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THE GRAIN GROWERS' GUIDE, Winnipeg

Shall the People of the West Co-operate so as to Buy together and for Cash?

By E. A. PARTRIDGE

EDITOR'S NOTE.—Last week Mr. Partridge under the above title showed the necessity for re-organization of business in country towns, and the desirability that it should follow co-operative lines. This week he suggests the details of a proposed system of co-operative stores and also a method of procedure in establishing them.

The most important fact in connection with the proposition under consideration is the necessary change it involves in the application of the credit system. It has become the custom of the banks to supply their credit to the country through the manufacturer, the wholesaler and the merchant. This is a most circuitous and costly method of financing the people. In this way instead of small credits extended to many people, large credits are given to a privileged few who farm them out to the others at great profit to themselves.

The few large banking institutions with numerous branches which we have in Canada, instead of the small local bank system enjoyed by the nation to the south of us is probably responsible for this unsatisfactory method of supplying credit having survived so long. The time has come, however, for a change, one which it is hoped the bankers will themselves see the necessity for, and hasten to bring about by supplying credit through their local bank agents to the organized consumers, partly on their joint or corporate guarantee, and partly on their individual standing as producers or wage earners. Any general refusal to do this, in the face of a widespread demand now taking form, would lead to sharp criticism of our present banking laws, an agitation for their amendment, and a successful attempt to dot the older settled parts of the country with co-operative credit banks to meet the needs of a co-operative system of buying. Interviews with some of our prominent bank officials, however, give reasonable grounds for believing that our bankers generally are alive to the desirability and practicability of the change proposed, and that instead of opposing it, they will give it a cordial welcome.

The first step to take then in the establishment of a co-operative group, or more properly the organization of the community for the purpose of co-operative buying would be to obtain an assurance from the local bank or banks that the necessary credits would be supplied. This fact being known would greatly facilitate the work of organization both in the way of securing members and the removing of opposition.

The next step to be taken by the organization committee or those having the business of organizing in hand, is to confer with those engaged in carrying on the trade of the town, as to their willingness to allow their business to be absorbed in the co-operative business by purchase; the intention being to avoid as far as possible hardship to individuals and antagonism towards the co-operative enterprise, by buying out the stock, leasing the premises, and so far as practicable employing the services, on salary, of those now carrying on the business. Different communities would aim at greater or less consolidation and scope in their co-operative enterprise. Some would content themselves with handling coal, lumber and other building materials, and implements, on the start at least. Others would go further and include harness, hardware and groceries. In some cases a complete absorption of the business would be undertaken.

The third step will be the signing of articles of agreement by a considerable group of the more prominent members of the community, the application for letters patent under the Joint Stock Companies Act of the province wherein the group is situated, and the solicitation of applications for stock accompanied by, say 25 per cent. of the par value. At the proper times the allotment of stock would take place, a general meeting be called, the provisional directors be succeeded by those regularly elected, the remainder of par value of stock called, by-laws enacted, officers elected, committees and a general manager appointed, and the company would be ready for business.

The first act of business would be to arrange with the bank for the command of money, beyond the paid up capital,

necessary to make purchases of goods for cash. In the case of goods taken over from the stocks of local merchants these would either be paid for in cash or accepted as payment for stock to be taken in the co-operative store by the owner. In the taking over of local stocks the services of a skilled valuator should be engaged, and all dead or deteriorated stock rigidly rejected or accepted at figures which would permit it being cleaned out at bargain prices. In the laying in of new stock the patrons of the store would be asked to make close estimates of their requirements.

As a detail of the business, a hall should be provided where the members would meet at regular intervals to discuss community matters, enjoy social contact, and confer with the manager, the directors or each other with respect to the business connected with their co-operative buying and selling.

The advances to the company by the bank would be on the security of the paid up stock pledged to the bank or the excess value of the stock of the company over the amount advanced.

Three classes of customers would be found among the shareholders. (a) Those with cash in hand, or in the bank, for all their purchases. (b) Those whom the bank would finance to the extent of their purchases by honoring their checks drawn in favor of the company in payment of goods and charge, with interest, to overdraw account, at the same time crediting the overdraft of the company with the amounts represented by these checks. (c) Those whose credit at the bank was required to be guaranteed by the company in order that their checks in favor of the store would be accepted. These persons would apply to the committee representing the company for a guarantee credit. This committee, after due consideration, would refuse to guarantee, guarantee in part, or to the whole limit of the request, as seemed expedient either on the bare reputation of the applicant or on the strength of some security such as a short time mortgage on real estate, or chattels, or a bill of sale, kinds of security which banks are forbidden by law to loan money on, but which the company could take and guarantee the bank. Thus the whole reputable part of the community would be put upon a cash basis and able to save, on an average, 25 per cent. on their purchases, since the store could buy in large quantities and for cash, need buy practically nothing beyond what was ordered in advance and would have minimized the loss likely to accrue from bad debts. It is true some risk is assumed on account of the weaker members of the community, but in any event the man who pays under the present commercial system supports the man who doesn't. But in this case some choice is given to the group as to guarantees given and securities demanded. Moreover there is less risk of failure to pay among those who are buying their goods at proper values than among those who are grossly over-charged.

In putting a price upon the goods in the store a certain per cent. would be added for losses from guaranteed accounts as in other businesses, but the risk would be much smaller than in a general credit business. Goods would be sold at such a price as to ensure a fair profit, as the price would be the same to shareholders and non-shareholders at the time of purchase. However, after the operating expenses were met, with provision for losses and depreciation and a fixed charge for interest on the capital stock in the form of a dividend, the remaining profits would be divided among the shareholders in proportion to the amount of their purchases, thus giving them their goods at practically cost and making the distinction between shareholders and non-shareholders, necessary to induce the latter to come into the membership.

The multiplication of groups such as described would in a short time lead to the creation of a central purchasing