

THE FORMATION AND INITIAL OPERATION OF THE FARMER-LABOR
CO-OPERATIVE ASSOCIATION OF CUSHING, OKLAHOMA:
A CASE STUDY

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PREFACE

The nature of this study precludes the extensive use of books, magazines, and documents as a source of data. Some information was obtained from certain trade periodicals and some from the minutes of the meetings of the Farmer-Labor Co-operative Association. But the greater portion was obtained from the members of the "co-op" in personal interviews. I wish to express my appreciation to these members for their willingness to assist me in the collection of necessary information. Mr. Ross Beall, Mr. Dick Fisher and Mr. J. L. Martin have been especially helpful.

For valuable suggestions and assistance in the preparation of this thesis, I am indebted to Dean Raymond Thomas, and to Professor R. H. Baugh.

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INTRODUCTION

Purpose of the Study: The purpose of this study is twofold. First, an attempt will be made to apply to empirical economic data theoretical knowledge acquired in college economics classes; and second to present a factual analysis on the formation and beginning operations of a consumers' co-operative. Attention will be given to specific problems which emerge in the early stages of the operations.

Statement of the Problem: The problem here is to trace the development of the Farmer-Labor Co-operative Association of Cushing, Oklahoma from its conception as an abstract idea to its emergence as a going concern directly affecting the daily economic lives of hundreds of families; to analyze the principal problems involved in this undertaking; and to discover forces influencing its development.

Scope of the Study: While the actual organizational process was completed in a few months, a study of the background to organization revealed that the development of the co-operative idea extended over a much longer period. Thus it becomes necessary to review significant events occurring more than a decade prior to actual organization. The study includes the operational phase of the Co-operative from February 26, 1948 to June 3, 1948.

CHAPTER I
BACKGROUND TO ORGANIZATION
INTRODUCTION

The establishment of the Farmer-Labor Co-operative Association in Cushing, Oklahoma on September 30, 1947 was not the result of hasty and impulsive action by persons seeking a temporary solution to a new problem. This action was not motivated by one single generating force, but was rather the culmination of a series of events which transpired and circumstances which existed over a period of several years. Certain background forces exerted influence on the development of recognition of the need for a consumers' co-operative. These forces will be discussed in turn.

THE INFLUENCE OF THE FARMERS UNION

More than half of the charter members of the Cushing Co-operative were, or had been, members of a local unit of the Oklahoma Farmers Union. It was through participation in this organization that many farmers became more fully conscious of the advantages of co-operative effort in social and economic undertakings. This new attitude did not come about through listening to speeches or through long hours of intensive reading, but was rather the result of real and practical demonstrations that would stand the test of business or social accounting.

These activities consisted largely of the purchase in carloads of such items as seed, salt, fertilizer, wire fencing, feed and coal. As need for any of these commonly used items was

felt among the members, it became a subject for consideration at the regular meeting of the local. If sufficient demand existed to warrant the purchase of the commodity in truck or carload lots, an order was authorized, and plans for handling were completed.

Occasionally these purchases were made co-operatively because of inconvenience or impossibility of obtaining the item through local retail stores. Generally, however, they were made in order that the savings which could be realized through group buying could be passed on to the individual or the community; thus eliminating one link in the distributive process.

The amount of the saving varied with the kind and quantity of the item handled as well as the general supply and demand situation which prevailed for that particular item. For some commodities the net saving amounted to only 5 per cent but on others it went as high as 30 per cent, with the average falling near the 10 per cent mark.

For some of the charter members of the Association these experiences with the co-operative purchasing had extended over a period of more than a quarter of a century. The president of the Association, and the man who undoubtedly was the most influential in its formation, first joined a Farmers Union local in 1921. With the exception of a short interval, he has been an active member since that time. Besides his local membership he has been active in the state organization and at the present time is a member of the State Executive Board. After talking with several members with long experience in the Farmers Union, it is not difficult to understand their enthusiasm for extending the scope of their co-operative activity. They have experienced its bene-

fits intermittently and on a small scale. Now they want to extend the co-operative method to cover practically all phases of the process of exchange.

A step in this direction was taken by the Happy Valley Local in 1938. This local, established only a year previously, was rapidly becoming a useful community organization. Many of the farmer members owned tractors and the cost of the fuel for a year's operation was no small sum. During that year it was suggested that a sizeable reduction in this bill could be made if the farmers would set up their own service station and purchase supplies wholesale. This idea was discussed and debated in the regular meetings of the local and it was finally decided that it would be feasible to establish and operate the retail station.

The Farmers Union service station in Cushing was opened for business in the latter part of 1938 and has operated continuously since that time. Some of the members have not bought a gallon of gasoline or a quart of oil from any other station in Cushing during this period. Refunds to members have been made on gasoline ranging from 2 to 5 cents per gallon and the refunds on oil have likewise been substantial. In addition to this a \$5,000 reserve fund has been accumulated during the period of operation.

In 1940 when it became evident even to the most skeptical members that the service station was functioning successfully, some interest in the possibility of the establishment of a gen-

¹ Figures obtained from Mr. Ross Beall in personal interview, April 2, 1948

eral co-operative store began to develop. This interest was not widespread and after the entrance of the United States into World War II, the subject was seldom discussed. The idea was not abandoned, however, and only awaited more favorable conditions for further development.

In the months following the end of World War II, small groups within the Farmers Union Local at Happy Valley began to renew their discussions concerning the establishment of a general co-operative. They realized the difficulties involved in obtaining merchandise for the store at that time. It was decided not to bring the matter up for formal consideration until a later date.

After the removal of OPA price controls in October 1946, the farmers began to feel the pinch of a steady rise in the cost of living. This heightened their interest in the formation of a co-operative and informal discussions of the subject became more frequent. Finally it was brought up for general discussion at a regular meeting held in March, 1947. This date marks the beginning of the organization of the Cushing "Co-op."

INFLUENCE OF THE FARMERS UNION PUBLICATIONS

Another important influence contributing to the development of a demand for a general consumers' co-operative is the periodicals published by the national and state organizations of the Farmers Union, especially the Oklahoma Union Farmer. This monthly publication has been circulating among the farmers of the state since January, 1920. All members of the Farmers Union receive this periodical since its subscription price is included in membership dues. The purpose of this paper is to promote the interests

of the farmer, encourage co-operation, and fight monopolistic business practices.

Each issue of the Oklahoma Union Farmer contains a column called "News from the Co-ops" and any unusual achievement of an individual "co-op" is given separate recognition. For example, in reviewing the year's activities of a ginners' co-operative in Southern Oklahoma, the fact was brought out that refunds on cotton handled by the co-operative amounted to \$15 per bale.² In another "co-op" at Bray, Oklahoma farmers saved more than \$1,000 through co-operative purchasing of peanut seed.³ Accounts such as these are to be found in almost every issue and their effect on the farmer reader must not be discounted.

The profits of large business firms are also given consideration in the editorial column of the Oklahoma Union Farmer. In one issue an editorial writer quoted figures from Moody's Manual of Industrials showing that International Harvester's rate of return on capital invested was much higher in 1946 than in 1939. "International Harvester (after paying taxes) in 1939 had a net profit of \$7,953,000. The firm's total assets at that time were \$427,915,000. In 1946 its total net profits (after paying taxes were \$22,326,000 on total assets of \$599,961,000."⁴

As the cost of living began to rise rapidly following the abolishment of OPA, it was charged that the farmer was chiefly

² Oklahoma Union Farmer, Vol. 28, (April 15, 1947), p. 1.

³ Oklahoma Union Farmer, Vol. 28, (June 15, 1947), p. 1.

⁴ Oklahoma Union Farmer, Vol. 28, (December 15, 1947), p. 1.

responsible and that the increase in the price of food caused him to receive a larger portion of the national income. In another editorial appearing in the Oklahoma Union Farmer it was stated that the real income of the farmer actually dropped 10 per cent between October 1946 and July 1947. In his opinion, "the increase in the price of most commodities is largely the result of high profits to processors and middlemen."⁵ This statement reflects one of the basic purposes of co-operatives from early beginnings to the present time. When the first Farmers Union was established in the United States about the year 1902, the avowed purpose of the organization was to help prevent wasteful methods of exchange and to promote the interests of the farmer. When prices for consumer goods are rapidly rising this statement of purpose assumes a more important role than in a period of price stability or decline.

The National Union Farmer is similar to the state publication in its editorial policy and in the nature of its general news reporting. This publication, however, covers the nation rather than a single state. It also has contributors who are located in Washington and who report on the proceedings of the Congress of the United States. Particular attention is given to excessive profits and monopolistic practices of big business. The importance of co-operatives is stressed often in its columns. It would appear that this periodical has had some influence on the development of a demand for a co-operative general store in Cushing, Oklahoma

⁵ Oklahoma Union Farmer, Vol. 28, (November 15, 1947), p. 1.

THE INFLUENCE OF THE OWIU LOCAL AND THE CIO NEWS

Another Cushing organization which wields a powerful influence in community affairs is Local 283 of the Oil Workers International Union. Why did the members of this group become interested in working with the Farmers Union to form a "Co-op" and what factors aided in developing this interest? Why did more than one hundred become charter members of the new Farmer-Labor Co-operative? An attempt to answer these questions, along with others of lesser importance will be made in the following paragraphs.

There has been little evidence in the past to indicate that farmers and laborers have discovered any strong common interest for which they could work harmoniously together. Strikes brought inconvenience to farmers, and apparently created among farmers hostility toward labor unions. The leaders of the CIO feel that agriculture cannot be prosperous when labor is suffering low wages and unemployment, nor can labor prosper when farmers are in distress. They also believe that these two groups must unite against their common enemy - monopolistic business practices. In recognition of these conditions the publishers of the CIO News have taken positive steps to improve farmer-labor relations.

"Interests of farmers and industrial workers are more closely aligned than most people appreciate."⁶ This was the theme of a talk by Clinton S. Golden, of the CIO Steelworkers, to the National Farm Institute. Another article tells how a CIO Local helped farmer members of the Ottumwa Milk Producers' Co-operative

⁶ CIO News, Vol. 10, (February 17, 1947), p. 2.

win a strike against a group of dairies. The dairies had attempted to force the farmers to take the entire burden of a one cent reduction in retail milk prices. The farmers rebelled and the local CIO unit helped to make their rebellion successful. When the controversy was settled the farmers issued the following statement, "We're glad we found out that the CIO is interested in the farmers' problems."⁷ These and many other similar articles have helped to pave the way for the establishment of the first Farmer-Labor Co-operative in Oklahoma.

The creation of good will between two groups, however, is only a preface to the real task of uniting them in a co-operative business enterprise. Apparently this would not have come about at the time it did, had it not been for the rapid rise in the cost of living which followed the abandonment of OPA price controls. The nominal wage increases which the CIO locals were able to obtain could not keep pace with the phenomenal rise in the cost of living. Consequently workers' real income dropped steadily between October 1946 and July 1947. This condition stimulated labor leaders to seek additional ways and means of maintaining workers' purchasing power other than through wage contract negotiations.

One solution which gained widespread popularity in 1947 was the consumers co-operative retail store. While browsing through the pages of history an alert labor union member discovered that the founders of the first successful co-operative

⁷ CIO News, Vol. 10, (April 28, 1947), p. 3.

were working men like himself.⁸ They had pooled their meager resources to buy the necessities of life in quantity lots, thus increasing their purchasing power by eliminating the retailer's mark-up. Why could not local unions follow the example set by the Rochdale Society of Equitable Pioneers?

This was one of the subjects which received frequent discussion in the weekly issues of the CIO News during 1947 and among members of affiliated locals including OWIU Local 283 of Cushing. Interest in this movement was stimulated by articles describing the formation of new local co-operatives in different sections of the United States. An excerpt from a typical article follows. "A new Peoples Consumers Co-operative has been formed in Hammond, Indiana, announces John Durcho, member of United Steelworkers Local 1010. It has about 125 members and is growing."⁹

The Union co-operative which probably attracted the most attention when it began operations was formed by members of CIO Auto Workers Ford Union at Highland Park, Michigan. This co-operative began operations in September 1947 in the local Union Hall. When it first opened for business the "Co-op" handled canned and staple goods and was open only on Saturdays. The clerks were member volunteers who held regular jobs in the Ford plant. It was claimed by the members that savings amounted to 25 per cent.¹⁰

By October this growing interest in Union co-operatives was recognized at the National CIO Convention. One of the resolutions

⁸ CIO News, Vol. 10, (July 28, 1947), p. 7.

⁹ CIO News, Vol. 10, (July 21, 1947), p. 10.

¹⁰ CIO News, Vol. 10, (September 22, 1947), p. 3.

adopted urged members to join farmers co-operatives and other community groups which oppose monopoly in business.

Motivated by their reading of the GIO News and by their fast shrinking purchasing power, some of the members of OWIU Local 283 began early in 1947 to talk among themselves about the possibility of forming a "Co-op" in Cushing. These informal discussions among groups of two or three continued for several weeks and interest began to rise. One night the subject was brought up in one of the regular weekly meetings for general discussion. At this meeting, held in April, 1947, the first preliminary plans were drawn for union participation in the formation of a co-operative general store in Cushing.¹¹

¹¹ Information obtained from members of Local 283 of the OWIU in personal interviews, March 1948.

CHAPTER II

THE ORGANIZATIONAL PROCESS, ACQUISITION OF PHYSICAL PLANT,
AND PREPARATION FOR BEGINNING OPERATIONS

At least two important conclusions were reached in the March 1947 meeting of the Happy Valley Local of the Farmers Union. One was that the majority of the members favored the establishment of a general co-operative store, and the other was that the venture would be more successful if other groups could be persuaded to participate. In addition to this it was suggested that most of the members of the local had had no experience in such an undertaking, and that it was necessary to obtain more information about the organization and operation of co-operatives.

As a consequence of these decisions a committee was appointed for the purpose of contacting other groups, acquiring information, and making preliminary arrangements for organization.

The committee attended meetings of neighboring Farmers Union Locals and also one of OWIU Local 283. At each of these meetings they discussed the advantages of several groups acting together to form a "co-op" which would serve the whole trade area of Cushing. The committee also visited "co-ops" which were already operating successfully in different parts of the state. From these visits generally glowing reports were brought back which stimulated the increasing interest and enthusiasm among the members.

Information and legal assistance were obtained from state headquarters of the Farmers Union. The attorney for the state organization, took care of the details connected with securing a charter. The first charter, suitable only for a producers' co-operative, was issued in April 1947.

From the latter part of April until the latter part of August, not much was accomplished towards actual completion of the organization. Since this is the busy season of the year for farmers in that locality, they are reluctant to leave the fields early enough to attend a meeting in town.

Early in August, contact was made with the Consumers Co-operative Association of Kansas City. This wholesale co-operative agreed to send a representative to a joint meeting of interested groups to be held at Happy Valley School on August 30, 1947.¹

The oil workers also had a committee gathering information, talking with other groups, and making preliminary arrangements. This committee visited Norfolk, Slagle, Agra, and Happy Valley Locals of the Farmers Union. At each place the visiting committee invited the farmers to join with the oil workers in forming a "Co-op." The results of these visits were discussed in the regular weekly meetings of the Union. About the middle of August, an announcement was made concerning the arrangements for the joint meeting at Happy Valley on August 30, 1947. Members were urged to attend and participate in the proceedings.²

This first joint meeting was well attended and there were representatives from the Local OWIU as well as from several Farmers Union Locals. Officials of the Consumers Co-operative Association of Kansas City reviewed the purpose of co-operatives, emphasized the need for one in the Cushing area, and outlined the advantages

¹ Information obtained in personal interview with leaders in the Happy Valley Local of the Farmers Union.

² Information obtained from officials of Local 283 of the OWIU.

to be gained. They also explained the purpose and business policies of the Kansas City wholesale co-operative.

These men had had previous experience in "Co-op" formation and they were able to offer valuable suggestions concerning organizational procedure. After a name for the co-operative was selected, and a temporary board of directors chosen, the all important problem of financing was discussed. It was decided to sell shares of common stock for \$25 a share with the provision that it bear 4 per cent interest. Membership became automatic with the purchase of one share. The amount of stock which any one individual could acquire was limited to \$500.00.

A stockholders drive was organized and a goal of \$10,000.00 was agreed upon. This was to be reached by September 30 when the next general meeting was scheduled. Committees were selected from the organizations represented and a captain appointed for each. The committees were to canvas their assigned districts for a period of thirty days. The results were then to be compiled and a report submitted at the next general meeting.

The first regular meeting of the Farmer-Labor Co-operative Association was held in Union Hall, Cushing, Oklahoma on September 30, 1947. A roll call of the membership revealed that on this date there were 396 stockholders. Complete reports of the drive were not yet available, but it was evident that the first goal had been attained.

A representative of the Consumers Co-operative Association explained to the group that it would be necessary to secure a new charter for the Association. The charter which the Farmers

Union had obtained earlier did not authorize the acceptance for membership of persons who were non-producers. A resolution to take the necessary action was adopted.

A model copy of suitable by-laws for co-operatives was read and interpreted by the CCA representative. The section providing for the audit of the books and accounts was changed to read four times each year instead of once. A few minor changes were made and then the by-laws were adopted by a majority vote.³

In discussing the election of a permanent board of directors, it was decided to elect a seven man board. The three nominees receiving the highest number of votes were to serve a three year term, the two receiving the next highest a two year term, and the two receiving the next highest a one year term.⁴

At the second meeting of the Association, held on October 9, there were several visitors present who were prominent in co-operative activity throughout the state. The President and Education Director of the Oklahoma Farmers Union both made short speeches commending the group on the fine start which had been made, and reviewing the advantages to be gained from co-operative activity.

The representative from the Consumers Co-operative Association emphasized the need for more capital for setting up the store. When he had finished speaking he conducted a brief stock selling campaign. Eighty-seven shares of stock were sold at this meeting.

³ See Appendix I.

⁴ From the minutes of the meetings of the Farmer-Labor Co-operative Association.

In a discussion of the type of store the members want and need, the majority favored a large general store which would include departments for groceries, feed, produce, hardware, farm implements, and automobile service station. Modern equipment was to be used throughout and the hope was expressed that the store, when completed, should compare favorably with any store of its type in town.

On October 10, 1947 the Farmer-Labor Co-operative Association received its new charter from the Secretary of State. This charter, granted for a period of twenty years, authorized a capital stock of sixty thousand dollars. The old charter, obtained earlier by the Farmers Union, was surrendered.

During the following weeks the Board of Directors was engaged in the task of finding and negotiating for a building to house the store. After a survey of available buildings, it was found that only two would be at all suitable. Possession of one of these could not be obtained for two years. The other one could be leased for only eighteen months at a time at a rate of \$250.00 per month. It was also for sale.

The possibility of purchasing lots and constructing a building was given considerable attention. Prices for building sites ranged from \$2,000 to \$6,000. The lowest estimate for the cheapest kind of a building was \$12,000 - \$15,000. Dissatisfaction with any of these propositions resulted in the abandonment of plans for the purchase of a site and construction of a building. Finally, the Board decided to purchase the Deering Building at 219 North Cleveland Street. Situated on a corner lot, two blocks

north of Main Street, the one story brick building, 90 by 124 feet, provides ample space for the installation of all departments of the general store. The total purchase price was \$18,000 with \$9,000 being paid in cash, leaving a \$9,000 balance to be paid in monthly installments of \$106.00 each.

After the negotiations for the building had been completed during the first week of December, the Board of Directors met with a representative of the Store Planning Department of the Consumers Co-operative Association of Kansas City. He outlined plans for equipping a modern, up-to-date store and providing a complete inventory of groceries, hardware, feed, service station supplies, and fuel. The estimated cost was \$34,956.00.⁵

Knowing that there was less than \$7,000 in the treasury after the down payment on the building had been made, the directors realized with a shock that they were seriously short of capital. Plans were made immediately for a fund raising campaign.

Twelve men were selected to direct twelve working teams. Their goal was to increase the membership from 418 to at least 600 and to get an average investment of \$100.00 per family. A circular letter was sent to all members besides a good many prospective members. A prospectus was included showing an itemized estimate of the cost of equipping and purchasing inventories for the store.⁶ Members and prospective members were urged to turn in their subscriptions before they were solicited by the team members.

⁵ See Appendix II.

⁶ See Appendix II.

Despite these preparations, the drive was a failure. Bad weather, ebbing enthusiasm, insufficient effort expended and other reasons caused the drive to bog down. Some members felt that since ownership of one \$25.00 share of stock entitled them to all the benefits and privileges of the organization there was no need to invest more. Only a few hundred of the approximately \$30,000.00 needed was subscribed.

The Board of Directors now faced a serious problem. There was not nearly enough money in the treasury to set up the store as the CCA representative had outlined, yet payments of \$106 per month on the building loan had to be met regularly as well as disbursements for minor overhead expenses. Certain members who had had their \$25.00 invested for two or three months became impatient for the store to open.

After careful consideration of these factors the Board decided to make the necessary repairs and alterations to the building and put the feed and produce department into operation. This decision was made because it would cost much less to install the feed and produce department than it would the grocery department. At the same time it was hoped that the operation of this department would provide funds for paying the overhead expenses.

On January 20, 1948, a manager was employed for the feed and produce department. He immediately assumed the task of supervising preparations for operating the department which was completed about the middle of February 1948. Arrangements were then made to sell cream to the Gold Spot Co-operative Creamery at Enid, Oklahoma. Feed was purchased from the Consumers Co-operative Association, a

wholesale co-operative in Kansas City, Missouri. Delivery was to be made from their feed mill at Enid, Oklahoma. The Feed and Produce Department of the Farmer-Labor Co-operative Association opened for business on February 26, 1948. A discussion of problems of operation will be included in a subsequent chapter.

CHAPTER III

AN ANALYSIS OF THE PRINCIPAL PROBLEMS

The problems selected for analysis are those which seem the most significant. They include finance, source of supplies, outlet for produce, meeting competition, loyalty of members, attendance at Association meetings, and management.

The problem of greatest magnitude in the establishment and early operation of most co-operatives is one of adequate financing. The experience of the Farmer-Labor Co-operative of Cushing is no exception. Although 392 people became members and bought stock in the first membership drive, very few bought more than the minimum - one \$25 share. This is only about one-fourth of the investment needed per family properly to finance the complete store, according to the Store Planning Department of the Consumers Co-operative Association of Kansas City, Missouri.¹

Why did this condition exist and how could it have been avoided? No attempt is made here to offer a complete explanation. Attention will be given to alternative methods of procedure in certain instances.

Instead of issuing shares at \$25 par value, the minimum purchase price of one share could have been set at \$50. This would not have yielded enough to finance the complete store, but it would have provided a minimum for opening the grocery department along with the feed and produce department.² While it is true that

¹ See Appendix II.

² One of the leaders in this organization states that the Grocery Department could be set in operation if all those owning one share of stock would double their investment.

fewer shares may have been sold at \$50 than at \$25 par value, it is probable that the difference would not have been great. Indications are that most interested persons could have paid the larger amount had it been set as the minimum requirement for membership.

In the first stock drive some persons gained the impression that \$25 per member would be sufficient to finance the undertaking. While this impression was not left intentionally, it did cause some misunderstanding. When the same member was asked later to increase his subscription so that the grocery department could be put in operation, he was a bit skeptical; especially since he had had his \$25 invested for about three months and still could not buy groceries from the "Co-op." Emphasis on the goal of a \$100 investment per family should have been made in the first stock drive when enthusiasm was at its height. It was in this thirty-day period that the major portion of the present capital was obtained. Subsequent stock selling campaigns have added little to investments in capital stock.

Another factor which contributed to the tight financial situation was the method used by the board in acquiring a building. Nine thousand dollars cash was used as a down payment on the building when the money was sorely needed to purchase grocery equipment and inventory. The same building could have been leased for \$250 per month for eighteen months. It is possible that an option to buy could also have been negotiated. The reasons given for purchasing rather than leasing were the inability to secure a lease longer than eighteen months, and the high cost of renting. It appears that the board overlooked the fact that the \$9,000 invested in a grocery inventory would yield a much higher return

than when invested in a building despite the saving in rental payments. It is entirely possible that a \$9,000 inventory turning completely twelve times a year would yield a net operating revenue of \$10,800. Compare this sum to the approximate \$3,000 to be saved in rental payments. Although this does not tell the whole story, the figures indicate that it might have been wiser to have rented even under the conditions which existed at that time.

When the by-laws of the Association were being discussed prior to adoption, a clause was inserted directing the manager to purchase supplies from wholesale co-operatives whenever possible. Before the feed and produce department was opened, arrangements were made with the Consumers Co-operative Association of Kansas City to purchase feed from their mill at Enid, Oklahoma.

On June 1, 1948 the Salyer Oil Company of Oklahoma City, Oklahoma notified the Farmers Union Service Station that it could no longer supply the station with gasoline and lubricating oils. Arrangements had been previously made with the Consumers Co-operative Association Wholesale to furnish these supplies. The change was made without delay and the Farmers Union Station merged with the Farmer-Labor Co-operative Association. The CCA has an agreement whereby the Midland Co-operative Wholesale supplies the Cushing Retail Co-operative with gasoline at tank car prices from their Cushing refinery. Because of the gasoline shortage at this time, the CCA had to agree to sell the Midland Co-operative Wholesale the same amount from their Coffeyville, Kansas refinery. The exchange agreement makes possible a substantial saving in transportation cost.

When the grocery department begins operations the major portion of staple groceries will be purchased from CCA. Certain farm

implements and some hardware will also be obtained from this source.

Any purchase made from this wholesale co-operative is paid for at the prevailing wholesale price. At the end of the operating period, usually one year, refunds are made to the retail co-operatives on the basis of their patronage. All money in excess of expenses and necessary reserves, is dispensed in this manner.

The Consumers Co-operative Association of Kansas City, Missouri began operations in 1929 with a capital of \$3,000. It has made a steady growth since that time and according to the Nineteenth Annual Report, the corporation and its subsidiaries, on August 31, 1947 had total assets of \$24,804,628.44. Included in these assets are feed mills, oil wells, gasoline refineries, a bottling plant, and a canning factory. Through the control of these processing plants and wholesale distribution facilities, the Association is able to pass on to the co-operative consumer considerable savings. Net savings to patrons in the 1947 fiscal year amounted to \$3,806,831.07, according to the Nineteenth Annual Report.³

When the produce department of the Cushing "Co-op" first opened for business, cream was sold to the Gold Spot Co-operative Creamery at Enid, Oklahoma. This creamery pays the market price as quoted in Oklahoma City, Oklahoma. Net profits are returned to co-operators at the end of the fiscal year in the form of patronage dividends. Under this plan the Cushing retail co-operative pays the same price to the producer which it receives currently

³ Nineteenth Annual Report, Consumers Co-operative Association, p. 22.

from the Gold Spot Co-operative Creamery. There was no net operating revenue with which to meet current expenses. It is true that patronage dividends accruing at the Enid Creamery amounted to more than expenses, but these dividends were not to be returned to the Cushing "Co-op" until the end of the fiscal year. The Farmer-Labor Co-operative Association did not have sufficient capital to operate in this manner.

Another factor influencing the change in cream marketing arrangements, was the arrival of the summer season with its warmer weather. Higher temperatures made it necessary to sell the cream at shorter intervals, in order to eliminate possible losses due to spoilage of cream. Satisfactory delivery arrangements could not be made with the Gold Spot Creamery at Enid, Oklahoma more often than twice a week. This fact necessitated discontinuance of the use of that creamery as a market outlet, and the subsequent finding of a new market with which more convenient delivery arrangements could be made.

During the first part of May, the decision was made to sell the cream to the highest bidder. This policy has been pursued since that time and a net operating revenue of 10 to 13 cents per pound has been realized.⁴

Poultry, eggs and hides are sold to the O. G. Harp Produce Company of Shawnee, Oklahoma. These commodities are handled on a commission basis which yields little more than the cost of handling.

⁴ Progress report to the General Assembly, June 4, 1948.

From the very first week of operation the Cushing "Co-op" met with intense competition in the cream business. Before the "Co-op" began buying cream, there was a good deal of dissatisfaction among producers with the returns from cream sold. It was claimed that market price rises did not become effective as quickly as they should in Cushing. Complaints about weight shortages were also made. Within a few weeks following the opening of the "Co-op" cream station, nearly 200 producers left other stations and became regular customers of the "Co-op." Most of these new customers were stockholders in the "Co-op", but others changed because they had confidence in the manager of the "Co-op" Feed and Produce Department.⁵

This sudden loss of business by other cream buying stations was not taken lightly. In the past it had been the practice for one station to telephone the Oklahoma City market to learn what the market price on cream would be the following day. The station would then inform all the other local stations in order that a uniform price could be agreed upon. This practice did not extend to the manager of the new "Co-op" station, although he was formerly manager of an independent station.

Prices too began to rise. On the "Co-op's" third day of operation at least two other stations in town were paying two cents per pound of butterfat above the Oklahoma City market price quotation. During March and April people labeled it a cream "price war". Some stations in town quoted prices ranging from 2 to 9

⁵ Information obtained from the Board of Directors of the Farmer-Labor Co-operative Association.

cents above the Oklahoma City market.⁶

This practice worked a hardship on the "Co-op" because it could not afford to pay more than it currently received for the cream. When competitors paid above the market price the "Co-op" was forced to pay a lower price than the price paid by competitors.

A few "Co-op" members then began selling to the higher paying station, but the majority remained loyal to the "Co-op". The manager helped matters somewhat by explaining the situation to the customers. He asked them if they wanted him to spend their capital by paying more for cream than it could be sold for.⁷ Most co-operators were convinced that their interests in the long run would best be served by remaining with the "Co-op". Early in May, cream prices in Cushing returned to the normal state market level.

At least one cream station operator sought to discredit the "Co-op" by deliberately giving a producer a higher test than the testing instruments indicated. The producer receiving the high test for his cream then complained to the president of the Association that he could get a higher test for his cream at another station, than he could at the "Co-op". The president's response to this complaint was that the manager would have no reason whatsoever to give any customer a low test on cream. The man was invited to take samples of a container of cream to the "Co-op", to the station where he received a high test, and to a third sta-

⁶ Information obtained from a member of the Board of Directors, April 30, 1948.

⁷ Statement made by the "Co-op" manager in personal interview, March 25, 1948.

tion. Tests proved that the third station and the "Co-op" station cream tests were exactly the same, and the producer was convinced that the "Co-op" was testing accurately.⁸

Conclusive proof of who bore the cost of these price bonuses was not available, but evidence seems to indicate that it was not the local cream stations. Special arrangements have been made by large processing companies, in similar situations, to bear the full cost of such "campaigns".⁹

During the so-called cream "price war", the manager was asked to name the principal problem facing the "Co-op". His reply was, "If we can just get the members to stick by us we'll come through this all right".¹⁰ The temptation to sell cream to a competitor of the "Co-op", when the producer could receive as much as three or four dollars more on one container of cream, was more than some members could resist. They reasoned that the "Co-op" might fail anyway and in the meantime they could get back their \$25 investment by taking advantage of the bonus prices.

The majority of the producer members, however, thought that stations consistently paying more than the state market price as quoted in Oklahoma City newspapers, were making a deliberate attempt to weaken the "Co-op". For these members the competition served to strengthen their loyalty to the "Co-op" rather than weaken it.

⁸ From a report given by the President at a meeting of the Association, April 9, 1948.

⁹ The "Co-op" manager had had an offer to finance a similar "campaign" on a previous occasion.

¹⁰ Information obtained from the "Co-op" manager during a personal interview, March 18, 1948.

Attendance at the last two general meetings of the Association was not good. There were 341 persons present at the meeting held on October 9, 1947. At both the April 9, and June 3, 1948 meetings there were less than one hundred persons present. This can be attributed in part to seasonal changes in the farmers' working hours. During the spring and summer season the farmer begins work in the fields at sunrise and is reluctant to leave his crops during daylight hours. Twilight hours are spent doing the evening chores, which are not completed until an hour too late to attend a meeting in town. On the other hand, attendance by the refinery workers is somewhat higher since most of these workers do not live on farms.

The Board of Directors was fortunate in securing the services of an experienced and competent manager for the Feed and Produce Department. This man had operated a cream station in Cushing for several years and had the reputation of dealing honestly with his customers. When the "Co-op" began to make inroads into the cream business in Cushing, a large processing plant which owned a competing station, made the manager a standing offer of a job at a salary substantially higher than he was receiving from the "Co-op". One of the reasons the manager gave for rejecting this offer was that managing the "Co-op" was a job that challenged him.¹¹

About two months later a produce firm made the manager an attractive offer of a job in Shawnee. Besides a higher salary for himself they also offered employment for his son. He had already

¹¹ Information given by the "Co-op" manager during a personal interview, March 18, 1948.

decided to accept this job, but changed his mind when the Board of Directors matched the salary offered by the Shawnee, Oklahoma firm. Thus, by prompt and decisive action the Board has so far been able to solve the problem of management.

CHAPTER IV
IMPACT ON THE COMMUNITY

The writer realizes that it is still too early to determine the full impact of the establishment of the Farmer-Labor Co-operative Association on the Cushing community. Only two departments are in operation. One of these, the automobile service station, has been under the management of the Association only a few weeks. The feed and produce department has operated a little more than three months. (February 26, 1948 to June 3, 1948.) There are, however, some observable effects of this partial operation which are presented in succeeding paragraphs.

Approximately 475 persons, the majority of whom are heads of families, have banded themselves together for the attainment of economic objectives. This simple fact alone seems remarkable, when one considers that less than a year previously the organization itself was non-existent. In a matter of months the "Co-op" has built up a membership which could not be acquired by churches, lodges, and other community organizations without years of intensive recruiting. This occurred despite the fact that a \$25 investment was a prerequisite to membership.

Through co-operative performance of the entrepreneurial function of the retailer, these members have made substantial savings in the purchase of feed, flour, and certain miscellaneous farm supplies such as wire fencing and bale ties. Elimination of the retailer's mark-up was only one method by which this was accomplished. Additional savings were realized by affiliation with a co-operative wholesale distributor and processor.

The Consumers' Co-operative Association of Kansas City, Missouri owns and operates a feed and flour mill at Enid, Oklahoma. Finished products are distributed by the CCA to local "Co-ops" in nine mid-western states. Savings derived from both the processing and distributing stages, are returned to the local co-operatives on a patronage basis. This explains why the Farmer-Labor Co-operative Association has been able to save the farmer from twenty-five to fifty cents per hundred pounds on his feed at the time of purchase, and also credit him with a share in liberal dividends to be received at a later date.

Petroleum products pass from the raw material stage through the manufacturing and distributing stages without the addition of profits to their cost. The CCA owns producing wells, pipelines, refineries and gasoline transports. Through the operation of these combined facilities, the CCA made patronage refunds of twenty-five per cent, on petroleum products in 1947.¹ Members of the Cushing local expect to receive similar dividends in 1948. It is in this vertical extension of the co-operative method that greater opportunities for savings exist.

Higher returns from cream sales and more accurate testing and weighing were noticeable effects of the establishment of the Farmer-Labor Co-operative. Many farmers were not satisfied with their cream marketing arrangements prior to this time. Others preferred to pay transportation costs to more distant markets rather than sell locally. The establishment of the co-operative has

¹ Information obtained from a representative of the Consumers Co-operative Association during personal interview, April 9, 1948.

changed this situation. Most customers of the "Co-op" are also stockholders who are entitled to a voice in its management through exercise of the voting privilege. Though not inclined to carelessness or dishonesty in any situation, the manager takes especial care to see that all patrons get accurate tests, weights, and full market price for their cream. One of the producers claimed that he received an average of fifteen cents per pound butterfat more by marketing through the Gold Spot Co-operative Creamery than he would have received if he had sold to local firms.² While this estimate appears to be slightly high, it may be concluded that worthwhile savings have been made through co-operative cream marketing.

In a condensed financial report to the Association on June 4, 1948, the "Co-op" President, revealed some interesting figures. With a working capital of approximately \$5,000.00, the "Co-op" made a total net savings of \$4,273.65 in the first 99 days of operation.³ Of this amount \$1,500.00 was spent on building loan payments, and repair and renovation. Estimated patronage reserve fund with Gold Spot Creamery at Enid totaled \$1,979.50 and \$794.50 was held in cash.⁴ An approximate average saving per member may be obtained by dividing the total net saving by the total number of regular patrons of the feed and produce depart-

² Figures quoted by Mr. Ross Beall in a progress report to the Association, April 9, 1948.

³ Accrued interest on Capital Stock has not been deducted from this figure.

⁴ Patronage reserve at the Gold Spot Co-Operative Creamery of Enid, Oklahoma - based on 1947 refund rate.

ment. This calculation reveals an average total saving per patron, of \$17.09 for the 99 day operating period.

Members of the Farmer-Labor Co-operative Association are not the only persons benefiting by its operation. The "Co-op" has a stabilizing effect on prices in the entire community.⁵ While the policy of the "Co-op" is not to try to lower all prices, it will not permit the price of an individual item to remain unreasonably high.

In the summer of 1947, bale ties in some Cushing stores were priced at \$7.50 per bale. The "Co-op" purchased a lot in the spring of 1948 which could be sold for \$4.50 after a nominal markup was added. By June 1948, \$4.50 had become the prevailing price for bale ties in the Cushing community. It is hardly conceivable that this drastic change was due to reduced wholesale prices.

The "Co-op" serves the interest of the consumer by promoting the sale of goods which bear accurate and informative labels. The tag on each sack of feed states the exact percentage of the whole, of each ingredient. Stated plainly on the tag, the terms and amounts of these ingredients do not require interpretation by specialists; for example, shelled corn 20%, kafir 10%, and etc. The feed handled by most competing firms bears a tag describing its contents in terms of nutritional value which mean little to the average farmer. Although "Co-op" canned goods are not being sold at present, they too, are labeled for the benefit of the consumer. Instead of being adorned with meaningless superlatives, each can bears the label, U. S. Grade A - B - or C. This system of grading is easily understood and remembered.

⁵ From a statement made by the Secretary of Local 283 of the OWIU.

Another service to the community is the elimination of some unnecessary selling expenses from the cost of goods sold. The Consumers Co-operative Association Wholesale sponsors no "Hillbilly" band, buys no expensive radio time, and does not allow lavish expense accounts for its salesmen. The local "Co-op" assists in this service by purchasing whenever possible from the Wholesale Co-operative.

For several years there has been some friction between two Cushing organizations which at infrequent intervals has become intense. Charges and counter-charges have been hurled, and each has accused the other of sacrificing the welfare of the community for selfish ends. The establishment of the Farmer-Labor Co-operative Association has intensified this group conflict.

Members of the Chamber of Commerce have accused the Oil Workers Union of trying to browbeat the merchants. They say that the Union has insinuated that the local merchants are responsible for the high prices.

The Union members do not fully deny this latter charge because they feel that the merchants are partly responsible for high prices. In fairness to the merchants it should be pointed out that individual Union members tend to form their opinions from exceptional examples, such as the bale tie price, rather than impartial statistical studies. Regardless of the merits of either argument, the fact remains that relations between the two groups are less cordial than they formerly were.

Considerable resistance to the operations of the "Co-op" suggested an inquiry into the ostensible objections of its operation. When this question was put to a spokesman for the Chamber of Commerce,

he replies, "Why 'Co-ops' don't pay any taxes!"⁶ Another objection was that the high school vocational agriculture teacher was promoting a non-tax-paying enterprise in competition with business firms who helped to pay his salary. The teacher in question is Secretary-Treasurer of the Farmer-Labor Co-operative Association. This latter objection has developed into a basis for action. Pressure has been put on the Board of Education by certain influential merchants to terminate the services of the vocational agriculture teacher. Up to this time, the attempt has not been successful.

When it is possible for a new community enterprise to attract and hold 250 regular customers, the effects on some of the established competing firms are certain to be severe. Less than a dozen firms shared this loss, with the burden falling heaviest on two feed and produce companies. If loss of customers can be accepted as evidence, then it may be concluded that the financial condition of at least two Cushing firms has been weakened considerably by the establishment and operation of the Farmer-Labor Co-operative Association.

Through the use of wholesale co-operative facilities the local "Co-op" has been able to increase the monetary wealth of the community. When produce is sold to a non co-operative business, profits from processing and distribution of finished products remain with the processor or distributor, usually in another community. When produce is sold to a co-operative processor or wholesaler, profits from operations are returned to community producers in the form of dividends, via the local "Co-op".

⁶ Statement of the Secretary of the Cushing Chamber of Commerce, May 27, 1948.

Cooperative action between farmers and union members has been hampered by a lack of understanding between these two groups. The farmers, little realizing the problems faced by union workers, complain when workers strike. On the other hand workers, remaining ignorant of situations which confront the farmers, blame them for high food prices. In the Cushing community the "Co-op" has been instrumental in the improvement of inter-group relationships.

Oil workers discuss the issues involved in a labor management dispute whether they are at a Union meeting, a "Co-op" meeting, or merely entertaining fellow members at home. Farmers learn from their fellow members such things as the total net profits of certain oil companies, average profit per man-hour, and other data related to wages and working conditions. Farmers discuss with oil workers prices received for such products as milk, potatoes and beef cattle. This mutual interchange of information encourages greater understanding and more cordial relations between the two occupational groups.

When the stockholders of the "Co-op" are assembled in a body for a business session, the voting procedure is somewhat different from that of the ordinary corporation. Each stockholder gets only one vote regardless of the number of shares owned. Neither can any one member gain control by use of the proxy vote. This device is expressly forbidden in the By-Laws of the Association.⁷

The implications of this seemingly simple provision are tremendous, especially at a time when leading economists are deeply

⁷ See Appendix I, Article I, Section 4.

concerned about the tendency towards greater concentration of economic power. The Farmer-Labor Co-operative Association is doing its bit to combat this tendency by promoting more democratic management of business.

APPENDICES

APPENDIX I
BY-LAWS
of the
FARMER-LABOR CO-OPERATIVE ASSOCIATION

Cushing, Oklahoma

ARTICLE I

Members

Sec. 1. Annual Meeting. The annual meeting of members shall be held at such time and place as shall be determined by the board of directors.

Sec. 2. Special Meetings. Special meetings of members may be held at any time and place upon call of the board of directors, whose duty it shall be to call such meetings upon written request of not less than ten per cent of the members, stating the time, place and purpose thereof.

Sec. 3. Notice. Notice of the time and place of holding all meetings shall be published not less than two weeks previous thereto in the newspaper printed nearest to the place where the principal office or place of business of the corporation is located. In addition to the foregoing publication, written notice of all meetings shall be mailed to each member at least two weeks prior to the meeting.

Sec. 4. Voting by mail. Voting by proxy shall not be permitted, but absent members may vote on specific questions, other than the removal directors, by ballots transmitted to the secretary by mail; provided that all absent members have been notified in writing of the exact wording of the motion or resolution upon which such vote is taken, and a copy of the same is forwarded with the vote.

Sec. 5. Quorum. Ten per cent (10%) of the members shall constitute a quorum for the transaction of any business at any meeting except for the transaction of business concerning which a different quorum is required by law. In the event a quorum is not present, the meeting may be adjourned from time to time by those present until a quorum is obtained. No notice of adjourned meetings shall be required.

Sec. 6. Order of Business. The order of business at the annual meeting, and so far as possible at all other meetings, shall be: (1) Roll call, (2) Proof of due notice of meeting, (3) Reading and disposal of minutes, (4) Reports of officers and committees, (5) Unfinished business, (6) New business, (7) Election of directors, and (8) Adjournment.

ARTICLE II

Directors

Sec. 1. Qualifications. Members of the board of directors shall be elected by and from the members of the association. No person shall be eligible for the office of director if he is in competition with, or is affiliated with any enterprise which is in competition with the association; and if a majority of the board finds at any time following a hearing that any director is so engaged or affiliated, he shall thereupon cease to be a director. Two (2) directors shall be elected for one (1) year; two (2) directors shall be elected for two (2) years; and three (3) directors shall be elected for three (3) years.

Sec. 2. Vacancies. When a vacancy on the board of directors occurs, other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy.

Sec. 3. Organization Meeting and Election of Officers. The board of directors shall meet immediately following each annual meeting and elect a president, vice president, secretary, treasurer, and such other officers as the board may consider necessary. Each officer shall hold office for one year and until the election and qualification of his successor. Only the president and vice president need be members of the board. The offices of secretary and treasurer may be combined in one office under the title "Secretary-Treasurer".

Sec. 4. Meetings. Regular meetings of the board of directors shall be held monthly or at such other times and at such places as the board may determine. Special meetings shall be held whenever called by the president or by a majority of the directors. Notice of all regular and special meetings shall be mailed to each director at least three days prior to the day of the meeting, or given in person or by telephone at least twenty-four hours prior to the time of the meeting; provided that notice of any meeting may be waived in writing by all of the directors. A majority of the directors shall constitute a quorum at any meeting.

Sec. 5. Compensation. The compensation, if any, of members of the board of directors, shall be determined by the shareholders at any annual or special meeting; provided, however, that no director shall receive compensation or allowances for services

rendered the association for more than twenty days in any one year, exclusive of the period for which compensation is paid for attendance at directors' meetings.

Sec. 6. Employment. No near relative of any director or of the manager shall be regularly employed by the association.

Sec. 7. Bonds and Insurance. The board of directors shall require the manager and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or negotiable securities, to give adequate bonds. Such bonds shall be furnished by a responsible bonding company and approved by the board of directors, and the cost thereof shall be paid by the association. The board of directors shall also provide for the adequate insurance of all property of the association and property which may be in the possession of the association or stored by it and not otherwise adequately insured. In addition, the board of directors shall provide for adequate insurance covering the liability of the association for accidents to employees and the public.

Sec. 8. Audits. At least four (4) times, if possible, each year, the board of directors shall secure the services of a competent and disinterested auditor who shall make a careful audit of the books and accounts of the association and render a report in writing thereon which shall be submitted to the members of the association at their annual meeting. Such reports shall include at least (1) a balance sheet showing the true assets and liabilities of the association, (2) an operating statement for the fiscal period under review, showing the cost of, and income from, sales, and the gross income or loss from each of the commodities handled during the period, and (3) an itemized statement of all expenses for the period under review.

Sec. 9. Manager. The board of directors shall employ and fix the compensation of a manager who shall have charge of the business of the association under the general control, supervision, and direction of the board. No director shall serve as manager. The manager shall employ, supervise and dismiss all agents and employees of the association, and determine their compensation, duties and responsibilities subject to the approval of the board of directors. He shall also conduct the business in such a way that all patrons will receive uniform treatment; deposit in the name of the association in a bank selected by the board, all money belonging to the association which comes into his possession, and if authorized to do so by the board of directors, make disbursements therefrom by checks for the ordinary expenditures of the association, purchase all commodities, when possible, from cooperative wholesalers, maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom any time; furnish the board a correct statement of the business and affairs of the association at each

monthly meeting, at the end of each fiscal year, and turn over to his successor all books, records, documents, and correspondence pertaining to the business of the association which may be in his custody; and perform such other duties as may be prescribed by the board.

ARTICLE III

Officers

Sec. 1. President. The president shall: (1) preside over all meetings of the association and of the board of directors; (2) call special meetings of the board; (3) perform all acts and duties usually performed by an executive and presiding officer; (4) sign all stock certificates and revolving fund certificates, and such other papers, documents, or instruments as he may be authorized or directed to sign by the board of directors; and (5) perform such other duties as may be prescribed by the board.

Sec. 2. Vice President. In the absence of disability of the president, the vice president shall perform the duties of the president; provided, however, that in case of the death, resignation or disability of the president, the board of directors, may declare his office vacant and elect his successor.

Sec. 3. Secretary. The secretary (secretary-treasurer) shall keep a complete record of all meetings of members and of the board; have general charge and supervision of the records of the association; sign all stock certificates and revolving fund certificates and such other papers, documents, or instruments as he may be authorized to sign by the board of directors; serve all notices required by law and by these by-laws; make a full report of all matters and business pertaining to his office to the members at the annual meeting; keep the corporate seal and the books of blank stock certificates and revolving fund certificates; complete and countersign all stock and revolving fund certificates issued; keep complete stock and revolving fund certificate records; affix the corporate seal to all papers requiring such seal; make all reports required by law; and perform such other duties as may be prescribed by the association or the board of directors. Upon the election of his successor, the secretary (secretary-treasurer) shall turn over to him all books and other property in his custody belonging to the association.

Sec. 4. Treasurer. The treasurer (secretary-treasurer) shall perform such duties with respect to the finances of the association, and otherwise, as may be prescribed by the board of directors.

ARTICLE IV

Savings

Sec. 1. Method of Distribution. The net savings of the association shall be apportioned on a patronage basis among all patrons, members and nonmembers alike, at the end of each fiscal year, and at such other time or times as the board may determine, and distributed as follows:

(a) Not less than ten per cent (10%) thereof shall be set aside as a general reserve until such reserve equals fifty per cent (50%) of the paid-up capital stock.

(b) From the amount remaining, dividends in the nature of interest, at a rate not exceeding four per cent (4%) per annum on the par value thereof, may be paid on the outstanding stock.

(c) The amount remaining shall be distributed among the patrons entitled thereto, and paid to them in cash, capital stock, or revolving fund certificates, or any combination thereof, as the board of directors may determine; provided, however, that any portion thereof payable to nonmembers patrons shall be credited to them until the amount thereof is equal to the purchase price of one share of the association's common stock. When the amount so credited to any patron is equivalent to the purchase price of one share of the association's capital stock, one share of such stock shall be issued to such patron therefor if such patron is eligible for membership. In the event that such patron is not eligible for membership, however, an equivalent amount (face value) of revolving fund certificates shall be issued therefor in lieu of such stock.

(d) Twenty-five per cent (25%) of the patronage refund accruing to any member holding less than four shares of stock shall be credited, each year, to the member to purchase additional shares until he holds four fully paid up shares of stock.

Sec. 2. Revolving Fund. The association is authorized to issue and sell revolving fund certificates, of a character hereinafter described, for the purpose of providing funds with which to carry on its business. In order to further the co-operative character of the association, and provide a means whereby its current members and other patrons will furnish such funds, the association is also authorized to issue such certificates evidencing patronage refunds which are, in whole or in part, so paid. Funds arising from the issuance of such certificates shall be used for the purpose of building up such an amount of capital as may be deemed necessary by the board of directors from time to time, and for revolving such capital. When such funds, or funds derived from

any other source, are not needed for the proper financing of the association, as determined by the board of directors, they shall be devoted to the refunding of the oldest outstanding revolving fund certificates. Such certificates may contain such other terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors; shall be issued in annual series, each certificate in each series being identified upon its face by the year in which it is issued; shall be retired by series, fully or on a pro rata basis, only at the discretion of the board of directors, in the order of issuance by years, as funds are available for such purpose; and shall not bear interest. A record of all holders of revolving fund certificates shall be maintained by the secretary, and such certificates shall be transferable only on the books of the association upon surrender thereof, properly endorsed, and no other transfer thereof shall be binding upon the association. All other debts of the association, both secured and unsecured shall be entitled to priority over all outstanding revolving fund certificates. Upon the dissolution or winding up of the association in any manner, after the payment of all other debts, all outstanding revolving fund certificates shall be retired in full or on a pro rata basis without priority, before any distribution is made on account of capital stock.

Sec. 3. General Reserve. The books and records of the association shall be kept in such a manner by years that the amount carried to the general reserve accruing from patronage of each patron of the association may be ascertained at any time. When, in a given year, the operation of the association results in a net loss, such loss shall be charged to the surplus, if any, until such surplus is exhausted, and then to such general reserve. The board of directors shall prescribe the basis on which the contributions to such reserve by years shall be reduced on account of any such loss, so that such loss shall be borne by the patrons on as equitable a basis as the board of directors deems practical. Whenever, in the discretion of the board of directors, the general reserve is found to be in excess of the amount deemed reasonably necessary for the requirements of the association, such excess shall be applied to paying off ratably by years the oldest unexhausted contributions to such reserve.

ARTICLE V

Miscellaneous

Sec. 1. Fiscal Year. The fiscal year of the association shall commence on the first day of November and end the last day of October.

Sec. 2. Seal. The corporate seal of the association shall be circular in form and shall contain the name, and post office address of the association, surrounding the word "Seal".

Sec. 3. Printing. These by-laws, preceded by the articles of incorporation of the association, shall be prepared in pamphlet form, and a copy thereof made available to each member.

Sec. 4. The board of directors shall have the power to sell and issue certificates of indebtedness or other forms of obligations to pay interest of not to exceed six per cent (6%) per annum. In case of liquidation these certificates shall be paid before the retirement of any of the capital stock.

Sec. 5. The board of Directors shall have the power to call in and pay off any shares that any one shareholder holds in excess of four shares. In order that all shareholders will eventually hold the same number of shares.

Sec. 6. Amendment. These by-laws may be altered, amended, or repealed by a majority vote of the members present and voting at any regular meeting, or any special meeting called for such purpose.

APPENDIX II
PROSPECTUS FOR CO-OPERATIVE STORE

Cushing, Oklahoma

12-17-47

By Store Planning Division
Consumers Co-operative Association
Kansas City, Missouri

Building

A building 90 ft. by 124 ft. has been purchased.

<u>Cost</u>	
Building	\$ 18,000.00
Paid down	9,000.00
Balance	<u>\$ 9,000.00</u>

Balance to be paid \$106.00 per month, same as rent.

Equipment and Inventory

<u>Cost</u>	
Grocery Store Equipment	\$ 10,235.00
Grocery Inventory	12,000.00
Farm Supply Inventory	5,000.00
Feed Inventory	4,000.00
Filling Station Inventory	800.00
Cream Station Equipment	250.00
Tank wagon - Tank only	800.00
	<u>\$ 33,085.00</u>

Repair on building - (lumber and labor)	\$ <u>3,100.00</u>
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<u>Total</u>	\$ 36,185.00
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Members

418 - Members

Capital needed per family:	
Monthly Grocery Bill	\$ 50.00
Equipment to handle groceries	20.00
Feed, oil, Gas, Tires	
Appliances and Farm	
Machinery Inventory	<u>30.00</u>

<u>Total</u>	\$ 100.00
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Note. The factual material used as a basis for this study was obtained largely from members of the Farmer-Labor Co-operative Association in personal interviews.

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Typist: Mrs. Amos D. Maxwell