

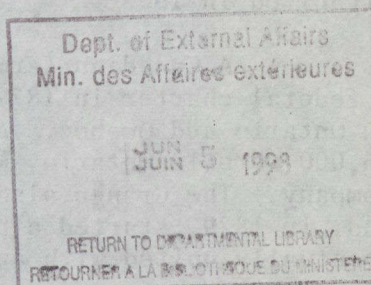
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CO-OPERATIVE BUSINESS IN CANADA

(Prepared in the Economics Branch,
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 include:

- (1) Voluntary membership (all who can benefit from the service may join);
- (2) democratic control (each member has only one vote);
- (3) limited rate of interest on capital, if any;
- (4) distribution of surplus or savings on the basis of patronage.

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, organized in 1906, is the oldest co-operative for the purchasing of consumer goods in Canada, and one of the most successful.

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.

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Another early development in Quebec was the organization of La Caisse Populaire de Lévis by Alphonse Desjardins in 1900. This was the first 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 Grange had 31,000 members, of whom 26,000 were in Ontario, where for 38 years they operated a salt-manufacturing company. The Grange also went into the 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 Provinces began to develop rapidly about 1890. The early settlers were thus encouraged to try to establish better marketing facilities. The beginnings of the co-operative movement in this part of Canada were made by organizations formed by these farmers.

The federal Department of Agriculture helped farmers in the territories that are now Saskatchewan and Alberta to form co-operative creameries during the 1890s and early 1900s. These provided marketing facilities for cream in communities where there had been none before. 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 1900s, 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 Prairie 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 for 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 autumn, when prices were often at their lowest. By 1925, Prairie farmers had organized three large pools, which handled about half the grain marketed in the Prairie Provinces. A number of other pools organized during the 1920s 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 the 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 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 over half the grain harvested in the Prairie Provinces.

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 1930s 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 total volume of business of 1,495 marketing and purchasing co-operatives amounted to \$1,775 million in 1965, the second highest on record.⁽¹⁾ Although most items showed an increase over 1964, the record year, the total was down slightly owing to a reduction in export sales of wheat from the unusually high level reached in 1964. The volume of business in 1965 represented a twelvefold increase over 1932, the first year co-operative statistics were tabulated. However, the number of co-operatives in 1965, while almost double the 1932 figure, has been steadily declining since the peak year 1950, reflecting the trend of consolidation into larger units. Marketing of farm products accounted for 68 per cent of total volume in 1965, distribution of farm supplies and consumer goods (purchasing) 31 per cent and service revenue and miscellaneous income 1 per cent.

Grain and seeds is the largest category of commodities marketed by co-operatives in Canada and represented 48 per cent of total marketings in 1965, followed by dairy products, 25 per cent, and livestock and livestock products, 18 per cent.⁽²⁾ Grains and seeds and livestock and livestock products are marketed chiefly in the Prairie Provinces.

Dairy products are handled in all provinces except Newfoundland, with the heaviest concentration in Ontario and Quebec, which together accounted for 54 per cent of the total in 1965.

Farm supplies accounted for the greater part of Canadian co-operative purchases of \$549 million in 1965. 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.⁽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.

(1) See Table 1.

(2) See Table 2.

(3) See Table 3.

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 are also single co-operative abattoirs in Nova Scotia, Ontario and Manitoba. 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 provincial 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 1965 were \$20.3 million.

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 ten 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 eight 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 eight wholesales and those of Interprovincial Co-operatives Limited exceeded \$146 million in 1965. Sales of \$413 million were more than two and a half times those of 1955.

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 exceeding \$125 million annually, is one of the mainstays of agriculture in Quebec. It operates a number of abattoirs, and through contract arrangements with poultry and hog producers has established 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 most of this type of business was 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, petroleum products, fertilizers and other 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 herbicide plant in Saskatchewan. It has control of the "Co-op" label, which is used only on high-standard co-operative products. Sales of "Co-op" products are increasing year by year.

Western Co-operative Fertilizers, organized on a partnership basis by Federated Co-operatives and the Alberta and Saskatchewan wheat pools to supply the fertilizer needs of co-operative members in the Western provinces, was incorporated in February 1964. The plant was built on a 320-acre site near Calgary, Alberta, with an annual production capacity of 225,000 tons and space for future expansion. Its total output was to go to the three partner-members for distribution to local co-operatives. The new plant was officially opened in October 1965 and went into full-scale production a few months later.

Several Canadian co-operatives are members of co-operatives in the United States. The business activities of these organizations include a milking-machine factory, fertilizer plants and other plants for farm supplies 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 1965, marketing and

purchasing co-operatives had total assets of \$762 million, compared to \$419 million in 1955. In addition, the wholesales had assets of \$146 million in 1965, of which \$54 million was provided by their member co-operatives.

At least 45 per cent of the capital of these co-operatives was provided by the members. Their equity in the total assets (\$762 million) was reported at \$345 million in 1965. 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 -- a sum that 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 1965 there were 91 such organizations, with 11,000 members, which sold \$25-million worth of fish and \$5-million worth of supplies. There are three federations of fishermen's co-operatives: United Maritime Fishermen, Quebec United Fishermen, 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 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, cold storage and seed-cleaning.

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.

About 50 medical-insurance co-operatives were functioning in Canada in 1965. 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.

The electrification of rural Alberta is financed largely through co-operatives that 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, organized within the past 20 years, bring electricity to more than 60,000 Alberta farms, over 80 per cent of the provincial total. Private companies had considered rural electrification in Alberta too costly to undertake.

Housing co-operatives have developed mainly in Newfoundland, Nova Scotia, Quebec, Ontario, Manitoba and Saskatchewan. 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.

Service co-operatives reporting for 1965 (excluding insurance co-operatives other than medical insurance co-operatives) numbered 664, with a membership of 264,000, business revenue of \$30 million and assets of \$95 million.

Production Co-operatives

This group of societies includes co-operative farms, wood producers' co-operatives, grazing, feeder, artificial-insemination and machinery co-operatives. In 1965, the volume of business amounted to \$16 million for 365 production co-operatives with 33,000 members and \$12 million of assets.

Co-operatives in the North

The Co-operative Development Programme, which was started in the Canadian North in 1959, has met with the interest of the local people. On April 1, 1966, there were 22 co-operatives in operation in the Northwest Territories and northern Quebec. Another eight groups are at present in the formative stage.

The total sales of these co-operatives are now in excess of \$1 million, with some of the individual co-operatives at the \$100,000 level. While Arctic co-operatives were heavily dependent on outside capital for their initial development, members' equity in total assets now exceeds outstanding debt by some \$300,000.

The social impact these co-operatives have made in helping the people to recognize more fully the importance of their role in their own affairs has been at least equally significant to the economic benefits achieved.

Apart from the Department of Indian Affairs and Northern Development, the governments of the Province of Quebec and the Northwest Territories are now active in providing assistance to a number of co-operative developments in northern Quebec and the Territories respectively. The Co-operative Union of Canada and the Conseil de la Co-opération du Québec are also participants in the northern co-operative development.

Credit Unions and Caisses Populaires

Credit unions and caisses populaires assemble savings of the 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 before the passing of an act which provided the legal basis for this type of organization 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 1930s. 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-operative. In 1965, 4,939 credit unions with 3.7 million members and total assets of \$2.5 billion made loans to their members of \$1.1 billion.⁽⁴⁾ The Province of Quebec, still leading, has a third of all the societies, half of the total membership and about 55 per cent of the assets.

Central credit unions and caisses populaires 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 societies, but in some provinces the central includes co-operatives and is called a co-operative credit society. There were 28 central societies in Canada in 1965. Some of these served a small region, others whole provinces. Their total assets were \$357 million, including investments of \$176 million and loans to members of \$123 million. Members' deposits with the centrals totalled \$256 million. The centrals made loans to their members during the year of \$221 million.

⁽⁴⁾ See Table 4.

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.

There were two co-operatives trust companies operating in Canada as of 1965. These trusts provide on a co-operative basis the kind of service generally offered by trust companies, such as administration of estates, corporate and other trusteeships, mortgage loans and guaranteed deposits. At the end of 1965, the Co-operative Trust Company Limited in Saskatchewan reported total assets of \$26 million and trust loans outstanding of \$10 million, while the Quebec Trust Company, an affiliate of La Fédération des Caisses Populaires Desjardins, showed total assets of \$31 million, investments of \$25 million and mortgages outstanding of \$5 million.

Landmark Credit Limited and Landmark Savings and Loan Association, two affiliated organizations incorporated in 1962 and 1965 respectively in Ontario to provide first and second mortgages to credit-union members, had combined total assets of \$3 million and loans outstanding of \$2.7 million at the end of 1965.

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 not yet any general federal co-operative legislation. However, a few co-operatives that operate in more than one province have been set up under the Canada Corporations 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-operative 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 which assists co-operatives during organization and provides 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 and caisses populaires than of other co-operatives. In most provinces each society is inspected by a government representative once a year. In Ontario, Credit Union League fieldmen do about half this inspection work. In Quebec, centrals are responsible for all inspection work, for which they receive grants from the provincial government.

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 co-operatives in the areas where the French language predominates. Both are members of the International Co-operative Alliance, with headquarters in London, England.

Membership in the Co-operative Union of Canada includes 27 co-operative societies and provincial co-operative unions, the Credit Union National Association, the Co-operative Wholesale Society of Great Britain and the Scottish Co-operative Wholesale Society.

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 1930s, this university has carried on extension work in the Maritime Provinces⁽⁵⁾ 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 of only one or two weeks duration, 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. College buildings, including residences, were constructed in 1962 and additional residences were built in 1965, which provide accommodations for 84 students.

⁽⁵⁾ Since the entry of Newfoundland into Confederation in 1949, the extension work of St. Francis Xavier University has covered the four Atlantic Provinces.

In Quebec, the insurance and finance co-operatives founded the Institut Coopératif Desjardins in 1963. The Institut specializes in social leadership and adult education for Quebec co-operators and foreign students.

The large co-operatives also conduct educational programmes to strengthen their own organizations 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.

External Aid Office

The co-operative idea has been found most appropriate for many of the social and economic needs of developing countries, and Canada is helping meet their training requirements by sponsoring study programmes at Canadian institutions and colleges which provide courses related to the co-operative field. A variety of courses have been organized. The object of this training is to prepare leaders and managers who will actively engage in co-operative work when they return home. By the end of 1966, the External Aid Office had placed 80 students for the year. It was expected that 120 would be accommodated during 1967. Apart from the formal programmes which are organized, individuals are often provided with special arrangements where this is necessary to meet the urgent needs of a particular country. Also, Canadian technical advisers serve overseas to assist in various co-operative enterprises.

A variety of programmes are scheduled each year with many co-operative schools and societies which conduct this training in Canada. Considerable flexibility is made possible by this variety, as certain groups of students will require either more or less practical training, as against academic preparation, than other groups. In addition to the several courses offered on the principles and techniques of co-operative operations, purchasing, management, and credit union organization, students are attached for various periods to co-operative societies for practical experience and observation.

It is expected that increasing numbers of students will be trained in Canada in future. Canada has excellent resources of co-operative experience on which to draw, and overseas interest in this kind of developmental assistance is growing.

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 share, 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, 1932-1965.

Crop Year ended	Associations	Total Business including other Revenues	Marketing	Purchasing (Supplies)
	- 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
1965 <u>1/</u> <u>2/</u>	1,495	1,774,600	1,201,700	549,400

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

2/ Calendar year basis for 1965.

Table 2. - Farm Products marketed by Co-operatives in Canada, 1965.

	-\$ 000 -
Grains and Seeds	574,100
Livestock and Livestock Products	218,000
Dairy Products	296,600
Fruits and Vegetables	46,900
Eggs and Poultry	51,200
All Others	14,900
Total	1,201,700

Table 3. - Merchandise and Supplies sold through Co-operatives in Canada, 1965.

	-\$ 000 -
Food products	150,700
Feed	128,900
Petroleum	90,300
Hardware and Machinery	74,400
All Others	105,100
Total	549,400

Table 4. Credit Unions in Canada, 1920-1965.

Year	Number Chartered	Members	Assets	Loans Granted
	- 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	260
1960	4,608	2,553,951	1,299	481
1965	4,939	3,677,291	2,542	1,078

RP/A