HISTORY AND FINANCIAL ANALYSIS OF THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

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PREFACE

In order for the reader to understand the significance and importance of the cooperative movement behind the Farmers' Union Cooperative Exchange of Stillwater, Oklahoma, a short history of the growth and development of the consumers cooperative movement in Europe and the United States is presented.

As a matter of interest, a brief history of the Farmers' Union Cooperative Exchange of Stillwater is given. This history includes the founding, the change of management, and the growth and development of the Cooperative for the twenty years that the association has been in existence.

A statement of the main principles adopted and followed by the Stillwater Cooperative is presented to acquaint the reader with the ideals and purposes of consumers cooperation. All true cooperatives are based on these basic principles. The degree to which the principles are practiced varies with each individual cooperative.

A fairly complete analysis of the financial operating statements and balance sheets for the past six years is made for the purpose of determining the financial trends and conditions prevailing in the Stillwater Cooperative.

This study was made for the purpose of presenting the history, cooperative principles, financial condition, financial trends, strong points, weak points, and to suggest remedies to overcome the weaknesses of the Farmers' Union Cooperative Exchange of Stillwater, Oklahoma.

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CHAPTER I

EUROPEAN HISTORY OF CONSUMERS' COOPERATION

Since the beginning of the history of mankind human beings have been cooperating with one another for their mutual benefit. The first formal organization of men for the promotion of their economic welfare, comparable with present day cooperative associations, began with the formation of guilds during medieval times. At that time men began to realize the advantages of banning together for the common good of their selected group.

The economic conditions of the working class of people became so depressing during the latter part of the eighteenth century and the beginning of the nineteenth century that voluntary cooperative associations became almost a necessity.

Many attempts were made to establish successful cooperatives during this period. Perhaps the first of these societies to attempt to conduct a business was a small group of weavers located in Fenwick, in Ayrshire, Scotland. Other societies were formed in Mongwell, Oxfordshire; Lennoxtown, Scotland; Brighton, England; Worthing, England; Darlington, England; and Findon, England. By the year 1800 there were 7,200 societies with a membership of 600,000 in the British Empire.[1] Although none of these societies were successful, they all aided in laying the foundation for the development of the present day cooperatives.

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1 Bakken, H. H. and Schaars, M. A., The Economics of Cooperative Marketing, 1937, page 31.

The first truly successful consumers' cooperative was organized in 1844; it was called the Rochdale Society of Equitable Pioneers. Charter members of this cooperative consisted of twenty-eight workingmen who were suffering from unemployment, high prices, and underemployment in the textile mills in Rochdale, England. The Rochdale Society, which is commonly recognized as the parent of all consumers' cooperatives now in existence, was formed for the purpose of relieving the economic stress of these cotton mill workers. The working conditions of these mill workers grew so bad that, in 1841, there were 1,500 people in Rochdale, England, existing on approximately forty-five cents each per week.[2] Some action had to be taken to help these distressed people.

In 1843 the Rochdale weavers began to hold meetings and plan for a cooperative store. They decided that each of the twenty-eight charter members was to save two pence a week until sufficient funds to open a cooperative store were accumulated. After approximately a year of saving the twenty-eight weavers had saved about $140.00. With the $140.00 the Rochdale Pioneers, on December 21, 1844, opened a store on Toad Lane in Rochdale, England. The small initial capital was used to purchase flour, sugar, butter, and oatmeal, which they resold to the members. Since they had to earn their living by labor in the textile mills during the day, the store was open only a few hours on Monday and Saturday evenings.

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2 Alanne, V. S., Fundamentals of Consumer Cooperation, Northern States Cooperative League, 1936, page 8.

The organization became successful and continued to grow and expand. Today, this first cooperative organization is still in successful operation.

From this very small beginning the cooperative movement has grown to an enormous size. The Rochdale Pioneers began manufacturing shoes and clothing in 1852. In 1855 they began wholesaling goods to neighboring stores. From a nation wide expansion, the cooperative movement became international in scope. All true cooperatives were based on the principles employed by the original Rochdale Society of Equitable Pioneers.

As an example of the expansion of the cooperative movement in England, the growth of the Wholesale Society of England is depicted on table 1. As shown on this table, from 1865 to 1935, the number of members belonging as shareholders increased by 6,131,959 members. The number of consumers, however, is approximately four times the number of members; making a total of nearly 25 million consumers in 1935. The total capital increased from 7,182 pounds in 1865 to 104,098,072 pounds in 1935. The net sales increased from 120,754 pounds in 1865 to 98,283,975 pounds in 1935. This was an increase in net sales of 98,163,221 pounds during the seventy year period. With the increase in net sales there was an increase of 2,101,302 pounds in sales expenses. The net surplus from sales increased from 1,850 pounds in 1865 to 2,095,481 pounds in 1935 giving a net surplus increase of 2,094,031. There was a relatively steady increase in the net surplus with the exception of the year 1920 when a deficit

TABLE I

Growth of the Cooperative Wholesale Society of England, 1865-1935*[3]

Year	No. of Members belonging as share-holders ǂ	Total Capital	Net Sales	Sales Expenses	Net Surplus from sales
1865	24,005	† 7,182	† 120,754	† 906	† 1,850
1870	79,245	40,658	507,217	4,644	4,248
1875	198,608	263,282	1,964,829	28,436	20,684
1880	361,525	565,854	3,339,681	47,153	42,090
1885	507,772	841,175	4,793,151	74,505	77,630
1890	721,316	1,474,466	7,429,073	126,879	126,979
1895‡	930,985	2,093,578	10,141,917	199,512	192,766
1900	1,249,091	3,187,945	16,043,889	314,410	289,141
1905	1,635,527	4,398,033	20,785,469	396,767	304,568
1910	1,991,576	6,655,039	26,567,833	544,584	462,469
1915	2,535,972	11,075,199	43,101,747	715,365	1,086,962
1920	3,341,411	27,844,522	105,439,628	2,138,333	64,210/
1925	3,778,659	45,369,050	76,585,764	1,658,465	1,053,504
1930	4,884,090	66,517,146	85,313,018	1,925,262	1,344,218
1931	5,138,124	72,366,853	81,498,234	1,929,157	1,692,157
1932‡	5,352,310	76,467,370	82,769,119	1,941,415	1,729,223
1933	5,488,384	84,060,875	82,120,864	1,976,166	1,473,838
1934	5,983,810	93,660,021	90,177,627	2,098,030	2,052,498
1935	6,155,964	104,098,072	98,283,975	2,102,208	2,095,481

*Data furnished by Scottish Cooperative Wholesale Society, Ltd.
ǂApproximate number of consumers is four times the number of members or nearly 25 million in 1935.
‡Period of 53 weeks.
/Deficit
†Designates pounds.

3 Bakken, H. H. and Schaars, M. A., The Economics of Cooperative Marketing, table I, page 36.

of 64,210 pounds was suffered. This table is only an indicator of the expansion that has been made throughout the world in the cooperative movement.

CHAPTER II

DEVELOPMENT OF CONSUMERS' COOPERATION IN THE UNITED STATES

The first known effort toward consumers' cooperation in the United States began only one year after the beginning of the Rochdale Society in England. In this year, which was 1845, a Boston tailor induced the members of his labor union to buy their household supplies jointly and distribute them weekly at the meetings of the union.

The next consumers' cooperative organization in the United States was the Grange Societies, the first of which was organized in 1867. The Grange movement has been more influencial in the success of consumers' cooperation in the United States than any other organization. Consumers' cooperation in the Grange movement began in the seventies when some of the local Granges purchased feeds, seeds, fertilizer, flour, salt, sugar, etc., in carload lots by order of the members, and distributed them from the car door. This practice was not successful, however, because of the difficulty of getting the members to take the products when they arrived. The Grange movement was much more important from the producers' than from the consumers' standpoint.

Another interesting consumers' cooperative organization was formed in 1910. A group of immigrant women in Waukegan, Illinois, became dissatisfied with the price they were paying for milk. In order to overcome this condition, they organized a cooprative with their headquarters in a small basement, and ordered large quantities of milk which they distributed. This organization is considered as the first of the modern consumers' cooperatives in the United States.

Consumers' cooperatives in the United States have been subject to many failures and dissappointments. Nevertheless, there has been a large growth and expansion not only in retail cooperative stores but also in wholesale and national federations of cooperatives. Consumers' cooperation has expanded to many fields. These fields include retail stores, oil stations, utilities, hotels, restaurants and boarding houses, fuel, housing, burial, educational, publishing, insurance, laundries and dry cleaning, bakeries, hospital and medical service, auditing, credit, recreation (parks), milk distribution, garages, manufacturing, mailorder houses, management, and library.

At the end of 1939 there were approximately 4,350 retail cooperatives in the United States. These cooperatives had a membership of nearly 925,000 members and an annual total of sales of $211,563,000. The regional wholesale cooperatives reported a combined business of nearly $52,500,000. During the last 11 years the wholesale cooperatives did a business of nearly $300,000,000 and returned to their members in patronage dividends almost $5,500,000. Including both producers' and consumers' cooperatives, there are about 10,700 active cooperatives with a total membership of 3,300,000 reporting to the Farm Credit Administration. There are many consumers' cooperatives that do not report to the

Farm Credit Administration. These 10,700 cooperatives do almost $2,100,000,000 worth of business a year. This data gives some idea of the progress that has been made in the United States with the cooperative movement.

The expansion of the cooperatives in America has not been entirely based on the genuine Rochdale plan. A few of the United States' cooperatives have been organized on what is sometimes called the "American Rochdale Plan".[4] The main distinguishing characteristic of this plan is that it advocates building the cooperative enterprises from the top rather than from the bottom up. That is, the cooperators following the "American Rochdale Plan" would organize a cooperative wholesale before the retail cooperatives themselves were ready to organize. Under this plan the retail stores would be formed as branches of the wholesale association, to be owned and operated by the members of the wholesale cooperative. Under the genuine Rochdale plan the retail stores are organized first. Also, they are owned and operated by local people. The advocators of the "American Rochdale Plan" attempt to justify this plan on the belief that it is necessary to start something big, impressive scale, and something that will develop fast or it will not appeal to the American people. However, according to the history of cooperatives in the United States, the cooperatives based on the "American Rochdale Plan" have failed more often than the cooperatives that were based on the genuine Rochdale plan.

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4 Alanne, V. S., Fundamentals of Consumer Cooperation, Northern States Cooperative League, 1936, page 113

But it has been found advantageous to organize wholesale cooperatives to serve the local cooperative stores after the locals are established. The wholesale cooperatives are organized on the same principles as retail cooperatives except they have retail cooperatives as members instead of individuals. These wholesale cooperatives have an advantage in that they have greater purchasing power; they can accumulate larger funds; they are able to reduce the number of brands handled by the cooperative members; and they are able to standardize their methods of operation. These result in economies and efficiencies. Also, it would be almost impossible to carry on effective educational work without the aid of federations of some sort. This is easily accomplished through the wholesale cooperatives.

The wholesale cooperative that serves Oklahoma is the Consumers Cooperative Association of North Kansas City, Missouri. This cooperative, which is commonly known simply as the CCA, was organized in 1929 with only six affiliates. By 1936, the CCA was supplying 342 member affiliates with $3,756,000 worth of goods per year. The CCA serves an area of eight central western states. Also, the CCA carries on an extensive educational program. One of their educational activities is to publish a monthly paper to consumers in their district. On April 15, 1941, the circulation of the issue was 78,080.

The wholesale cooperatives sell goods marked with the "Co-op" label. These goods are manufactured, for the most part, by private manufacturers under the "Co-op" label.

Trends in the cooperative movement in the United States for the eleven years from 1929 to and including 1939 are shown on table II. This table pertains to consumers' cooperative wholesaling association, therefore, this data may be used as an indicator of the trends and not the actual trends in the growth of the retail consumers' cooperatives in the United States.

By analyzing table II we find that there were eight consumers' cooperative wholesaling associations in the United States in 1929. In 1939 the number of wholesale associations has increased to 23, which was 2.875 times as many as were in existence in 1929.

The number of retail cooperatives that were members of the wholesale associations increased from 377 in 1929 to 2,163 in 1939. This was an increase of 5.736 times in the eleven year period. It should be remembered that these figures do not refer to the total number of retail consumers' cooperatives in the United States.

Business transacted through the wholesale associations by the retail associations amounted to $7,023,296 in 1929. In 1939 business transacted through the wholesale associations by the retail associations increased 7.471 times this amount. Merchandise worth $52,472,534 was purchased from the wholesale cooperatives in 1939 by 2,163 retail associations.

Net earnings of the c onsumers' cooperative wholesaling associations increased from $154,882 in 1929 to $1,600,137 in 1939. This was an increase of 10.336 times the 1929 total.

A substantial portion of this net profit was returned to

TABLE II

DEVELOPMENT OF CONSUMERS' COOPERATIVE WHOLESALING IN THE UNITED STATES
1929 to 1939*[5]

Year	Number of associations	Number of member associations	Amount of business	Net earnings	Patronage refunds	Number of associations	Number of member associations	Amount of business	Net earnings	Patronage refunds
			AMOUNT					INDEX NUMBERS (1929-100.0)		
1929	8	377	$ 7,023,296	$ 154,882	$ 92,181	100.0	100.0	100.0	100.0	100.0
1930	8	475	7,670,589	203,371	152,960	100.0	126.0	109.2	131.3	165.0
1931	11	666	8,566,946	223,115	161,714	137.5	176.7	122.0	144.1	175.4
1932	11	850	9,560,630	190,929	137,019	137.5	225.4	136.1	123.3	148.6
1933	13	1,085	14,238,059	164,906	178,909	162.5	287.8	202.7	171.1	194.1
1934	18	1,463	21,518,414	582,516	350,695	225.0	388.0	306.4	376.2	380.4
1935	20	1,692	33,277,647	1,002,943	541,625	250.0	448.7	473.8	647.9	587.5
1936	21	1,824	41,370,101	1,123,943	775,773	262.5	483.7	589.1	726.0	841.5
1937	23	1,930	51,868,466	1,467,904	989,184	287.5	511.8	738.5	948.2	1073.0
1938	23	2,081	49,774,982	1,224,559	947,855	287.5	551.9	708.7	791.0	1028.1
1939	23	2,163	52,472,534	1,600,137	1,122,590	287.5	573.6	747.1	1033.6	1217.6

*Figures partly estimated; data relate only to regional wholesales.

5 Bureau of Labor Statistics, Consumers' Cooperatives 1939, from the Monthly Labor Review of the Bureau of Labor Statistics United States Department of Labor October 1940 issue, serial No. R. 1158, table 10, page 18.

the member associations in the form of patronage dividends. Refunds to members amounted to $92,181 in 1929. There was an increase of 12.176 times in the eleven year period, which amounted to a patronage dividend of $1,122,590 in 1939.

According to this table the outlook for wholesale cooperatives in the United States is bright. However, the cooperative movement in the United States is no where near its maximum expansion. Consumers' cooperation has been slow in expansion and of much less importance than the producers' cooperative movement in the United States.

CHAPTER III

HISTORY OF THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER, OKLAHOMA

The beginning of the twentieth century found many cooperative associations springing up throughout the country. Many small local associations were organized in Payne County. The original purpose of these numerous small associations was to purchase farm supplies in large quantities to effect economies for the farmers. Several of the more successful cooperative associations in Payne County decided to consolidate and organize a retail store to sell farm products and groceries to consumers in their area.

On January 20, 1921 the Farmers' Union Cooperative Exchange of Stillwater was incorporated with an authorized capital stock of $50,000. The purpose for which this cooperative was formed was to buy, sell, handle, and store all kinds of grain and other farm products, lumber, coal, flour, feed, and any other kind of merchandise.

A Board of Directors of nine men was elected by the charter members. At that time the Oklahoma State law did not limit the number of directors on the board. The present cooperative law designates the number of directors on the board to be five members. This Board of Directors included Jess Johnson of Stillwater; M. E. Devine, Stillwater; C. M. Edmondson, Orlando; H. B. Horton, Stillwater; J. M. Graves, Perkins; I. L. Kanable, Stillwater; H. E. Overholt, Stillwater; O. L. Akins, Stillwater; J. A. Simpson, Stillwater. The Board of Directors elected Henry Horton to manage the business.

They purchased a store, including the stock, that was in operation. It was necessary to remodel the store before it could be used. It was April of 1921 before the store was opened for business to the public.

The Stillwater Cooperative made the same mistake that many other cooperatives made. They did not acquire enough original capital to successfully operate their business. In fact, they had only $500 with which to carry on business transactions after they had the store in shape to open for business.

During the Cooperative's first year in operation, they did a comparatively good business. In fact, the business was so successful the first year that the farmers of Perkins decided to organize a similar store. The consumers' cooperative at Perkins acquired approximately one-third of the trade that had been formerly trading at the Stillwater cooperative. This placed the Stillwater Cooperative in a bad financial condition. Since they were already so short of adequate working capital, it was necessary for the directors to close the store until the difficulty could be remedied. In order to raise sufficient working capital, ten of the members had to borrow $1,000 from the bank by each of them signing a note for $100. This action was necessary because the Exchange was in such poor financial condition that the bank would not make a loan directly to the cooperative. At the same time the authorized capital stock was reduced from $50,000 to $15,000. A new manager was elected by the Board of Directors, and the store was reopened for business.

Under the management of Mr. Yancy, who was the new manager, the Cooperative was moderately successful. Their annual sales amounted to approximately a quarter million dollars. This allowed them to pay a small dividend each year that he was manager.

In 1926, The Farmers' Union Cooperative Exchange of Stillwater decided to open a branch store in Glencoe, Oklahoma. The branch store was placed under the management of Mr. Yancy's son-in-law. This venture, however, was a complete failure, and it was necessary for the Stillwater Cooperative to make all of the Glencoe store's capital stock good by paying off the members 100%. The Glencoe store was sold in 1930.

Mr. Yancy was replaced by Mr. Brock as manager of the Farmers' Union Cooperative Exchange in 1929. After only one year as manager Mr. Brock was replaced by Mr. Franklin. Mr. Franklin was also unsuccessful, and after only one year he too was replaced with a new manager. Mr. Williams, the new manager, was elected by the Board of Directors to assume the managership of the Exchange in May, 1931.

Shortly after being elected to the managership of the Cooperative, Mr. Williams made some very notable changes in the Farmers' Union Cooperative Exchange. Mr. Williams formulated a plan of reorganization which employed the principles of the true Rochdale plan of cooperation, which had not been employed prior to that time.

Up to 1932 the dividend policy of the store had been to pay 8% on the capital stock outstanding and the remainder was to be divided according to patronage. Only farmers were allowed to hold stock and the stock had to be fully paid up before any dividends could be paid on it. This policy was unsatisfactory because the business seldom earned enough to pay eight percent interest on the stock outstanding. Also, the farmers were not supplying adequate membership for the cooperative. Under the new plan, dividends were to be paid strictly on a patronage basis with no interest on stock. Also, any person could subscribe to a $20 share of stock for $1 and pay the remaining $19 by letting dividends accrue. This plan increased the number of members and gave the patrons more incentive to trade with the store.

In order to allow adequate room for expansion, the store was moved to its present location at 201 West 8th street. The new location afforded much larger and more convenient operating facilities.

The results of the reorganization were very favorable. There was an enormous increase in membership and sales. The Cooperative was showing such a favorable progress that a petroleum department was added to the grocery and farm products departments in 1932. Two years later, in 1934, an automobile department was added to the business.

The increased business required an increase in the authorized capital stock. Therefore, on May 3, 1935, the articles of incorporation were amended to allow for $35,000 worth of authorized capital stock. The capital stock consisted of $15,000 of preferred stock and $20,000 of common stock.

Mr. Williams began borrowing money from the Cooperative, which caused his dismissal, on November 18, 1938. The next day the Board of Directors elected Mr. Wilson as general manager of the Cooperative. Mr. Wilson had previously been employed as the accountant of the Cooperative Exchange. During the same year the automobile department was discontinued because it was unprofitable. However, the garage remained as a separate department.

On January 1, 1941, Mr. Wilson resigned as General Manager of the Farmers' Union Cooperative Exchange of Stillwater. Mr. Brewer, who is the present General Manager, was selected to take Mr. Wilson's place.

Since Oklahoma charters are granted for a period of twenty years, it was necessary to have the charter renewed this year, which is 1941. Not only was a new charter granted but also a new set of by-laws were adopted at the annual meeting held on April 19, 1941. The contents of the new by-laws will be discussed later.

The present Board of Directors, which were elected at the annual stockholders meeting on April 19, 1941, include Bill Dowell, Art Beale, Leonard Andrews, Carl Andrews, and Earl Gray.

CHAPTER IV

COOPERATIVE PRINCIPLES FOLLOWED BY THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

No attempt is made in this thesis to describe and analyze completely all phases of the Farmers' Union Cooperative Exchange of Stillwater. Only the most important of the cooperative principles followed by the Stillwater Cooperative will be discussed. The operating statements and balance sheets of the cooperative are analyzed with sufficient financial ratios to indicate the financial condition of the business.

The general objective of consumers' cooperation is to improve the economic status of the people served by the cooperative. This objective is accomplished by combined group action representing the consumer shareholders. As a result the consumers obtain goods as cheaply as possible, which is the primary aim of all consumers' cooperatives. This aim differs from ordinary business enterprises in that cooperative shareholders do not associate themselves together primarily for profit but for economy in buying. In other words it is an attempt to increase the purchasing power of the consumers' dollar.

As previously stated the purpose of the Stillwater Cooperative is to buy, sell, handle, and store all kinds of grain and other farm products, lumber, coal, flour, feed, and any other kind of merchandise. And their charter permits them to produce, manufacture, and transport any of these commodities, should they so desire. Another purpose of the organization, as expressed in their charter, is to promote organization and cooperation among farmers and others in the interest of their protection and betterment. At the present time the organization operates a garage, filing station, produce department, grocery store, which includes a meat market, lumber yard and, as a side line, they handle furniture and house appliances. All of these units are combined as one business enterprise.

The stockholders of the Stillwater Cooperative constitute the membership of the organization. The cooperative principle concerning membership is one of universality. That is, they believe in accepting any consumer on a voluntary basis who wishes to become a member of the Cooperative. They do not distinguish between consumers because of personal characteristics, occupation, color, religion, nationality, or sex. However, before any consumer may become a member he must be voted on by the Board of Directors. Practically the only applicants that have been rejected are those that are in direct competition with the business of the Exchange. Since the Cooperative's primary aim is provide goods as cheaply as possible, the more members there are in the Cooperative the greater will be the savings and the lower the costs of retailing. There is no need for distinguishing between one consumer and another because their interests are of an economic nature and not of a personal nature.

The Farmers' Union Cooperative Exchange of Stillwater is controlled and operated on a democratic basis. All members have an equal voice in the control of the Cooperative. Each member is allowed one and only one vote at the stockholders meetings regardless of the amount of stock he may own. Also, in order to vote the stockholder must attend meetings in person. Voting by proxy is not permitted. However, in case they are voting upon the question of the amendment of the by-laws, the increase or decrease in the capital stock, or other similar matters the members may vote by mail.

In order for the voting of the stockholders to be valid there must be at least 10% of the stockholders or subscribers present in person. Previous to the last session of the Oklahoma State Legislature, the Oklahoma law required at least one-third of the stockholders or subscribers for stock to be present to constitute a quorum.[6] This change was brought about by the efforts of Robert L. Hert, Payne County's representive in the Oklahoma State Legislature. The reason for this change was that a quorum of one-third of the stockholders has not been present at the annual stockholders' meetings for the past six or seven years. Because of this situation the principle of democratic control was not being fulfilled. Due to the change in the Oklahoma law, a quorum was present at the stockholders' meeting held on April 19, 1941.

In order to further assure democratic control, the stockholders may request a special meeting of the stockholders providing at least 30% of the stockholders make this request in writing. The petition must be signed by each stockholder making the request.

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6 Carter, F. C., Secretary of the State, Corporation Laws of the State of Oklahoma, page 49.

It is the contention of some cooperators that stockholders' meetings should be held more often than once a year. By holding more frequent meetings more interest in the affairs of the Cooperative is likely to be created. By increasing the interest of the stockholders an increase in the loyalty of the members to the store may result.

Control of the Cooperative is placed in the hands of a Board of Directors, which is elected periodically by vote of the stockholders at their annual meeting. The Oklahoma law requires that there shall be five directors, all of whom must be stockholders. In order to maintain a majority of experienced directors on the board, only two directors are elected each year, with the exception of the third year when only one director is replaced. Due to the fact that a quorum has not been present at the stockholders' meetings for the last six or seven years, new directors were not elected annually. Therefore, at the stockholders meeting on April 19, 1941, five directors were elected. In order to "stagger" their term of office, one director was elected for one year, two directors were elected for two years, and the remaining two directors were elected for a period of three years. As the term of office of each of these directors expires a successor will be elected to take his place. However, any director may be removed by a majority vote of the stockholders at any lawfully called meeting.

The main duty of the directors is to supervise and control, in a general manner, the business affairs of the Cooperative. They make all rules and regulations for the management of the business that are not inconsistent with the Oklahoma laws or the by-laws of the Cooperative. It should be understood that the responsibility for the management of the Cooperative should be in the hands of the Board of Directors and not the General Manager. Since the only compensation to the Board of Directors is $3.00 per meeting and 4¢ per mile to and from meetings, there is no strong inducement for the directors to give their wholehearted efforts to their duties as directors.

The Board of Directors elect a general manager. The general manager, under the direction of the Board of Directors, has charge of the regular business operations of the Cooperative, including purchasing, marketing, employment, and handling of all the merchandise. He is directly responsible to the Board of Directors and not the stockholders.

Since the membership is open to persons of all occupations, religions, and races, the Cooperative must be tolerant toward the different political and religious beliefs of the members. The Stillwater Cooperative takes a neutral stand and does not meddle with the affairs of the members that are obviously outside the scope of the Cooperatives business activities. Such matters should not and are not brought up in the meetings of the stockholders. This principle is not only followed by cooperatives but is also followed by private concerns as well. Experience has proved this policy to be profitable. It is impossible to carry out this principle in all parts of the world. In the countries in Europe that are controlled by dictatorship, the political connections with the cooperatives are strongly reflected in their business operations. Switzerland is the only European country that has cooperatives that are not neutral toward religious beliefs.

The primary purpose of the Stillwater Cooperative is to provide the members with merchandise as cheaply as possible. Therefore, the savings of the Cooperative are returned to the members in the form of dividends. These dividends are paid on the basis of patronage alone. That is, a certain percent of the amount of business done with the Cooperative is returned in the form of a dividend. The dividend is not based on the amount of stock held. In the farm products department the basis for paying dividends is the sum of the sales and purchases of farm products. However, in the other departments only the sales are used as a basis for the patronage dividends.

The Cooperative trades with both members and non-members, but only the members receive dividends. Many cooperators advocate the policy of trading with members only. If dividends were paid to members and non-members alike there would be more incentive for non-members to trade at the store, but on the other hand, there would be no incentive to hold stock and become a member if the non-members received dividends without stock. The Rochdale Society of Equitable Pioneers sold goods to both members and non-members, but they adopted the policy of giving their non-member customers a patronage dividend of only half the rate that they paid to the member customers. They placed the difference in a reserve fund of the Cooperative. This plan not only lessens the incentive to become a stockholder; it also reduces the amount of refund the member receives.

The Stillwater Cooperative follows the principle of selling merchandise at the market price and then declaring dividends out of the surplus accumulated. If a member has to pay market prices in other establishments he should not object to paying market prices in the cooperative. Also, if the cooperative started cutting prices, it might start a price war with competitors which might prove disastrous for the cooperative's business. If the cooperative did not charge more than invoice cost plus expenses they would never be able to show a surplus to allow for possible expansion. Also, it is impossible to determine beforehand the actual expenses of operation, so that an attempt to charge cost plus expenses might result in a loss to the organization and cause the cooperative to drift into financial difficulties. But many cooperators do advocate the policy of selling merchandise practically at cost and declaring only a small dividend if any at all. They maintain that a low price charged at the time of purchase is a greater incentive for the patrons to trade with the cooperative than the market price method. However, if this method was followed price wars would probably occur and the cooperative might be ruined. Also, there would be less incentive for consumers to become members if the dividends were practically abolished.

The manner by which the dividends are to be distributed from the surplus is stipulated in the by-laws of the Cooperative. The new by-laws adopted at the stockholders meeting on April 19, 1941, state:

> The total net income as determined monthly, quarterly and annually shall be allocated and distributed in the following order and manner:
> (a) An amount of the net income equal to not less than 10% thereof shall be set aside for the purpose of establishing, building up, and maintaining a general reserve of not less than 50% of the face value of all outstanding paid-up stock and revolving fund certificates.
> (b) The amounts set aside for the general reserve shall be deducted pro rata from the income of each department of the corporation and the balance of the corporation and the balance of the net income then shown for each department shall be allocated to the stockholder-patrons of each of the departments on the basis of their patronage.
> (c) From the net amount allocated to each subscriber of capital stock there shall be deducted the unpaid subscription price of said share of stock, and when such patron has completed payment of the subscription price, a stock certificate paid for in this manner shall be issued to him.
> (d) At least fifty per cent of the amount, as determined by the Board of Directors, then remaining to the credit of each such patron shall be retained by the corporation for capital purposes, and distributed to him in the form of revolving fund certificates, in such form and of such tenor as shall be approved by the Board of Directors.
> (e) Any remaining balance of the patronage allocations, of such stockholder-patron, may then be paid to him, in cash, if not less than $1.00.[7]

The essence of the above provisions is to distribute the dividends in an equitable manner on a patronage basis and at the same time retain enough surplus in the business to meet emergencies and raise sufficient working capital. The first provision is for the purpose of building up a mandatory reserve to meet any emergencies which may arise. Dividends cannot be paid out of this reserve. It must remain intact.

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7 By-laws of The Farmers' Union Cooperative Exchange of Stillwater on April 19, 1941, Article VII, Section I.

At the present time the mandatory reserve of the Stillwater cooperative is $10,000, which is 50% of the authorized common stock. This reserve was completed when Mr. Wilson was manager of the cooperative, but the new by-laws will require additions to the reserve when the revolving fund certificates are issued.

The second provision stipulates that the remaining part of the surplus, after the general reserve portion has been deducted, be allocated to members on the basis of their patronage. This is in accord with all true cooperative principles. Regardless of the number of shares of stock a member may have he receives the same rate of return on his patronage as the other members who may have only one share of stock.

The third section provides that the unpaid portion of the subscription price of a share of stock is deducted from the amount of surplus allocated to the members account before he is paid a dividend in cash.

The fourth and fifth section of this provision is an entirely new experiment for the Stillwater Cooperative. As yet they have not had time to test it out. However, this plan has been found to be very successful when tried in other cooperatives. The purpose of this plan is to set up a revolving fund to accumulate sufficient working capital for the business. Almost without exception cooperatives have been started without sufficient capital. In the case of the Stillwater Cooperative there has never been an adequate amount of working capital. The main reason for this situation is that during the last few years cooperatives seem to have adopted the idea that all earnings should be returned to the members in the form of patronage dividends in order to avoid paying needless income taxes. Therefore too much of the surplus has been distributed. Under the new plan, 50% of the surplus allocated to the members for dividends will be retained in the business and the other 50% will be paid to the members in cash. Revolving fund certificates will be issued to members to account for the 50% retained in the revolving fund. However, the amount each person is entitled to in this revolving fund will be left in his account to prevent losing its identity. In case there is a net loss in the cooperative's operation for the period, the loss will be charged against the members account in an equitable manner as determined by the Board of Directors. Probably on a patronage basis in the same manner as a profit would have been distributed.

When the general reserve exceeds 60% of the face value of all outstanding stock and revolving fund certificates, the Board of Directors may apply any amount over 60% to the paying off of the revolving fund certificates held by the stockholders. According to the Oklahoma Cooperative laws the legal general reserve must be at least 50% of the outstanding stock. It is not until this same general reserve amounts to 60% of the face value of all outstanding stock and revolving fund certificates that the certificates can be paid off. Each year the general reserve will have to be adjusted to equal 60% of the outstanding stock and revolving fund certificates. The revolving fund certificates that are the oldest will be paid off first. By this method the capital will remain in the current members' accounts.

The revolving fund plan is so designed as to require the current members to furnish the working capital for the cooperative. In other words, the capital which the member furnishes the cooperative is paid back to him in a few years and replaced by capital contributed by the current members. Also, this plan tends to maintain the members' investment in the cooperative in proportion to the amount of business they transact through it.

Cooperators recognize the necessity of paying a fixed, current, legal rate of interest for the use of share capital in order to obtain the capital necessary to operate the cooperative. If share capital can be raised without the payment of interest, so much the better. At the present time the Stillwater Cooperative pays no interest on the membership capital. However, in the past it has done so. In previous years the Stillwater Cooperative has paid 8% on share capital, 6% on preferred stock capital, and 6% on bonds. Many states, including Oklahoma, limit the rate of patronage dividends to 8%.

The original charter of the Farmers' Union Cooperative Exchange authorized the issuance of $50,000 worth of capital stock. On December 15, 1923, the authorized capital stock was decreased from $50,000 to $15,000. Eight per cent interest was paid on this share capital before the surplus was distributed as dividends. However, the cooperative seldom earned more than 8% on share capital so there was little patronage dividends.

The expansion that resulted when Mr. Williams reorganized the store necessitated an increase in the authorized capital stock; so in 1934 the authorized capital stock was increased to $35,000. Twenty thousand dollars authorized capital stock was common and $15,000 of the authorized capital stock was preferred. The common stock received no fixed interest or dividend, but the holders of the preferred stock were entitled to receive a fixed cumulative dividend of 6% per annum, payable quarterly, before any patronage dividend could be paid to the common stockholders. In case of liquidation or dissolution of the Cooperative, the holders of the preferred stock were to be paid in full, both the par value of their shares and the unpaid and accrued dividends due to them, before the holders of the common stock were allowed to receive their share of the surplus. The preferred stockholders were to receive no dividends in excess of 6% per annum, and the stock was non-participating as to assets in case of liquidation or dissolution, after they had received payment of the par value of their share of the unpaid dividends due to them. The purpose of issuing preferred stock was to raise working capital. Under the reorganized plan of operation it was useless to own more than one share of common stock, therefore, preferred stock was sold to the common stockholder in order to obtain more working capital. However, the preferred stock plan was not particularly successful and the total outstanding preferred stock was called in. In the new by-laws adopted April 19, 1941, the preferred stock was eliminated and only common stock, in the amount of $35,000, is now authorized.

When the patronage dividend policy was adopted, many members were holding more than one share of common stock. Since it was useless to hold more than one share of common stock under the new dividend policy it became necessary to liquidate all over one share of common stock that any one stockholder owned. It was impossible for the Cooperative to pay this common stock off at once because of the drain it would cause on the cash. Therefore, bonds were issued to take the place of the excessive shares of common stock. The common stock was made convertible into these new bonds. The bonds paid 6% interest per annum. Bonds and common stock both were valued at $20 per share. If, for example, a stockholder had six shares of common stock, he would convert five shares of common stock for five bonds. These bonds were serial bonds of fifty bonds each. Series "A" bonds were due April 10, 1935. Series "B" bonds were due on April 10, 1936. Series "C" bonds were due on April 10, 1937. Series "D" bonds were due on April 10, 1938. Series "E" bonds were due on April 10, 1939. By "staggering" the due date of the bonds in the above manner, they could be retired without affecting an excessive drain on cash in any one year. At the present time no bonds are outstanding.

At the present time the method of raising capital is by common stock and the new revolving fund plan. Therefore, no interest is paid for the use of share capital. This should be a great financial aid to the Cooperative.

Credit control is probably one of the most important factors in retail business. By using a lax credit policy bad debts are likely to increase, expenses will probably be higher, working capital will be reduced, and discontent and discord are apt to arise among the members of the cooperative. For this reason many cooperators advocate a strict cash policy in both buying and selling of merchandise. A cash policy would accomplish two important things. In the first place, it would tend to cause shareholders to live within their means. In the second place, it would cause a great economy in the cooperative's operation. Economies would result in allowing the cooperative to take advantage of special opportunities in large scale purchases, and it would allow the cooperative to take advantage of cash and quantity discounts. It would reduce the amount of bookkeeping that is necessary under a credit system, and it would eliminate losses on bad debts. This would result in either lower retail prices or larger dividends to the members.

Under the existing circumstances in Stillwater it would be practically impossible to adopt the cash policy because of the nature of their competition with other retail stores in Stillwater. The cooperative has to meet competition and when competitors grant credit it is necessary for them to grant credit or lose business. Also the type of customers patronizing the cooperative would prevent a change to a strictly cash basis. For example a large part of the customers are farmers and college employees. Farmers' income is irregular and seasonal which necessitates credit. College employees desire credit and would probably not trade with the Cooperative if they had to pay cash. However, there is a 60 day limit for credit to any one customer, which is not strictly enforced.

By analyzing table III, the credit situation as it has been for the past six years may be seen. The total accounts receivable for the last six years has averaged about $25,000 at the end of each fiscal year. Approximately 3/5 of the accounts receivables are current and not due. That is they are not over 30 days old. Table III depicts a fairly conservative credit policy. There is entirely too many accounts that are over a year old.

The success of the cooperative movement depends, to a large extent, upon the knowledge the buying public has of their principles. In order to inform the public of these principles, it is necessary to carry on a constant cooperative educational program among the consumers. Not only should the consumers be educated as to the cooperative principles but also the employees within the organization should be thoroughly trained and educated in consumer cooperation principles. Education of the employees and management would greatly increase the efficiency of the cooperative.

Education of the public is carried on mainly by district and national organizations rather than by local cooperative stores. Some of the methods used to educate the public and the employees are: house organs, radio talks, personal

TABLE III

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

ANALYSIS OF ACCOUNTS RECEIVABLE

As of March 31, 1936, 1937, 1938, 1939, 1940, 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Not Due	$15,665.66	$ 294.46*	$15,960.12	$ 148.02*	$16,108.14	$1,364.51*	$17,472.65	$ 492.59*	$17,965.24	$6,030.36	$11,934.88
30 to 60 days	3,205.75	259.65	2,946.10	727.22	2,218.88	420.90*	2,639.78	2,098.97*	4,738.75)	2,744.82	3,287.93
60 to 90 days	1,222.87	175.60	1,047.27	198.13	849.14	832.08*	1,681.22	387.22	1,294.00)		
3 to 6 months	795.55	493.84*	1,289.39	998.81*	2,288.20	248.01	2,040.19	647.46	1,392.73)		
6 months to 1 year	1,356.23	336.55	1,019.68	992.26*	2,011.94	1,777.02*	3,788.96	3,024.38	764.58)	2,548.22*	6,335.18
1 year and over	1,234.79	698.78*	1,933.57	59.87	1,873.70	381.18	1,492.52	137.13*	1,629.65)		
Total Receivables	23,480.85	676.79*	24,156.14	1,192.36*	25,350.00	2,765.32*	29,115.32	1,330.37	27,784.95	6,226.96	21,557.99
Less: Res. on Bad Debts	4,751.97	1,874.76	2,877.21	464.46	2,412.75	394.73	2,018.20	589.13*	2,607.15	2,226.72*	4,833.87
Net Accounts Receivables	18,728.88	2,551.55*	21,280.43	1,656.82*	22,937.25	4,160.05*	27,097.30	1,919.50	25,177.80	8,453.68	16,724.12

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

contacts by field-service staffs, discussion in special meetings, monthly magazines, phamplets, and general educational systems including universities, colleges, and secondary schools.

The Farmers' Union Cooperative Exchange of Stillwater has an educational fund which was started in September of 1934. Out of this fund the expenses of the annual stockholders' meeting are paid. These expenses include the cost of gift baskets to holders of lucky numbers. These numbers are given to the members who attend the meetings. This practice serves a dual purpose. First it creates goodwill among the members, and second, it serves the purpose of getting the members in the store at which time they may purchase merchandise. In the s trictest sense this is not purely educational, however, it is an incentive to attend the meetings, and the meetings may be educational. As has previously been mentioned, each Stillwater Cooperative member whose name is submitted to the CCA, receives the paper called "The Cooperative Consumer". This paper tries to educate its readers in cooperative buying.

The above principles are all in accord with the principles set forth by the Genuine Rochdale Plan of Cooperation. Since the reorganization instigated by Mr. Williams, the Stillwater Cooperative has been consistent in following these principles. The success or failure of these principles is a matter to be considered in the following chapter.

CHAPTER V

FINANCIAL ANALYSIS OF THE COMPARATIVE OPERATING STATEMENTS OF THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

The following analysis of the Farmers' Union Cooperative Exchange is for the purpose of depicting its financial condition. The annual reports of the Cooperative for the past six years were used as a basis for this analysis. Financial reports for earlier years were not available.

The combined comparative income statement for the past six years for the Farmers' Union Cooperative Exchange is shown on table IV. Tables V, VI, VII, VIII, and IX show the comparative income statements for the grocery, farm products, petroleum, garage, and miscellaneous departments, respectively.

Since the fiscal year for the Cooperative ends on March 31 of each year, the mentioning of a certain year in this analysis means the fiscal year and not the calendar year. For example, the mentioning of the year 1941 would refer to the fiscal year starting March 31, 1940 to the end of the fiscal year March 31, 1941.

As shown on table IV the net sales of the Cooperative have fluctuated widely over the six-year period. From 1936 to 1937 the net sales increased $26,628.10. This increase is accounted for by the increase in net sales of each department except the automobile department. During that year the automobile department's net sales decreased $17,748.97, which offset, to a large extent, the substantial gain in net sales

TABLE IV
FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease	March 31, 1936
Gross Sales	$234,329.05	$74,611.63*	$308,940.68	$25,629.13	$283,311.55	$27,075.67*	$310,387.22	$105,445.79*	$415,833.01	$28,444.33	$387,388.68
Less Sales Tax	3,737.03	1,162.07*	4,899.10	629.69	4,269.41	5.07	4,264.35	457.01	3,807.33	1,816.23	1,991.10
Net Sales for Year	230,592.02	73,449.56*	304,041.58	24,999.44	279,042.14	27,080.74*	306,122.88	105,902.80*	412,025.68	26,62810	385,397.58
Cost of Goods Sold											
Inventory: Beginning of year	19,465.71	7,198.34	12,267.37	1,570.00*	13,837.37	5,917.54*	19,754.91	3,410.35*	23,165.26	9,835.08	13,330.18
Purchases	182,292.79	64,645.98*	246,938.77	33,873.49	213,065.28	26,114.82*	239,180.10	94,127.86*	333,307.96	4,028.04	329,279.92
Mdse. Available for sale	201,758.50	57,447.64*	259,206.14	32,303.49	226,902.65	32,032.36*	258,935.01	97,538.21*	356,473.22	13,863.12	342,610.10
Inventory: End of year	20,321.97	856.26	19,465.71	7,198.34	12,267.37	1,570.00*	13,837.37	5,917.54*	19,754.91	3,410.35*	23,165.26
Cost of Goods Sold	181,436.53	58,303.90*	239,740.43	25,105.15	214,635.28	30,462.36*	245,097.64	91,620.67*	336,718.31	17,273.47	319,444.84
Gross Profit on Sales	49,155.49	15,145.66*	64,301.15	105.71*	64,406.86	3,381.62	61,025.24	14,282.13*	75,307.37	9,354.63	65,952.74
Operating Expenses:											
Selling Expenses:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	173.27*	173.27
Sales salaries	24,204.98	3,357.09*	27,562.07	309.70*	27,871.77	5,441.07	22,430.70	2,423.61*	24,854.31	2,346.84	22,507.47
Rent	3,432.00	702.00	2,730.00	24.34*	2,754.34	280.66*	3,035.00	159.08*	3,194.08	320.03	2,874.05
Advertising	1,403.06	171.13	1,231.93	469.46*	1,701.39	48.35*	1,749.74	57.31	1,692.43	493.92	1,198.51
Delivery expense	1,581.92	605.28*	2,187.20	87.32*	2,274.52	150.69	2,123.83	368.82	1,755.01	602.86	1,152.15
Trucking expense	368.52	308.03*	676.55	516.82*	1,193.37	63.46*	1,256.83	293.71*	1,550.60	214.97	1,335.63
Insurance	542.75	296.71	246.04	152.51*	398.55	144.77*	543.32	109.79	433.53	6.52*	440.05
Depr.-Delivery equipment	1,111.20	21.96*	1,133.16	1,378.01*	2,511.17	1,241.12	1,270.05	265.46	1,004.59	274.85	729.74
Depr.-Furniture & Fixtures	1,005.61	171.09*	1,176.70	92.84*	1,269.54	190.77	1,078.77	379.76*	1,267.76	216.43	1,051.33
Bad debt expense	3,535.72	1,246.93	2,288.79	235.12	2,053.67	93.70	1,959.97	117.41*	2,077.38	238.16	1,839.22
Collection expense	.....	.....	.....	.....	.....	356.30*	356.30	213.99*	570.29	145.65	424.64
Telephone	521.16	15.77*	536.93	4.76*	541.69	159.66*	70135	35.10*	736.45	67.75	668.70
Sales supplies and expense	418.66	1,414.38*	1,833.04	43.57*	1,876.61	1,786.08*	3,662.68*	2,233.68*	5,896.37	1,171.26*	7,067.63
Total Selling expense	38,125.58	3,475.83*	41,601.41	2,845.21*	44,446.62	4,278.35	40,168.27	4,864.53*	45,032.80	3,570.41	41,462.39
General and Administrative expense											
Manager's salary	2,464.37	239.37	2,225.00	25.00	2,200.00	400.00*	2,600.00	48.08*	2,648.08	54.33	2,593.75
Office salaries	2,540.20	580.14*	3,120.34	265.82	2,854.52	298.94*	3,153.46	50.80	3,102.66	666.97	2,435.69
Directors' fees	279.00	42.00	237.00	97.00	140.00	7.00	133.00	28.00	105.00	11.00*	116.00
Lights, gas & water	1,490.97	78.58*	1,569.55	345.77	1,223.78	81.01	1,142.77	17.45	1,125.32	76.34	1,048.98
Taxes: Social Security	1,166.23	149.87*	1,316.10	68.61*	1,384.71	258.44	1,126.27	868.63	257.64	257.64	.....
Taxes: Ad Valorem	333.05	112.55	220.50	16.16	204.34	24.34	180.00	42.00*	222.00	113.76	108.24
Taxes: Income	.....	820.75*	820.75	151.10	651.65	92.79*	744.44	1,279.22*	2,023.66	681.97	1,341.69
Taxes: Capital Stk. & Corp. License	114.67	114.67	.....	.....	.....	.....	.....	.....	.....	.....	.....
Office supplies & expenses	899.04	210.11	688.93	466.33*	1,155.26	213.68*	1,368.94	48.77*	1,417.71	96.11*	1,513.82
Auditing	50.01	199.95*	249.96	950.04*	1,200.00	325.00*	1,525.00	1.20*	1,526.20	396.20	1,130.00
Sundry expense	.....	.....	.....	.....	.....	608.21*	608.21	792.91*	1,401.12	311.16	1,089.96
Total Gen. & Adm. Expense	9,337.54	1,092.59*	10,430.13	584.13*	11,014.26	1,567.83*	12,582.09	1,247.30*	13,829.39	2,451.27	11,378.12
Total Operating Expense	47,463.12	4,568.42*	52,031.54	3,429.34*	55,460.88	2,710.52	52,750.36	6,111.83*	58,862.19	6,021.68	52,840.51
Net Profit on Operations	1,692.37	10,577.24*	12,269.61	3,323.63	8,945.98	671.10	8,274.88	8,170.24*	16,445.12	4,332.89	13,112.23
Less Other Expenses	.....	23.56*	23.56	139.67*	163.23	69.98*	233.21	280.00*	513.21	180.01*	693.22
Plus Other Income	35.39	35.39	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net Income for Year	1,727.76	10,518.29*	12,246.05	3,464.30	8,782.75	741.08	8,041.67	7,890.30*	15,931.97	3,512.96	12,419.01

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater.

TABLE V

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT
GROCERY DEPARTMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Gross Sales	$133,204.42	$13,352.55*	$146,556.97	$13,653.74	$132,903.23	$10,034.68	$122,868.55	$ 974.12	$121,894.43	$4,914.15	$116,980.28
Less Sales Tax	2,397.38	293.88*	2,691.26	203.32	2,487.94	170.72	2,317.22	669.87	1,647.35	744.90	902.45
Net Sales for Year	130,807.04	13,058,67*	143,865.71	13,450.42	130,415.29	9,863.96	120,551.33	304.25	120,247.08	4,169.25	116,077.83
Cost of Goods Sold:											
Inventory: Beginning of Year	9,568.18	3,649.71	5,918.47	1,332.98	4,585.49	1,254.40*	5,839.89	952.68	4,887.21	779.26*	5,666.47
Purchases	110,212,21	6,799.68*	117,011.89	14,519.83	102,491.96	10,907.51	91,584.45	1,908.43*	93,492.88	1,957.82	91,535.06
Mdse. Available for Sale	119,780.39	3,149.97*	122,930.36	15,852.91	107,077.45	9,653.11	97,424.34	955.75*	98,380.09	1,178.56	97,201.53
Inventory: End of Year	11,523.28	1,955.10	9,568.18	3,649.71	5,918.47	1,332.98	4,585.49	1,254.40*	5,839.89	952.68	4,887.21
Cost of Goods Sold	108,257.11	5,105.07*	113,362.18	12,203.20	101,158.98	8,320.13	92,838.85	298.65	92,540.20	225.88	92,314.32
Gross Profit on Sales	22,549.93	7,953.60*	30,503.53	1,247.22	29,256.31	1,543.83	27,712.48	5.60	27,706.88	3,943.37	23,763.51
Operating Expenses:											
Selling Expenses:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	95.54*	95.54
Sales salaries	12,219.40	132.96*	12,352.36	155.56	12,196.80	1,482.41	10,714.39	843.51	9,870.88	12.10	9,858.78
Rent	1,384.00	562.00	822.00	33.00	789.00	63.00	726.00	2.40*	728.40	3.33*	731.73
Advertising	1,403.06	91.87	1,311.19	282.38	1,028.81	67.12	961.69	148.16	813.53	177.65	635.88
Delivery expense	874.17	112.04	762.13	18.29*	780.42	185.17*	965.59	228.51	737.08	44.47*	781.55
Trucking expense	249.94	27.05	214.89	182.88*	397.77	20.78*	418.55	29.56	388.99	51.17	337.82
Insurance	237.64	214.65	122.99	76.34*	199.33	5.02*	204.35	.84	203.51	14.21*	217.72
Depr.-Delivery equipment	536.52	53.09	483.43	469.32*	952.75	449.93	502.82	114.26	388.56	24.05	364.51
Depr.-Furniture & fixtures	546.90	5.70	541.20	2.70*	543.90	83.02	460.88	86.06*	546.94	19.18	527.76
Bad debt expense	2,108.80	977.81	1,130.99	39.36	1,091.63	120.89	970.74	46.09	924.65	1.01	923.64
Collection expense	.....	.....	.....	.....	.....	171.38*	171.38	83.36*	254.74	44.92	209.82
Telephone	278.39	39.45	238.94	8.73*	247.67	43.04	204.63	39.41	165.22	37.54*	202.76
Sales supplies and expense	418.66	1,514.38*	1,833.04	20.20*	1,853.24	278.20	1,575.04	742.12	832.92	287.78	1,120.70
Total Selling Expense	20,249.48	536.32	19,713.16	368.36*	20,081.52	2,205.46	17,876.06	2,020.64	15,855.42	152.79*	16,008.21
General & Administrative Expense											
Manager's salary	935.39	60.39	875.00	5.00*	880.00	60.00	820.00	4.44*	824.44	38.56*	863.00
Office salaries	1,215.07	302.49*	1,517.56	112.85	1,404.71	98.03*	1,502.74	41.92*	1,544.66	328.53	1,216.13
Directors' fees	111.60	27.60	84.00	35.75	48.25	14.00	34.25	2.25	32.00	4.75*	36.75
Lights, gas and water	643.00	36.79*	679.79	159.42	534.37	4.05*	438.42	82.51*	520.93	12.61*	533.54
Taxes: Social Security	573.44	16.26*	589.70	16.67*	606.37	157.38	448.99	354.71	94.28	94.28	.....
Taxes: Ad Valorem	133.22	43.32	90.00	6.00	84.00	12.00	72.00	15.56*	87.56	34.14	53.42
Taxes: Income	.....	392.49*	392.49	6.10*	298.59	47.70	250.89	496.50*	699.69	369.35	330.34
Taxes: Cap. Stk. & Corp. License	45.84	45.84	.....	.....	.....	.....	.....	.....	.....	.....	.....
Office supplies and expenses	413.98	84.55	329.43	244.65*	574.08	27.07*	601.15	14.78	586.37	272.88*	859.25
Auditing	16.68	66.72*	83.40	431.60*	515.00	25.00	490.00	7.12*	497.12	444.32	52.80
Sundry expense	.....	.....	.....	.....	.....	410.17*	410.17	369.05*	179.22	220.57	558.65
Total Gen. & Adm. Expense	4,078.22	563.15*	4,641.37	304.00*	4,945.37	123.24*	5,068.61	597.66*	5,666.27	762.39	4,903.88
Total Operating Expenses	24,327.70	26.83*	24,354.53	672.16*	25,026.69	2,082.02	22,944.67	1,422.98	21,521.69	609.60	20,912.09
Net Profit on Operations	1,777.77**	7,926.77*	6,149.00	1,919.38	4,229.62	538.19*	4,767.81	1,417.38*	6,185.19	3,333.77	2,851.42

** Net Loss on Operations

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

TABLE VI

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT

FARM PRODUCTS DEPARTMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Gross Sales	$54,495.06	$53,595.50*	$108,080.56	$21,469.12	$86,611.44	$1,364.05	$85,247.39	$40,263.77*	$125,511.16	$30,480.07	$95,031.09
Less Sales Tax	989.30	818.28*	1,807.58	486.13	1,321.45	64.62*	1,386.07	11.91*	1,397.98	893.83	504.15
Net Sales for Year	53,505.76	52,767.22*	106,272.98	20,982.99	85,289.99	1,428.67	83,861.32	40,251.86*	124,113.18	29,586.24	94,526.94
Cost of Goods Sold:											
Inventory: Beginning of Year	7,488.53	3,812.12	3,676.41	497.88	3,178.53	110.78*	3,289.31	471.90	2,817.41	500.08	2,317.33
Purchases	43,811.95	53,619.07*	97,431.02	24,497.21	72,933.81	1,424.20*	74,358.01	37,074.63*	111,432.64	26,146.76	85,285.88
Mdse. Available for Sales	51,300.48	49,806.95*	101,107.43	24,995.09	76,112.34	1,534.98*	77,647.32	36,602.73*	114,250.05	26,646.84	87,603.21
Inventory: End of Year	6,445.42	1,043.11*	7,488.53	3,812.12	3,676.41	497.88	3,178.53	110.78*	3,289.31	471.90	2,817.41
Cost of Goods Sold	44,855.06	48,763.84*	93,618.90	21,182.97	72,435.93	2,032.86*	74,468.79	36,491.95*	110,960.74	26,174.94	84,785.80
Gross Profit on Sales	8,650.70	4,003.38*	12,654.08	199.98*	12,854.06	3,461.53	9,392.53	3,759.91*	13,152.44	3,411.30	9,741.14
Operating Expenses:											
Selling Expenses:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	62.48*	62.48
Sales salaries	4,597.71	2,313.37*	6,911.08	157.68*	7,068.76	2,514.78	4,553.98	369.73	4,184.25	789.69	3,394.56
Rent	552.00	162.00	390.00	36.00*	426.00	60.00	366.00	28.80	337.20	.....	337.20
Advertising	.....	10.37*	10.37	325.92*	336.29	72.83	263.46	70.83	192.77	38.88	153.89
Delivery expense	224.07	548.56*	772.63	329.28	443.35	189.33	254.02	75.06*	329.08	35.48	293.60
Trucking expense	126.58	335.08*	461.66	159.61*	621.27	115.01*	736.28	54.88	681.40	451.61	229.79
Insurance	148.22	86.70	61.52	38.09*	99.61	2.51*	102.12	26.40	75.72	40.87	34.85
Depr.-Delivery equipment	362.04	60.29*	422.33	416.18*	838.51	410.91	427.60	208.43	219117	159.91	59.26
Depr.-Furniture & fixtures	44.16	4.83*	48.99	56.97*	105.96	44.16	61.80	.18	61.62	.65	60.96
Bad debt expense	740.80	45.03*	785.83	237.51	548.32	31.41	516.91	136.29*	653.20	217.49	435.71
Collection expense	.....	.....	.....	.....	.....	100.68*	100.68	73.96*	174.64	68.61	106.03
Telephone	111.93	55.63*	167.56	6.95	160.61	1.00	159.61	19.03*	178.64	78.71	99.93
Sales supplies and expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	9.90*	9.90
Total selling expenses	6,907.51	3,124.46*	10,031.97	616.71*	10,648.68	3,106.22	7,542.46	454.77	7,087.69	1,809.13	5,278.56
General and Administrative expenses:											
Manager's salary	492.87	92.87	400.00	5.00*	395.00	45.00	350.00	4.76*	354.76	7.51	347.25
Office salaries	622.56	136.33*	758.89	56.49	702.40	47.96*	750.36	38.86	711.50	188.47	523.03
Directors' fees	55.80	9.70*	65.50	23.50	42.00	7.75	34.25	7.75	26.50	.25*	26.75
Lights, gas & water	85.00	20.00*	105.00	30.00	75.00	58.46*	133.46	31.57	101.89	17.11*	119.00
Taxes: Social Security	228.14	94.61*	322.75	23.29*	346.04	146.24	199.80	156.87	42.93	42.93	.....
Taxes: Ad Valorem	66.61	26.11	40.50	4.16	36.34	.34	36.00	29.94*	65.94	43.64	22.30
Taxes: Income	.....	80.72*	80.72	19.42	61.30	25.41*	86.71	292.92*	379.63	85.23	294.40
Taxes: Cap. Stk. & Corp. License	23.00	23.00	.....	.....	.....	.....	.....	.....	.....	.....	.....
Office supplies and expenses	222.27	57.52	164.75	123.34*	288.09	54.80*	342.89	18.09*	360.98	81.63	279.35
Auditing	16.65	66.63*	83.28	236.72*	320.00	50.00	370.00	2.03	368.03	295.49	72.54
Sundry expenses	.....	.....	.....	.....	.....	64.02*	63.02	82.58*	145.60	7.71	137.89
Total Gen. & Adm. Expenses	1,812.90	208.49*	2,021.39	244.78*	2,266.17	100.32*	2,366.49	191.27*	2,557.76	535.25	2,022.51
Total Operating Expenses	8,720.41	3,332.95*	12,053.36	861.49*	12,914.85	3,005.90	9,908.95	263.50	9,645.45	2,344.38	7,301.07
Net Profit on Operations	69.71**	670.43*	600.72	661.51	60.79**	455.63	516.42**	4,023.41*	3,506.99	1,066.92	2,440.07

**Net Loss on Operations

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

TABLE VII

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT

PETROLEUM DEPARTMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease	March 31, 1936
Gross Sales	$41,924.37	$5,482.43*	$47,406.80	$5,758.81*	$53,165.61	$2,451.33*	$55,616.59	$12,299.55*	$67,916.59	$7,867.74	$60,048.85
Less Sales Tax	306.26	22.60*	328.86	9.18	319.68	4.06	315.62	104.44	211.18	75.03	136.15
Net Sales for Year	41,618.11	5,459.83*	47,077.94	5,767.99*	52,845.93	2,455.39*	55,301.32	12,404.09*	67,705.41	7,792.71	59,912.70
Cost of Goods Sold:											
Inventory: Beginning of Year	2,205.52	353.09	1,852.43	759.30*	2,611.73	269.26*	2,880.99	242.73	2,638.26	268.55*	2,906.81
Purchases	26,298.51	3,448.73*	29,747.24	3,621.10*	33,368.34	424.62*	33,792.96	11,428.87*	45,221.83	5,039.38	40,182.45
Mdse. Available for Sale	28,504.03	3,095.64*	31,599.67	4,380.40*	35,980.07	693.88*	36,673.95	11,186.14*	47,860.09	4,770.83	43,089.26
Inventory: End of Year	2,353.27	147.65	2,205.52	353.09	1,852.43	759.30*	2,611.73	269.26*	2,880.99	242.73	2,638.26
Cost of Goods Sold	26,150.76	3,243.39*	29,394.15	4,733.49*	34,127.64	65.42	34,062.22	10,916.88*	44,979.10	4,528.10	40,451.00
Gross Profit on Sales	15,467.35	2,216.44*	17,683.79	1,034.50*	18,718.29	2,520.81*	21,239.10	1,487.21*	22,726.31	3,264.61	19,461.70
Operating Expenses:											
Selling Expense:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	14.85*	14.85
Sales salaries	6,277.02	73.52*	6,350.54	105.64*	6,456.18	345.08	6,111.10	384.35	5,726.75	560.32	5,166.43
Rent	1,020.00	.....	1,020.00	33.34*	1,053.34	6.66*	1,060.00	223.48*	1,283.48	3.36	1,280.12
Advertising	.....	10.37*	10.37	325.92*	336.29	20.01	316.28	15.21	301.07	136.39	164.68
Delivery expense	483.68	168.76*	652.44	398.31*	1,050.75	146.53	904.22	215.37	688.85	615.85	73.00
Trucking expense	.....	.....	.....	174.33*	174.33	72.61	101.72	378.49*	480.21	287.81*	768.02
Insurance	147.11	85.58	61.53	38.08*	99.61	2.51*	102.12	21.39	80.73	23.98	56.75
Depr.-Delivery equipment	212.64	14.76*	227.40	492.51*	719.91	380.28	339.63	57.23*	396.86	90.89	305.97
Depr.-Furniture & Fixtures	322.08	.....	322.08	.....	322.08	41.67	274.41	10.84	263.57	21.91	241.66
Bad debt expense	655.96	283.99	371.97	41.75*	413.72	34.67*	448.39	51.14*	499.53	19.66	479.87
Collection expense	.....	.....	.....	.....	.....	82.74*	82.74	58.17*	140.91	32.12	108.79
Telephone	130.84	.41	130.43	2.98*	133.41	33.48*	166.89	.56*	167.45	57.55	109.90
Sales supplies and expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	9.90*	9.90
Total selling expense	9,249.53	102.77	9,146.76	1,612.86*	10,759.62	852.14	9,907.48	121.93*	10,029.41	1,249.47	8,779.94
General and Administrative Expense:											
Manager's salary	925.39	60.39	865.00	15.00*	880.00	60.00	820.00	4.44*	824.44	44.56*	869.00
Office salaries	622.57	163.32*	785.89	83.48	702.41	47.95*	750.36	38.86	711.50	188.47	523.03
Directors' fees	111.60	27.60	84.00	35.75	48.25	14.00	34.25	7.75	26.50	.25*	26.75
Light, gas & water	642.97	36.79*	679.76	145.45	534.31	95.92	438.39	30.89	407.50	65.06	342.44
Taxes: Social Security	312.19	6.72*	318.91	22.01*	340.92	75.74	265.18	209.20	55.98	55.98	.....
Taxes: Ad Valorem	133.22	43.22	90.00	6.00	84.00	12.00	72.00	3.50	68.50	38.50	30.00
Taxes: Income	.....	329.54*	329.54	43.91	285.63	121.21*	406.84	526.04*	932.88	373.59	559.29
Taxes: Cap. Stk. & Corp. License	45.83	45.83	.....	.....	.....	.....	.....	.....	.....	.....	.....
Office supplies & expenses	262.79	98.04	164.75	123.34*	288.09	54.81*	342.90	18.08*	360.98	59.13	301.85
Auditing	16.68	66.60*	83.28	236.72*	320.00	50.00*	370.00	18.05*	388.05	115.39	272.66
Sundry expenses	.....	.....	.....	.....	.....	111.68*	111.68	295.31*	406.99	164.89	242.10
Total Gen. & Adm. Expense	3,073.24	300.89*	3,374.13	109.04*	3,483.17	128.43*	3,611.60	571.72*	4,183.32	1,016.20	3,167.12
Total Operating Expense	12,322.57	198.32*	12,520.89	1,722.44*	14,243.33	724.25	13,519.08	693.65*	14,212.73	2,265.67	11,947.06
Net Profit on Operations	3,144.78	2,018.12*	5,162.90	687.94	4,474.96	3,245.06*	7,720.02	793.56*	8,513.58	998.94	7,514.64

TABLE VIII

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT

AUTOMOBILE-GARAGE DEPARTMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Gross Sales	$4,371.56	$1,298.45*	$5,670.01	$523.79*	$6,193.80	$34,957.29*	$41,151.09	$55,144.05*	$96,295.14	$17,709.83*	$114,004.97
Less Sales Tax	37.54	9.82*	47.36	5.96*	53.32	84.20*	137.52	336.88*	474.40	39.14	435.26
Net Sales for Year	4,334.02	1,288.63*	5,622.65	517.83*	6,140.48	34,873.09*	41,013.57	54.807.17*	95,820.74	17,748.97*	113.569.71
Cost of Goods Sold:											
Inventory: Beginning of Year	.....	535.00*	535.00	2,402.64*	2,973.64	4,418.99*	7,356.63	4,965.58*	12,322.21	10,387.46	1,934.75
Purchases	1,872.17	140.14	1,732.03	1,136.40	595.63	33,944.43*	34,540.06	45,061.86*	79,601.92	31,482.38*	111,084.30
Mdse. Available for Sale	1,872.17	394.86*	2,267.03	1,268.24*	3,535.27	38,361.42*	41,896.69	50,027.44*	91,924.13	21,094.92*	113.019.05
Inventory: End of Year	.....	.....	.....	535.00*	535.00	2,402.64*	2,937.64	4,418.99*	7,356.63	4,965.58*	12,322.21
Cost of Goods Sold	1,872.17	394.86*	2,267.03	731.24*	2,998.27	35,960.78*	38,959.05	45,608.45*	84,567.50	16,129.34*	100,696.84
Gross Profit on Sales	2,461.85	893.77*	3,355.62	213.41	3,142.21	1,087.69	2,054.52	9,198.72*	11,253.24	1,619.63*	12,872.87
Operating Expenses:											
Selling Expenses:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Sales salaries	1,110.85	837.24*	1,948.09	201.94*	2,150.03	1,098.80	1,051.23	4,021.20*	5,072.43	991.53	4,080.90
Rent	476.00	22.00*	498.00	12.00	486.00	397.00*	883.00	38.00*	845.00	320.00	525.00
Advertising	.....	.....	.....	.....	.....	208.31*	208.31	176.75*	385.06	146.45	238.61
Delivery expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Trucking expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Insurance	9.78	9.78	.....	.....	.....	134.73*	134.73	61.16	73.57	52.41*	125.98
Depr.-Delivery Equipment	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Depr.-Furniture & Fixtures	92.47	170.96*	263.43	34.17*	297.60	15.92	281.68	113.95*	395.63	174.68	220,95
Bad Debt Expense	30.16	30.16	.....	.....	.....	23.95*	23.95	23.95	.....	.....	.....
Collection expense	.....	.....	.....	.....	.....	1.50*	1.50	1.50	.....	.....	.....
Telephone	.....	.....	.....	.....	.....	170.22*	170.22	54.92*	225.14	30.12*	255.26
Sales supplies & expenses	.....	.....	.....	23.37*	23.37	2,064.28*	2,087.65	2,975.80*	5,063.45	863.48*	5,926.93
Total Selling Expense	1,719.26	990.26*	2,709.52	247.48*	2,957.00	1,885.27*	4,842.27	7,218.01*	12,060.28	686.65	11,373.63
General and Administrative Expenses:											
Manager's salary	120.72	35.72	85.00	40.00	45.00	565.00*	610.00	34.44*	644.44	135.44	509.00
Office salaries	80.00	5.00*	85.00	40.00	45.00	105.00*	150.00	15.00	135.00	30.00*	165.00
Directors' fees	.....	3.50*	3.50	2.00	1.50	28.75*	30.25	10.25	20.00	.25	19.75
Lights, gas & water	120.00	15.00	105.00	25.00	80.00	52.50*	132.50	37.50	95.00	41.00	54.00
Taxes: Social Security	52.46	32.28*	84.74	6.64*	91.38	120.92*	212.30	147.85	64.45	64.45	.....
Taxes: Ad Valorem	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.52*	2.52
Taxes: Income	.....	.....	.....	6.13*	6.13	6.13	.....	11.46*	11.46	144.14*	155.60
Taxes: Cap. Stk. & Corp. License	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Office Supplies & expenses	.....	30.00*	30.00	25.00	5.00	77.00*	82.00	27.38*	109.38	38.03	71.35
Auditing	.....	.....	.....	45.00*	45.00	250.00*	295.00	22.00	283.00	147.00	126.00
Sundry expenses	.....	.....	.....	.....	.....	23.34*	23.34	45.97*	69.31	70.53*	139.84
Total Gen. & Adm. Expenses	373.18	20.06*	393.24	74.23	319.01	1,216.38*	1,535.39	113.35	1,422.04	178.98	1,243.06
Total Operating Expenses	2,092.44	1,010.32*	3,102.76	173.25*	3,276.01	3,001.65*	6,377.66	7,104.66*	13,482.32	865.63	12,616.69
Net Profit on Operations.	369.41	116.55	252.86	386.66	133.80**	4,189.34	4,323.14**	2,094.06*	2,229.08**	2,485.26*	256.18

**Net Loss on Operations

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

TABLE IX

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE OPERATING STATEMENT

MISCELLANEOUS DEPARTMENT

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Gross Sales	$333.64	$ 892.70*	$1,226.34	$3,211.13*	$4,437.47	$1,065.78*	$5,503.25	$1,287.56	$4,215.69	$2,892.20	$1,323.49
Less Sales Tax	6.55	17.49*	24.04	62.98*	87.02	20.89*	107.91	31.49	76.42	63.33	13.09
Net Sales for Year	327.09	875.21*	1,202.30	3,148.15*	4,350.45	1,044.89*	5,395.34	1,256.07	4,139.27	2,828.87	1,310.40
Cost of Goods Sold:											
Inventory: Beginning of Year	203.48	81.58*	285.06	238.92*	523.98	135.89	388.09	112.08*	500.17	4.65*	504.82
Purchases	97.95	918.64*	1,016.59	2,658.95*	3,675.54	1,229.38*	4,904.92	1,346.23	3,558.69	2,366.46	1,192.23
Mdse. Available for Sale	301.43	1,000.27*	1,301.65	2,897.87*	4,199.52	1,093.38*	5,292.71	1,233.85	4,058.86	2,361.81	1,697.05
Inventory: End of Year	.....	203.48*	203.48	81.58*	285.06	238.92*	523.98	135.89	388.09	112.08*	500.17
Cost of Goods Sold	301.43	796.74*	1,098.17	2,816.29*	3,914.46	854.27*	4,768.73	1,097.96	3,670.77	2,473.89	1,196.88
Gross Profit on Sales	25.66	78.47*	104.13	331.86*	435.99	190.62*	621.61	158.11	468.50	354.98	113.52
Operating Expenses:											
Selling Expenses:											
Sales tax expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Sales salaries	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.80*	6.80
Rent	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Advertising	.....	.....	.....	.....	.....	.....	.....	.....	.....	5.45*	5.45
Delivery expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	4.00*	4.00
Trucking expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Insurance	.....	.....	.....	.....	.....	.....	.....	.....	.....	4.75*	4.75
Depr.-Delivery equipment	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Depr.-Furniture & Fixtures	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Bad debt expense	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Collection expense	.....	.....	.....	......	.....	.....	.....	.....	.....	.....	.....
Telephone	.....	.....	.....	.....	.....	.....	.....	.....	.....	.85*	.85
Sales supplies & expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	.20*	.20
Total Selling Expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	22.05*	22.05
General and Administrative Expenses:											
Manager's salary	.....	.....	.....	.....	.....	.....	.....	.....	.....	5.50*	5.50
Office salaries	.....	.....	.....	.....	.....	.....	.....	.....	.....	8.50*	8.50
Directors' fees	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.00*	6.00
Lights, gas & water	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Taxes: Social Security	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Taxes: Ad Valorem	.....	.....	.....	.....	.....	......	.....	.....	.....	.....	.....
Taxes: Income	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.05*	2.05
Office supplies & expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	.2.02*	2.02
Auditing	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.00*	6.00
Sundry expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	11.48*	11.48
Total Gen. & Adm. Expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	41.55*	41.55
Total Operating Expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	63.60*	63.60
	25.66	78.47*	104.13	331.86*	435.99	190.62*	626.61	158.11	468.50	418.58	49.92

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater.

by the other departments. The net sales of $412,025.68 in 1937 were the largest the Cooperative has transacted in any one of the six years. This increase in business was probably caused by the general temporary prosperity of the United States during 1937.

Net sales for 1938 were $105,902.80 less than net sales for 1937. Most of the decrease was caused by the decrease in the automobile and farm products department sales. The petroleum department also contributed to the decline in business with a decrease of $12,404.09 in net sales. Partially offsetting this decline was a slight gain in volume of business of the grocery and the miscellaneous departments.

Net sales continued to decline from 1938 to 1939. In that year the net sales decreased $27,080.74. The grocery and farm products department net sales increased, but the net sales of the petroleum, automobile and miscellaneous department more than offset this increase to account for the decrease in total net sales.

Net sales increased from 1939 to 1940 by $24,999.44. An increase of $13,450.42 in the grocery department and an increase of $20,982.99 in the farm products department net sales accounts for this total increase in net sales. Decreases in the net sales of the petroleum, automobile and miscellaneous departments partially offset this gain.

From 1940 to 1941 large decreases in net sales occurred, amounting to a total of $73,449.56. Every department in the Cooperative lost business. Most of it occurred in the farm products department where the decline was $52,767.22. One reason for this decline in business, particularly the grocery department, was that their retail prices became slightly higher than their competitors prices.

There was a substantial increase of $27,787.88 in net sales of the grocery department from 1936 to 1940. But from 1940 to 1941, their sales decreased $13,958.67.

In 1937, 1939, and 1940 net sales of the farm products department increased $51,997.09, while in 1938 and 1941 net sales decreased $93,019.08. This indicates a very unstable condition in the farm products department.

The petroleum department is rapidly losing business. It gained $7,792.71 in sales in 1937, but for the years 1938, 1939, 1940, and 1941 net sales steadily decreased $26,087.30. This is an alarming condition because the petroleum department has contributed substantially to the net profit each of the six years.

As previously mentioned the automobile department no longer handles automobiles. It is operated as a garage at the present time. Net sales of this department have decreased $109,235.69 during the past six years. Most of this decline may be attributed to discontinuing the sale of automobiles. The present volume of business in this department is negligible. There has also been a decline in business since they have discontinued the sale of automobiles.

Department E, which is the miscellaneous department, sells such articles as radios, refrigerators, furniture, etc. They no longer keep these articles in stock. Such articles are ordered through the farm products department. There was an increase of $4,084.94 in the net sales in 1937 and 1938. However, in 1939, 1940, and 1941 the net sales decreased $5,068.25. Net sales decreased to the negligible amount of $327.09 in 1941.

In 1937 the total cost of goods sold for the Cooperative increased $17,273.47, leaving a total gross profit on sales of $75,307.37, which was an increase of $9,354.63. The automobile department is the only department which shows a decrease in their cost of goods sold. Also, the automobile department is the only department which shows a decrease in gross profit on sales.

In 1938 the total cost of goods sold for the Cooperative decreased $91,620.67. Since the net sales decreased $105,902.80 in the same year, a decrease in gross profit on sales of $14,282.13 resulted. The farm products, petroleum, and automobile departments account for most of the decline. A slight gain in both cost of goods sold and gross profit on sales in 1938 was shown for the grocery and miscellaneous departments.

In 1939 there was a decrease in both cost of goods sold and net sales but due to the fact that the cost of goods sold decreased more than net sales a gross profit on sales of $3,381.32 resulted. The main reason for this is that discontinuing automobile sales caused a large decrease in the purchases and inventories of the automobile department which resulted in a net increase in the gross profit on sales. Also, the grocery and farm products departments showed a very substantial gain in gross profit on sales.

There was a large increase in the total cost of goods sold in 1940 which resulted in a small decrease in gross profit on sales. The grocery and farm products departments are mainly responsible for the increase in cost of goods sold because of their large increase in goods purchased and their large beginning inventories in relation to their net sales. These two departments had an increase in cost of goods sold amounting to $33,386.17. A decrease in cost of goods sold of $8,281.02 occurred in the petroleum, automobile, and miscellaneous departments.

Farm products, petroleum, and miscellaneous departments witnessed a decrease in gross profit on sales of $1,556.34, while the grocery and automobile departments offset this decrease with an increase of $1,460.63 in gross profit on sales.

The cost of goods sold in 1941 decreased $58,303.90. Since the net sales decreased $73,449.56 the resulting gross profit on sales decreased $15,145.66. Cost of goods sold and gross profit on sales decreased in every department. In other words, the decrease in net sales was larger than the decrease in the cost of goods sold therefore the gross profit on sales declined. Most of the decline occurred in the grocery and farm product departments.

A substantial increase in gross profit on sales during the first five years of this six-year period under analysis was experienced by the grocery department. However, the drop in 1941 was more than enough to offset the gain that had been made during the previous five years in gross profit.

Over their previous years sales the farm products department gained $6,872.83 in 1937 and 1939 in gross profit on sales, but lost $7,963.27 in 1938, 1940, and 1941 in gross profit.

After gaining $3,264.61 in gross profit on sales in 1937, the petroleum department has experienced a declining gross profit since then. In the last five years the petroleum department's gross profit has decreased $7,258.06.

Gross profit of the automobile department declined from $12,872.87 in 1936 to $2,054.52 in 1938 due, mainly, to the discontinued sales of automobiles. In 1939 and 1940 the gross profit was increased, but it decreased again in 1941.

Gross profit on sales in the miscellaneous department increased $513.09 in 1937 and 1938. In 1939, 1940, and 1941 the gross profit decreased $600.95. In fact, the gross profit on sales has decreased to the negligible amount of $25.66 in 1941.

Selling expenses increased $3,570.41 during 1937. This increase was reflected by an increase in all selling expenses except insurance, sales supplies, and sales tax expense. The grocery department and miscellaneous department's selling expenses decreased slightly, but greater selling expenses of the farm products department, petroleum department, and the automobile department more than offset this decrease.

In 1938 all selling expenses, except advertising, delivery, insurance, and depreciation on delivery equipment decreased $4,864.53. The grocery department's selling expenses were larger by $454.77. The petroleum department's selling expenses were less by $121.93 and the automobile department's selling expenses were less by $7,218.01. Selling expenses and administrative expenses of the miscellaneous department were allocated to the farm products department. This change partially accounts for the increase in the selling and administrative expenses of the farm products department.

Selling expenses of the Cooperative were $40,168.27 at the end of 1938 and $44,446.62 at the end of 1939. This increase was due, to a large extent, to the change in sales salaries. Increases in selling expenses of the grocery, farm products, and petroleum departments amounted to $6,163.82, which was partially offset by the decline in selling expenses in the automobile department of $1,885.27.

All selling expenses were less in 1940 with the exception of the bad debt expense. The total decrease in selling expenses of $2,845.21 was reflected by a decrease in selling expenses in all departments.

Selling expenses of the Cooperative continued to decline in 1941. The grocery and petroleum department's selling expenses increased $639.96 while the farm products department and the automobile department's selling expenses decreased $4,114.72.

A decrease in selling expenses of $152.79 in the grocery department in 1937 is accounted for by the change in the sales tax expense, rent, delivery expense, insurance, and telephone. This decrease was partially offset by the increase in the sales salaries, advertising, trucking expense, depreciation of delivery equipment, depreciation of furniture and fixtures, bad debt expense, collection expense, and sales supplies. All of the changes in 1937 in the selling expenses were relatively small.

The $2,020.64 increase in selling expenses in the grocery department in 1938 was due to an increase in all of the selling expenses except rent, depreciation on furniture and fixtures, and collection expenses, which were slightly less than in 1937. Most of the increase is a result of the increase in sales salaries and sales supplies of $1,585.33.

In 1939 the selling expenses in the grocery department increased $2,205.46; due mainly to the $1,482.41 increase in sales salaries during that year. With the exception of a small decrease in the delivery expense, collection expense, trucking expense, and insurance, the other selling expenses were greater.

In the grocery department the selling expenses in 1940 were $368.36 more than the previous year. There was a decrease in all of the selling expenses in this department except the sales salaries, rent, advertising, and bad debt expense, which were slightly greater.

The grocery department's selling expenses increased $536.32 in 1941. All of the selling expenses in this department increased except sales salaries and sales supplies. There was a large decline in sales supplies of $1,514.38.

During 1937 the farm products department's selling expenses increased $1,809.13. Sales tax and sales supplies expenses were smaller to offset the increase in all of the other selling expenses in this department.

Selling expenses of the farm products department continued to increase during 1938 by $454.77. However, during this year, the delivery expense, bad debt expense, collection expense, and telephone expense decreased.

There was a $3,106.22 increase in the selling expenses in the farm products department during 1939. This was due largely to the $2,514.78 increase in sales salaries. With the exception of a small decrease in the trucking expense, insurance, and collection expense, the other selling expenses in this department increased.

In 1940 all of the selling expenses in the farm products department declined with the exception of the delivery expense, bad debt expense, and the telephone expense. As a result selling expenses in the department were $616.71 less than in 1939.

There were large reductions in the selling expenses during 1941 in the farm products department amounting to $3,124.46. All of the selling expenses decreased except the rent and the insurance. The largest reduction was $2,313.37 in sales salaries.

In the petroleum department selling expenses increased $1,249.47 during 1937. All of the selling expenses in this department were greater than in 1936 except the sales tax expense, trucking expense, and sales supplies expense.

Selling expenses in the petroleum department decreased $121.93 during 1938. Sales salaries, advertising, delivery expense, insurance, and depreciation on furniture and fixtures increased while the rent, trucking expense, depreciation on delivery equipment, bad debt expense, and telephone expenses decreased.

There was an $852.14 increase in the selling expenses in the petroleum department during 1939. It is accounted for by the increase in sales salaries, advertising, delivery expense, trucking expense, depreciation on delivery equipment, and depreciation on furniture and fixtures. Rent, insurance, bad debt, collection, and telephone expenses were less than in 1938.

In 1940 all of the selling expenses in the petroleum department witnessed a total decrease of $1,612.86. There was no drastic reduction in any one expense. They were all reduced fairly proportionally.

There was a slight increase in the selling expenses in the petroleum department in 1941. Insurance, bad debt expense, and the telephone expense increased slightly, while sales salaries, advertising, delivery expense, and depreciation on delivery equipment decreased. The total change in selling expense of $102.77, however, is of little importance.

Selling expenses in the automobile department for 1937 increased $686.65. There was an increase in the sales salaries, rent, advertising, and depreciation on furniture and fixtures with a contrasting decrease in insurance expense, telephone expense, and sales supplies.

A very substantial reduction in selling expenses in the automobile department occurred during 1938. A decrease of $4,021.20 in sales salaries is responsible for a large part of the $7,218.01 decrease in selling expenses. Also, the rent, advertising, depreciation on furniture and equipment, telephone and sales supplies decreased. There was a slight increase in the insurance, bad debt expense, and collection expense.

In 1939 a $1,885.27 decrease in selling expense in the automobile department occurred. All of the selling expenses in this department were reduced except sales salaries and depreciation on furniture and fixtures.

There was a further decrease in selling expenses in the automobile department during 1940 of $247.48. Because of the discontinued sales of automobiles, many of the selling expenses were eliminated. This partially accounts for the continued reduction in the selling expenses. However, there was a slight increase in rent.

In 1941 the selling expenses of the automobile department continued to decline. The reduction of $990.26 in the selling expenses is a result of the decrease in sales salaries, rent, and depreciation of furniture and fixtures, and the increase in insurance expense, and the bad debt expense.

As previously noted, the Cooperative discontinued, in 1936, the practice of allocating selling and administrative expenses to department E, which is the miscellaneous department.

With the exception of 1937 total general and administrative expenses for the cooperative decreased each year. In 1937 there was an increase of $2,451.27 in general and administrative expenses. All of the general and administrative expenses increased in 1937 except the director's fees and office supplies and expenses. General and administrative expenses of the grocery, farm products, petroleum, and automobile departments likewise increased. There was a small decline in the administrative expenses of the miscellaneous department. Total selling expense of $3,570.41 plus total general and administrative expense of $2,451.27 gave a total operating expense increase of $6,021.68.

In 1938 total general and administrative expenses were $1,247.30 less than in 1937. This is accounted for by a decrease in all of the expenses except the Director's fees, lights, gas, and water, and social security tax. The grocery, farm products, and petroleum departments likewise had a decrease while the automobile department had a slight increase in general and administrative expenses. A decrease of $4,864.53 in selling expenses in 1938 plus a decrease of $1,247.30 in general and administrative expenses makes a total operating expense decrease of $6,111.83 for 1938.

There was a continued reduction in the total general and administrative expenses during 1939. A decrease was shown in the manager's salary, office salaries, income taxes, office supplies, auditing expenses, and sundry expenses. On the other hand, there was an increase in the director's fees, lights, gas, and water, social security taxes, and ad valorem taxes. This decrease in the total general and administrative expenses is caused by changes in the general and administrative expenses of all the departments. Increase in the selling expenses in 1939 of $4,278.35 was partially offset by this decrease in general and administrative expense of $1,567.83 resulting in an increase in the total operating expense of $2,710.52.

Total general and administrative expenses in 1940 decreased $584.13. There was a decrease in the social security taxes, office supplies, and auditing expense. The largest reduction was a $350.04 decrease in auditing expense. There was an increase in the manager's salary, office salaries, director's fees, lights, gas, and water, ad valorem and income taxes. General and administrative expenses of the grocery, farm products, and petroleum departments declined, while general and administrative expenses of the automobile department slightly increased. A decrease of $2,845.21 in selling expenses in 1940 plus a $584.13 decline in the general and administrative expenses resulted in a decrease in the total operating expenses of $3,429.34.

During 1941 the total general and administrative expenses decreased $1,092.59. There was a decrease in the office salaries, lights, gas, and water, social security taxes, income taxes, and auditing expense, which was offset by an increase in the manager's salary, director's fees, ad valorem taxes, capital stock and corporation license taxes, and office supplies. All of the departments likewise had a decrease in general and administrative expenses. The $3,475.83 decrease in selling expenses in 1941 and the decrease of $1,092.59 in the general and administrative created a total expense decrease in the operating expenses of $4,568.42.

With the exception of the $762.39 increase in the general and administrative expenses in the grocery department in 1937, the general and administrative expenses have decreased every year since then. The $762.39 increase is a result of the increase in the office salaries, social security, ad valorem, and income taxes, auditing and sundry expenses and the decrease in the manager's salary, director's fees, lights, gas, and water, and office supplies. Decreases in selling expenses of $152.79 and increases in general and administrative expenses of $762.39 caused an increase of $609.60 in operating expenses for the grocery department in 1937.

A decrease of $597.66 in the general and administrative expenses in the grocery department for 1938 is accounted for by reductions in the manager's salary, office salaries, lights, gas, and water, ad valorem and income taxes, auditing, and sundry expenses. This decrease is offset by an increase in the director's fees, social security taxes, and office supplies. The increase of $2,020.64 in the selling expenses of the grocery department in 1938 was partially offset by a $597.66 decrease in general and administrative expenses which resulted in a net increase in the operating expenses of $1,422.98.

A small decline of $123.24 occurred in the general and administrative expenses of the grocery department in 1939. This decrease is caused by the decrease in the office salaries, lights, gas, and water, office supplies, and sundry expenses. This decrease was partially offset by the increase in the manager's salary, director's fees, social security, ad valorem, and income taxes and auditing expenses. An increase of $2,082.02 in operating expenses in the grocery department in 1939 is attributed to an increase of $2,205.46 in selling expenses and a decrease of $123.24 in general and administrative expenses.

In 1940 a decrease of $304.00 in the general and administrative expenses in the grocery department occurred. It is attributed to the decrease in the manager's salary, social security and income taxes, office supplies and auditing expenses and the increase in the office salaries, director's fees, lights, gas and water, and the ad valorem tax. A decrease of $368.36 in selling expenses plus a decrease in the general and administrative expenses of $304.00 account for the reduction of $672.16 in operating expenses.

There was a $563.15 decrease in the general and administrative expenses in the grocery department in 1941. This is accounted for by the decrease in the office salaries, lights, gas and water, social security and income taxes, and auditing expenses and the increase in the manager's salary, director's fees, ad valorem taxes, capital stock and corporation license tax, and office supplies expense. An increase in the selling expenses of the grocery department of $536.32 and a decrease in the general and administrative expenses of the grocery department of $563.15 leave only a small decrease of $26.83 in the operating expenses for 1941 in the grocery department.

The farm products department showed an increase in general and administrative expenses of $535.25 in 1937. All of the general and administrative expenses in the farm products department increased with the exception of a small decrease in the office salaries and the director's fees. An increase in selling expenses of $1,809.13 plus a $535.25 increase in the general and administrative expenses gives an increase of $2,344.38 in operating expenses for the farm products department in 1937.

There was a decrease of $191.27 in the general and administrative expenses of the farm products department in 1938. This decrease is accounted for by the decrease in the manager's salary, ad valorem tax, income tax, office supplies expense, and sundry expenses and the increase in the office salaries, director's fees, lights, gas, and water, social security tax, and auditing expenses. The decline of $191.27 in the general and administrative expenses helped to offset the increase in the selling expenses to leave an increase of $263.50 in operating expenses for the farm products department in 1938.

There was a small decrease in general and administrative expenses in 1939 in the farm products department. This $100.32 change is attributable to the decrease in the office salaries, income tax, office supplies expense, auditing, and sundry expense and the increase in the manager's salaries director's fees, lights, gas and water, social security and ad valorem taxes. The $3,106.22 increase in selling expenses during 1939 in the farm products department minus the decrease in general and administrative expenses of $100.32 results in a

$3,005.90 increase in the operating expenses.

General and administrative expenses continued to decline during 1940 in the farm products department. This decline of $244.78 in general and administrative expenses was caused by the decrease in the manager's salary, social security tax, office supplies expense, and the auditing expense and the increase in the office salaries, director's fees, lights, gas and water, ad valorem and income taxes. This $244.78 decrease plus the decrease of $616.71 in selling expenses for the farm products department in 1940 are responsible for the $861.49 decrease in operating expenses.

In 1941 the general and administrative expenses of the farm products department declined $208.49. All of the general and administrative expenses decreased with the exception of the small increase in the manager's salary, ad valorem tax, capital stock and corporation license tax, and office supplies expenses. Decreases in the selling expenses of $3,124.46 of the farm products department in 1941 plus decreases in the general and administrative expenses for the same year in the same department caused a decrease of $3,332.95 in operating expenses.

The petroleum department shows a large increase of $1,016.20 in 1937 in their general and administrative expenses. All of the general and administrative expenses of the petroleum department in 1937 increased with the exception of a small decrease in the manager's salary and the director's fees. Both the selling expenses and the general and administrative expenses increased to amount to an increase in the operating expenses of the petroleum for 1937 of $2,265.67.

There was a decrease of $571.72 in the general and administrative expenses of the petroleum department in 1938. This decrease was derived by the decrease in the manager's salary, income tax, office supplies expense, auditing and sundry expenses and the increase in the office salaries, director's fees, lights, gas and water, social security and ad valorem taxes. This decrease of $571.72 plus the $121.93 decrease in the selling expenses results in a decrease of $693.65 in operating expenses.

General and administrative expenses of the petroleum department witnessed a further decrease of $128.43 in 1939. There was a decrease in the office salaries, income tax, office supplies expense, auditing and sundry expenses, and an increase in the manager's salary, director's fees, lights, gas, and water, social security and ad valorem taxes. Since the selling expenses of the petroleum department increased $852.14 in 1939 and the general and administrative expenses decreased $128.43, the difference of $724.25 is the amount of increase in the operating expenses of the petroleum department in 1939.

General and administrative expenses continued to decline in the petroleum department during 1940. The decrease of $109.04 in the general and administrative expenses is reflected in the decrease of the manager's salary, social security tax, office supplies expense, and auditing expense and the increase in the office salaries, director's fees, lights, gas and water, ad valorem and income taxes. This $109.04 decrease in general and administrative expense and the $1,612.86 decrease in the selling expense of the petroleum department during 1940 amounts to a decrease in operating expenses of $1,722.44.

In 1941 the general and administrative expenses of the petroleum department decreased $300.89. It is attributable to the decrease in the office salaries, lights, gas and water, social security and income taxes, and the auditing expense and the increase in the manager's salary, director's fees, ad valorem tax, capital stock and corporation license tax, and office supplies expenses. This decline in general and administrative expenses was partially offset by the increase in the selling expenses for the petroleum department in 1941 of $102.77. The results was a decrease in operating expenses of $198.32.

The automobile department's general and administrative expenses increased $178.98 during 1937. Such expenses as the manager's salary, director's fees, lights, gas and water, social security, office supplies, and auditing expenses increased. Other expenses such as office salaries, ad valorem tax, income tax, and sundry expenses decreased. This $178.98 increase plus the $686.65 increase in the selling expenses of the automobile department in 1937 results in a total of $865.63 increase in operating expenses.

There was a small increase in general and administrative expenses for the automobile department during 1938 of $113.35. This increase is explained by the increase in the office salaries, director's fees, lights, gas and water, social security tax, and auditing expense and the decrease in the manager's salary, income tax, office supplies, and sundry expenses. Although there was a small increase in general and administrative expenses, there was an enormous decline of $7,218.01 in selling expenses to cause a decrease in the operating expenses of $7,104.68 for 1938 in the automobile department.

General and administrative expenses decreased $1,216.38 in the automobile department during 1939. All of the administrative expenses declined with the exception of a small increase in the income tax. This decrease plus the decrease in selling expenses of $1,885.27 for the automobile department in 1939 caused a further decrease of $3,001.65 in operating expenses.

There was a small increase in general and administrative expenses for the automobile department during the year 1940. This small increase of $74.23 is accounted for by an increase in the manager's salary, office salaries, director's fees, lights, gas and water, and office supplies and a decrease in the social security and income taxes and auditing expenses. Decreases in selling expenses of $247.48 in the automobile department for 1940 were partially offset by this $74.23 increase in general and administrative expenses resulting in a decrease in the operating expenses of $173.25.

In 1941 the general and administrative expenses of the automobile department decreased $20.06. There was a decrease in the office salaries, director's fees, social security tax, and office supplies expense. On the other hand, there was an increase in the manager's salary, lights, gas and water expense. This decrease plus the decrease in the selling expenses of $990.26 amounts to a decrease of $1,010.32 in operating expenses of the automobile department during 1941.

The Cooperative made a net profit on operations for the year 1936 of $13,112.23. There was a $4,332.89 increase in the net profit on operations to result in a net profit on operation of $16,445.12 in 1937. This increase is explained by the $26,628.10 increase in net sales, the $17,273.47 increase in the cost of goods sold, and the $6,021.68 increase in the operating expenses. An increase in net profit on operations occurred in the grocery, farm products, petroleum, and the miscellaneous departments. A loss for the year 1937 was shown in the automobile department.

Net profit on operations declined to $8,274.88, in 1938, which was $8,170.24 less than for the previous year. With the exception of the miscellaneous department, all of the other departments showed a decline in net profit during the year. This decrease in net profit may be accounted for by the $105,902.80 decrease in net sales, the $91,620.67 decrease in the cost of goods sold, and the $6,111.85 decrease in operating expenses.

There was a $671.10 increase in net profit on operations in 1939. This makes a net profit on operations for the year of $8,945.98. A decrease in net profits occurred in the grocery, petroleum, and miscellaneous departments, while the farm products and the automobile departments experienced an increase in net profits on operations. The increase in the total net profit on operations in 1939 is attributable to the decrease of $27,080.74 in net sales, the decrease of $30,462.36 in cost of goods sold, and the increase of $2,710.52 in total operating expenses.

Net profit on operations in 1940 amounted to $12,269.61. This was an increase of $3,323.63 over the previous years net profit on operations. An increase occurred in all of the department's net profits except the miscellaneous department. An increase of $24,999.44 in net sales, an increase of $25,105.15 in cost of goods sold, and a decline of $3,429.34 in operating expenses is responsible for this increase in net profit on operations.

In 1941, there was a $10,577.24 decrease in the net profit on operations. The Cooperative made a net profit of only $1,692.37 in 1941. All departments except the automobile department showed a decline in net profits for the year. Reasons for this decline are that the net sales decreased $73,449.56, the cost of goods sold decreased $58,303.90, and the operating expenses decreased $4,568.42.

A net profit on operations in 1936 of $2,851.42 was made in the grocery department. This net profit increased to $6,185.19 in 1937. The increase of $3,333.77 was caused by the increase in net sales of $4,169.25, the increase of $225.88 in cost of goods sold, and the increase of $609.60 in operating expenses.

There was a decrease of $1,417.38 in the grocery department in net profit on operations in 1938. This decrease of $1,417.38 makes a $4,767.81 net profit for the year in the grocery department. The decrease is explained by an increase in net sales of $304.25, an increase in the cost of goods sold of $298.65, and an increase in the operating expenses of $1,422.98.

In 1939 the net profit on operations in the grocery department amounted to $4,229.62. This decrease of $538.19 in net profit is attributable to an increase in net sales of $9,863.96, an increase in cost of goods sold of $8,320.13, and an increase in the operating expenses of $2,082.02.

Net profits on operations in the grocery department in 1940 were $6,149.00. This was an increase of $1,919.38 over the previous year's operations. The increase is due to the fact that net sales increased $13,450.42, cost of goods sold increased $12,203.20, and operating expenses decreased $672.16.

There was a net loss on operations in the grocery department in 1941 of $1,777.77. This was a $7,926.77 decrease in the net profit of the previous year. A decrease of $13,058.67 in net sales, a $5,105.07 decrease in the cost of goods sold, and a $672.16 decrease in the operating expenses are the cause of this large decline in net profit.

The farm products department made a net profit on operations of $2,440.07 in 1936. In 1937 this net profit increased $1,055.92 to amount to $3,506.99. Reasons for this increase were the increase in net sales of $29,586.24, the increase in cost of goods sold of $26,174.94, and the increase in operating expenses of $2,344.38.

There was a net loss of $516.42 in the farm products department in 1938. This decrease of $4,023.41 under the net profit on operations for 1937 is accounted for by the decrease in net sales of $40,251.86, the decrease of $36,491.95 in cost of goods sold, and the increase in operating expenses of $263.50.

There was also a net loss in the farm products department in 1939. The net loss during 1939 was $60.79, however, this was an increase of $455.68 over the net loss of the previous year. Although there was still a loss, the loss was not as great as it was the previous year, which indicates an improved condition. Reasons for this improved condition are the $1,428.67 increase in net sales, the $2,032.86 decrease in the cost of goods sold, and the $3,005.90 increase in operating expenses. As previously mentioned the increase in the sales salaries is responsible for the largest part of the increase in the operating expenses.

In 1940, there was a $600.72 net profit on operations. This was an increase of $661.51 over the previous year's operations. The increase is explained by the $20,982.99 increase in net sales, the $21,182.97 increase in the cost of goods sold, and the $861.49 decrease in the operating expenses of the farm products department during 1940.

Another loss of $69.71 occurred in the farm products department in 1941. This decrease in net profit of $670.34 is attributable to the $52,767.22 decrease in net sales, the $48,763.84 decrease in the cost of goods sold, and the $3,332.95 decrease in the operating expenses.

The petroleum department has consistently made a net profit on operations for the past six years. However, the volume of business and the net profit for the last five years have been decreasing. In 1936, the petroleum department made a net profit on operations of $7,514.64. During the following year there was an increase in net profit of $998.94 making a net profit for 1937 of $8,513.58. This increase is due to the increase of $7,792.71 in net sales, the $4,528.10 increase in the cost of goods sold, and the $2,265.67 increase in the operating expenses.

Net profit for the petroleum department in 1938 was $7,720.02. This was a decrease of $793.56 over the previous year's business. A decrease of $12,404.09 in net sales, a decrease of $10,916.88 in the cost of goods sold, and a decrease of $693.65 in operating expenses accounts for the decrease in the net profit.

There was a large decline in the net profit on operations for the petroleum department in 1939. In 1939 the net profit on operations was $4,474.96, which was a $3,245.06 decline under the previous years operations. This decrease in net profit is attributable to the decrease in net sales of $2,455.39, the increase in the cost of goods sold of $65.42, and the increase in the operating expenses of $724.25.

A small increase of $687.94 in the net profits on operations in the petroleum department occurred in 1940. Net profit for 1940 in the petroleum department was $5,162.90. This increase is caused by the decrease in net sales of $5,767.99, the decrease in cost of goods sold of $4,733.49, and the decrease in the operating expenses of $1,722.44.

In 1941 the net profit on operations in the petroleum department declined to $3,144.78. This decrease of $2,018.12 is accounted for by the $5,459.83 decrease in net sales, the $3,243.39 decrease in the cost of goods sold, and the $198.32 decrease in the operating expenses.

The petroleum department has been the Farmer's Union Cooperative Exchange's most profitable department. If the present trend in the declining volume of business transacted with the petroleum department continues, the Cooperative will lose its most valuable source of profit.

The automobile venture was very unsuccessful. After making a small net profit of $256.18 in 1936, the automobile department experienced a net loss of $2,229.08 in 1937. This loss may be explained by the $17,748.97 decrease in net sales, the $16,129.34 decrease in the cost of goods sold, and the $865.63 increase in operating expenses.

A larger net loss was incurred during 1938. The net loss in the automobile department in 1938 amounted to $4,323.14, which was a decrease of $2,094.06 under the last year's business. This decrease was caused by the $54,807.17 decrease in net sales, the $45,608.45 decrease in the cost of goods sold, and the $7,104.66 decrease in operating expenses.

Handling of automobiles was discontinued in 1938, but a loss of $133.80 occurred in 1939. Although there was a loss, there was an improvement of $4,189.34 over the previous years business. This improvement is attributable to the

$54,873.09 decrease in net sales, the $35,960.78 decrease in cost of goods sold, and the $3,001.65 decrease in operating expenses.

In 1940 the automobile department, operating only as a garage, made a net profit of $252.86. This is an increase in net profit of $386.66 over the previous year's operations. The $386.66 increase is due to the $517.83 decrease in net sales, the $731.24 decrease in the cost of goods sold and the $173.25 decrease in the operating expenses.

Net profit for the automobile department in 1941 increased further to result in a net profit on operations of $369.41. This is an increase of $116.55 over the previous year's operations. This change is attributable to the $1,288.63 decrease in net sales, the $394.86 decrease in the cost of goods sold, and the $1,010.32 decrease in operating expenses.

Since the operating expenses of the miscellaneous department are allocated to the farm products department, the net profit on operations cannot be accurately determined. Gross profit on sales is as far as the analysis can be carried in this department. It is interesting to note, however, that the gross profit on sales has decreased from $626.61 in 1938 to $25.66 in 1941. This decrease is partially due to the decrease in volume of business handled in this department.

CHAPTER VI

FINANCIAL ANALYSIS OF THE COMPARATIVE BALANCE SHEET OF THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

The comparative balance sheet for the years 1936, 1937, 1938, 1939, 1940, and 1941 is shown on table IX. According to this comparative balance sheet the total current assets for 1936 amounted to $44,340.25. By the following year the total current assets had increased to $46,776.72. This increase of $2,436.47 is responsible for the increase in the cash on hand and the net accounts receivable. To offset this increase, there was a decrease in the cash in the bank, inventories, net notes receivables, and the returned checks less reserve on bad checks.

In 1938, the total current assets decreased to $42,988.00. This was a decrease of $3,788.72. The decrease is attributable to the decrease in the cash on hand, inventories, net notes receivables, and the returned checks less reserve on bad checks and the increase in the cash in the bank, and the net accounts receivables.

There was a further decrease in the total current assets during 1939. This large decrease of $6,288.34, which reduced the total current assets to $36,699.66, is accounted for by a decrease in all of the current assets. During this year the notes receivable and the returned checks accounts were eliminated. The largest decrease occurred in the net accounts receivables.

In the following year, which was 1940, there was a counteracting increase in the total current assets of $6,294.20. Results of this increase placed the total current assets at $42,997.86. Reasons for this increase were the increase in the cash on hand, and the inventories, and the decrease in the cash in the bank, and the net accounts receivables. One of the main causes for the increase in the total current assets was the $7,198.34 increase in the inventories.

There was a $2,338.93 decrease in the total current assets in 1941. This decrease reduced the total current assets to $40,658.93. Decreases in the cash on hand and net accounts receivables, and increases in the cash in the bank, and inventories account for the decrease in the total current assets.

As shown on table X, the total other assets consist of such items as investments in the Farmer's Exchange at Perkins, subscriptions receivables, meter deposit, and deferred assets. Total other assets amounted to $5,369.01 in 1936. They increased to $5,838.27, which was an increase of $469.26, in 1937. This increase was due to the increase in the subscriptions receivable and deferred assets. No change occurred in the investment account.

A further increase of $998.45 occurred during 1938. This increase resulted in total other assets of $6,836.72. There was an increase of $1,152.89 in subscriptions receivables and a decrease in deferred assets of $154.44, which accounts for the decrease in total other assets.

TABLE X

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE BALANCE SHEET

March 31, 1936, 1937, 1938, 1939, 1940, and 1941

ASSETS:	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Current Assets:											
Cash in Bank	$ 611.13	$ 127.18	$ 483.95	$ 141.28*	$ 625.23	$ 54.32*	$ 679.55	$ 462.98	$ 216.57	$1,501.44*	$ 1,718.01
Cash on Hand	996.95	770.82*	1,767.77	924.96	842.81	448.96*	1,291.77	192.26*	1,484.03	229.88	1,254.15
Accounts Receivable	23,480.85	676.79*	24,157.64	1,192.36*	25,350.00	3,765.32*	29,115.22	1,330.37	27,784.95	6,226.96	21,557.99
Less Reserve on Bad Debts	4,751.97	1,874.76	2,877.21	464.46	2,412.75	394.73	2,018.02	589.13*	2,607.15	2,226.72*	4,833.87
Net Accounts Receivable	18,728.88	2,551.55*	21,280.43	1,656.82*	22,937.25	4,160.05*	27,097.30	1,919.50	25,177.80	8,453.68	16,724.12
Inventories	20,321.97	856.26	19,465.71	7,198.34	12,267.37	1,570.00*	13,837.37	5,917.54*	19,754.91	3,410.35*	23,165.26
Notes Receivable--Less Res. on Bad Notes	.....	.....	.....	.....	.....	35.76*	35.76	102.99*	138.75	1,160.74	1,299.49
Returned Checks--Less Res. on Bad Checks	.....	.....	.....	.....	.....	46.25*	46.25	41.39	4.86	174.36*	179.22
Total Current Assets	40,658.93	2,338.93*	42,997.86	6,294.20	36,699.66	6,288.34*	42,988.00	3,788.72*	46,776.72	2,436.47	44,340.25
Other Assets:											
Investments-Farmers' Exchange at Perkins	.....	20.00*	20.00	20.00*	40.00	.....	40.00	.....	40.00	.....	40.00
Subscriptions Receivable	.....	.....	.....	.....	.....	5,719.11*	5,719.11	1,152.89	4,566.22	425.32	4,140.90
Meter Deposit	20.00	.....	20.00	20.00	.....	.....	.....	.....	.....	.....	.....
Deferred Assets	339.58	339.58	.....	894.02*	894.02	183.59*	1,077.61	154.44*	1,232.05	43.94	1,188.11
Total other Assets	359.58	319.58	40.00	894.02*	934.02	5,902.70*	5,836.72	998.45	5,838.27	469.26	5,369.01
Fixed Assets:											
Furniture & Fixtures:											
Grocery Department	5,658.85	.....	5,658.85	.....	5,658.85	135.00*	5,793.85	152.00	5,641.85	364.05	5,277.80
Less: Depreciation Reserve	5,566.19	458.46	5,107.73	452.76	4,654.97	455.46	4,199.51	460.88	3,738.63	546.94	3,191.69
Depreciated Value	267.66	283.46*	551.12	452.76*	1,003.88	591.46*	1,594.34	308.88*	1,903.22	182.89*	2,086.11
Farm Products Department	617.35	.....	617.35	.....	617.35	.....	617.35	.....	617.35	10.00	607.35
Less: Depreciation Reserve	617.35	.....	617.35	4.83	612.52	61.80	550.72	61.80	488.92	61.62	427.30
Depreciated Value	.....	.....	.....	4.83*	4.83	61.80*	66.63	61.80*	128.43	51.62*	180.05
Petroleum Department	2,186.72	.....	2,186.72	.....	2,186.72	.....	2,186.72	141.70	2,045.02	21.00	2,024.02
Less: Depreciation Reserve	1,483.28	218.64	1,264.64	218.64	1,046.00	218.64	827.36	215.13	612.23	204.29	407.94
Depreciated Value	703.44	218.64*	922.08	218.64*	1,140.72	218.64*	1,359.36	73.43*	1,432.79	183.29*	1,616.08
Bulk Plant	592.46	.....	592.46	.....	592.46	.....	592.46	.....	592.46	.....	592.46
Less: Depreciation Reserve	429.75	59.28	370.47	59.28	311.19	59.28	251.91	59.28	192.63	59.28	133.35
Depreciated Value	162.71	59.28*	221.99	59.28*	281.27	59.28*	340.55	59.28*	399.83	59.28*	459.11
Shop Equipment	1,303.36	.....	1,303.36	85.00*	1,388.36	100.00*	1,488.36	120.00	1,368.36	117.50	1,250.86
Less: Depreciation Reserve	1,303.36	92.47	1,210.89	263.43	947.46	297.60	649.86	281.68	368.18	260.83	107.45
Depreciated Value	.....	92.47*	92.47	348.43*	440.90	397.60*	838.50	161.68*	1,000.18	243.23*	1,143.41
Office Equipment	1,767.53	.....	1,767.53	.....	1,767.53	42.24	1,725.29	277.11	1,448.18	444.43	1,003.75
Less: Depreciation Reserve	1,075.53	176.76	898.77	176.76	722.01	176.76	545.25	150.36	394.89	125.60	269.29
Depreciated Value	692.00	176.76*	868.76	176.76*	1,045.52	134.52*	1,180.04	126.75	1,053.29	318.83	734.46
Delivery Equipment	3,822.01	488.90	3,333.11	54.61	3,278.50	4,514.68*	7,793.18	4,535.41	3,257.77	225.47	3,033.30
Less: Depreciation Reserve	2,617.04	1,600.10	1,016.94	62.27*	1,079.21	757.79*	1,837.00	1,130.05	706.95	329.00*	1,035.95
Depreciated Value	1,204.97	1,111.20*	2,316.17	116.88	2,199.29	3,756.89*	5,956.18	3,405.36	2,550.82	553.47	1,997.35
Total Fixed Assets	3,030.78	1,941.81*	4,972.59	1,143.82*	6,116.41	5,219.19*	11,335.60	2,867.04	8,468.56	251.99	8,216.57
Total Assets	44,049.29	3,961.16*	48,010.45	4,260.36	43,750.09	17,410.23*	61,160.32	76.77	61,083.55	3,157.72	57,925.83

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

TABLE IX (Continued)

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

COMPARATIVE BALANCE SHEET

March 31, 1936, 1937, 1938, 1939, 1940, and 1941

LIABILITIES:	March 31, 1941	Increase Decrease*	March 31, 1940	Increase Decrease*	March 31, 1939	Increase Decrease*	March 31, 1938	Increase Decrease*	March 31, 1937	Increase Decrease*	March 31, 1936
Current Liabilities:											
Accounts Payable	$14,286.88	$ 339.13*	$14,626.01	$1,072.30*	$15,698.31	$ 6,849.89*	$22,548.20	$1,750.27	$20,797.93	$3,680.41	$17,117.52
Dividends Payable	606.22	34.46	571.76	1,077.20*	1,648.96	2,253.70*	3,892.66	242.02	3,650.64	8.02*	3,658.67
Notes Payable	.....	.....	.....	660.00*	660.00	3,698.49*	4,358.49	1,323.81	3,034.68	4,760.56*	7,795.24
Bonds Payable	.....	.....	.....	580.00*	580.00	.....	.....	.....	.....	.....	.....
Accrued Taxes	1,038.45	1,775.25*	2,813.70	1,502.80	1,310.90	37.74	1,273.16	1,412.59*	2,585.75	307.54*	2,993.29
Accrued Interest Payable	.....	.....	.....	67.10*	67.10	19.40*	86.50	19.26*	105.76	12.74*	118.50
Total Current Liabilities	15,931.55	2,079.92*	18,011.47	1,953.80*	19,965.27	12,193.74*	32,159.01	1,884.25	30,274.76	1,408.46*	31,683.22
Fixed Liabilities:											
Bonds Payable	.....	.....	.....	.....	.....	940.00*	940.00	400.00*	1,340.00	420.00*	1,760.00
Total Current and Fixed Liabilities	15,931.55	2,079.92*	18,011.47	1,953.80*	19,965.27	13,133.74*	33,099.01	1,484.25	31,614.76	1,828.46*	33,443.22
NET WORTH:											
Capital Stock:											
Common Stock Outstanding	9,200.00	500.00*	9,700.00	140.00	9,560.00	100.00	9,460.00	320.00*	9,780.00	2,100.00	7,680.00
Common Stock Subscribed	8,120.00	20.00*	8,140.00	1,180.00*	9,320.00	960.00*	10,280.00	3,280.00	7,000.00	60.00*	7,060.00
Less: Subscriptions Receivable	5,085.33	34.87	5,050.46	465.93*	5,516.39	5,516.39	.....	.....	.....	.....	.....
Net Common Stock Outstanding	3,034.67	54.87*	3,089.54	714.07*	3,803.61	3,803.61	.....	.....	.....	.....	.....
Total Common Stock Outstanding	12,234.67	554.87*	12,789.54	1,034.07*	13,823.61	6,396.39*	19,740.00	2,960.00	16,780.00	2,040.00	14,740.00
Preferred Stock Outstanding	.....	.....	.....	460.00*	460.00	20.00*	480.00	100.00*	580.00	100.00	480.00
Surplus:											
Educational Fund	233.12	11.05	222.07	194.44*	416.51	348.79	67.72	595.33*	663.05	656.13	6.92
Mandatory Reserve	10,000.00	.....	10,000.00	2,111.28	7,888.72	878.27	7,010.45	1,010.14	6,000.31	2,612.83	3,387.48
Free Surplus	5,649.95	1,337.42*	6,987.37	5,331.39	1,655.98	892.84	763.14	4,682.29*	5,445.43	323.60*	5,769.03
Capital Surplus	.....	.....	.....	.....	.....	.....	.....	.....	.....	99.18*	99.18
Total Surplus	15,883.07	1,326.37*	17,209.44	7,248.23	9,961.21	2,119.90	7,841.31	4,267.48*	12,108.79	2,846.18	9,262.61
Total Net Worth	28,117.74	1,881.24*	29,998.98	6,214.16	23,784.82	4,276.49*	28,061.31	1,407.48*	29,468.79	4,986.18	24,482.61
Total Net Worth and Liabilities	44,049.29	3,961.16*	48,010.45	4,260.36	43,750.09	17,410.23*	61,160.32	76.77	61,083.55	3,157.72	57,925.83

Source: Records of the Farmers' Union Cooperative Exchange of Stillwater

A large decrease of $5,902.70 in total other assets was incurred in 1939. Reasons for this decline were the elimination of the subscriptions receivables and the decline in deferred assets. This decrease left total other assets of $934.02.

In 1940 the total other assets were reduced to $40.00, which consisted of a $20.00 meter deposit and a $20.00 investment in the Perkin's Cooperative. This was a reduction of $894.02 from the 1939 figure.

In 1941 the Investment account was eliminated. Although the meter deposit account remained the same, there was an increase of $339.58 in deferred assets. This resulted in an increase in total other assets of $319.58, giving total other assets of $359.58.

Total fixed assets for 1936 amounted to $8,216.57. There was a small increase of $251.99 in total fixed assets in 1937 to result in a total of $8,468.56 in fixed assets. This increase is accounted for by the increase in fixed assets of the petroleum department, shop equipment, office equipment, and delivery equipment, and a decrease in the fixed assets of the grocery department, the bulk plant, and the farm products department.

There was a total of $11,335.60 in fixed assets in 1938. This was an increase of $2,867.04 over the total fixed assets of $8,468.56 in 1937. This increase is attributable to an increase in fixed assets of office equipment and delivery equipment. This increase was partially offset by the decrease in the fixed assets of the grocery department, petroleum department, bulk plant, shop equipment, and the farm products department.

There was a large decrease of $5,219.19 in the total fixed assets in 1939. This left only $6,116.41 in total fixed assets in 1939. During this year the value of all of the fixed assets declined. The largest decrease was in delivery equipment. Although the petroleum department, bulk plant, and the farm products department's fixed assets did not decrease, the depreciation caused a reduction in their value.

Total fixed assets declined further in 1940. With the exception of the small increase in delivery equipment, all of the fixed assets decreased in value. This decrease in total fixed assets amounted to $1,143.82, which resulted in total fixed assets of $4,972.59.

In 1941 total fixed assets were valued at only $3,030.78. This is a decrease of $8,304.82 in only three years. The decrease of $1,941.81 in 1941 is attributable to the decrease in the value of all of the fixed assets. Fixed assets in the farm products department are, at the present time, completely depreciated. An increase in the delivery equipment of $488.90 was the only change in the fixed assets. Decreases in the value of all of the fixed assets are due to depreciation of the fixed assets.

Total assets for 1936 were $57,925.83. The total assets increased to $61,083.55, which was an increase of $3,157.72 in 1937. This increase was incurred by the increase in the total current assets, total other assets, and total fixed assets.

There was a small net increase in total assets of $76.77 in 1938. This increase is attributable to a decrease in the total current assets, and an increase in total other assets and total fixed assets. A total assets of $61,160.52 resulted from this increase.

A large decrease of $17,410.23 occurred in the total assets in 1939. This decrease was caused by the decrease in total current assets, total other assets, and total fixed assets.

This large reduction was followed by an increase of $4,260.36 in total assets in 1940. Total assets in 1940 amounted to $48,010.45. This increase in total current assets was offset by a decrease in total other assets and total fixed assets which accounts for this increase in total assets.

Total assets again declined in 1941. The decrease amounted to $3,961.16, leaving total assets amounting to $44,049.29. This decrease was caused by the decrease in total current assets and total fixed assets. On the other hand, there was a small increase in the total other assets.

Total current liabilities consist of accounts payable, dividends payable, notes payable, bonds payable, accrued taxes, and accrued interest payable. In 1936 the total current liabilities amounted to $31,683.22. There was a decrease of $1,408.46 in total current liabilities in 1937. With the exception of the accounts payable there was a decrease in all of the current liabilities.

An increase of $1,884.25 occurred in current liabilities in 1938. This increase, which brought total current liabilities up to $32,159.01, was caused by increases in accounts payable, dividends payable, and notes payable, and decreases in accrued taxes and accrued interest payable.

A large decrease of $12,193.74 occurred in the total current liabilities in 1939. With the exception of a slight increase in the accrued taxes, all of the current liabilities decreased, which accounts for the large decrease in total current liabilities.

Total current liabilities continued to decline in 1940. In 1940 total current liabilities amounted to $18,011.47. This decrease of $1,953.80 is attributable to the elimination of the notes payable, bonds payable, and accrued interest payable accounts. Also, the accounts payable and the dividends payable accounts decreased. There was an increase, however, in the accrued taxes account.

In 1941 accounts payable and accrued taxes decreased while dividends payable increased. This resulted in a decrease of $2,079.92 in total current liabilities. This decline left $15,931.55 in total current liabilities.

The only fixed liability was the bonds payable account. The bonds payable account decreased from $1,760.00 in 1936 to $1,340.00 in 1937 to $940.00 in 1938. At this time the bonds payable account was transferred to the current liabilities section where the bonds decreased to $580.00 in 1939 and, in that year, were completely paid off.

Total common stock outstanding in 1936 amounted to $14,740.00. In 1937, the common stock outstanding increased $2,040.00 to result in total common stock outstanding of $16,780.00. Another increase of $2,960.00 occurred in 1938. It raised the total common stock outstanding to $19,740.00. In the following year, which was 1939, a large decrease of $6,396.39 occurred in the total common stock outstanding. A further decrease from $13,823.61 in 1939 to $12,789.54 in 1940 occurred. In 1941, the declining trend in common stock outstanding continued. At this time there was a total of common stock outstanding of $12,234.67, which was a decrease of $554.87 from the previous year.

Preferred stock outstanding amounted to $480.00 in 1936. Outstanding preferred stock increased to $580.00 in 1937, but declined again to $480.00 in 1938. Another decrease in preferred stock outstanding of $20.00 occurred in 1939 to amount to $460.00 in outstanding preferred stock. In this year the entire issue of preferred stock was called in; thus, eliminating all outstanding preferred stock. As previously mentioned, the new by-laws adopted on April 19, 1941 prohibits the issuance of preferred stock entirely.

Total surplus of the Cooperative consists of the educational fund, the mandatory reserve, the free surplus, and the capital surplus. However, the capital surplus was dissolved in 1936. Total surplus for 1936 amounted to $9,262.61. After an increase of $2,846.18 during 1937 the total surplus amounted to $12,108.79. This increase is accounted for by an increase in the educational fund and the mandatory reserve and a decrease in the free surplus and the elimination of capital surplus. As previously stated, the mandatory reserve was built up to 50% of the authorized amount of common stock of $20,000.000. Accumulation of the $10,000.00 mandatory reserve was not completed until 1940.

The Cooperative's total surplus declined $4,267.48 in 1938. This left a total surplus of $7,841.31. The decrease in surplus was caused by the decrease in the educational fund and the free surplus. Continuation of the increase in the mandatory reserve occurred in 1938. A decrease of $4,682.29 in free surplus was the main reason for the decline in total surplus.

The Cooperative possessed a total surplus of $9,961.21 in 1939. This was an increase of $2,119.90 over the previous year's surplus. The increase is attributable to an increase in the educational fund, the mandatory reserve, and the free surplus.

Another fairly large increase in the total surplus occurred during 1940. This increase amounted to $7,248.23, which makes a total surplus in 1940 of $17,209.44. Increases in the mandatory reserve and free surplus, with a small decrease in the educational fund, is responsible for this increase in the total surplus.

In 1941 a small decrease of $1,326.37 in the total surplus was incurred. There still remained a total surplus of $15,883.07 in 1941. Since the mandatory reserve did not change and since there was only a slight increase of $11.05 in the educational fund, the decrease in total surplus is almost entirely caused by the decrease in free surplus.

Total net worth for the years 1936, 1937, 1938, 1939, 1940, and 1941 was $24,482.61, $29,468.79, $28,061.31, $23,784.82, $29,998.98, and $28,117.74, respectively. This was an increase of $4,986.18 in 1937, a decrease of $1,407.48 in 1938, a decrease of $4,276.49 in 1939, an increase of $6,214.16 in 1940, and a decrease of $1,881.24 in 1941.

Total net worth and liabilities are necessarily equal to the total assets of the Cooperative. Total net worth and liabilities of $57,925.83 in 1936 increased to $61,083.55, which was an increase of $3,157.72 in 1937. It is attributable to the increase in total net worth as offset by the decrease in the total current liabilities and bonds payable.

A small increase of $76.77 in total net worth and liabilities occurred in 1938. This brought the total net worth and liabilities up to $61,160.32. The increase is accounted for by the increase in the total current liabilities and the decrease in the bonds payable and total net worth.

There was a large decrease of $17,410.23 in total net worth and liabilities in 1939. This decrease reduced the total net worth and liabilities to $43,750.09. The decrease was caused by the decrease in the total current liabilities, bonds payable, and total net worth.

Total net worth and liabilities increased to $48,010.45 during 1940. This increase of $4,260.36 was due to the increase in the net worth and the decrease in total current liabilities.

In 1941 a decrease of $3,961.16 in total net worth and liabilities occurred, which resulted in a total net worth and liabilities of $44,049.29. This decrease is attributable to a decrease in the total current liabilities and total net worth.

CHAPTER VII

FINANCIAL RATIO ANALYSIS OF THE FARMER'S UNION COOPERATIVE EXCHANGE OF STILLWATER

The purpose of this ratio analysis is to show the relationship between significant items in the financial reports. No set of ratios may be absolutely relied upon to show the absolute situation. They are given only as indicators of what has happened in the business.

In order for the ratios to be of any value they must be compared with some standard of what is considered as normal. The standards used as a comparison with the financial ratios of the Stillwater Cooperative are those set forth by the Consumers Cooperative Association of North Kansas City, Missouri.[8] These standards do not apply only to cooperatives, but they have been used by accountants, both private and cooperative, for many years. Also, as a check on these standards, the ratios as computed from the financial reports of the cooperative associations using the auditing and business analysis service of the Consumers Cooperative Association of North Kansas City, Missouri for the 1939-1940 period will be used.[9]

The operating ratios with the standards are shown on

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8 Miller, M. G., and Fox, G. S., How to Read Cooperative Financial Statements, Phamphlet Two, pages 15 and 29.
9 Comparative Report on Financial and Operating Items of Cooperative Associations using Auditing and Business Analysis Service of Consumers Cooperative Association, North Kansas City, Missouri-1939-40, pages 28, 38, 40, and 42.

table XI. These ratios should be sufficient to depict fairly well the financial condition of the Farmers Union Cooperative Exchange over the six-year period that the Cooperative is being analysed.

The first ratio is that of net sales to the average inventory, which is commonly called the merchandise turnover. Net sales are presented at the sales price and the average inventory is computed by adding the beginning inventory to the ending inventory and dividing by two. This ratio gives the number of times the merchandise stock is replaced during a year. The purpose of this ratio is to show the efficiency of inventory control practiced by the Cooperative. The standard cooperative inventory turnover is 18 to 1. That is, the sales are 18 times the average inventory. For 1936, the Stillwater Cooperative's inventory turnover was 21.1 to 1. In comparison to the standard the ratio was favorable. During 1937 merchandise turnover was reduced to 19.2 to 1. Although there was a small decline, the ratio is still comparatively good. In 1938 the ratio continued to decline. The 18.2 to 1 ratio in 1938 is about equal to the standard of 18 to 1. In the following year the inventory turnover increased to 21.4 to 1. This is the largest turnover shown for the six-year period. However, in 1940 the ratio again declined to 19.2 to 1, which is the same as it was in 1937. There was a large decline to 11.6 to 1 in the ratio in 1941. This is the first time the ratio went below the standard. Since the CCA average inventory ratio for 1939-1940 was only 11.02, the ratios for the Farmers Union

TABLE XI

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

FINANCIAL RATIOS

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	Standard Ratios	March 31, 1941	March 31, 1940	March 31, 1939	March 31, 1938	March 31, 1937	March 31, 1936
TOTAL OF ALL DEPARTMENTS:							
Merchandise Turnover	18 to 1	11.6 to 1	19.2 to 1	21.4 to 1	18.2 to 1	19.2 to 1	21.1 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	14.5 to 1	19.1 to 1	18 to 1	15.2 to 1	27.5 to 1	27.9 to 1
Ratio of Sales to Total Receivables	12 to 1	9.8 to 1	12.6 to 1	11 to 1	10.5 to 1	14.8 to 1	17.9 to 1
Ratio of Gross Margin to Sales	20.5%	21.32%	21.15%	23.08%	19.93%	18.28%	17.11%
Operating Ratio	14.75%	20.58%	17.11%	19.88%	17.23%	14.29%	13.71%
Ratio of Payroll to Sales	10%	12.8%	10.90%	11.80%	9.25%	7.50%	7.20%
Ratio of Net Profit to Sales	6.75%	.75%	4.09%	3.15%	2.63%	3.87%	3.22%
Current Ratio	2 to 1	2.55 to 1	2.39 to 1	1.84 to 1	1.34 to 1	1.55 to 1	1.40 to 1
Ratio of Receivables to Current Assets	40%	57.75%	56.18%	69.07%	67.73%	59.40%	48.62%
Ratio of Net Worth to Total Assets	50%	63.6%	62.50%	54.30%	46.80%	47.60%	42.30%
Ratio of Net Worth to Fixed Assets	1.5 to 1	9.27 to 1	6.02 to 1	3.88 to 1	2.48. to 1	3.47 to 1	2.58 to 1
GROCERY DEPARTMENT							
Merchandise Turnover	12 to 1	12.4 to 1	18.6 to 1	24.8 to 1	23.1 to 1	22.4 to 1	22 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	23.1 to 1	25.4 to 1	23 to 1	20.8 to 1	21.3 to 1	22 to 1
Ratio of Sales to Total Receivables	12 to 1	Receivables not allocated to departments					
Ratio of Gross Margin to Sales	17%	17.24%	21.20%	22.89%	22.99%	23.04%	20.47%
Operating Ratio	13.5%	18.60%	16.93%	19.19%	19.03%	17.90%	18.02%
Ratio of Payroll to Sales	8%	11.07%	10.30%	11.10%	10.80%	10.20%	10.30%
Ratio of Net Profit to Sales	4.5%	1.36%*	4.27%	3.24%	3.96%	5.14%	2.45%
FARM PRODUCTS DEPARTMENT:							
Merchandise Turnover	12 to 1	7.68 to 1	19.04 to 1	24.88 to 1	25.93 to 1	40.65 to 1	36.9 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	44.23 to 1	87.84 to 1	70.50 to 1	69.32 to 1	102.59 to 1	78.8 to 1
Ratio of Sales to Total Receivables	12 to 1	Receivables not allocated to departments					
Ratio of Gross Margin to Sales	17%	16.17%	21.91%	15.07%	11.20%	10.60%	11.30%
Operating Ratio	13.50%	16.30%	11.34%	15.14%	11.82%	7.77%	7.72%
Ratio of Payroll to Sales	8%	10.78%	7.55%	9.62%	6.78%	4.29%	4.54%
Ratio of Net Profit to Sales	4.50%	.13%*	.57%	.071%*	.62%*	2.83%	2.58%
PETROLEUM DEPARTMENT:							
Merchandise Turnover	18 to 1	18.25 to 1	23.2 to 1	23.68 to 1	20.14 to 1	24.54 to 1	21.6 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	19.03 to 1	21.53 to 1	24.17 to 1	25.29 to 1	33.11 to 1	29.6 to 1
Ratio of Sales to Total Receivables	12 to 1	Receivables not allocated to departments					
Ratio of Gross Margin to Sales	24%	37.16%	37.56%	35.42%	38.41%	33.57%	32.48%
Operating Ratio	16%	29.61%	26.60%	26.95%	24.45%	20.99%	19.94%
Ratio of Payroll to Sales	10%	19.07%	17.17%	15.30%	13.95%	10.77%	10.99%
Ratio of Net Profit to Sales	9%	7.56%	10.97%	8.47%	13.96%	12.58%	12.54%

Source: Standards taken from How to Read Cooperative Financial Statements, by Merlin G. Miller and Glenn S. Fox, phamplet two. Other ratios taken from the records of the Farmers' Union Cooperative Exchange of Stillwater.

*Loss

TABLE XI (Continued)

FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

FINANCIAL RATIOS

For the Years Ending March 31, 1936, 1937, 1938, 1939, 1940, and 1941

	Standard Ratios	March 31, 1941	March 31, 1940	March 31, 1939	March 31, 1938	March 31, 1937	March 31, 1936
AUTOMOBILE-GARAGE DEPARTMENT:							
Merchandise turnover	18 to 1	No inventory	10.51 to 1	3.54 to 1	7.97 to 1	9.74 to 1	15.9 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	3.33 to 1	4.31 to 1	4.42 to 1	27.56 to 1	70.03 to 1	90.79 to 1
Ratio of Sales to Total Receivables	12 to 1	Receivables not allocated to departments					
Ratio of Gross Margin to Sales	24%	56.8%	59.68%	51.17%	5.01%	11.74%	11.32%
Operating ratio	16%	48.28%	55.18%	53.35%	15.55%	14.07%	11.09%
Ratio of Payroll to Sales	10%	30.20%	37.73%	36.50%	4.49%	6.13%	4.20%
Ratio of Net Profit to Sales	9%	8.52%	4.50%	21.79%*	10.54%*	2.33%	.23%
MISCELLANEOUS DEPARTMENT:							
Merchandise Turnover	12 to 1	1.61 to 1	4.92 to 1	10.75 to 1	11.83 to 1	9.32 to 1	2.6 to 1
Ratio of Sales to Total Fixed Assets	8 to 1	Has no fixed assets					
Ratio of Sales to Total Receivables	12 to 1	Receivables not allocated to departments					
Ratio of Gross Margin to Sales	17%	7.84%	8.66%	10.02%	11.61%	11.32%	8.66%
Operating Ratio	13.5%	Expenses allocated to Farm Products Department					4.85%
Ratio of Payroll to Sales	8%	Expenses allocated to Farm Products Department					2.05%
Ratio of Net Profit to Sales	4.5%	7.84%	8.66%	10.02%	11.61%	11.32%	3.81%

Cooperative Exchange of Stillwater are in a very good comparative position. The decline in 1941 is due to the increased inventories and decreased net sales for the year.

The ratio of sales to total fixed assets is based on the net sales and the total fixed assets before the depreciation has been deducted. One reason for not deducting the depreciation for this computation is that the equipment and buildings, if kept in repair, should do the same volume of business year after year as long as they are usable at all. The standard ratio of sales to fixed assets is 8 to 1. However, since the Cooperative does not own the building and land this standard ratio should be much higher. In 1936 the ratio for the Stillwater Cooperative was 27.9 to 1. This is almost three and a half times larger than the standard ratio. During 1937, there was a slight decrease of .4 of a point to result in a ratio of sales to fixed assets of 27.5 to 1. There was a fairly large decrease in the ratio during 1938 to 15.2 to 1. In the following year, the ratio again increased to 18 to 1 in 1939 and continued to increase to 19.1 to 1 in 1940. In 1941 there was a large decline to 14.5 to 1 in the ratio. This decline was due mainly to the decrease in net sales. As compared with the CCA average in 1939-1940 and the standard ratio, the Cooperative seems to be making fairly good use of its invested capital. Although too much emphasis should not be placed on the results of this ratio because of the fact that the cooperative does not own their building and land. Perhaps the worst part is the large decrease in the ratio during 1941. If these ratios continue downward, the Cooperative will probably find itself in financial difficulties.

The standard ratio of sales to total receivables is 12 to 1. In this ratio the total receivables and not the receivables less the reserve for bad debts are used. The higher this ratio is the better the credit condition of the cooperative. This ratio is very important and should be watched carefully because much trouble will result if the ratio is allowed to become too low. In 1936 the ratio of sales to total receivables was 17.9 to 1. This is a fairly safe ratio. The following year, in 1937, the ratio decreased to 14.8 to 1. Although this ratio is still above the standard, it reveals a worse condition. In 1938 the ratio decreased to 10.5, which is 1.5 below the standard. There was a slight increase of .5 in 1939, but the 11 to 1 ratio is still below the standard of 12 to 1. There was a slight improvement in the credit situation in 1940 with the ratio of 12.6 to 1. In 1941 the ratio of sales to total receivables declined to 9.8 to 1. This decrease was due mainly to the large decrease in net sales. When the ratio gets this low the credit situation is in a serious position. The seriousness of the credit position of the Stillwater Cooperative is emphasised by the 37.52 to 1 ratio of the CCA average. However, the net receivables were used in the CCA computation instead of the total receivables which will make some difference.

The percent of the gross margin to the net sales is very important. Since the net profit is increased by either increasing the gross profit or decreasing the operating expenses, the change in the percent of gross margin is very significant. The standard percent of gross margin to sales is 24% for petroleum cooperatives and 17% for food cooperatives. An average of these two percentages, which is 20.5%, for cooperatives as a whole was arbitrarily selected. Gross margin was 17.11% of sales in 1936. This percent is somewhat below the standard percentage. In 1937 the percent increased to 18.28%, in 1938 it increased to 19.93%, and in 1939 it increased to $23.08%. This improved condition is very favorable. However, in 1940 the percent of gross margin on sales decreased to 21.15%, which is still above the standard percent. There was a slight increase to 21.32% in 1941 in the percent of gross margin to sales. Although the percent was lower than the standard in three of the six years, the percent increased in each year but one, which was in 1940. The percent of gross profit, perhaps, became too high because the sales price of the merchandise increased above the competitive market prices and, as a result, it is probably one of the reasons the Cooperative lost business. This high percentage further indicated by the gross margin to sales percent of the CCA of 13.53%.

Net profit is the difference between the gross profit and the operating expenses, therefore, it is important to keep the operating expenses as low as possible. Operating efficiency of a cooperative, or for that matter any business, is indicated by the operating ratio. That is, the ratio of operating expenses to net sales. The standard percent of expenses to sales is 16% for petroleum cooperatives and 13.5% for food cooperatives. Since the Stillwater Cooperative has a variety of departments, the standard of 14.75% was arbitrarily selected for the Cooperative as a whole. This selection is in line with the CCA average operating ratio of 14.07% for the 1939-40 year. Operating expenses were 13.71% of sales in 1936. This is the lowest operating ratio of the six years. In 1937 the operating expenses were 14.29% of the sales. This is still lower than the standard for operating ratios. In the following year, which was 1938, the operating ratio increased to 17.23% and further to 19.88% in 1939. Although there was a decrease in the ratio to 17.11% in 1940, there was an increase to 20.58% in 1941. This percent indicates that the operating expenses of the Stillwater Cooperative are entirely too high in relation to sales. The large reduction in net sales and the fixed nature of some of the expenses are likely to increase the ratio somewhat.

Payrolls should be approximately 10% of the net sales. It is usually poor economy to allow the payroll to decline much below this standard. Nor can cooperatives afford to pay much more than 10% for payroll. Although the payroll percentage will fluctuate with the sales, approximately 10% of sales for the payroll should be maintained. In 1936 the payroll was 7.2% of the sales. This is a little below the standard, but in 1937 the percent increased to 7.5%, in 1938 it increased to 9.25%, and in 1939 it increased still further to 11.8%, which is a little above the standard.

There was a decrease to 10.9% in 1940, but in 1941 the payroll was 12.8% of the net sales, which is too high for the volume of business transacted. However, wages lag behind changing business conditions and can not be readily adjusted. The CCA average payroll was 8.50% of the net sales in 1939-40. This indicates that the Stillwater Cooperative's payroll is slightly higher than the average.

The net income of a cooperative is dependent on sales volume, gross margins, and expenses. If these are carefully watched and the standards above are met, a net profit will occur. The standard net savings are 9% of the net sales for petroleum departments and 4.5% for food stores, therefore, an arbitrary percent of 6.75% is taken for the percent of net profit for the entire Cooperative. In each of the six years under analysis the Stillwater Cooperative's percent of net income has been somewhat below the standard. In 1936 the net profits were 3.22% of net sales. There was a slight increase of .65% in 1937 to make a net profit of 3.87% of net sales. Percent of net profits decreased to 2.63% of net sales in 1938. This percent increased to 3.15% in 1939 and further to 4.09% in 1940. In 1941, however, there was an abrupt decline to .75%. Although this is relatively low, the CCA average was only .48% of net savings to sales in 1939-40. Evidently the Stillwater Cooperative was in a fairly good condition in relation to the other cooperatives in this district during 1939-40.

The current ratio consists of the current assets divided by the current liabilities. A generally accepted standard current ratio is 2 to 1. The purpose of this ratio is to determine whether or not the cooperative has enough readily available money to pay their current bills. By readily available money is meant assets that may be quickly liquidated into money. This ratio is perhaps the most important ratio calculated. In 1936 the current ratio for the Stillwater Cooperative was 1.40 to 1. This is somewhat below the standard of 2 to 1. There was a slight increase in the ratio in 1937 to 1.55 to 1. In 1938 the current ratio decreased to the dangerous point of 1.34 to 1. However, the following year the ratio began increasing to 1.84 to 1 in 1939, to 2.39 to 1 in 1940, and to 2.55 to 1 in 1941. In four of the six years the ratio was below the standard. The CCA average current ratio for 1939-40 was 2.17 to 1.

The receivables should be not more than 40% of the current assets. Purpose of this percentage is to determine whether or not too much money is tied up in receivables. According to the standard, the Stillwater Cooperative has entirely too much money tied up in their receivables. In 1936 the receivables were 48.62% of the current assets. This percentage increased to 59.40% in 1937, to 67.73% in 1938, and to 69.07% in 1939. The receivables decreased to 56.18% of the current assets in 1940, but increased again to 57.75% in 1941. This ratio does not show how much current assets the Cooperative has, but it shows what kind of current assets they have. They are not only too high in relation to the standard but they are also too high in relation to the CCA average in 1939-40 of 20.21%.

According to the standard, the members equity should be at least 50% of the total assets. This means that at least 50% of the total assets of the Cooperative should be owned by the members of the Cooperative. In 1936 the members equity was 42.3% of the total assets. This percentage increased to 47.6% of the total assets in 1937. There was a small decrease to 46.8% in 1938 but the percentage of members equity again increased to 54.3% in 1939, to 62.5% in 1940, and to 63.5% in 1941. This reveals an increasingly favorable condition concerning the members equity in relation to the total assets. However, the total assets are considerably less than if they owned their building and land.

The standard ratio of members equity to net fixed assets is 1.5 to 1. The purpose of this ratio is to determine the relation of the members' equity to the present value of the fixed assets. The Stillwater Cooperative reveals a very favorable condition in connection with this ratio. In 1936 the ratio of members' equity to net fixed assets was 2.98 to 1. This ratio increased to 3.47 to 1 in 1937. There was a decrease to 2.48 to 1 in 1938. On the other hand, the ratio increased to 3.88 to 1 in 1939, to 6.02 to 1 in 1940, and to 9.27 to 1 in 1941. These ratios are considerably higher than the CCA average ratio of 1.48 to 1. These ratios would be considerably lower if the cooperative owned its building and land.

The grocery department's operating ratio standards are lower than the standards of the Cooperative as a whole and of the petroleum department. Net sales of the grocery department should be twelve times the average inventory according to the standard for food stores. However, the Stillwater Cooperative's ratios of net sales to average inventory for the six-year period were well above this ratio. Merchandise inventory turnovers were 22 times in 1936. In 1937 the ratio increased to 22.4 to 1. The ratio decreased to 23.1 to 1 in 1938 but increased in 1939 to 24.8 to 1. There was a decrease in the merchandise turnover ratio to 18.6 to 1 in 1940 and to 12.4 to 1 in 1941. Although the merchandise turnover was a little above the standard in 1941, it was a large reduction in relation to the previous five years. Since the CCA average turnover ratio was only 7.73 in the 1939-40 year, the Stillwater Cooperative was in comparatively good condition in respect to merchandise turnovers.

The ratio of sales to total fixed assets in the grocery department was consistently well above the standard of 8 to 1. Renting of the building and land should be kept in mind. This would make the ratio much larger. In the years 1936, 1937, 1938, 1939, 1940, and 1941 the ratio of sales to total fixed assets were 22 to 1, 21.3 to 1, 20.8 to 1, 23 to 1, 25.4 to 1, and 23.1 to 1, respectively. This indicates a fairly efficient use of the capital invested in fixed assets. These ratios were also above the CCA average of 17.6 to 1.

Since the receivables are not allocated to the different departments, the ratio of sales to total receivables cannot be determined for anything except the Cooperative as a whole.

The gross margin standard is 17% of sales, or more, for the grocery department. Gross margin was 20.4% of net sales in 1936. This percent increased to 23.4% in 1937. In 1938 there was a slight decrease of .05%, making a gross margin of 22.99% of sales in the grocery department. Another small decrease of .10% occurred in 1939 to bring the percent down to 22.89%. The percent of gross margin to net sales continued to decrease to 21.20% in 1940 and to 17.24% in 1941. Not only was the gross margin percent of net sales above the standard but it was also above the CCA average of 12.72% for the six-year period.

The standard percent of operating expenses is 13.5% of net sales, or less. According to this standard, the operating expenses are too high in relation to the net sales in the grocery department of the Stillwater Cooperative. In 1936 the operating expenses were 18.02% of the net sales in the grocery department. This percent was reduced to 17.90% in 1937. There was an increase in the percent of expenses in 1938 to 19.03% and in 1939 to 19.10%. In 1940 the percent was decreased to 16.93% but in 1941 it again was raised to 18.60%. This high percent of expenses to sales is partially the cause for the low percent of net profit to net sales. Not only is the percent of operating expenses to net sales of the grocery department higher than the standard but it is also higher than the CCA average of 13.26%.

The standard payroll for grocery stores is 8% of sales. This standard was surpassed in each of the six years by the Stillwater Cooperative in the grocery department. In 1936 the payroll was 10.3% of the net sales. In 1937 the payroll decreased to 10.2% of the net sales. There was a slight increase to 10.8% in 1938 and a further increase in 1939 to 11.1%. In 1940 there was a decrease to 10.3% in the payroll percent of net sales. An increase to 11.07% occurred in 1941. A partial reason for this excessive payroll is the extra fraternity help employed for the purpose of acquiring business. As a result more help is employed than is actually needed. The percent of payroll to net sales is considerably higher than the CCA average of 7.13%.

A net profit of 4.5% of the net sales is the standard for grocery stores. The net profit for the Stillwater Cooperative in 1936 was 2.45% of net sales. In 1937 the percent increased to 5.14% of net sales, which is the only year in which the net income is higher than the standard. In the following year there was a decrease in the percent to 3.96%. A further decrease followed in 1939 to 3.24%. The next year the net savings increased to 4.27% of the net sales. As consistent with the rest of the departments in the cooperative, there was a tremendous decline in the percent of net profit to a 1.36% loss on net sales. This is even lower than the .04% average of the CCA for food stores in 1939-40. As previously stated, the main reason for this loss was the decrease in the sales volume and the increase in the percent of operating expenses to net sales.

The standard merchandise turnover for the farm products department is for the sales to be 12 times the average inventory. In 1936 the turnover was 36.9 to 1, which is over three times the standard. During the following year, in 1937, the sales increased to 40.65 times the average inventory. There was a considerable decrease in 1938 to a merchandise turnover of 25.93. The merchandise turnover continued to decrease to 24.88 in 1939, to 19.04 in 1940, and to the low figure of 7.68 in 1941. This very low merchandise turnover in 1941 is mainly attributable to the approximately 50% decline in net sales for that year. Having a turnover of 11.82, the CCA average is fairly well in line with the Standard.

The farm products department has a very small amount of fixed assets in comparison with its sales, due to the fact that the building and land are rented. Bulk plant assets, as well as the farm products department fixed assets are included in the total fixed assets of the farm products department. In comparison with the standard of 8 to 1, the farm products department ratio of net sales to total fixed assets was 78.78 to 1 in 1936, 102.59 to 1 in 1937, 69.32 to 1 in 1938, 70.50 to 1 in 1939, 87.84 to 1 in 1940, and 44.23 to 1 in 1941. This denotes a very economical use of the fixed assets employed by the farm products department. The CCA average of 9.82 to 1, which is a little above the standard, is far below the Stillwater Cooperative's ratio.

According to the standard, the gross margin should be 17% or more of the sales in the farm products department. With the exception of 1940, the percent of gross margin has fallen below this standard. However, in each year it was higher than the 8.68% average of the CCA. Gross margin was 10.30% of the net sales in 1936. The percent increased to 10.60% in 1937, to 11.20% in 1938, to 15.07% in 1939, and to

21.91% in 1940. In 1941, the gross margin decreased to 16.17% of the net sales.

Standard operating expenses are 13.5% of the net sales, or less, for the farm products department. In 1936 the gross margin percent was 7.72%. There was a slight increase of .05% in 1937 to result in a gross margin percent of 7.77%. Another increase to 11.82% occurred in 1938, which increased further to 15.14% in 1939. The gross margin percent again declined below the standard in 1940 to 11.34%, but it again arose to 16.17% in 1941. In relation to the CCA average of 9.32% the gross margin percent of net sales was high.

The standard payroll should be 8% of the net sales, or more. For the farm products department the payroll was 4.54% of the sales in 1936. The payroll decreased to the low amount of 4.25% of sales during 1937. There was an increase to 6.78% in 1938 and to 9.62% in 1939. In the following year the payroll percent decreased to 7.66% of net sales. In 1941 the percent of payroll to net sales exceeded the standard by 2.78%. This percent of 10.78% in 1941 was also considerably higher than the CCA average for 1939-40 of 4.86%.

Standard net profits are 4.50% of the net sales in the farm products department. However, the percent of net profit for the Stillwater Cooperative's farm products department was considerably below this standard in each of the six years. In fact, the department shows a loss for three of the six years being analysed. During the past four years the department has been very unprofitable to the Cooperative. The net profits were 2.58% of the net sales in 1936. This percent increased to 2.83% in 1937. In the following year, which was 1938, a loss of .62% of the net sales occurred. This loss was followed in 1939 with another loss of .071% of net sales. In 1940 there was a small net profit of .57% on net sales, but in 1941 there was another loss of .13% of net sales. This was even lower than the CCA average of .97% for the year 1939-40.

The petroleum department is operated on a higher percentage basis than the food and farm products departments. The standard merchandise turnover should be at least 18 times the average inventory. In each of the six years being analyzed, the turnover surpassed this standard. In 1936 the merchandise turnover was 21.6 times the average inventory. The merchandise turnover increased to 24.54 in 1937, but decreased to 20.14 in 1938. In 1939 the sales were 23.68 times the average inventory. There was only a slight decrease to 23.2 turnovers in 1940 with a further decrease to 18.25 in 1941. These merchandise turnovers also surpassed the CCA average merchandise turnover of 14.97 for the 1939-40 period.

As consistent with the other departments the petroleum department's standard sales should be 8 times the total fixed assets, providing the cooperative owned its building and land. The Stillwater Cooperative's petroleum department ratios of sales to total fixed assets were far in excess of this standard in each of the six years. In 1936 the ratio of the sales to the total fixed assets was 29.6 to 1. This ratio increased to 33.11 to 1 in 1937. There was a decrease in the ratio to 25.29 to 1 in 1938, to 24.17 to 1 in 1939, to 21.53 to 1 in 1940, and to 19.03 to 1 in 1941. Although the ratio is higher than the standard and the CCA average of 14.97 to 1, the consistent declining ratio during the last four years shows a bad condition.

The gross margin for the petroleum department of the Stillwater Cooperative is consistently well above the standard of 24% of net sales for the six years. In 1936 the gross margin was 32.48% of the net sales. The following year the gross margin increased to 33.57% of the net sales. There was a further increase in 1938 to 38.41% of net sales. A decrease to 35.42% occurred in 1939. However, the gross margin again increased to 37.56% of the net sales in 1940. A small decrease to 37.16% occurred in 1941. The gross margin of the CCA average was 21.25% of net sales. This high percent of gross margin perhaps is one of the reasons for the declining volume of net sales over the past five years in the petroleum department.

Operating expenses of the petroleum department are too high in relation to the sales, according to the standard. Operating expenses should be 16% of the sales or less. The operating expenses were 19.94% of net sales for the petroleum department in 1936. In 1937 the percent increased to 20.99% of net sales. The percent continued to increase to 24.45% of net sales in 1938 and to 26.95% of net sales in 1939. There was a small decrease to 26.6% of net sales in 1940 with a counteracting increase to 29.61% in 1941. These percents are considerably higher than the 17.04% of sales the CCA averaged.

Petroleum department's payroll, as well as its operating expenses, is entirely too high in relation to net sales. The Standard for the petroleum department payroll is 10% of the net sales. In 1936 the payroll was 10.99% of the net sales. There was a small decrease to 10.77% in 1937. This ratio increased to 13.95% in 1938, to 15.3% in 1939, to 17.17% in 1940, and to 19.07% in 1941. This increase over the past five years is partially caused by the decrease in net sales over the past five years. In each year the payroll was higher in relation to the CCA average of 10.71% of net sales in 1939-40.

The petroleum department of the Stillwater Cooperative has shown a substantial percent of net profits over the past six years. The standard ratio of net profits to net sales is 9% for petroleum associations. In 1936, the Stillwater Cooperative's petroleum department showed a net profit of 12.54% of net sales. This percent increased to 12.58% in 1937 and to 13.96% in 1938. Net profits decreased to 8.47% of net sales in 1939 but again increased to 10.97% during 1940. There was a fairly large decrease in the percent of net profit in 1941 to 7.56% of net sales. In each of the six years, however, the percent of net profit was higher than the CCA average of 5.40% of net sales.

Since Department D was used as both an automobile and a garage department, no standards can be of much use as a comparison. Nevertheless, a comparison between years indicate changes that are of some significance. In 1936 the sales in the automobile department were 15.9 times the average inventory.

Merchandise turnovers decreased to 9.74 in 1937 with still further decreases in 1938 to 7.97 and in 1939 to 3.54. There was a considerable increase in merchandise turnovers in 1940 to 10.51. In 1941 no inventory was carried in the department.

Net sales in the automobile department were 90.79 times the fixed assets in 1936. In 1937 the ratio of sales to fixed assets decreased to 70.03 to 1. This ratio declined again to 27.56 to 1 in 1938. There was an abrupt decline in the ratio in 1939 to 4.42 to 1. There was only a slight decrease the next year to 4.31 to 1 in the ratio. Another decrease occurred in 1941 which made the ratio of sales to fixed assets of 3.33 to 1.

The percent of gross margin on net sales in the automobile department was 11.32% in 1936. Gross margin increased to 11.75% of net sales in 1937 but decreased to 5.01% in 1938. There was an extremely large increase in the percent of the gross margin to sales to 51.17% in 1939, and a further increase to 59.68% in 1940. There was a slight decrease in the percentage to 56.8% in 1941.

Operating expenses of the automobile department were 11.09% of the net sales in 1936, 14.07 in 1937, and 15.55% in 1938. There was a very distinct rise in the operating expense percentage to 53.35% in 1939. A small increase following in 1940 to 55.18%. A decline to 48.28% in 1941 occurred.

In the automobile department the payroll in 1936 was 4.20% of the net sales. The payroll percent increased to 6.13% in 1937 with a decrease in 1938 to 4.49%. An increase in the payroll to 36.50% of the net sales occurred in 1939 with an additional increase in 1940 to 37.73%. In 1941 there was a substantial decrease to 30.20%.

Three out of the six years under analysis the automobile department showed a net loss. In 1936 the net profit was .23% of the net sales. In 1937 there was a net loss of 2.33% of net sales, which was followed by a 10.54% loss in 1938. This net loss continued to grow worse by a loss of 21.79% of the net sales in 1939. The next year the department made a 4.50% net income which increased further to a 8.52% net income in 1941. It will be noticed that in all of the percentages and ratios concerning the automobile department make an abrupt change during the year, which was 1938, that automobile sales were discontinued and the garage department became a separate department.

Standard merchandise turnovers should be 12 times the average inventory in the miscellaneous department. In 1936 the sales were 2.6 times the average inventory. Merchandise turnovers in the miscellaneous department increased to 9.32 times the average inventory. Net sales were 11.83 times the average inventory in 1938. In the following year the ratio decreased to 10.75 in 1939, to 4.92 in 1940, and to 1.61 in 1941.

The miscellaneous department has no fixed assets since all sales are by order. Also, since the expenses, including the payroll, is allocated to the farm products department in 1937 only the percentages for 1936 may be calculated, which is of little significance.

The standard gross margin is 17% of the net sales in the miscellaneous department. In 1936 the gross margin was 8.66% of the net sales. This percentage increased to 11.32% in 1937 and to 11.61% in 1938. The gross margin decreased to 10.02% of the net sales in 1939, to 8.66%, which is the same as it was in 1936, in 1940, and further decreased to 7.84% in 1941. Because of the absence of expenses allocated to this department these figures are the same as the net profit for the department.

As previously stated the above ratios and percentages should be analyzed in relation to the change from year to year and in relation to the standard. This analysis should be used only as an indicator of the financial condition of the Stillwater Cooperative and not as any fixed conclusive proof of their financial condition.

CHAPTER VIII

FINANCIAL TRENDS IN THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

As indicated on table II the financial trends for consumers' cooperatives in the United States have considerably improved during the period from 1929 to 1939. Financial trends for the Farmers' Union Cooperative Exchange of Stillwater have not been so favorable. Six years is insufficient to determine a trend, but it is long enough to indicate the movements which are likely to continue if something is not done to change the condition of the business.

The downward trend in net sales for the Stillwater Cooperative during the past five years reveals a very unfavorable condition in the business. With the exception of 1941, the net sales trend in the grocery department has been upward. This is the only department, however, in which the trend is upward. Perhaps the most serious downward trend in volume of business is that of the petroleum department, because the petroleum department has been the most profitable department of the cooperative.

Net profits fluctuated considerably over the six-year period. After an increase in the net profit in both 1939 and 1940, there was a large decrease in 1941. The 1941 net profit is the lowest net profit on record for the Stillwater Cooperative. Except for the small increase in the net profit for the garage department, all of the other departments showed a large decline in net profits. Two of the departments, the grocery and the farm products department, experienced a net loss for the year. Consistent with the decline in volume of business in the petroleum department, the net profit likewise declined.

With the exception of the abrupt decline in 1941, the merchandise turnovers have been sufficiently high. All of the ratios concerning fixed assets should be discounted when compared with the standard ratios because of the fact that the buildings and land are not owned by the Cooperative but are rented. Receivables have become entirely too high in relation to the net sales. A lax credit policy is the cause for many business failures, therefore a stricter credit policy should be adopted by the Stillwater Cooperative. An upward trend in gross margin in relation to net sales has occurred. Payroll is slightly higher than is necessary but, as yet, it is not excessive. Net profit has consistently been below the standard for all six years. Operating expenses for the Cooperative are too high in relation to the net sales. This excessive expense is one reason for the low net profit. The trend for the current ratio has been improving, however, the receivables are too high in relation to the current assets. Members' equity is large enough to secure the total assets, but it is not at the most desirable point.

By reviewing the ratios and the operating and balance sheets, it can be seen that 1937 and 1940 were the two most profitable years for the Cooperative. In each department there was a drastic change for the worse in 1941. If this sudden decline is permitted to continue, the Cooperative will probably face bankruptcy.

CHAPTER IX

STRONG POINTS IN THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

As a result of this study of the Farmers' Union Cooperative Exchange of Stillwater, many conclusions can be drawn as to the strong and weak points in the Cooperative's organization and policies.

Merely the fact that the Stillwater Cooperative has been in operation for more than twenty years is a strong indication that the Cooperative has been fairly successful. Although the Cooperative has operated in both prosperous and depressed years, it has been able to expand considerably during the twenty years it has been operating. Beginning as a small grocery store with one gas pump, as a side line, the Stillwater Cooperative has expanded until it is now considered to be the largest consumers' cooperative in Oklahoma.

Many cooperatives are organized on the "American Rochdale Plan" in the United States. That is, the cooperative wholesale associations organize a cooperative under their management. The cooperative is turned over to local control when it is financially sound enough to warrant such action. This plan is being extensively developed by the CCA at Kansas City at the present time. More failures have occurred in this plan of organizing from the "top" down than have occurred in the associations that have organized from the "bottom" up, which is according to the Genuine Rochdale

Plan. Due to the fact that less failures have occurred in this type of organization, it may be considered as a strong point of the Stillwater Cooperative.

Another strong point in the policies of the Stillwater Cooperative is their dividend policy. Their policy of paying dividends to members only is wise because there would be less incentive to become a member if they followed the policy of paying a dividend to all of their patrons, which is practiced by some cooperatives.

Discontinuing of interest payment on share capital was advantageous to the Cooperative. When they attempted to pay 8% interest on their share capital before dividends could be paid, there was seldom enough surplus left to declare a dividend. If capital can be obtained without paying interest, it is advantageous to the cooperative.

More effective control was acquired by the members of the Stillwater Cooperative when the state cooperative law was changed to permit 10%, instead of 30%, of the members to constitute a quorum. After six or seven years without a quorum at the annual stockholders' meetings, much of the member interest was lost. This condition was contrary to genuine cooperative principles. Since a quorum was present at the last stockholders' meeting, a renewed interest by members might develop.

The policy of not meddling in the private affairs of the members would be a strong point for any business. This policy is not only followed by the Stillwater Cooperative but it is also followed by all genuine cooperatives and successful private enterprises. By strict application of this policy, the Cooperative has maintained the goodwill of most of their members.

Few cooperatives follow the policy of pricing merchandise at slightly above or at actual cost. The Stillwater Cooperative policy of pricing merchandise at the market price eliminates price wars with competitors as well as losses resulting from miscalculations of operating costs. Since the Cooperative returns a portion of the net savings to the members in the form of a patronage dividend, the results are the same without disrupting the retail pricing system in Stillwater.

Maintenance of a mandatory reserve is required by the Oklahoma State cooperative law. However, this is a strong point for the Stillwater Cooperative. The mandatory reserve of $10,000 maintained by the Stillwater Cooperative is adequate to safeguard the business over short periods of stress. This reserve also prevents the Board of Directors from declaring dividends with the entire surplus.

Elimination of the sales of automobiles was a great benefit to the Stillwater Cooperative. A loss of $6,552.22 in only two years made this step necessary. Although the garage department is not making a large profit, it is a great improvement over the old automobile department's operations.

A & M College is a strong source of education for cooperatives in Stillwater. Knowledge of cooperative principles taught in various courses in the college is passed on to many consumers in Stillwater. Through this source of information a greater understanding of consumers cooperation is acquired by the public.

Another source of consumer cooperation education is the monthly paper, which is "The Cooperative Consumer", published by the CCA at North Kansas City, Missouri. A mailing list is submitted by the Cooperative to the CCA in North Kansas City. A paper is mailed to each of the consumers on the mailing list. This paper is a very strong source of advertising for both the CCA and the Stillwater Cooperative.

The above points are a few of the more important strong points in the Stillwater Cooperative's organization. These are by no means all of them. They are only the more significant ones.

CHAPTER X

WEAK POINTS IN THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

Although the Genuine Rochdale Plan has been followed by the Stillwater Cooperative, many weaknesses have developed in the application of these principles.

In the first place there has been insufficient interest in the organization among the members of the Cooperative. This disinterested attitude among the members is indicated by both the lack of attendance at the annual stockholder's meetings and the lack of patronage loyalty of the members to the store. In fact, as previously noted, it was necessary to change the Oklahoma cooperative law to require a 10% attendance to constitute a quorum before a quorum could be obtained at the annual stockholders' meeting. One reason for this lack of interest among the members is the inadequate knowledge of consumer cooperation principles by consumers as well as employees of the Cooperative. Another reason is the absence of a distressed economic condition which would make it necessary for the consumers to make small savings by cooperating. The consumers' cooperatives that have been the most successful have been located in areas where the members are very thrifty and realize the need for small savings. They also have possessed a common class feeling and live in the same social status. This condition does not exist in Stillwater.

One of the most serious weaknesses of the Stillwater

Cooperative has been their inefficient Board of Directors. In the past the Board of Directors has consisted of farmers who have been untrained in retail business affairs. One indication of their lack of business knowledge was their inability to properly analyze, or even to understand, the financial statements of the Cooperative. For instance, they could not understand why the Cooperative showed on the balance sheet a larger surplus than it showed cash on hand and in the bank. This lack of business knowledge has caused much dissention between the Board of Directors and the general managers of the Cooperative in the past. Perhaps the main reason for this situation is the lack of sufficient compensation with which to attract a capable Board of Directors. Compensation for the Board of Directors is only $3.00 a meeting and 4¢ a mile transportation to and from meetings. Another important reason for this type of Board of Directors is the class of members that attend the stockholders' meetings. They vote for the men they know and not for the qualifications of the men. Therefore, a group of farmers are elected as board members. These men may be excellent farmers but at the same time they may be unfamiliar or inexperienced in retail business affairs. It should be kept in mind that the above criticism is based on opinions and cannot be substantiated by actual facts.

At the present time, which is 1941, the General Manager's salary is only $200.00 per month. A business of this size could afford to pay a larger salary in order to attract more efficient managers than they have hired in the past. Inefficient management is the most numerous reason given for cooperative failures in the United States. Management includes the Board of Directors as well as the manager.

The payroll is slightly higher than it should be, but this is due mainly to the excessive clerk help employed. One reason for the high payroll is that too many fraternity boys are employed in order to acquire fraternity trade. However, fraternity trade cannot be acquired in any other manner.

In order to maintain the patronage of their members, the Cooperative must meet competitive prices. When the Cooperatives prices become higher than their competitors' prices, the members, because they lack loyalty, purchase their merchandise at the competitors' stores. This condition prevailed during the latter half of 1940 and, as a result, many customers were lost. The decline in net sales during 1941 is largely attributable to this one factor.

Lack of sufficient working capital has been one of the main drawbacks of the Stillwater Cooperative. One of the reasons for the lack of adequate working capital is their policy of returning too much of the surplus to the members in the form of patronage dividends. They have followed that practice mainly for the purpose of reducing their income tax. Another reason for the lack of adequate working capital is that too much of the capital is tied up in accounts receivables. Not only does a lax credit policy tie up capital but it also requires extra capital to carry on business. The

Cooperative does not strictly apply the rule they have of 60 days credit. Because of the lack of sufficient working capital the Cooperative cannot afford to pay cash for their purchases. It is estimated by Mr. Brewer, the present General Manager, that 1% of all purchases could be saved on cash discounts by paying cash.

Dividends are paid to purchasers, as well as to the sellers, of farm produce in the farm products department. This policy is unfair to the other members of the Cooperative. The Stillwater Cooperative is supposed to be strictly a consumers' cooperative and should pay dividends on purchases by members only. By receiving dividends on both their sales to and purchases from the farm products department, the farmers are receiving more than their share of the surplus.

Since the profit on sales in the miscellaneous department has decreased from $626.61 in 1938 to $25.66 in 1941, there is a strong indication that the change in policy of handling goods in this department was probably a mistake. Formerly such articles as radios, refrigerators, furniture, etc., were displayed in the front part of the grocery store. At the present time, all of these articles are ordered directly for the customers and none are held in stock. As a result, sales have declined as well as the profit in this department.

A recent policy adopted concerning advertising is to advertise only the grocery department. This will be a large reduction in advertising expense, but since one of the weaknesses of the Cooperative is that the public does not have sufficient knowledge of cooperative principles, this policy will only increase this weakness. With the adoption of this policy membership interest will probably continue to decline.

In order to advance the consumer cooperative movement in the United States not only must the public cooperate with their cooperatives but also the cooperatives must cooperate with each other. For the past few years the Stillwater Cooperative has not been patronizing the Consumers' Cooperative Association at North Kansas City, Missouri. The reason given for not trading with the CCA was that the merchandise was not readily accepted by customers because it was not a well known brand. Although this may be true, the Stillwater Cooperative should do their part as a cooperative organization to push the cooperative movement in the United States.

Primarily, cooperatives are organized for the purpose of providing goods for consumers in the most economic manner. The Stillwater Cooperative has been unable to save much money for their members. In fact, it often costs more for the members to trade at the Stillwater Cooperative than it does at one of their competitors. Weaknesses which have been noted in this section are largely responsible for this condition. There is a place for a cooperative of this type in Stillwater's economic system, but at the present time the Farmers' Union Cooperative Exchange is not successfully fulfilling the purposes for which it was organized.

CHAPTER XI

REMEDIES FOR THE WEAKNESSES IN THE FARMERS' UNION COOPERATIVE EXCHANGE OF STILLWATER

The weakness in the Cooperative caused by insufficient membership interest may be partially overcome in several ways. One of the most important ways of overcoming this disinterested attitude of members is to educate the consumers and employees about cooperative principles. Employees should be taught these principles in store meetings. Every employee should be completely sold on the virtues, ideals, and benefits of consumers cooperation. The public could be taught through the medium of advertising. For instance, a list of the most important of the cooperative principles could be placed in their advertisement with an appeal for membership loyalty. After being repeatedly exposed to these principles, the consumers would soon acquire an understanding of what the Cooperative stands for. Many persons who have no conception of the cooperative movement would probably be interested if they were only educated to these facts.

More frequent stockholders' meetings might also help to create more membership interest in the Cooperative. Perhaps it would be a good plan to devote part of the stockholders' meetings for an inspirational talk on cooperative principles by a competent cooperative speaker. An effective speech might stir up a spark of interest in the members present. Also the stockholders' meetings should be more widely advertised. The main point that should be kept in mind is that the Cooperative should operate as a cooperative in the eyes of the public and not as just another retail store.

The election of the new Board of Directors at the last stockholders' meeting may result in an improvement over the former Boards of Directors. However, they have not had ample time to prove their ability to properly manage the Cooperative. Merely as a suggestion for the improvement of the membership on the Board of Directors would be to provide in the by-laws for a diversified board. For example, it could be required that the board consist of one Stillwater business man, two college professors, and two farmers. This diversification would provide practical business advice, theoretical advice, and advice from the common consumers' class. This representation from the three classes of consumers would probably aid in creating more membership interest in the Cooperative. This plan would be fair to all members since all of the three classes trade with the Cooperative. As it has been in the past the farmers control the management of the Cooperative while the Stillwater people furnish most of the customers.

Although the revolving fund plan was adopted at the last stockholders' meeting it has not been put into practice yet. This plan has possibilities of improving the insufficient capital situation of the Cooperative. By retaining 50% of the dividend surplus in the business, a sufficient working capital may be accumulated. This policy is fair to all of the members because it maintains the members' equity in the business in the hands of current members in proportion to the amount of business they transact with the Cooperative. That is, the revolving fund certificates held by the members represent the ownership of a portion of the capital of the Cooperative. After sufficient capital has been accumulated the certificates are paid off and, since new certificates will be issued each year, the ownership will be transferred on to the holders of the newer certificates. This keeps the certificates in the hands of the current members.

A remedy for the rapidly decreasing sales volume in the miscellaneous department would be to return to the practice of displaying these various articles for the customers to see. Few persons will purchase radios, refrigerators, furniture, etc., without first seeing the article. Another remedy would be to advertise these articles in the paper. Many of the customers of the Cooperative are unaware that this department exists. In each of the last six years, this department has shown a net profit on their operations. With the exception of the petroleum department, this is more than the other departments have shown.

A stricter credit policy should be adopted by the Cooperative. This is much more difficult to carry out in cooperatives than it is in private business, because many of the members have the idea that since they are stockholders they should be allowed special credit privileges. A strictly cash policy would probably be the most profitable, but since the Stillwater Cooperative has extended credit for the last twenty years it would be impossible to adopt such a policy with out losing an enormous amount of business. If sufficient working capital could be raised to allow the Cooperative to pay cash for their purchases approximately 1% of their purchases could be saved by cash discounts. The revolving fund plan is expected to aid in acquiring a greater cash purchasing policy.

In the 1941 audit by Mr. Morehead, he suggested that the Cooperative apply for federal income tax exemption. Evidently Mr. Morehead did not study all of the provisions required of a cooperative before it may apply for federal income tax exemption. There are six requirements that must be met by cooperatives before exemption can be granted. The six requirements are:

1. The association must be owned and patronized by producers of agricultural commodities.
2. The association must not do more business with nonmembers than with members.
3. Dividends on stock must be limited to 8 percent or the legal interest rate of the State in which the association is incorporated, whichever is greater.
4. Members and nonmembers must be treated alike.
5. The association must keep permanent patronage records.
6. Purchases made for nonmember nonproducers must not exceed 15 percent of the total.[9]

The failure to comply with any one of these provisions would deny the cooperative exemption. In the first place the Stillwater Cooperative is not owned and patronized solely by producers of agricultural commodities. In the second place, the members and non-members are not treated alike. In the

9 Lawrence, J. D., Coops and Federal Income Tax, page 2.

third place, purchases made for non-member non-producers exceed 15 percent of the total. It is plainly seen that federal income tax exemption would be impossible under these circumstances.

If the weaknesses of the Farmers' Union Cooperative Exchange of Stillwater were adequately remedied, the Cooperative would become an economic benefit to the consumers of Stillwater.

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