



CANADA

REFERENCE PAPERS

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 57

(Revised October 1963)

CO-OPERATIVE BUSINESS IN CANADA

(Prepared in the Economics Division,
Department of Agriculture, Ottawa)

The pioneers in most parts of Canada had to co-operate simply to survive. Much of this co-operation was informal, as in barn-raising bees, the exchange of labor, and assistance to neighbors in difficulties.

The pioneers developed business organizations that had some co-operative aspects. Meanwhile in England, weavers at Rochdale and others were developing the basic principles for co-operative business. These principles include:

- (1) open membership -- all who can benefit from the service may join;
- (2) democratic control -- each member has only one vote;
- (3) limited return on capital at a modest rate set by the annual meeting;
- (4) distribution of surplus on the basis of patronage.

The Beginnings

A co-operative store was opened by coal miners in Stellarton Nova Scotia in 1861 and at least nine more followed in other Nova Scotia communities before 1900. None of these survived after the First World War. The British Canadian Co-operative Society at Sydney Mines was organized in 1906; it is the oldest and one of the most successful co-operatives for the purchasing of consumer goods in Canada today.

In Quebec, development of the co-operative movement began with the formation of a farmers' mutual fire-insurance company in 1852. Co-operative insurance soon spread to the life-insurance field, the first fraternal society being formed in 1863. Mutual fire-insurance and fraternal societies continue to be important types of co-operative in Quebec, and have spread to other provinces.

Another early development in Quebec was the organization of La Caisse Populaire de Lévis by Alphonse Desjardins in 1900. This was the beginning of the co-operative credit and savings institutions that now play an important role in the Canadian economy. The first farmers' co-operative trading organization in this province was formed in 1915 and a fishermen's co-operative was organized in 1923.

A Canadian farmers' organization, the Dominion Grange, was granted a federal charter in 1877. It was formed from branches of the American Grange in Ontario and Quebec. At its peak, the Grande had 31,000 members, of whom

- 2 -

26,000 were in Ontario, where they operated a salt-manufacturing company for 38 years. The Grange also went into fire-insurance business for 22 years and, in 1879, started a banking operation that lasted seven years. The Grange eventually united with another farmers' organization.

About 1890 the Patron of Industry organization came to Canada from Michigan; it handled binder twine for farmers on a co-operative basis.

Agriculture in the Prairie Province began to develop rapidly about 1890. This encouraged the early settlers to try to establish better marketing facilities. The beginnings of the co-operative movement in this section of Canada were made by organizations formed by these farmers.

The federal Department of Agriculture helped farmers in the Territories (now Saskatchewan and Alberta) to form co-operative creameries during the 1890's and early 1900's. These provided marketing facilities for cream in communities where there had not been any. Another early co-operative creamery was established in the Duncan area of Vancouver Island in 1896.

There was much dissatisfaction among the Prairie pioneers about the marketing of grain. In the early 1900's, the Territorial Grain Growers Association and the Manitoba Grain Growers Association were formed. While some progress was made in obtaining relief through regulatory legislation, these organizations soon decided that co-operative marketing was the real solution, and the Grain Growers Grain Company was organized in 1906. Some farmer-owned local elevator companies had been formed before this date.

Province-wide co-operative elevator companies were well established in each of the three Prairies Provinces by 1913. The United Grain Growers Ltd. was formed in 1917 by the amalgamation of two of these - the Grain Growers' Grain Company in Manitoba and the Alberta Farmers' Co-operative Elevator Company.

Although some of the early co-operatives survived and are still in existence, many of them either failed or evolved into joint-stock companies. They were handicapped by lack of appropriate legislation dealing with their incorporation and operation. Manitoba enacted the first provincial co-operative act in 1887, and Quebec followed in 1906. In 1908, a federal bill for the incorporation of co-operatives passed the House of Commons, only to be rejected by the Senate. In subsequent years provincial co-operative legislation became general.

Meanwhile, the need of some common association among co-operatives was felt. A small group of leaders, therefore, met in Hamilton on March 6, 1909, to form the Co-operative Union of Canada, which became a co-ordinating and educational body.

Growth

The co-operative movement in Canada expanded rapidly during the first 15 years of this century. In addition to the co-operative grain-elevator companies, numerous small purchasing and marketing co-operatives were formed. However, many of these could not cope with the rapid changes in price levels that occurred between 1916 and 1924 and failed during that period.

Meanwhile, the farmers of Western Canada, having already built a system of co-operative grain elevators and creameries, developed a keen interest in the pooling principle, whereby they could receive average annual prices for their produce rather than the prevailing market price on delivery date. Pooling was particularly attractive in the marketing of cereal grains, as farmers usually delivered most of their grain during the fall, when prices were often lowest. By 1925, Prairie farmers had organized three large grain pools, which handled about half the grain marketed in the Prairie Provinces. A number of other pools organized during the 1920's followed the pattern set by the grain pools.

The severe depression that began in 1929 gave rise to difficult problems for many marketing co-operatives. Prices of agricultural products held a downward trend for over three years and eventually stabilized at extremely low levels. This led to failure of a number of the weaker co-operatives and imperilled even the strong ones. For example, Saskatchewan Co-operative Creameries Ltd. went bankrupt but was later reorganized. The grain pools made payments at time of delivery that were expected to be substantially below the final price. In the 1929-30 crop year, prices fell so rapidly that these initial payments proved to be much higher than prices realized when the grain was sold. Government-guaranteed loans tided the three grain pools over the crisis.

It was now established that even large pooling co-operatives could not stabilize the prices of Canadian grain. The Canadian Wheat Board was formed to assist in this stabilization. It operates pools for marketing the grain of the Prairie Provinces. The Western grain co-operatives, as agents for the Canadian Wheat Board, assemble and store half the grain marketed in Canada.

Despite all the setbacks during the depression, farmers continued to give their support to co-operatives, so that the basic strength of the movement was unimpaired. Indeed, the 1930's brought a revival of interest in co-operative purchasing. The grain-marketing co-operatives, especially the Saskatchewan Wheat Pool, assisted farmers in organizing new co-operatives. With lower prices for farm products, savings on the purchase of farm supplies became more important. For example, in the Prairie Provinces the mechanization of agriculture led to special interest in savings on the cost of petroleum. A small group of farmers organized Consumers Co-operative Refineries Ltd. in 1935 and built the first co-operative oil refinery in the world. This was the beginning of an upsurge in co-operative purchasing in Canada, which continues to this day.

Marketing and Purchasing Co-operatives

The amount of business reported by the 1,906 marketing and purchasing co-operatives for 1960-61 was the largest on record. There are about $2\frac{1}{2}$ times as many co-operatives now as in 1932 and the total amount of business has increased almost tenfold. Of the \$1.4 billion in 1961, 72 per cent was represented by the marketing of farm products and most of the balance by the purchasing of farm supplies. Though marketing co-operatives do a larger volume of business, purchasing co-operatives have grown faster. Marketing business during the 1957-61 period was five times as great as during the 1937-41 period, but purchasing business had increased sixteenfold. (Table 1.)

The volume of marketing and purchasing business of co-operatives for each occupied farm and for each person in the farm population is not quite as large in Canada as in the United States. The figures for the United States were \$3,038 a farm and \$769 a person on farms in 1960. Comparable 1961 figures for Canada were \$2,961 and \$687. Though these figures require some adjustment for the limited volume of business carried on with the non-farm population, they indicate that co-operation in the agricultural sector is similar in the two countries. Nevertheless, co-operatives handle a larger share of total farm marketings in Canada than in the United States. In Canada, this share is about a third and in the United States about a quarter. The proportion of farm supplies purchased co-operatively is about the same in both countries.

In some countries, agricultural co-operatives play a considerably larger role than this. For example, in Denmark co-operatives handle about 90 per cent of the milk received by dairies and of the hogs slaughtered. In Denmark again, as well as some other European countries, co-operatives are the leading processors and exporters of various agricultural products. (Table 2.)

Grain and seed are by far the most important commodities handled by co-operatives in Canada. This is due to the success of the Prairie grain co-operatives. Although the shares of livestock and livestock products and dairy products marketed through co-operatives are considerably lower than for grain and seed, the total value of these is rather large.

Farm supplies accounted for the greater part of Canadian co-operative purchases of \$388 million in 1960-61. The co-operative purchasing of feed is particularly important in Ontario, Quebec and British Columbia, as much of it is shipped in from the Prairies. Petroleum products are the main commodities purchased co-operatively in the Prairie Provinces because so much power machinery is used. (Table 3.)

Co-operative purchasing of some consumer items, especially food, is also large. Even these items are sold mainly to rural people, though in Western Canada co-operative supermarkets now serve large numbers of urban people. A number of these city co-operatives were organized by farmers and gradually gained urban support.

Some co-operatives, especially in Ontario and the other eastern provinces, market a variety of agricultural products and also purchase farm supplies. These, and the purchasing co-operatives, are generally local organizations serving farmers near one trading centre.

A large part of the co-operative marketing in Canada is carried out by province-wide organizations. Each of these assembles, stores and sells a few closely-related commodities; some of them, including most dairy-product and poultry-marketing co-operatives, process as well. Most of the grain and livestock marketed through co-operatives is processed by other firms, though some co-operatives do their own. For example, the Saskatchewan Wheat Pool operates a flour mill, and much of the livestock marketed in Quebec is processed in the packing plants of La Coopérative Fédérée. There is also a co-operative abattoir in Nova Scotia and a small one has operated for many years in Ontario. Likewise, honey, oilseeds, maple syrup, fruits and vegetables are processed in some co-operative plants.

A few marketing and purchasing co-operatives operate on an inter-provincial basis. The United Grain Growers Limited has elevators throughout Western Canada and terminals on the Great Lakes and at Vancouver. Canadian Co-operative Wheat Producers Limited represents the three Western wheat pools. Through it, the three member wheat pools consider programmes and policies common to each of them and to the many thousands of grain producers in the Prairie Provinces.

Canadian Co-operative Implements Limited is an independent, farmer-owned association with its head office in Winnipeg. It was set up in 1940 to manufacture and distribute farm machinery. Its membership extends over the Prairie Provinces and Northwestern Ontario. Sales of machinery by the company in 1961 were 6.5 million dollars.

Canadian Co-operative Wool Growers Limited operates on a national basis. It has handled almost 70 per cent of the wool going through government-registered stations during the past five years.

Co-operative Wholesales

Nearly all of the co-operatives that purchase farm supplies and consumer goods for their members are affiliated with one or more of the 10 co-operative wholesales in Canada. The wholesales provide the affiliated co-operatives with a wide range of goods, but they do not yet meet all the requirements. Some of the wholesales are also central marketing agencies for farm products. The total assets of the 10 wholesales and those of the Inter-provincial Co-operatives Limited exceeded \$101 million in 1961. Sales of over \$320 million that year were more than double those of 1951.

Over 85 per cent of the total business of the regional wholesales was reported by the three largest - La Coopérative Fédérée de Québec, United Co-operatives of Ontario and Federated Co-operatives Limited in the Prairie Provinces.

La Coopérative Fédérée, with a turnover of over \$100 million annually, is one of the mainstays of agriculture in Quebec. It operates a number of abattoirs, and has recently developed contract arrangements with poultry and hog producers to establish an integrated programme of production. It is a major supplier of agricultural feeds, fertilizers, petroleum products and some types of machinery.

In addition to distributing farm supplies, petroleum and equipment, United Co-operatives of Ontario manufactures feeds and fertilizers. It also markets livestock and grain. Formerly, UCO marketed dairy and poultry products, but much of this type of business has been transferred to a new co-operative, the United Dairy and Poultry Co-operative Limited, organized in 1958. Nevertheless, UCO operates a poultry-processing plant and contracts with producers for its supply of broilers and turkeys.

Federated Co-operatives Limited provides consumer goods and farm supplies to local co-operatives throughout Alberta, Saskatchewan, Manitoba and part of Northwestern Ontario. This co-operative was originally formed by amalgamation of the Saskatchewan Co-operative Wholesale Society and Consumers Co-operative Refineries Ltd. It has spread from Saskatchewan to other provinces by amalgamation with the co-operative wholesales serving those areas.

The provincial and regional wholesales in 1940 formed Interprovincial Co-operatives Limited. This central agency co-ordinates the purchases of certain food products, household appliances and farm supplies by consolidating the buying. The co-operative operates a chemical plant in Manitoba, a food plant in British Columbia and a bag factory in Quebec. It has control of the "Co-op" label, which is used on only high-standard co-operative products. There are more Co-op brand products sold every year.

Several Canadian wholesale co-operatives are members of National Co-operatives Limited in the United States. The business activities of this organization include the joint ownership and operation of a milking-machine factory in the United States.

Financial Structure

Although the proportion of agricultural products sold through co-operatives has changed little for some years, co-operative buying of farm supplies and consumer goods has continued to expand. This growth has accompanied a rapid increase in the total assets of the co-operative movement. In 1961 marketing and purchasing co-operatives had total assets of \$618 million, compared with \$306 million in 1951. In addition, the wholesales had assets of \$101 million in 1961, of which \$38 million were provided by their member co-operatives.

At least 46 per cent of the capital of these co-operatives was provided by the members. Their equity in the total assets (\$618 million) was reported at \$285 million in 1961. However, the reported members' equity does not include money lent either directly or through co-operative agencies by members of one co-operative to other co-operatives; this sum may now be substantial. In recent years some co-operatives, especially the wholesales, have offered debentures and other securities for sale to the general public; but it is likely that most of these have been bought by co-operatives or their members.

Local marketing and purchasing co-operatives may get loans from credit unions, central credit societies, co-operative wholesales and co-operative insurance companies. In several provinces the surplus funds of both local and wholesale co-operatives are deposited with a central credit society.

Fishermen's Co-operatives

Fishermen's co-operatives operate in all provinces. In 1961 there were 80 such organizations, with 9,000 members. They sold \$17-million worth of fish and \$4-million worth of supplies. There are four federations of fishermen's co-operatives: United Maritime Fishermen, Quebec United Fishermen, Ontario Fishermen's Federation and Saskatchewan Co-operative Fisheries Limited.

In British Columbia all fishermen are eligible for membership in one large central co-operative, the Prince Rupert Fishermen's Co-operative Association. This association operates fish-processing plants in Prince Rupert and Vancouver, as well as a fishermen's supply business and supermarket in Prince Rupert. British Columbia fishermen also have co-operative credit and insurance plans.

Service Co-operatives

These co-operatives provide insurance, electricity, housing and other services including water, transportation, telephone and machinery.

Co-operative insurance companies are active in all provinces. They handle life, automobile, fire, hail, general casualty, fidelity and medical insurance.

At the time of their founding, some of the mutual insurance companies were similar to co-operatives in principle. Statutory provisions governing life-insurance companies in Canada make it very difficult to maintain democratic policy-holder control in a large insurance firm. Some of the smaller mutuals, especially in the farm fire insurance field, operate like co-operatives.

The Co-operative Life Insurance Company, originally a provincial company in Saskatchewan, was incorporated under federal legislation in 1947. It operates in all provinces except Quebec. L'Assurance vie Desjardins Ltée, another co-operative, was organized in Quebec by the caisses populaires in 1948. It now has a federal charter and operates in several provinces. There are also some fraternal and mutual insurance societies that are considered to be co-operatives.

In Ontario, Co-operators Insurance Association has offered automobile and casualty insurance since 1949. A companion company, Co-operators Life Insurance Association, was established in Ontario in 1959.

The Co-operative Fire and Casualty Company, incorporated in 1952 under a special act of the Parliament of Canada, has offices in the four Atlantic and the four Western provinces.

About 46 medical insurance co-operatives were functioning in Canada in 1961. Originally hospitalization was the chief benefit to the members. The entry of the federal and provincial governments into hospitalization insurance has changed the role of these co-operatives, but they continue to provide general medical insurance.

Rural electrification of Alberta, and to a lesser extent of Quebec, is financed largely through co-operatives. These electrification co-operatives organize the farmers of a community to obtain electric services for their farms. In Alberta, when the necessary membership is obtained by a new electrification co-operative, it contracts with a utility company serving the area to build and maintain power lines and provide power. The power company bills the co-operative for construction at cost. The co-operative has access to long-term, government-guaranteed loans to pay for the power line. Each member contracts with the co-operative to pay his share of the loan during its term. These co-operatives have, within the past 15 years, brought electricity to more than 56,000 Alberta farms, over 80 per cent of the farms in the province. Private companies a few years ago considered rural electrification in Alberta too costly to undertake.

Housing co-operatives have developed mainly in Newfoundland, Nova Scotia, Quebec and Ontario. Co-operative housing projects are eligible for loans under the National Housing Act. Credit unions, co-operative credit societies and co-operative insurance companies help finance some of these projects.

Credit Unions

Credit unions and caisses populaires assemble savings of the common people to meet their credit needs. The Rustico Farmer's Bank, chartered in Prince Edward Island in 1864, was a forerunner of these credit organizations.

Alphonse Desjardins organized the first caisse populaire at Lévis, Quebec, in 1900. He organized two others in the province before the Co-operative Syndicates Act. This act which provides the legal basis for this type of organization was passed in 1906. By 1930 there were many caisses populaires in Quebec. Other provinces lacked legislation governing the incorporation and supervision of caisses populaires, so that only a few were organized and most of these failed.

The caisse populaire idea spread to the United States. There it was modified to form credit unions, which met the needs of industrial workers. The caisse populaire uses the parish as a common bond of association. In the industrial credit union, employment at a given plant or group of plants is the common bond. This makes possible credit union membership to many people who are not part of closely-knit parishes.

Interest in credit unions increased during the depression of the 1930's. In Nova Scotia, the organization of credit unions was encouraged with considerable success by extension workers of St. Francis Xavier University.

Management of industrial firms across Canada began to see the potential of credit unions in helping their employees. In a few years, appropriate legislation was adopted in all provinces. The credit-union movement entered a phase of rapid growth which still continues. Credit unions and caisses populaires now have more members and more assets than all other types of co-operatives. In 1961 there were 4,697 credit unions with 2,751,059 members and total assets of \$1.5 billion. The Province of Quebec, still leading, has a third of all the credit unions, half of the total membership and about 60 per cent of the assets.

Central credit unions have been formed in all provinces. These act as depositaries for the surplus funds of their member locals, and lend money to their members and in some cases to other co-operative organizations. Membership of the centrals is composed chiefly of local credit unions, but in some provinces the central includes co-operatives and is called a co-operative credit society. There were 27 central credit unions and co-operative credit societies in Canada in 1961. Some of these served a small region, others whole provinces. Their total assets were \$208 million, including investments and loans to members of \$148 million. Members' deposits with the centrals were \$153 million.

The Canadian Co-operative Credit Society, organized in 1953, operates on the national level as a central credit organization for the co-operative movement. Its members include both provincial co-operative credit societies, or central credit unions, and co-operative wholesales.

Supervision and Direction

Co-operative wholesales provide certain supervisory services to local associations. Some have qualified auditors doing continuous audit for local co-operatives and making regular reports to boards of directors. They also help local co-operatives with their income tax returns. The business affairs of some are managed under the direction of the wholesale.

Nearly all Canadian co-operatives are incorporated under provincial authority. There is no general federal co-operative legislation. However, a few co-operatives that operate in more than one province have been set up under the Dominion Companies Act or special acts. There are ordinances governing organization of co-operatives in the Yukon and Northwest Territories.

The extent of supervision and guidance offered to co-operatives varies from province to province. In some, the only government service for most types of co-operatives is to ensure that they are properly incorporated and that the correct legal procedures are followed in amalgamations and dissolutions. In others, the registrar of co-operative associations has a small staff who assist co-operatives during organization and provide advisory services. The Saskatchewan government has a special department to deal with co-operative matters; the provision of inspection and advisory services is among its main functions.

There is more supervision of credit unions than of other co-operatives. In most provinces each credit union is inspected by a government representative about once a year. In Ontario, Credit Union League fieldmen do about half of this inspection work. In Quebec, central credit unions are responsible for all inspection work. They receive grants from the provincial government to do this. The inspector checks to see that the credit union is complying with the act and bylaws; he also looks for unsound management practices and other flaws that may impair the financial soundness of the credit union.

Co-operatives in Canada are generally subject to the same taxes as other business firms. However, they do not have to pay federal income tax during their first three years of operation. Under the Income Tax Act, patronage dividends paid by a business firm may, subject to certain restrictions, be deducted in computing incomes for income tax purposes. Credit unions are exempt from income tax.

Education

Two important national co-operative bodies work together to improve co-operative organization, education and promotion. The Co-operative Union of Canada, which celebrated its fiftieth anniversary in 1959, concentrates its efforts in English-speaking areas. Le Conseil Canadien de la Coopération serves the co-operatives in the areas where the French language predominates. Both are members of the International Co-operative Alliance, with headquarters in London, England.

Eight provincial co-operative unions are members of the Co-operative Union of Canada. Membership also includes interprovincial co-operative credit, manufacturing, marketing and insurance societies. The Credit Union National Association, Co-operative Wholesale Society of Great Britain and Scottish Co-operative Wholesale Society are affiliate members.

A few Canadian universities offer courses on co-operatives and some conduct extension work in this field. None of the others, however, has as extensive a programme as St. Francis Xavier University in Antigonish, Nova Scotia. Since the early 1930's, this university has carried on extension work in the Maritime Provinces to organize and assist co-operatives. In more recent years a variety of courses has been developed to train people in co-operation. Some of these are short courses for directors and managers of existing co-operatives and credit unions; others are offered as an integral part of university work. In addition, special courses are offered for visitors from other countries who wish to learn about co-operatives in Canada. The Coady International Institute was set up at St. Francis Xavier University in 1960 to train students from abroad.

To provide training for employees of co-operatives, the Co-operative Institute was established in Saskatoon, Saskatchewan, in 1955, under the sponsorship of Federated Co-operatives Limited. It has concentrated on short courses, often only one or two weeks long, for co-operative directors, managers

and employees. In 1959, with support from co-operatives in the four Western provinces, the Co-operative Institute was reorganized as Western Co-operative College. The construction of the college buildings, which are to include two residences (each housing 20 students), was begun in 1961 in Saskatoon.

The large co-operatives also conduct educational programmes to strengthen their own organization and to stimulate interest in forming new co-operatives. The work of the Saskatchewan Wheat Pool in this field is especially important; it has operated a broad educational programme for many years.

A number of the larger co-operatives either publish or sponsor the publication of periodicals. Six of the larger publications, one in French, are bimonthly; others, in both languages, appear monthly. A digest of co-operative news and information of general interest is issued quarterly. One weekly newspaper of general interest and one farm magazine are also sponsored by large co-operatives.

Taxation

Under Section 73 of the Income Tax Act, a corporation, incorporated under provincial legislation respecting co-operative associations for marketing, purchasing or service, is exempt from taxation for its first three taxation years.

To qualify for this exemption co-operatives must comply with certain additional provisions:

- 1) The charter, by-laws or contract, with members or customers, must hold forth the prospect that patronage dividends will be paid.
- 2) No member may have more than one vote in the conduct of the affairs of the co-operative.
- 3) At least 90 per cent of the members must be individuals and at least 90 per cent of the shares, if any, must be held by individuals.
- 4) The rate of interest on member capital, or dividends on shares, must not exceed 5 per cent.
- 5) Non-member business must not exceed 20 per cent of the total business.
- 6) The co-operative must not be a continuation of a previous business in which many of the members had a substantial interest.

All Canadian co-operatives must file income-tax returns, whether they are subject to tax or not.

Under Section 75 of the Income Tax Act, patronage dividends paid by any business co-operative or otherwise are allowable as a deduction in computing taxable income. In order to claim this reduction, a firm must have "held forth prospect" of paying patronage refunds and this prospect must have been announced prior to the taxation year by an advertisement in a newspaper, by contracts, or explicitly set forth in the charter, by-laws, articles of association or the act under which they were incorporated or registered.

The co-operative must, within 12 months after the taxation year, allocate the refund to all customers at the same rate except for non-members, who may be credited with a different rate. There may be different rates also for different commodities.

Payment of refunds must be made within the taxation year or within 12 months afterwards, to be deductible in the taxation year. Otherwise such payments are deductible when paid. Payment includes the following five methods:

- 1) By cash.
- 2) By certificates of indebtedness or issue of shares of capital stock, provided an amount of money equal to the certificates or shares issued has been disbursed in redeeming previous issues.
- 3) By applying the refund against a debt of the customer, providing the co-operative has statutory or written authority from the customer to do so.
- 4) By retention by the co-operative as a loan from a member, providing, the member or customer has given a written authority to the co-operative for this purpose.
- 5) By applying the refund on account of a loan or purchase of shares pursuant to a by-law that requires the member to make a loan or purchase shares and authorizes the application of the patronage dividend thereon, if the statute under which the co-operative is constituted provides that all by-laws of the co-operative are binding on all members.

There are, however, limitations on the amount of refund allowable as a deduction from income. A co-operative, having complied with the requirements set forth above, cannot claim as an allowance a refund to members greater than the income arising from member business. All refunds paid to non-members may be deducted from income.

Furthermore, the amount of refund cannot reduce the taxable income below 3 per cent of the capital employed in the business, with the exception that such capital includes all borrowed money other than money borrowed from chartered banks and credit unions. However, the 3 percent capital employed may be reduced by interest paid on money borrowed from sources other than chartered banks and credit unions.

Table 1.- Marketing and Purchasing Co-operatives in Canada, 1932-1961.

| Crop Year ended | Associations | Total Business including other Revenues | Marketing | Purchasing |
|-----------------|--------------|---|-----------|------------|
| | - Number - | -\$ 000 - | | |
| 1932 | 795 | 145,303 | 134,611 | 10,665 |
| 1935 | 697 | 130,384 | 120,853 | 9,241 |
| 1940 | 1,151 | 236,322 | 214,293 | 21,129 |
| 1945 | 1,824 | 585,650 | 500,481 | 81,360 |
| 1950 | 2,495 | 1,015,264 | 803,639 | 206,082 |
| 1955 | 1,949 | 941,377 | 704,047 | 228,446 |
| 1960 | 1,934 | 1,358,625 | 972,333 | 365,744 |
| 1961 1/ | 1,906 | 1,424,308 | 1,017,750 | 388,022 |

1/ Exclusive of sales of produce and supplies by service and fishermen's associations.

Table 2.- Farm Products marketed by Co-operatives in Canada, 1961.

| | -\$ 000 - |
|----------------------------------|------------------|
| Grain and Seed | 427,190 |
| Livestock and Livestock Products | 270,377 |
| Dairy Products | 228,550 |
| Fruits and Vegetables | 33,103 |
| Eggs and Poultry | 44,255 |
| All Others | 14,275 |
| Total | 1,017,750 |

Table 3.- Merchandise and Supplies sold through Co-operatives in Canada, 1961.

| | -\$ 000 - |
|---|----------------|
| Feed, Fertilizer and Spray Material | 122,103 |
| Food Products | 106,049 |
| Petroleum Products and Auto Accessories | 69,986 |
| Hardware | 26,056 |
| All Others | 63,828 |
| Total | 388,022 |

Table 4.- Credit Unions in Canada, 1920-1961

| Year | Number Chartered | Members | Assets |
|------|------------------|-----------|---------------------|
| | - number - | | - million dollars - |
| 1920 | 113 | 31,752 | 6 |
| 1925 | 122 | 33,279 | 8 |
| 1930 | 179 | 45,767 | 11 |
| 1935 | 277 | 52,045 | 10 |
| 1940 | 1,167 | 201,137 | 25 |
| 1945 | 2,219 | 590,794 | 146 |
| 1950 | 2,965 | 1,036,175 | 312 |
| 1955 | 4,100 | 1,731,328 | 653 |
| 1960 | 4,608 | 2,553,951 | 1,299 |
| 1961 | 4,697 | 2,751,059 | 1,509 |

