduce the music on the air.

When the "Confidential Agent" company at Warners' had to shoot around Charles Boyer, who was ill, the studio announced that he'd had a severe summer cold and subsequent laryngitis. Unromantic gossips reported that he really had lumbago.

Many radio stars — among them Carol Bruce, Ann Sheridan, Ezra Stone, Eileen Barton, Yvette, Marion Loveridge and Bobby Hookey — got their professional start on the Children's Hour program; they owe much to the astuteness of Mrs. Alice Clements, who produces it, and who encouraged them. Marion has her own program now, on NBC.

For the first time since his Vienna song-and-dance days 10 years ago, and for the first time on the screen, Paul Henreid sings in "The Spanish Main." The song is "Taunted Dean," first heard in a play, "The Jolly Crew," in London in 1941. It later became a favorite of pirates in the inns of Tortuga island, West Indies — hence its selection for the picture.

Because the army asked Kay Kyser to extend his Pacific entertainment tour several weeks after the Japanese surrender, the "College of Musical Knowledge" is only now returning to the air. The ole professor had no time off when he got back; he was scheduled to star in a new film musical, "How to Be a Wolf," and Hollywood was waiting for him.

When the new comedy, "Mr. Cooper's Left Hand," opens in New York next month the first row will have an organized cheering section, made up of the entire cast of the air's "The Aldrich Family." The author of the play is Clifford Goldsmith, creator of the successful radio show. And the star of the play is House Jameson, who plays "Sam Aldrich" in the radio series.

All these years that Guy Lombardo and his orchestra have been playing for the public it never occurred to them that their facial expressions made a hoot of difference; they just concentrated on their music. But that's been changed. Hollywood's changing it. On the coast to make "No Leave No Love," the Royal Canadians are being coached on how to make faces like musicians.

For the first time Artur Schnabel, famous pianist, will play for a picture. He will record the entire piano score for Frank Borzage's "Concerto," for Republic, which features Rachmaninoff's second piano concerto — and will receive \$85,000.

ODDS AND ENDS—Dennis Morgan, of "Christmas in Connecticut," was once a soda jerker at a drug store in Prentice, Wis.—says he invented a banana split that made him famous locally... Alan "Falstaff" Upinschne Reed has joined "Duffy's Tavern"; he isn't returning to the Fred Allen show because he prefers to live on the West Coast... Ozzie Nelson and Harriet Hilliard celebrate their tenth wedding anniversary in October... Tommy Dorsey was figuring the cost of his Victory Garden during rehearsal of the RCA program—the cold hard figures revealed the sad fact that each tomato cost approximately six dollars.

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