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*Cooperatives, Canada*AGRICULTURAL CO-OPERATION IN CANADA. *Cooperatives*

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THE records of farmers' business organizations at present active show that during the nineties and up to 1915 development of co-operative business enterprises in Canada moved rather slowly. Of the companies now active about one-fifth were established within that period. During the next decade and up to the present time organization in business by farmers has made sound and substantial growth in numbers, membership, and business. Co-operative organizations now hold a useful position in the movement of farm products to market, and they have gained an important place in the field of Canadian business. The activities of the larger organizations, such as the wheat pools and the live-stock and fruit co-operatives, have reached a high stage of development and have received world-wide recognition. In addition to these are hundreds of comparatively small organizations which are working quietly and effectively in serving local areas. Compared with Canada's fifteen leading manufacturing industries, which include the pulp and paper industry, central electric stations, automobiles and petroleum products, farmers' co-operatives rank first in number of establishments, fourth in capital invested, and third in gross sales value of products.

The co-operatives in Canada which have stood the test of time through competition, depressions, crop failures, and other hazards which all businesses must face had their beginning in a small way. As a protest against trade abuses or through seeing an opportunity to make savings, a small but interested group would get together and form an association. As the movement grew there was amalgamation through the federation of locals on a regional or provincial basis, and a number extended their activities to a national or Dominion-wide basis.

Development¹ was probably most pronounced in western Canada where about the turn of the century agitation for the establishment of more complete marketing services to take the place of local

¹ The illustrations used in this discussion with respect to associations and to governmental activity are referred to only as typical of the development that has taken place and the services that are or have been provided. There are many other organizations and services that obviously cannot be dealt with in a brief paper.

co-operative elevators took definite form. The Grain Growers Grain Company in 1906 and the Saskatchewan Co-operative Elevator Company, Limited, in 1913 are familiar examples of the development of this period. They represent what may be referred to as a period of organization along provincial lines. The United Farmers Co-operative Company, Limited, 1914, of Ontario and the Co-opérative Fédérée de Québec, 1928, are other organizations established on a provincial basis. During this period, too, such agencies as the United Fruit Companies of Nova Scotia, 1912, and the Okanagan United Growers of British Columbia, 1913, were created to cover sections of these provinces where specialized industries had grown up.

In the field of interprovincial or regional organization, United Grain Growers, Limited, resulting from the amalgamation of the Grain Growers Grain Company and the Alberta Farmers Co-operative Elevator Company in 1917, and the Canadian Co-operative Wheat Producers, Limited, 1924, with its affiliated provincial units together known as the Wheat Pool, are well-known examples.

Not content with confining their activities even to regional interprovincial endeavours, farmers eventually extended their efforts to include organizations on a Dominion-wide basis. In 1918 the Canadian Co-operative Wool Growers, Limited, was formed with branches in all provinces, and in succeeding years the Live-Stock and Poultry Pools acquired national status. In the case of the latter organizations, centralization proved difficult to maintain, and a reversion to a provincial and regional basis of operation was found necessary, but the Wool Growers Association is nearing the end of its second decade of operation on a national basis. Thus, in a period of little more than half a century, the small unincorporated, and often loosely organized, co-operative associations passed through the various stages of provincial and interprovincial development and emerged with national status. Many associations now active have completed from twenty to thirty years of operations, and not a few are serving their second generation of patrons.

Farmers' mutual insurance companies were among the earliest forms of co-operative undertaking in Canada. To-day there are approximately 350 such companies actively engaged in business with net assets of over \$5,000,000 and unassessed premium note residue of over \$20,000,000. The net amount of insurance at risk is approximately one billion dollars. Approximately 62,000 telephones, or 5 per cent. of the telephones in Canada, are operated by rural co-operative systems in which there is a total investment of \$19,193,394.

Les Caisses Populaires, or People's Banks, were organized under the Quebec Syndicates Act and now operate under the Quebec Co-operative Syndicates Act. The first bank was founded at Notre-Dame de Lévis near Quebec in 1900 by Alphonse Desjardins, and in succeeding years, under the wise direction of the founder, the banks have developed into important institutions in the community life of the province. The essence of the system is based on stimulating the spirit of thrift and saving in a small territorial unit such as a municipality or parish where persons are known to one another. There are over 200 banks in the province of Quebec with a membership of 40,000. Loans granted have averaged 12,000 annually during the last six years with an average value of \$2,500,000 per annum.

The transactions of these banks are those of a mutual company owing to the fact that they generally loan only to their shareholders; these have the right of making deposits over and above the amount of their shares. This dual privilege makes them a savings and credit institution. They are a popular source of credit available to agricultural and industrial classes. The shares are generally fixed at \$5.00 which may be paid in instalments. Both shares and deposits may be withdrawn on demand. The liability of each shareholder is limited to subscription which generally does not exceed \$2,000 per shareholder.

Shareholders and borrowers must reside within the area of the bank's field of operations; the by-laws may, nevertheless, allow shareholders who move away to continue as members of the association without eligibility to office. The larger loans are made upon first mortgage and the smaller ones upon notes. A portion of the loan, capital and interest, must be repaid at fixed periods in such a way as to extinguish the debt within a determinate time.

In Canada there is no Dominion co-operative associations act. Each of the provinces, by a general act or by special acts, provides for the incorporation and granting of powers to co-operative associations. Since 1932 in nearly every province new acts or amendments to existing acts have been passed, and while it would be desirable to have more uniformity in the legislation the recent development indicates the increasing importance and growing interest in co-operative organization.

In five of the provinces new co-operative associations acts have been enacted. In three of the provinces there have been amendments and consolidations, and in six provinces co-operative credit union legislation has been placed on the statutes. Twelve of the enactments were assented to in 1936 or since that time.

The province of Saskatchewan was the first to recognize co-operation in the organization of its Department of Agriculture and in 1913 established the Co-operative Organization Branch. In 1914 the Ontario Government established a Co-operation and Markets Branch, and later other provinces set up machinery to deal with co-operative organization among farmers.

When the Agricultural Economics Branch was established within the Dominion Department of Agriculture in 1929, the object of one phase of its work was to study the farmers' co-operative movement. It was felt that the first step to take should be the acquisition of all the information possible on the activities of such agencies in Canada. To that end, under joint arrangement with the provincial governments, a survey of existing organizations was undertaken in 1931 and has been maintained annually since that year. The information thus obtained forms the basis of a permanent record of co-operative activities.

A Dominion-wide survey conducted in 1932 showed that 95 per cent. of the co-operative associations in Canada are incorporated. This large proportion is due in a large measure, no doubt, to the facilities which are provided in each of the provinces for incorporation under special co-operative associations acts or through the Companies Acts. In general the various co-operative acts provide that a certain number of persons, usually five or ten, may make application to form an incorporated association by submission of the required memorandum to the Registrar of Companies within the province. The registration fees vary between no charge and \$15.00. Stockholding privileges are limited by statute to members, and in several of the provinces there is a limitation on the number of shares a member may hold. Dividends on capital stock are limited to 6, 7, or 8 per cent.

In their marketing agreement or contract with members a number of companies make provision for pooling the products and for the distribution of the proceeds of sale according to differences in quality, variety, or time of delivery of the product. Following this practice a member shipper receives his pro-rata share of the average price realized on the shipments during a given period of time. Statistics on pooling based on a survey conducted in 1932 indicated that approximately 70 per cent. of the marketing co-operatives in Canada pooled returns from farm products which they marketed for their members. In more recent years there has been a tendency to alter this policy. Realizing that the pooling system and deferred payment plan was not workable under the conditions of low prices in 1931

when the farmers needed cash, the western Wheat Pools agreed upon a sweeping change in policy. The pool contract was set aside, and each provincial organization announced that its members might either market their grain through a voluntary pool or else take an open market settlement.

Of the marketing associations surveyed in 1932 a total of 191, or 62 per cent., had contracts with their members, and 118 operated without contracts. The terms of the contracts varied from 1 to 10 years' duration, while a considerable number of the associations had continuous contracts which usually provided for cancellation after due notice had been given. Out of the 191 organizations which operated with contracts 91, or 48 per cent., which represented the largest single group, entered into three-year contracts with their members. Associations with one-year contracts made up 19 per cent. of the total, those with a five-year provision, 15 per cent., and those of continuous operation, 13 per cent. Contracts are made legal and binding by statute in a number of provinces and penalties can be collected for any breach of the terms entered into between the producer and the association.

Of a total of 523 associations which replied to the question regarding limitation of dividends on capital stock 374, or 71 per cent., limited the rate to 6 per cent.; 88 associations, or 17 per cent. of the total number, had a 7 or 8 per cent. limit; and 53, or 10 per cent., reported no limitations. The majority of the marketing co-operatives provide for patronage dividends or refunds.

The great majority of the co-operative associations in Canada are organized on the joint-stock plan with limited liability of members. While original financing was accomplished by sale of capital stock, in many instances, of which the wheat pools are a notable example, the par value of shares is nominal, and working capital, reserves, and surplus have been built up by deductions from the sales price of the product. In general, co-operative acts and by-laws of associations provide that a certain proportion of the surplus on operations be set aside in reserve funds and the remainder be apportioned to members on the basis of patronage.

On the whole farmers' co-operative organizations in Canada have entered the field of business in competition with private agencies without financial assistance from governments. Although exceptions can be cited, for the most part the extent of government assistance has been of an educational nature. Borrowed capital is obtained from Canada's private banking system at competitive rates. The inspection services of the Dominion Department have been provided

for co-operatives on the same basis as for private companies. In 1930 the Income War Tax Act was amended to provide that farmers' business associations organized and operated on a co-operative basis are exempt from payment of a tax on income provided that the value of business with non-members does not exceed 20 per cent. of the business with members or shareholders.

By enacting statutory laws governing the establishment of co-operative associations, governments have given recognition to the usefulness of this type of organization in the economic life of the community. The co-operative associations acts have established the legal status of an organization, determined its powers and limitations, and charted a general course of procedure to which associations incorporated under such acts must conform.

A summary of balance sheets and statements of the business of farmers' marketing organizations is presented in Table 1. A study

TABLE 1. *Summary of Annual Statements showing Financial Structure, Condition, and Sales of Co-operative Business Associations in Canada, 1931 to 1937*

Crop year	Asso- ciations	Places of busi- ness	Share- holders	Total assets	Value of plant	General liabili- ties	Paid- up share capital	Reserves and surplus	Total busi- ness inc. other revenue	Working capital*	net worth as per cent. of total assets
				\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
1931-2	795	3,501	379,687	70,226	45,607	22,072	8,570	37,805	145,331	2,546	66.0
1932-3	686	3,057	342,369	90,003	42,520	43,005	8,224	38,773	115,849	4,476	52.2
1933-4	690	3,223	345,024	104,350	40,432	56,046	8,722	39,590	136,411	7,871	46.3
1934-5	697	3,301	341,020	105,183	38,850	55,306	8,933	40,943	130,384	11,026	47.4
1935-6	781	3,266	366,885	85,751	35,289	34,665	8,954	42,132	158,165	15,797	59.6
1936-7	1,024	3,987	396,918	87,938	36,338	36,685	9,265	41,987	173,927	14,913	58.3

* Working capital, as used in this table, is the excess of assets less value of plant over general liabilities.

of this table shows that the co-operatives maintained their position during the past six years from the standpoint of membership and volume of business and have come through the period of economic strain in an improved financial condition. The decline in value of sales to the low point in 1932 and the subsequent rise are due almost entirely to the changing level of prices.

From 1931 to 1934 total assets increased from \$70,226,288 to \$105,183,565, or by 50 per cent. This was due to increased inventories mainly brought about by the accumulation of stocks of grain. Owing to the fact that the co-operative marketing associations made advances to their members against the product and had to borrow money from the banks to do so, there was a corresponding increase in general liabilities. In the year 1935-6 the co-operatives decreased

their general liabilities by \$20,641,461, or 37 per cent. In other words the companies paid off over twenty millions of debts during the year. This was possible because of the liquidation of inventories, chiefly grain, and the reduction of accounts receivable as a result of improved economic conditions. Assets other than plant, mainly current assets, were reduced from \$66,333,077 to \$50,462,433, or by 24 per cent. As a result of these changes in capital structure, the general financial standing of the co-operatives was considerably strengthened. Reserves and surplus have increased from \$37,805,137 in 1931 to \$41,987,081 in 1936. For all companies regarded as a unit the ratio of assets, except plant, to general liabilities which approximates the current ratio moved from 1.12 to 1.41 from 1931 to 1936, and during the same period working capital increased from \$2,546,691 to \$14,913,876. In other words the co-operatives as a whole have \$1.41 of readily convertible assets with which to pay off each dollar of their total debts to outsiders. The net worth ratio has shown improvement since 1933. In 1936 the members' equity or claim on assets amounted to 58 per cent. This might be expressed tritely by saying that the co-operatives are standing on their own feet.

Too frequently size of business is used as the measure of co-operative strength. It is only when size is supported by a sound financial structure, tested for current and ultimate solvency, that the true character of the business is revealed. Canadian co-operatives have passed these tests and appear to be permanently established in the commercial life of the Dominion.

According to the 1931 census there are 728,623 occupied farms in the Dominion of Canada. The extent of co-operative development in each of the provinces is shown in Table 2. This is based on the 1931 census of farms and the co-operative business reported in 1937. For Canada as a whole the amount of co-operative business per occupied farm averaged \$239. The province of Saskatchewan has the highest average with business of \$477 per farm. British Columbia ranks second with \$374 per farm. The western provinces as a group appear to be considerably in advance of eastern Canada in extent and intensity of development.

The amount of business contributed by the co-operative purchasing of farm supplies by farmers, although comparatively small, makes up an increasing proportion of the total business of farmers' co-operative organizations in Canada. In Table 3 is shown the relative positions of the farm supply business and the total business of farmers' co-operative business organizations in Canada. From

TABLE 2. *Extent of Co-operative Development in Canada and the Provinces as Reported by Farmers' Business Organizations in 1937*

Province	Membership farmers' co-operative associations	Occupied farms in census 1931	Volume of business for crop year 1936-7	Co-operative business per occupied farm
	No.	No.	\$	\$
Prince Edward Island	8,760	12,865	1,490,599	115.86
Nova Scotia	5,997	39,444	2,683,761	68.04
New Brunswick	3,966	34,025	1,241,303	36.48
Quebec	38,859	135,957	12,693,528	93.36
Ontario	29,432	192,174	17,718,146	92.20
Manitoba	45,691	54,199	11,830,588	218.28
Saskatchewan	152,757	136,472	65,069,752	476.80
Alberta	63,216	97,408	27,791,698	285.31
British Columbia	13,850	26,079	9,755,365	374.07
Interprovincial	34,390		23,652,377	
CANADA	396,918	728,623	173,927,117	238.71

TABLE 3. *Relation of Annual Volume of Co-operative Supply Business to Total Business of Farmers' Co-operatives in Canada from 1931 to 1937*

Year	Total business	Farm supply business			Per cent. of total business
		By marketing associations	By purchasing associations	Combined supply business	
	\$	\$	\$	\$	
1931-2	145,331,251	3,622,734	7,042,769	10,665,503	7.3
1932-3	115,849,894	3,540,052	5,239,063	8,779,115	7.6
1933-4	136,411,483	2,245,085	5,143,949	7,389,034	5.4
1934-5	130,384,891	4,042,930	5,198,825	9,241,755	7.1
1935-6	158,165,565	4,725,035	7,808,067	12,533,102	7.9
1936-7	173,927,117	3,537,273	12,304,994	15,842,267	9.1

the low point of 1933-4, when the farm supply business amounted to 5.4 per cent. of the total, the ratio has steadily increased to 9.1 per cent. in 1936-7. The comparatively rapid development in the farm supply business by co-operatives is perhaps more clearly presented in Table 4, which shows the business of each year since 1933-4 increasing by over 25 per cent. from the previous year, with an increase from \$7,389,034 in 1933-4 to \$15,842,267 in 1936-7, or of 114.4 per cent. This is to be compared with an increase of 47 per cent. for the marketing co-operatives. In making this comparison for recent years consideration must be given to the relatively low volume of grain marketed, which has made up a large proportion of the total business of marketing co-operatives.

Since a large proportion of the farmer's income from sales of farm products is turned into purchases of farm supplies of one kind or another, there appears to be a wide field for co-operative development in the supply business if opportunities to make savings are present.

TABLE 4. *Relative Change in Co-operative Farm Supply Business and Co-operative Marketing of Farm Products in Canada from 1931 to 1937*

Year	Total sales value of farm supplies	Per cent. change from previous year	Total farm products marketed	Per cent. change from previous year
	\$		\$	
1931-2	10,665,503		134,374,973	
1932-3	8,779,115	-17.7	106,515,215	-20.7
1933-4	7,389,034	-15.8	128,413,680	+20.6
1934-5	9,241,755	+25.1	120,419,109	-6.2
1935-6	12,533,102	+35.6	144,392,527	+19.9
1936-7	15,842,267	+26.4	156,616,437	+8.5
Per cent. change from low year to 1936-7 .		+114.4		+47.0

During the last two or three years the products of a number of wholesale co-operatives of the United States have entered this country through Canadian co-operative agencies. As yet the amount of business is small, but there appears to be possibilities for growth. The United States co-operatively manufactured farm tractors and cream separators have been favourably received, and a Canadian wholesale co-operative is considering placing an order for United States' co-operatively manufactured refrigerators.

The British Co-operative Wholesale Society has a selling agency in Winnipeg, but, as one of the officers of the Society expressed it, 'The C.W.S. does not get enough business in Canada to pay our representative's travelling expenses'. The inter-co-operative exchange of goods between Canada and overseas countries is apparently a 'one-way traffic'. It may not be generally known that the C.W.S. established a branch agency in Montreal in 1894. This branch office is entirely a buying organization for the English and Scottish Co-operative Wholesale Societies. The annual volume of business has grown from a few thousands in 1894 to over \$25,000,000. About forty types of commodities are handled including farm crops, mainly wheat, dairy products, and fish. The Society states that in 1936 it handled nearly one-sixth of Britain's imports of Canadian wheat and one-third of the imports of Canadian canned fish. The

Society does not buy exclusively from co-operatives, but other things being equal the co-operative is favoured. An office has been opened in Vancouver. It is planned that the Canadian branch will be used as a buying organization for Australian, New Zealand, and Scandinavian co-operatives. This programme is in the process of development.

Perhaps the most interesting and successful development in recent years is associated with the Extension Department of St. Francis Xavier University at Antigonish in the province of Nova Scotia. The field of activity of the Extension Department is mainly among mine workers and fishing communities, although a good deal has been done in rural agricultural areas. In 1928 the Extension Department undertook a programme of adult education. The movement was founded on the idea that education, whatever else it does for men and women, should enable them to live in the widest sense of the term. Education for improvement begins in the economic field which the Antigonish teachers believe is foundational to cultural and spiritual development.

The technique of the 'little group' idea is employed. By this means it is possible to mobilize many people over a wide area at little expense. The small groups are study clubs which meet once a week under the chairmanship of a leader. The generating force is within the University, whose philosophy is, 'expose the study group to an idea, hitch them up and let them go'. Self-help with nature taking her course is the way out. As Dr. Coady, Director of the Extension Department, puts it, 'a philosophical idea is worth tons of data'.

Group study is coupled with action directed towards the ownership and control of the economic processes. The central idea is to get back a sense of ownership among the people. The vehicle by which ownership is to be accomplished is co-operation. After a period of study the first active step is the formation of a credit union, and this has been frequently followed by the organization of a co-operative store or producers' society. The first study club was organized in 1930. There are now 1,100 with a membership of 10,000 persons. Leadership courses have been organized at the University, which have grown from an attendance of 86 in 1933 to 132 in 1938. The first credit union was organized in 1932. To-day there are 142 credit unions with an active membership of 22,000. Total assets amount to \$407,512, and loans to date total \$2,000,000 in round figures. Thirty-nine co-operative stores, 4 buying clubs, 11 co-operative fish plants, and 17 lobster factories with a total volume of business of approximately \$1,000,000 annually have been

established under this programme. The co-operative plan has been extended to hospitalization schemes and co-operative building societies.

Although organization is easy and the real testing of the movement will come 10 or 15 years hence when the idea becomes familiar and grows a little old and commonplace and when private business reorganizes to meet the new form of competition, there is evidence that the work will be lasting. Organization is preceded by months and sometimes years of study. The Extension Department carefully surveys possibilities for success and directs the organization of a new co-operative. Authority to start business must be granted by the supervisor of co-operatives of the Nova Scotia Department of Agriculture. The Department also maintains an inspection service to assist the managers of the co-operatives and protect the interests of the membership.

A number of recent Canadian co-operative developments and problems which have been discussed in this paper and other problems with which time does not permit us to deal may be summarized as follows :

1. Definite progress in co-ordination of facilities and services among farmers' marketing and purchasing co-operatives.
2. Credit restriction by co-operative marketing and purchasing associations. The principle that credit service should be supplied by a separate institution appears to be emphasized more generally.
3. A larger measure of accounting and financial supervision of locals by central organizations.
4. A greater recognition and appreciation by governments of the importance and usefulness of co-operative organization.
5. A realization that there should be more self-help in the financing of the operations of local co-operatives and application of the principle that users of the services should supply the working capital on a proportionate use basis.
6. There is evidence of co-ordination of services between country producer and city consumer co-operative organizations, but this problem thrusts itself forward. To whom shall benefits go? To the producer in the form of a better price, or to the consumer in patronage dividends, or how shall an equitable division be made?