

British Co-operatives as Wholesalers and Manufacturers

By R. PEERS

THE story of Co-operation in Great Britain is known, in certain of its aspects, to many thousands of people the world over. It is true that it finds little place in the recognised text-books of Economic History, and that students of Economics in the Universities may complete their courses knowing practically nothing of the co-operative system of economic organisation and the principles which differentiate it from private capitalist enterprise. But there are over seven million co-operators in Britain who, with their families, represent at least half the total population; they spend annually well over £200,000,000 in stores which are owned by themselves, are governed democratically by elected boards, and carry on their vast trading activities without the stimulus of the profit motive. Vigorous co-operative movements in other countries look, equally with the British movement, to Rochdale as the parent society.

This aspect of co-operative expansion—the great increase in membership and in the volume of retail trade—is well understood by all who know anything at all about the co-operative movement. Members are familiar with the facts of expansion in connection with their own societies; and statistics of membership and trade for the country as a whole are easily grasped as an extension of their own experience. But there is another aspect of co-operative expansion which is equally if not more important: side by side with the horizontal growth of the movement, there has taken place, during the past 75 years, a progressive expansion of the movement vertically,

from retail trading to wholesale dealing, and from that to manufacturing. Both this development itself, and the vital necessity for it, have been less clearly understood than the more spectacular growth of co-operative retail trading. Without these necessary foundations, there could, of course, be no prospect of an independent co-operative movement; and this double aspect of expansion is also essential to any coherent theory of Co-operation.

For these reasons, there are many who prefer to date the origin of the modern co-operative system from the foundation of the Co-operative Wholesale Society—C.W.S.—in 1863, rather than from the establishment of the Rochdale Society in 1844. There was little to differentiate the latter from the earlier Owenite Societies; even dividend on purchases was not new. But the C.W.S. marks the beginning of a new conception of co-operative enterprise; and when the Wholesale Society began manufacturing in 1873, the break with Owenism was complete, and the distinction between Consumers' Co-operation and Producers' Co-operation became potentially clear.

In order to measure achievement, it is necessary that principles should be understood. There are two outstanding principles of co-operative practice: ownership and control by the undifferentiated consumer interest, and the elimination of profit. The first is secured, or ought to be secured, by building up from the Retail Societies; and the second by the distribution of the surplus from stage to stage, until it is finally returned to the ultimate purchasers in the co-operative stores. Each Retail Society is formed by consumers coming together to satisfy collectively their day-to-day wants; a further stage is reached when

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the Societies themselves come together in the formation of a Wholesale Society to supply them with the commodities needed by their members; a still further stage is added when the Wholesale Society undertakes to manufacture the goods which it supplies to the Retail Societies; and the final stage in this process of vertical integration is achieved when the movement, through its wholesale organisation, or through other consumers' co-operative agencies in other countries, is able to secure command over primary products and raw materials.

In an ideal co-operative system, horizontal expansion would be accompanied, step by step, by co-ordinated vertical expansion of the kind indicated. The Retail Societies began by supplying those commodities which are needed every day by everybody. As the number of members increased, goods and services in less regular demand could be added, until, in the largest societies, a complete range of retail services became possible. Then, when the movement in the country as a whole had attained to a certain size, it became possible to embark on wholesaling activities, which were made easier and more economical by the existence of a calculable and assured market. As the demand on the Wholesale Societies for particular commodities reached sufficient proportions, there was little difficulty in passing from wholesale dealing to manufacturing; and it was only the confusion between the ideal of production by sectional bodies of co-operative producers, and the quite different principle of production for use by the associated body of consumers, that prevented an earlier and more rapid development of manufacturing activity on the part of the Wholesale Societies.

Meanwhile, the Retail Societies had also in many cases come together locally to provide certain services, and some of the largest societies have undertaken productive activities on their own account. These activities of local societies or local federations are in part of the kind which can best be handled locally, as for example in the case of federal bakeries or laundries; but in part they

compete with the operations of the Wholesale Societies, as in the case of flour milling, farming and dairy production, furniture making, tailoring, etc. In yet other cases, Retail Societies have interests in local Co-operative Productive Societies, which are again to some extent a rival source of supply to the C.W.S. productive plants.

It will be seen that, in spite of the great progress made by the C.W.S. and Scottish C.W.S. in production, this aspect of co-operative activity is still marked by an absence of logical plan, and this comes out again if the many large gaps in the range of productive activities are considered. The weakest link of all, from the point of view of an integrated system of co-operative organisation, is the slight extent to which the movement is engaged in primary production from the soil, and the very great extent to which it is still dependent on non-co-operative sources for the raw materials which enter into its manufactures. In 1937, the products of the farms, orchards and glasshouses of the C.W.S. amounted in value to only £314,454, out of a total gross value of productive works supplies amounting to just under £41,000,000.

This remarkable total itself needs, however, to be examined with some care. A cursory examination of co-operative statistics suggests a spectacular advance in self-production in modern times. The following figures for selected periods, showing total C.W.S. sales and the values of supplies by C.W.S. productive works, suggest a remarkable increase in the proportion of self-produced goods entering into C.W.S. sales to the Retail Societies:*

SALES TOTAL (53 Weeks)			
1895	1913	1936	1937
£10,139,906	£31,371,976	£107,691,527	£119,851,542
PRODUCTIVE WORKS' SUPPLIES			
963,805	7,264,272	36,346,873	40,994,814

But figures showing the gross value of co-operative productions give little idea of the true state of affairs. There is considerable double counting of materials produced in one factory and enter-

*Abstracted from Redfern: *The New History of the C.W.S.*, p. 534. Allowance must, of course, be made for changes in the general level of prices.

ing into the products of another, and this must obviously increase as the range of productive activities increases. More important still, these figures for gross values make no allowance for the high value of non-co-operatively produced raw materials entering into co-operative products.

In the book *Consumers' Co-operation in Great Britain* (Allen & Unwin, 1938), we attempted an estimate of the *net* values of co-operative products for the year 1933. In that year, the total sales to consumers by Retail Societies in Great Britain amounted to £196,000,000; this amount was stated to be equivalent to £152,000,000 at wholesale prices. Productions from all co-operative sources—Wholesale Societies, Retail Societies, Local Federal Societies, Productive Societies and Foreign Co-operative Organisations—amounted to £77,500,000 gross values or 51% of retail sales at wholesale prices. If, however, the value of raw materials is subtracted, and only the value added by co-operative production is counted, the true new value of all co-operative products entering into Retail Society sales amounted to £29,307,000, or a little over 19%. This leaves room for large possibilities of development, especially in view of the enormous capital resources of the C.W.S., a large proportion of which is at present invested outside the movement.

In contrast to manufacturing and the supply of raw materials, wholesaling

may be said to be very fully integrated into the co-operative system in this country. C.W.S. sales, at retail prices, amounted to under 50% of Retail Society sales in 1912, and to nearly 70% in 1936. If purchases by Retail Societies from all co-operative sources are included, the proportion is much higher—88% in 1935.

Even an examination of the weaknesses of this remarkable structure merely serves to emphasise its enormous possibilities for the future. There is, behind the co-operative retailing organisation, a solid strength which awaits only vision and planning to make it the greatest economic force in the State. The capital and reserves of the C.W.S. alone amounted in 1937 to over £112,000,000. £2,168,956 was returned in dividend to member societies in that year, and wages amounting to £7,543,000 were paid to 56,790 employees. These figures give evidence of the remarkable achievement of which a democratic co-operative system is capable.

I have said nothing of methods of organisation; of the difficulties of maintaining democratic control of the central bodies, combined with the relative inflexibility of the committee system of management. These problems must be solved in relation to the growing complexity and volume of wholesaling and manufacturing operations, since upon their solution depends the escape from those other difficulties which have already been mentioned.