

ORGANIZING AND INCORPORATING FISHERY COOPERATIVE MARKETING ASSOCIATIONS



FISHERY LEAFLET 277

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ORGANIZING AND INCORPORATING FISHERY COOPERATIVE
MARKETING ASSOCIATIONS

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Contents

	<u>Page</u>
Foreword-----	2
Aims and principles of fishery cooperative associations----	5
Fishermen's associations in general-----	5
Characteristics of cooperative marketing associations----	6
Types of associations-----	9
Functions which a fishery cooperative may perform-----	10
Conditions or circumstances that may prompt the formation of fishery cooperative marketing associations-----	14
Necessity of determining basis for establishing an association-----	16
Cooperating agencies-----	17
Procedure for organizing an association-----	19
Preliminary meetings--committees-----	19
Work of the committee on surveys-----	22
Work of the committee on organization-----	24
Formal steps in forming the association-----	24
Filing the articles of incorporation-----	24
Organizing the board of directors-----	26
Adopting bylaws--obtaining members-----	26
Beginning operations-----	27

Note: This leaflet supersedes Fishery Circular No. 22, issued by
the former Bureau of Fisheries.

	<u>Page</u>
Operation methods and policies-----	28
Management-----	28
Facilities-----	29
Records and accounts-----	30
Adequate accounting system-----	30
Patronage refunds-----	51
Membership relations-----	55
Legal requirements and corporate structure-----	56
Incorporated or unincorporated association-----	56
State statutes-----	58
Articles of incorporation-----	64
Requirements of bylaws-----	66
Membership agreements or contracts-----	73
Appendixes-----	74
Appendix 1-Articles of incorporation-----	74
Appendix 2-Bylaws-----	78
Appendix 3-Application for membership-form for stock associations-----	87
Appendix 4-Application for membership-form for non- stock associations-----	88
Appendix 5-Suggested list of cooperative literature---	88
Appendix 6-Fishery cooperative marketing act-----	95
Appendix 7-Reorganization plan II of May 9, 1939-----	96
Appendix 8-Public law 478 - 79th congress (excerpt)---	97
Appendix 9-Name, location, and purpose of fishery cooperative associations in the United States-----	98

FOREWORD

About 4,500 boat-owner fishermen, employing about 16,500 other fishermen are organized in cooperative fishermen associations producing or controlling about 1 billion pounds of fish worth about 40 million dollars.

While membership in cooperative associations declined during the war due to the fact that many fishermen were called to the Armed Forces and others took jobs in war industries, the postwar period shows an increase in membership and a growing interest in the establishment of new cooperatives. Many inquiries are being received for information on the possibilities, business chances, or legal requirements of cooperative associations.

The Seventy-third Congress enacted, in 1934, Public No. 464 "authorizing associations of producers of aquatic products",^{1/} which established Federal authority for fishermen to conduct cooperative marketing enterprises in interstate and foreign commerce and restricted Federal

^{1/} See Appendix 6

Number of Fishery Cooperatives in the U.S. and Alaska, January, 1948.

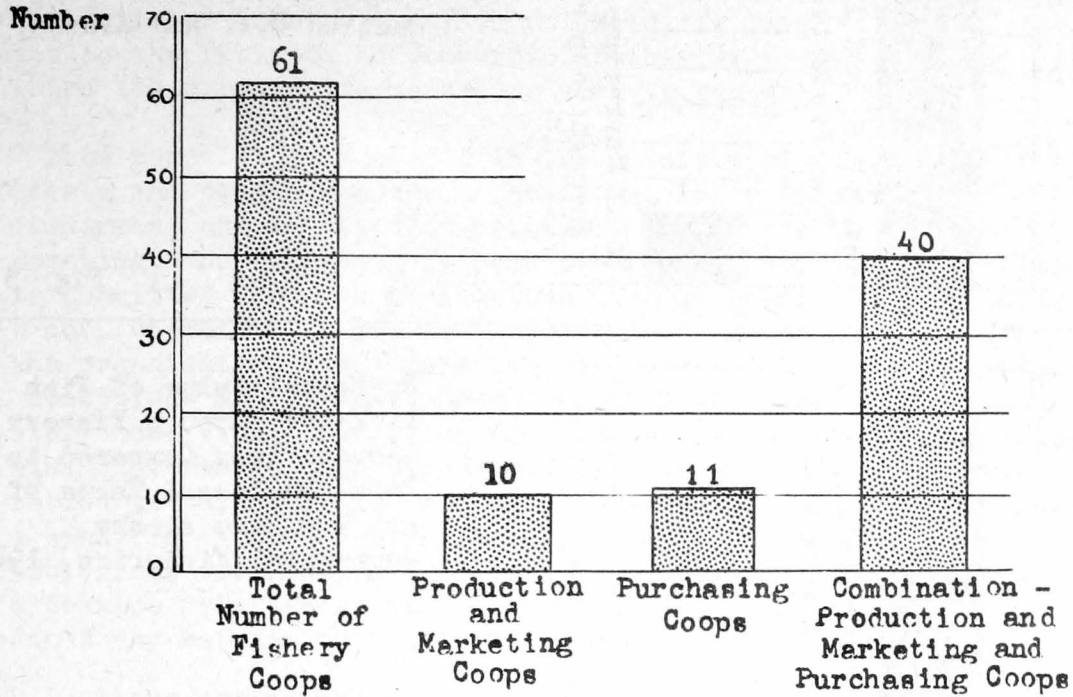
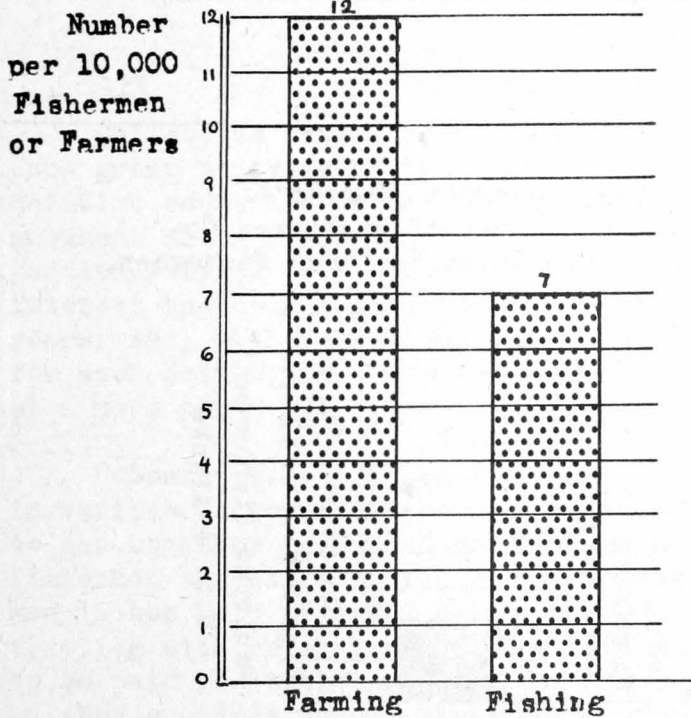


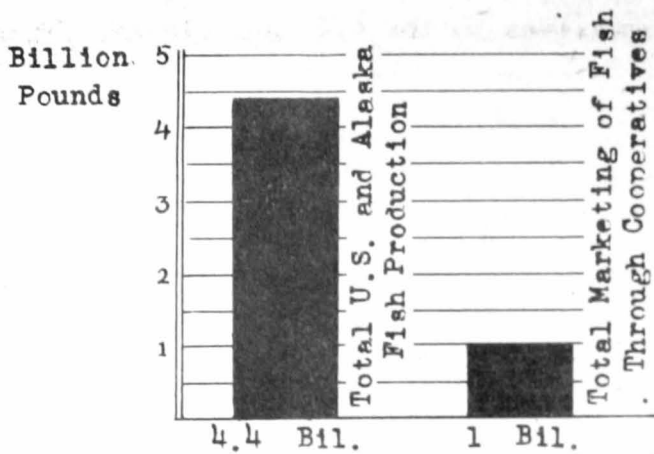
Fig. I



Frequency of Cooperative Associations in Fishing and Farming

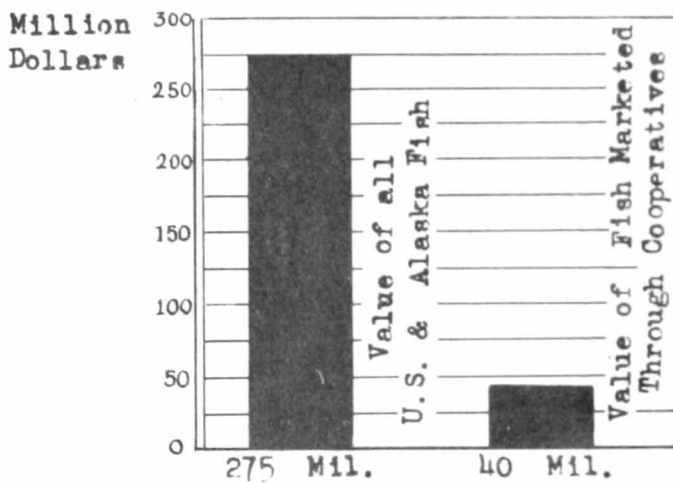
Note: These Frequency Ratios Have Been Computed by Comparing the Number of Cooperative Associations to the Estimated Number of Individuals Engaged Full-Time for Each Occupation.

Fig. 2



Volume of Fish Marketed Through Fishery Cooperatives Compared to Total Fish Production U.S. and Alaska, 1947.

Fig. 3



Ex-Vessel Value of Fish Marketed Through Fishery Cooperatives Compared to Total Ex-Vessel Value of all U.S. and Alaska Commercial Fisheries, 1947.

Fig. 4

Number of Regular Commercial Fishermen, Number of Fishermen in Cooperatives and Number of Fishermen Cooperative Members Together With Their Employed Fishermen, U.S. & Alaska, 1947.

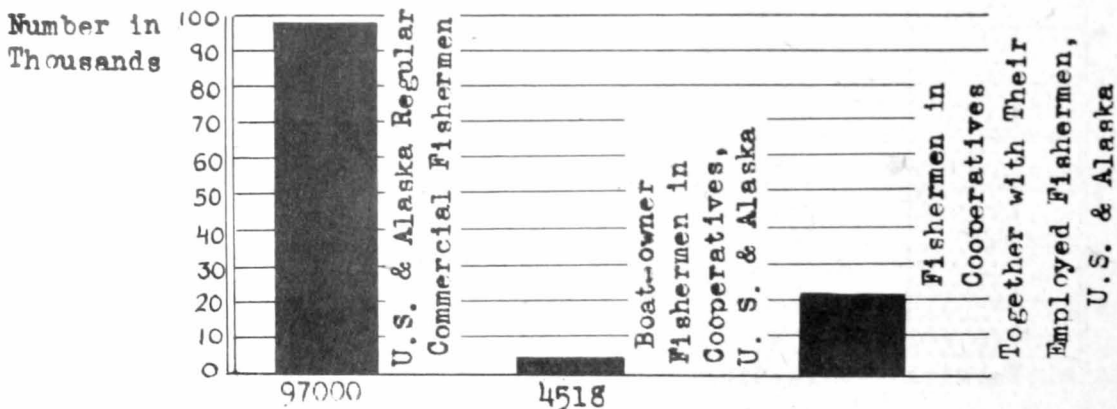


Fig. 5

supervision of such enterprises. The act is comparable to the Capper-Volstead Act, approved by Congress in 1922, which established Federal authority for producers of agricultural products to associate and market products of the farm. Public No. 464 is administered by the Secretary of the Interior through the Fish and Wildlife Service. There was established in the Division of Commercial Fisheries of the Service a section in which the cooperative marketing work is centered.

This pamphlet is prepared in the interest of fishermen, of State officials, and others who may be assisting in or directing the activities of fishermen, and is intended primarily as a guide in organizing, incorporating, and operating fishery cooperative marketing associations. It is submitted with the realization that it cannot be all inclusive and will not, therefore, serve all purposes and answer all questions relative to the organization, incorporation, and operation of associations. Varying conditions and circumstances in many localities over the country will possibly necessitate deviating from the plans and procedures as suggested herein. Information and suggestions supplementary to this pamphlet may be issued by this Service from time to time. Information and assistance of a specific nature also may be supplied upon request. Scientific and technological information and consulting services of the Fish and Wildlife Service relative to handling, processing, and marketing fishery products may be made available to fishery cooperatives.

AIMS AND PRINCIPLES OF FISHERY COOPERATIVE ASSOCIATIONS

Fishermen's Associations in General

Collective action by fishermen is not new or recent in its inception. Such group activity on the part of fishermen is of long standing in the maritime countries of Europe and the British Isles. The cooperative movement among fishermen is older and has obtained greater growth proportionately in Canada than in the United States. However, considerable interest has been manifested in the United States during the last twenty years; and, with the establishment of Federal authority and recognition for such action, the movement no doubt will continue to grow and increase at a more rapid rate.

Cooperative action by fishermen in the United States has taken place in various forms. For the most part, efforts on the part of fishermen to act together have been for the purpose of "bargaining" either as a fishermen association or as a labor or trade union. Bargaining by fishermen in the sale of their catch has been limited almost entirely to contracting with buyers, processors, and manufacturers to determine the price to be paid for their products for the season or other periods of time. As a labor or trade union, fishermen's groups operating the boats and gear belonging to employers, such as processors or canners, sometimes act through committees in determining the "share" if on the "lay" system, or wages if the crews are not on the "lay" system. Comparatively few fishermen's associations have established places of business and are engaged in the marketing of products of their members or in performing, handling, or

processing functions incidental thereto. As would be expected, such fishery cooperative marketing associations as do exist are among the fishermen who own small boats, nets, and other gear which they operate individually or with a small crew. Their efforts at cooperative marketing consist for the most part of selling by agreement to a common buyer or of employing the same sales agency. Some associations engage in the processing, canning, and wholesaling of fishery products of their members.

Characteristics of Cooperative Marketing Associations

As indicated by the foregoing, this pamphlet deals with fishery cooperative marketing associations as such.

The word "cooperate" means "to act or operate jointly with another or others." To this definition should be added "for the benefit of those participating, in proportion to the amount each contributes to the joint action or operation." Cooperative marketing, then, is a specific method of conducting a selling or merchandising business, by and for a group of individuals, the benefits of which are shared by those participating, in proportion to the amount each contributes to the venture. This paves the way for at least an approximate definition of a fishermen's cooperative marketing association--a business organization owned and controlled by the members thereof, who are producers of aquatic products, which operates as a merchandising organization for the mutual benefit of its members, on a cost basis, and which, after paying for the costs of operations, and making the necessary deductions for reserves and other funds, returns to its members and patrons net savings or earnings in the proportion that each contributed to the volume of business of the association.

To this definition may be added other stipulations and qualifications, but these would only serve to elaborate on the principle as stated above. This definition serves the immediate purpose of permitting a discussion of some of the characteristics of cooperatives as to their operations.

It should be kept in mind that a cooperative association is nothing more or less than a group of individuals collectively performing services for their mutual benefit and the association through which the group functions is only the machinery necessary in accomplishing the purposes of the group.

The ownership and control of a producers' cooperative marketing association are vested in the producer members or common stockholders. The acquiring or holding of membership or common stock is restricted to such producers who must not necessarily be boat owners. In some States the statute limits the amount of such membership or common-stock holding to a percentage of the total volume issued. Voting in cooperative associations is customarily limited, even in the absence of a statute requiring same, to one vote per member, irrespective of the number of shares or the

amount of membership stock held in the association. In enterprises of a commercial nature, other than cooperatives, ownership and management are controlled through stock ownership; and voting is limited only to the number of certain types of shares held. Such shares are usually freely transferable and may be held by anyone.

Initiated and operated to perform a service, such as the marketing of products of the members or the purchasing of supplies and equipment, or both, a cooperative enterprise may conduct processing or manufacturing operations which are usually incidental to rendering such services. Cooperation has been termed "intelligent self-interest" on the part of those cooperating in that they agree to perform jointly a service for themselves which they cannot provide individually. Therefore, service is the primary object of an association; and if such service is no more advantageous on the average to the producer than he can perform for himself individually, such an association has no reason or excuse for existing.

Cooperative organizations are not immune to the handicaps and pitfalls to which other types of business enterprises are, or may be, subjected. Certain characteristics of cooperatives are decidedly advantageous to such associations. On the other hand some advantages at times prove to be handicaps, at least temporarily. For example, the membership of an association supplies rather regularly a consistent volume of products entailing a minimum cost in securing such volume. By agreement, understanding, or through established policy, the association may advance to producers a percentage of the current market price for the products upon delivery. If the nature of the commodity in question lends itself to commercial storage, then the association may borrow thereon and hold such products for more favorable prices, permitting thereby more orderly merchandising instead of "unloading" or "dumping" on the market. In this manner producers are frequently the chief means of financing their associations. Such arrangements enable a cooperative enterprise to secure its volume of products in a comparatively inexpensive manner and with a minimum outlay of capital, which should be commercially advantageous. Thus, an informed and sympathetic membership may constitute the chief asset in the business operations of an association. However, the members' interest is of chief consideration and unless the membership continues to receive the proper information and remains sympathetic and loyal, it may prove to be cumbersome in the operation and management of the association. Some members of cooperatives at times are prompted to exercise their prerogatives as coowners of the enterprise in such a manner as may not be to the interest of proper management, good business principles, or otherwise healthy to the welfare of the association. Such is usually avoided, however, where educational work is conducted among the membership. Thus, in a cooperative marketing enterprise it is necessary that the management should direct an adequate educational program in addition to directing the business and commercial affairs of the association. In this connection it should be pointed out also that differences of opinion in the management and control of the association, and the expense of the all-time task of maintaining a satisfied membership, irrespective of conditions or policy,

are at times disadvantageous to a producer cooperative. Cooperative marketing is not a cure-all for the ills of those who would use it. It is, however, a very effective instrument and if properly and adequately employed, it can be of invaluable service to groups and communities of producers. Probably the greatest benefit from the operation of a successful marketing association performing a particular economic service is that people learn to work together and cooperate with each other, and out of the initial venture additional beneficial services of both social and economic nature will likely evolve.

A cooperative association is a nonprofit enterprise in that the organization makes no profit of or for itself, its officers, or employees. Inasmuch as patrons own and control the cooperative enterprise which they have set up to perform a particular service, such patrons are not interested in margins of profit but in net returns. In an association performing a marketing service net returns include the sale price of the product received by the association less the cost of doing business and the amounts necessary to be set aside for stock dividends, if any, reserves, and other funds. The initial payment to producers for products delivered may be an advance or partial payment which would be a percentage of the current price for such products in which case subsequent payments may be made. In the operation of an association performing a purchasing service the patron pays the net wholesale delivered cost of items purchased, plus the cost of operating and such other additions as may be necessary for reserves and other funds. The "cost of operating" should include a "margin of safety" which may be sufficient to assure the establishment of reasonable reserves. Thus, in a purchasing association net returns would be such savings as the association may have been able to effect out of the estimated "cost of doing business." It is essential, therefore, in a cooperative to maintain overhead and operating costs at a minimum, including compensation for officials and executives.

Thus, a cooperative enterprise utilizes labor, capital, and management in performing a service, the savings or earnings of which are returned to members in proportion to their patronage. In so doing, cooperatives to some extent compete with other types of enterprises either in obtaining commodities from producers, the resale of the products in markets or in the resale and distribution of supplies and equipment, but such competition is only incidental in the rendering of a service to producers or consumers who may own and control the association.

In enterprises of a commercial nature other than cooperatives, capital, labor, and management are combined primarily to produce returns to investors. The quality of service rendered, or of the commodity produced, is incidental to rewarding capital in the form of dividends and is not determined by producers of the raw product who may use the service. In such an enterprise the owners are the investors, as evidenced by shares of stock, and voting is in proportion to the number of shares held. Such shares are usually freely transferable and may be held by anyone. The management is seldom in the hands of more than one or two individuals, and is usually determined by a board of directors elected by stockholders.

Such stockholders are not interested in the full price of the product but in dividends which are based on the margin between costs and receipts. Dividends in such an enterprise are distributed not as to patronage by either producer or consumer but on the basis of the capital invested. The interests of the investor are of paramount concern. The initial transaction between producer and buyer usually completes the deal. Whether or not producers supplying commodities or raw products are satisfied depends largely upon competition, expediency, and policy.

Types of Associations

Among cooperatives there usually exists either the centralized type or the federated type of association. Whether one type is employed in preference to the other usually is determined by the nature and scope of the work contemplated by the association, the nature of the commodity, the facilities for handling, and the extent of the territory to be served by the association.

The centralized type of association is one in which the individual holds either membership or common stock in the association proper and in which all of his contacts are maintained direct with the central office of the association. In the case of the centralized type, the member conducts his affairs directly with the association, and it in turn conducts its affairs directly with him. The central office is the common meeting ground for members, officers, and directors of the association. An association of this type may be organized without respect to districts, areas, communities, or counties. This, however, does not preclude the holding of local or community meetings at which the affairs of the association may be discussed. As a rule, such meetings are not held officially unless authorized by the bylaws, or are a definite part of the program as provided for by the board of directors. Members of the board of directors, the officers and others who are elected to office are nominated and voted upon by the membership in an annual meeting at the home office of the association. Unless policy otherwise demands it, officers and directors may be chosen from any section or territory served by the association. The reports of all committees and the business and other affairs of the association are reported and discussed at an annual meeting which is open to the membership at large.

In the federated type of association, the membership of the individual producer is held in a local association, either community, county, or State-wide. There may be various numbers and sizes of such locals, generally organized independently of each other and later federated. The number, area, and scope of locals may be restricted by the bylaws. As a rule, bylaws set forth the size and number of the locals and the manner in which they shall have representation, especially if the federated association is formed prior to the locals. The producer-member conducts his affairs with the federated association through the officers of his local and at meetings held at the local headquarters, which are provided for in the bylaws. Voting in, and control of, the federated association

by the local is customarily in proportion to the number of producers in the local. The members of the board of directors of the federated association may be nominated by the locals and voted upon at an annual meeting by delegates from all the locals, or nominated and elected by and from the delegates at annual meeting. Officers could be chosen from the board of directors as in the central type of association. Each local is privileged to elect a number of delegates which is usually in proportion to the total membership of the local, and these delegates represent producer-members of the locals at annual meetings of the federated association. The cost of assembling products by the federated association is charged against the local on a basis that permits differentials due to any inequalities among the locals. Patronage refunds to the individual are in proportion to the business he conducts through his local with the federated association. It should be noted that all domestic fishermen's cooperatives existing today are of the centralized type.

Functions Which A Fishery Cooperative May Perform

Whether a group of fishermen form a cooperative marketing association should be determined in part by existing circumstances and conditions with which the fishermen are confronted. The functions a fishery cooperative performs should depend upon the purposes for which the association was organized. Other operations in addition to the original functions may be undertaken from time to time provided that they are in keeping with the purposes of the association. Experience indicates, however, that as a rule the successful cooperatives are those which began with a definite function to perform and which started operations in an inconspicuous and conservative manner. An axiom that should be remembered by those in charge of cooperatives or those contemplating organizing cooperatives is that "successful cooperatives grow, rather than go into business." Such a policy, if pursued, should enable managers and boards of directors to gain the knowledge and experience necessary for successful management and operation of a marketing association. Too frequently cooperative business ventures are undertaken involving products, the value of which would not be risked by anyone in the group on a private venture of no more experience or preparation.

In consideration of these factors, the following may be considered as functions which might be performed cooperatively by fishermen. The more elementary and less complicated operations are listed first:

1. To arrange for a plan whereby fishery products may be transported to plants, canneries, or other markets with greater facility and at less cost to the individual fisherman.
2. To operate a fuel filling station for the exclusive use of fishermen and members of the association.

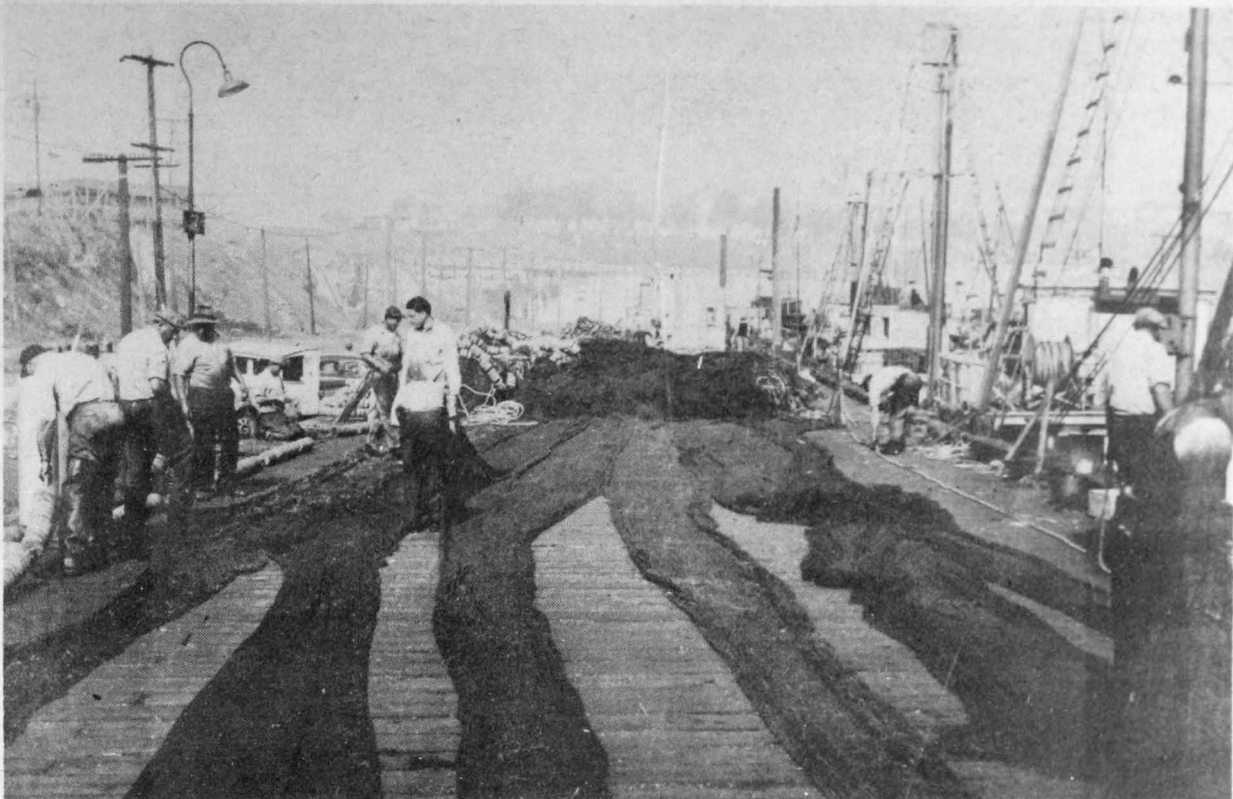


FIG. 6 - MEMBERS OF A PACIFIC COAST FISHERY COOPERATIVE ASSOCIATION
PREPARING NETS FOR FISHING OPERATIONS



FIG. 7 - MEMBERS OF A PACIFIC COAST FISHERY COOPERATIVE ASSOCIATION
ICING BOAT



FIG. 8 - MEMBERS OF A GULF COAST FISHERY COOPERATIVE ASSOCIATION
LOADING TRUCK WITH A SHIPMENT OF SHRIMP



FIG. 9 - EMPLOYEES OF A GULF COAST FISHERY COOPERATIVE ASSOCIATION
HEADING SHRIMP

(Courtesy The Morgan City Review)

3. To operate a repair shop for machine, boat, and net repair.
4. To operate trucks and vessel cleaning equipment for rental to the members of the association at minimum cost.
5. To organize collective pre-fishing operations.
6. To elect officers or committees for the purpose of bargaining for the sale of fishery products to manufacturers, processors, wholesalers, or retailers in so far as the cooperative association itself does not contemplate operating merchandizing, processing, or packing business.
7. To merchandise as a business organization the products of its members and perform such processing and manufacturing functions necessary or incidental thereto. The cooperative association may exercise some or all of the following functions:
 - a. Purchase cooperatively for members, fishery and marine supplies and equipment;
 - b. Arrange for cooperative financing of members in connection with their fishing operations;
 - c. Maintain a fish house or operate a freezer and cold storage warehouse;
 - d. Acquire a wharf and rent landing space;
 - e. Operate a processing plant or cannery;
 - f. Maintain a laboratory;
 - g. Acquire patents and trade-marks;
 - h. Operate a wholesale or retail establishment including the necessary offices and warehouses.

The above-mentioned list of functions should not be considered as exhaustive or all-inclusive. There are many other functions which can be exercised by a fisherman's cooperative association. For example, a case is known in which the cooperative writes and sells marine insurance policies. In another case, the cooperative bonds its members and in still another case, the cooperative successfully operates a restaurant.

Conditions or Circumstances That May Prompt the Formation
of Fishery Cooperative Marketing Associations

As a general rule, a cooperative association is organized to provide a service that does not exist or to establish either a more satisfactory service, and at possibly lower costs, or an additional service for the community or area in which it is located, of a social, health, or economic nature. In the case of a fishery cooperative marketing association, the service contemplated would probably be of an economic nature.

Conditions which might prompt or stimulate fishermen to organize a cooperative might be one or more of the following:

1. Need for a more stable and constant income through freezing and storing frozen fish caught during a glut.
2. Need for improving the quality by using more efficient methods of icing and freezing.
3. Need for greater credit than can be obtained by the individual fisherman; for example, in the case of giving a bond.
4. High costs of necessary equipment, such as trucks, gasoline pumps, or vacuum cleaners.
5. Extraordinary opportunities which cannot be taken advantage of by individual fishermen, due either to lack of capital or insufficient turnover. For example, to the former category would belong the purchase of surplus war material, such as boats, airplanes, or radar equipment, and to the latter, the discount given to large industrial consumers by oil and gasoline distributors.
6. Inaccessible markets necessitating long hauls by boat or truck to market.
7. Inadequate markets, lack of facilities, poor business organization, with limited outlets which prevent the proper handling and distribution of the total production of the area in a satisfactory manner and at favorable prices.
8. Continuous abuse of producers through unfair, dishonest, or fraudulent practices.
9. Extortionate prices charged for boat supplies, nets, twine, corks, leads, and other fishery supplies and equipment.
10. In the case of a monopoly or the lack of competition among buyers, which results in the paying to fishermen prices that are considered too low in comparison with consumer prices and the price level of commodities generally.

11. When existing conditions or facilities and methods employed in the distribution and sale of fishery products result in costs and margins that cause retail prices to become prohibitive to normal or increased consumption.
12. Where it is considered feasible to perform a marketing or purchasing service which might include either fresh products or specialty packs, involving processing, or possibly canning, and which may enable the utilization of otherwise waste products; and to buy fishery and marine supplies and equipment.

In the case of item 11 above, special care should be taken by the cooperative association so that none of the provisions of the Sherman Anti-Trust Act are violated. This Act prohibits monopolizing or restraining trade in interstate or foreign commerce. Monopolizing trade may be the establishment of a "closed shop" for purchase of fish, which, in the case of a cooperative, would be imposing on the purchaser a condition that he must purchase fish exclusively from the cooperative association or from members of the association. The cooperative association may establish a price at which the association is willing to sell its products. It may also establish a price at which individual members may sell their products. However, the cooperative association cannot legally establish a price which purchasers must pay for fish bought from those who are not members of the cooperative association. In addition, cooperatives can determine their own selling prices but not the selling prices of the wholesalers or retailers to whom they sell. Cooperatives may sell their products or the products of their members by means of auction. But if this type of procedure is adopted, the auction room must not be closed to certain dealers nor must it otherwise be intended to monopolize the sale of fish. These cases of activities prohibited to cooperatives are only samples of possible violations of the Sherman Anti-Trust Act. Many others are possible. Cooperative associations which are formed mainly for the purpose of establishing prices are advised to seek legal counsel before they start operations.

There may be other conditions and circumstances which might be the direct cause of fishermen organizing associations. Furthermore, associations may be, and frequently are formed without the impetus of adverse conditions. Too often, disgruntled groups try to bring about changes in conditions over which they are able to exercise little or no control, due to the malady not being as severe or of such duration as they had anticipated, or because the groups were unable to command enough volume of products, or were unable to muster enough finances and the proper leadership. Then, too, groups of producers have failed at times because they acquired ideas that they could perform certain functions better and cheaper than those with years of experience who were in the business. Sometimes disgruntled or rabid leadership cause the premature formation of an association without adequate preparation or finances.

Necessity of Determining Basis for Establishing an Association

All of the circumstances and conditions which lead to, or cause, the organization of cooperative associations cannot be enumerated or discussed in such limited space. However, it should not be assumed that the degree to which undesirable conditions exist, or the extent of their effect and adequate remedies therefor are readily and easily determined. Irrespective of the cause or reason, a cooperative marketing association must be considered as a business organization and preparation for its inauguration and operation should be made on a business basis. The first duty of a group concerned with the fishermen's welfare should be to ascertain whether the conditions presumed or alleged actually exist; and whether it is possible and feasible to effect a satisfactory and permanent remedy therefor. Furthermore, it should be determined whether a cooperative association has a definite place in the business or trade area it plans to serve.

Of primary consideration are the questions as to whether an association is needed, the volume of products to be available to the association, what functions or services it is to perform, and whether it is wanted by those in a position to patronize it. Important, also, is the amount of capital required to operate an association until it could become established and make its own arrangements for finances. Further, what is the extent of such immediate financial requirements? Could all or part of the finances required for operation be obtained among the prospective members and patrons of the proposed association? If not, from what other source could the necessary finances be secured and at what costs?

If it is not ascertained in advance of organizing that the association has an opportunity for success as a business concern, the association will probably expire with not more than the accomplishment of the immediate object or purposes for which it may have been organized. The conditions that prompted its formation might thus be remedied, but in time another or the same evil will appear and efforts must be made to either revive and reorganize the old association or set up a new one. After the failure or death of a cooperative, attempts to establish another in its place or revive the old one meet with less and less success.

To organize and establish a cooperative marketing association requires considerable time and effort and usually there are expenses to be paid from some source. Potential members and leaders among the producers sometimes are requested to divert their time and efforts from their vocations to assist in organizing the association and soliciting membership. In order to conserve and utilize such marketing machinery, which is laborious and costly to form, and in order to determine the proper and complete answers to the questions enumerated above, it is necessary that a rather comprehensive survey be conducted. This is the slower method, but it is

one which should insure a correct beginning if the association is organized. In determining facts as a justification for the association and which should reveal its possibilities for success, the association may be enabled thereby to initiate its functions and plan its program on such a basis as may permit it to become established before members become disinterested. The continued life of the association, however, depends, among other things, upon its successful conduct as a business concern and the quality of the service it performs for its membership.

Cooperating Agencies

Some States, through the State university, college, State department of fisheries or markets have facilities which enable them to offer assistance to groups of producers in holding meetings, conducting surveys, and in organizing and operating cooperative or non-profit associations. Those contemplating forming an association should seek the cooperation of such department or institution in conducting surveys and analyzing existing circumstances and conditions preparatory to organizing. Such agencies or institutions are sometimes charged by the State legislature with certain responsibilities in assisting the fishery industry. In some institutions assistance of this nature may be given in the regular course of work providing for social and economic surveys. It is suggested that the assistance of such agencies should be of material benefit to fishermen groups contemplating the organizing of a cooperative marketing association.

The Division of Commercial Fisheries, Fish and Wildlife Service, United States Department of the Interior, is willing and is able, on the basis of its long experience with cooperative associations, to assist those fishermen who are contemplating the formation of a fishermen's cooperative association. This assistance cannot, however, be of a direct monetary nature. For fishermen there exist neither Governmental cooperative banks nor other governmental agencies which can provide initial capital for the formation of a cooperative association. A federally supported cooperative central bank is available for the financing of agricultural cooperative associations.

In recent years, due to generally favorable business conditions, the Division of Commercial Fisheries has not been approached for financial assistance. However, it has assisted promoters of cooperative associations in bringing the right people together and in encouraging the cooperative spirit. In several instances, well-to-do fishermen have advanced money to cooperatives in the interest of all fishermen of a particular community after proper advice had been given by the Division of Commercial Fisheries. The Division has also been helpful in obtaining leases of lots for fish-houses, in purchasing surplus war material, in holding elections of officers, in writing By-laws and Articles of Incorporation, in giving technical advice, and in establishing accounts and books for the respective cooperative.

Those who are interested in the cooperative movement should know that the Reconstruction Finance Corporation in Washington, D. C., is a Federal agency which makes loans, when adequately justified, to private

business enterprises, including cooperatives. It gives special consideration to the development of small business enterprises. Approximately one-half of all loans, it should be noted, have been made by that agency in amounts of \$10,000 or less.

The Reconstruction Finance Corporation does not make loans for the formation of a fishermen's cooperative association. However, if the association is formed, it will make loans to be used for the following purposes:

Payment of labor.

Purchase of material required in the business.

Replacements of obsolete or worn-out machinery or purchase of additional machinery necessary for efficient operation.

Establishment of new business enterprises.

Expansion of established business enterprises into new fields of endeavor.

Industrial construction.

Payment of indebtedness and taxes with a portion of the loan applied for.

Small business loans are made through its thirty-one district loan agencies. The places in which these loan agencies are located, as far as they refer to the principal commercial fishery areas, are the following:

Atlanta, Ga.	Louisville, Ky.
Birmingham, Ala.	Minneapolis, Minn.
Boston, Mass.	Nashville, Tenn.
Charlotte, N. C.	New Orleans, La.
Chicago, Ill.	New York, N. Y.
Cleveland, Ohio	Oklahoma City, Okla.
Dallas, Tex.	Omaha, Nebr.
Denver, Colo.	Philadelphia, Penn.
Detroit, Mich.	Portland, Oreg.
Helena, Mont.	Richmond, Va.
Houston, Tex.	St. Louis, Mo.
Jacksonville, Fla.	San Antonio, Tex.
Kansas City, Mo.	San Francisco, Calif.
Little Rock, Ark.	Seattle, Wash.
Los Angeles, Calif.	Spokane, Wash.

In addition this Corporation maintains a Special Representative at El Paso, Texas, Salt Lake City, Utah, and San Juan, Puerto Rico. The Territory of Alaska is served by the Seattle Loan Agency, and the Territory of Hawaii by the San Francisco Loan Agency.

PROCEDURE FOR ORGANIZING AN ASSOCIATION

Preliminary Meetings--Committees

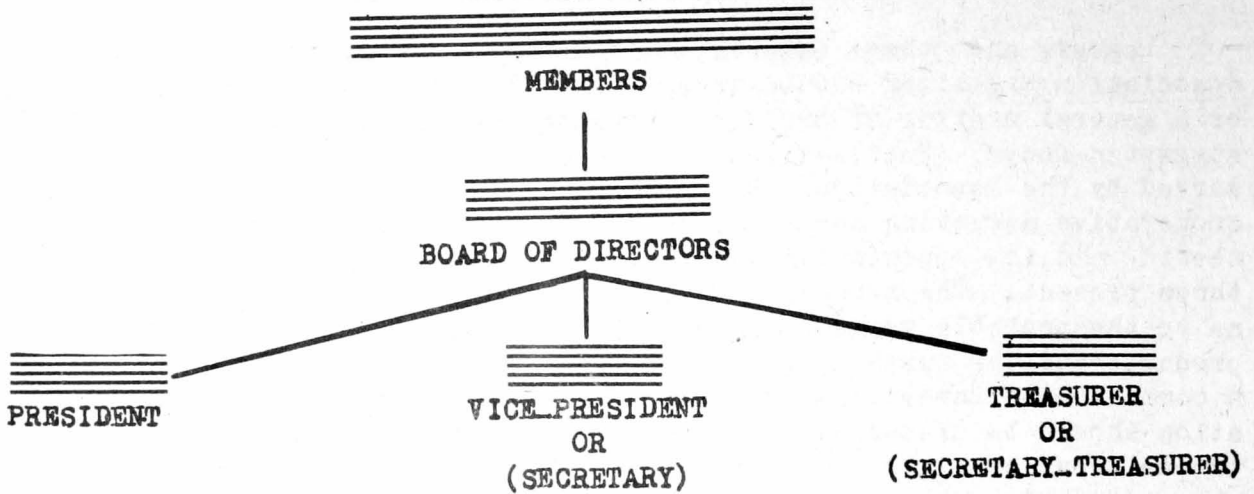
Leaders and others interested in having a cooperative marketing association organized should arrange to hold either a series of meetings or a general meeting of producers preparatory to conducting the surveys suggested above. Such meetings should be held in the territory to be served by the association. The principles, purposes, and nature of cooperative marketing associations should be thoroughly explained at each meeting and the opportunity should be provided for a discussion among those present. The producers should be requested to express their ideas as to the probable value of an association in the marketing of their products and the purchasing of supplies. The advisability of appointing a committee to investigate the prospects and possibilities of an association should be discussed. Provided the producers are favorable to the proposition, each group should be asked to elect one, or more, if advisable, of their members as delegates to represent their community or section and to serve on a committee to study the prospects and possibilities of establishing and operating an association.

In such cases one of three procedures may be followed: (1) Producers who are present at the meetings may agree to become members of, and deliver their products to, an association to be formed upon the committee's receiving a certain quota of members and the pledging to the association for at least the first year of the volume of products estimated to be necessary for economical operations; or (2) the committee may make its report and recommendations to producers on its findings as to the prospects and possibilities of an association and then the producers may take action accordingly; or (3) the committee may be empowered by the producers to conduct the survey, determine the advisability of forming an association, and if decided by the committee to organize, to be the incorporators of the association, and, as is customary, its board of directors for the first year. One of the three procedures should be decided upon before the committee is formed. Committeemen should be selected with the plan in mind in order that appropriate instructions and adequate powers may be given the committee. If the committee is composed of the better producers and they are truly representative of the area to be served, the third plan of procedure is usually more satisfactory. Conditions being favorable and the producers agreeing, that procedure is suggested.

Those elected to represent the producers should meet, organize their committee, and elect a chairman, a secretary, and possibly one or more subcommittees. It is essential that a full and complete survey be made and a record kept of all meetings and other actions of the committee and its subcommittee.

COOPERATIVE ASSOCIATION
ORGANIZATION CHART

SIMPLE FORM



COOPERATIVE ASSOCIATION
ORGANIZATION CHART

DETAILED FORM

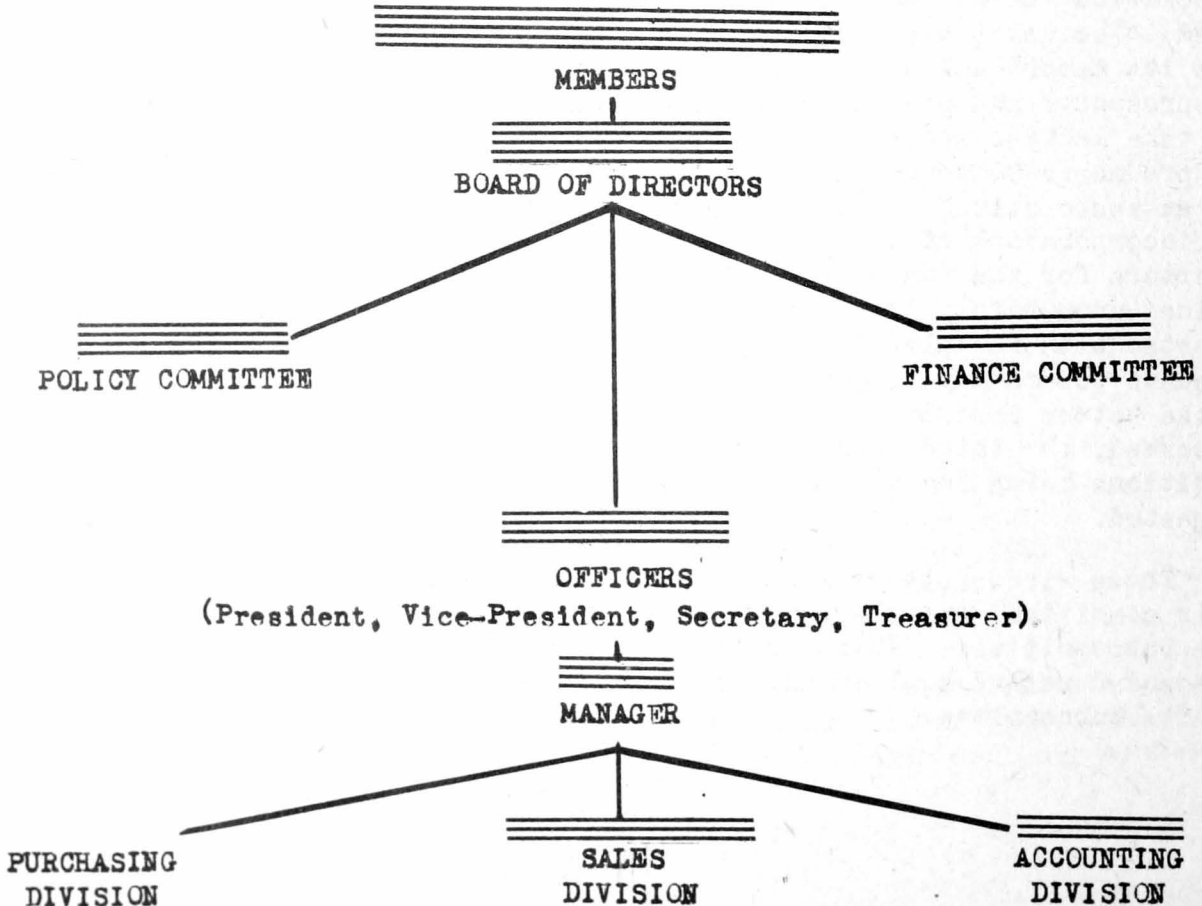




FIG. 12

**OFFICER'S MEETING
of a
MAINE FISHERMEN'S COOPERATIVE ASSOCIATION**

(Courtesy Maine Coast Fisherman)

Work of the Committee on Surveys

One subcommittee should be charged with the responsibility of preparing schedules of questions and other material to be used in conducting a survey. The material should be prepared in simple form so that answers to questions and other information may be obtained with as few complications as possible. For the most part, the committee should determine, by questionnaires and other means, information along the following lines:

1. Prospects for operations.
 - A. Prospective number of producers that the association might expect as members and patrons.
 - B. The status of financial obligations of prospective members and the probable effect of such obligations on possible deliveries of products to, and the purchasing of supplies from, the association.
 - C. Prospective volumes of business based on production, catches, or landings the potential membership and patrons should make possible to the association, the attitude of the individual fisherman as to becoming a member of and delivering his products to an association; the functions and services the association should perform:
 - a. Volume of various fishery products to be received and sold.
 - b. Volume in dollars of marine supplies and equipment which might be purchased for members and patrons.
2. Existing and potential markets.
 - A. Suitability of the markets now serving the immediate area and the prospects and possibilities thereof as outlets for the volume, type, and kind of products the association will have for sale.
 - B. The adequacy of the available transportation facilities to those markets, what facilities will be necessary for the association to provide, and the approximate cost.
 - C. Potentiality of other markets to absorb products of the association, including new or specialty packs which might be developed, and transportation costs thereto.
3. Wharfs, fish houses, buildings, refrigeration and cold storage plants, automobiles, trucks, processing machinery and other machinery.
 - A. The wharf space needed, number of boats involved, number, size, and type of construction and costs of buildings needed, depth of water, dock facilities.

- B. Type of freezer needed, electric current available, size of cold storage facilities needed, amount and type of equipment and machinery to be used and approximate costs thereof, other processing equipment needed, such as scales, knives, etc., and approximate costs thereof.
- C. Automobiles, trucks, their types, capacities and costs, approximate demand for their use, and rental income to be expected.

4. Finances.

- A. Approximate maximum financial requirements for the total outlay as contemplated.
- B. Other capital requirements. Capital stock, its division into shares, initiation fees, contemplated dividends, expected reserves, membership certificates, undistributed profits. Special attention should be given here to capital which is brought in in form of lots, buildings, boats, equipment, or machinery. Reasonable evaluation in such cases should be made, eventually by certified public accountants.
- C. Future possibilities of supplying financial needs of individual producers and of the cooperative association itself. Under this heading, surveys should be made of bank connections, possible advances from purchasers, loans from credit institutions and from members, discount rates, and advance payments to members. Cooperatives may be induced to establish small loan departments for its members.

It will be necessary, of course, for the organization committee to meet from time to time to receive reports from the several subcommittees. Upon completion of the survey, the subcommittees should report to the organization committee, and the information as revealed by the survey should be thoroughly discussed before further action is taken or recommendations are made with respect to organizing the association. The next move by the committee should depend upon the decision reached as a result of the survey and the extent and nature of the authority vested in it by the producers at the time the committee was created. If the authority and instructions are in accordance with plan number three, as suggested above, the organization committee may proceed with its consideration of the advisability of forming an association. If the committee on organization decides an association should be formed, it should then appoint a subcommittee and charge it with the responsibility of preparing the articles of incorporation, proposed bylaws, and membership application forms.

Work of the Committee on Organization

The subcommittee, on drafting the articles of incorporation, by-laws, and membership applications, should first consider the type of association that would best suit the needs of the particular area to be served by the association.^{1/} In any type of association decided upon, the subcommittee should keep in mind that it is essential each section of the area to be served be duly represented in directing the business and other affairs of the association.

Some of the legal phases of cooperative associations and requirements of corporate papers are discussed in a subsequent section of this pamphlet.^{2/} In the appendix of this pamphlet are suggested forms of corporate papers.^{3/} These forms may be useful to the committee, at least as a guide in drafting the papers for the association. It is advisable to suggest that competent assistance be secured in drafting such papers. The specific State statute under which the association is to be incorporated should be thoroughly understood and followed in order that there may be no mistake in providing appropriate papers for the association.

Formal Steps in Forming the Association

Filing the Articles of Incorporation ^{4/}

Following the completion of the work on the corporate papers, the subcommittee should make its report to the whole committee on organization. The report should include the corporate papers prepared by the committee for discussion and recommendations for their adoption.

The whole committee on organization would then have the reports of the subcommittees on survey and corporate papers upon which to act. Such action would be either to proceed with setting up the association or to make its report with recommendations at meetings of prospective producer-members in the area which elected the committee, and await further instructions from the producers. The action taken by the committee would depend upon the authority vested in it at the time it was established. Assuming that the committee, when elected, was charged with the responsibility of forming an association, if a majority of the committee deemed such action advisable, and if such decision is reached, the committee should then proceed as incorporators, if incorporation is desired.

^{1/} "Types of associations," p.9

^{2/} "Legal requirements and corporate structure," p.56

^{3/} See Appendixes 1 & 2.

^{4/} See Appendix 1.

The question of incorporation or non-incorporation in most cases of existing cooperatives is decided in favor of incorporation. The reasons are very simple. Incorporation exempts the individual member of the cooperative from any liability the cooperative association may incur. In the case of incorporation, the individual member has only to pay the amount equalling the number and value of shares to which he or she has subscribed.

However, during the last two years, attempts have been made to use the non-incorporated form of cooperative association. Especially unions and locals of unions of fishermen have assumed the character of cooperative associations without incorporating their respective organizations, and, whether incorporated or not, even without establishing any charter under which they could do business. It is questionable whether organizations which do business and make price agreements concerning fish and fishery products can enjoy the legal advantages given by the Fishery Cooperative Marketing Act and, at the same time, avoid a clear statement of the relationship among its members and between the members and the organization, without any reference to profits, limitations of profits, and consideration of non-members. In any event, a charter should be drawn up showing the capital, purposes and membership relationship of the organization, and the minimum requirements of the Fishery Cooperative Marketing Act of 1934. These minimum requirements are (a) that each member has equal voting rights regardless of the number or value of shares held; (b) that no higher dividend than 8 percent per annum be paid; and (c) that at least 50 percent of all business be done with members.

After the committee members entrusted with signing the articles of incorporation have done so, they must learn with which State agency the articles of incorporation must be filed and then make application with this State agency for a charter of incorporation, paying the required fee.

Excerpts of the State laws which refer to the minimum requirements for cooperatives and to the State agency with which to deal appear on pages 60-64, under the heading "State Statutes."

The number of the committee members signing the articles of incorporation cannot be less than the number of incorporators required by the statute. If the incorporators are to serve as directors the first year, a sufficient number of the committee considered necessary to represent properly the producers on the board of directors should sign the articles of incorporation, provided such number shall not be less than the number specified in the statute. Following the filing of the articles of incorporation, the board of directors named in the articles of incorporation should proceed to organize the board and complete the organization of the association.

Organizing the Board of Directors

In this procedure a typical case is based on the incorporators being the directors and the officers of the association being in turn members of the board. Statutes vary as to requirements in selecting officers of the association, but the procedure given here is the more prevalent.

The directors organizing their board should elect the officers of the association from among their number. The officers ordinarily provided for are the president, who is usually chairman of the board, one or more vice presidents, a secretary, and a treasurer. Quite often the two last-named officers are combined and the officer elected to fill the place is designated as the secretary-treasurer. If the membership of the board of directors is large, or should it be inconvenient for the members to meet as often as desirable, the board should elect an executive committee that can meet readily and act for the board.

Adopting Bylaws--Obtaining Members^{1/}

Upon completing the organization of the board of directors, the board should advertise and give notice of a general meeting or a series of meetings of producers who are prospective members, to be held in the area to be served by the association. At these meetings a full and complete report of the findings and actions taken by the organization committee, the incorporators, and the board of directors should be given; also, the proposed bylaws should be read and an opportunity be provided for producers and prospective members to discuss them. After the discussion of the bylaws a vote should be called for and taken as to their adoption. Following the adoption of the bylaws an opportunity should be given to fishermen and other producers of aquatic products present to become members of the association. It should be pointed out to producers that membership in the association carries with it an obligation to deliver to the association all of the products produced by the member which the association is handling. Where an agreement is provided and entered into by members and the association, this question is discussed and clarified. Where an agreement is not contemplated, it should be explained that the board of directors and the bylaws, to which the member agrees, govern the delivery of products to the association, and a producer is governed thereby so long as he is a member of the association. In order to facilitate matters the membership application forms prepared by the organization subcommittee should be distributed in obtaining applications for membership in the association. A membership committee should be appointed by the board of directors, and it should make plans following the meeting or meetings for a general drive to obtain additional members. A considerable number of prospective members probably will be unable to attend the organization meetings; therefore, the entire area to be

^{1/} See Appendixes 2, 3, and 4.

served by the association should be canvassed with a view to giving each eligible producer an opportunity to become a member of the association.

Beginning Operations

At this point it becomes essential for the board of directors to begin making plans for actual operations. Of primary consideration is the matter of finances. The report of the organization committee should indicate possible sources of funds. It may be that the intended operations would not necessitate the immediate borrowing of substantial capital. The association could, and in almost every case should, begin on a modest scale. As stated previously, associations usually develop more permanency when they "grow into business" rather than when they "go into business."

Much could be said about the denomination of shares. In fishery cooperative associations the denominations vary from \$1.00 to \$1,000 or more. Actually, no advice can be given which would be valid in every case. The denomination of shares depends (a) on the immediate purposes of the cooperative; (b) on the number of members; (c) on the financial situation of the members; and (d) on the character of the bank connection.

A small cooperative which has for its only purpose the collection of a greater quantity of fish in a fishhouse and the sale of this fish to wholesalers does not need much capital. A share in such a cooperative usually should not be greater than the value of the average weekly catch of the average member. Under present conditions a much smaller amount is necessary since many wholesalers and even retail establishments are willing and able to advance funds to the cooperative from which immediate payment to members can be made. In cases in which the cooperative intends to establish a freezer and cold storage warehouse, the share capital should usually cover an amount which will be sufficient to pay for the investment in buildings and machinery, if matched by an equal amount from a government loan agency or from a banking institution.

Cooperative associations which act as attorneys or agents for their members need no share capital at all. Efficient cooperative enterprises of this type have been established in California. The largest share capital is required in cooperatives which maintain canneries or expensive laboratories.

Cooperative organization permits starting with small beginnings; for example, by operating a fish house and building up reserves which may be used later on for aggrandizement. Needless to say, combined strength accumulates capital more quickly than individual effort.

In connection with its financial needs the board should take inventory of the immediate work or service it is to perform and make plans accordingly. It should consider employing a manager or someone

to put in charge of operations, depending on the functions contemplated. Should the intended operations be elaborate, necessitating much time for the consideration of a manager, one or more persons should be selected at least temporarily to make arrangements for the beginning of operations.

If it is deemed a building is necessary, consideration should be given to the leasing or constructing of a building, and the installation of such machinery and other equipment as may be required. The preparation of plans for a building showing the location of machinery and other equipment are very essential to good management and efficient operations. It is recommended that actual construction of buildings, the selection and installation of machinery, equipment, etc. be delayed until the advice and counsel of experienced men or specialists can be obtained. The location of a building is quite important and may, if improperly placed or inadequately planned, have considerable adverse effect on plant operations.

OPERATION METHODS AND POLICIES

Management

In practically all cooperative marketing associations complete management of the business and general affairs of the association is vested in a board of directors, except for such authority as may be otherwise delegated by the statute, the articles of incorporation, or the bylaws.

The members of the first board of directors are specified in the articles of incorporation and serve as board members for the first year, or until their successors are elected and qualify. Thereafter the board of directors, or a portion of its membership, is usually elected each year by the members of the association. Some bylaws provide the terms of office of the directors shall be for an uneven number of years. As an example, if there are six members on the board, two may serve for 1 year, two for 2 years, and two for 3.

The position of board member of a cooperative association is one of honor and responsibility. First, it is a manifestation of trust and confidence on the part of his fellow producers in his honesty, integrity, and ability. The welfare of the association, its success or failure, rests upon the board of directors as a group. The board, representing the membership, possesses and may exercise all the powers the association has under the law. It is the duty of the board to direct and supervise, in a specific or general way, the functions and activities of the association. It may, and usually does, employ a manager, agents, or other personnel to carry out the details of operation and management of the association, but the board of directors is accountable to the members for its stewardship in office.

In the case of a cooperative association of producers, such as a fishermen's association, members of the board of directors are unable to devote the necessary time to supervise in detail the routine business affairs of the association. It becomes necessary, therefore, to employ someone to act as manager or agent for the association.

The first, and probably the most serious, question that confronts a new board of directors is the employment of a manager. The question is invariably asked: "Where can we get a competent man to do what we want done for what we are able to pay?" Usually the caliber of a manager, and what one should pay him, would be determined primarily by the volume of business, the nature and extent of operations, and the investment involved. Needless to state, a \$6,600 man should not be employed to conduct a business which might be efficiently and satisfactorily managed by a \$4,600 man. On the other hand, it is unlikely that \$6,600 worth of results in management can be obtained from the expenditure of \$4,600 for a manager--not for long at least. In any event, whether it be a manager drawing a minimum salary and whose functions consist only of routine handling, weighing, and packing fresh fish in the round; shipping, billing, and keeping records of returns and payments; or whether the manager is to head a several hundred thousand dollar concern, there are certain prerequisites necessary: (1) Unquestionable integrity; (2) experience preferred or at least a general knowledge of the business; (3) competency and capability; (4) knowledge of cooperative marketing and appreciation of the spirit of cooperatives, their aims and purposes. It has been stated, and probably wisely, that in seeking a manager for a cooperative it is better to sacrifice some experience and knowledge of the business contemplated in favor of a true appreciation of the spirit, aims, and purposes of the cooperative and the desire to render the best possible service to the membership. There is a limit, however, to which a board of directors should go in this respect. For instance, if a manager lacks the necessary business training or experience irrespective of a sympathetic attitude and desire to render service, the funds of an association might be dissipated before the association could be placed on a sound business basis. Therefore, sentiment for the principles of cooperation and the desire to be of social service should not outweigh a lack of knowledge of the business and actual experience.

Facilities

The extent to which an association should employ machines, machinery, and general equipment in the conduct of its operations is dependent upon the nature, extent, and the volume of its business. Whether elaborate or barely essential equipment is used, the association as a business concern should employ sound business principles and methods. Slipshod and haphazard methods never made any business better. A marketing association is not a benevolent or charitable organization and should not perform services that are not in direct line with its purposes and proper business practices. Special services, favors, or consideration

should not be performed for, or be granted to, individual members or to any group of members unless the same or like service is available to other members or to other groups of members.

The facilities and plant equipment of an association should depend upon the type and volume of products handled and the nature of the business in which the association is to engage. Certainly associations with limited capital and small volumes of products should not install machinery and equipment, the economical use of which would require a volume of several times that available, or in prospect, to the association. As a rule, products should not be processed or manufactured unless such operations enhance the price of the product to at least cover the cost of such additional operations. There are times, however, when processing prevents or delays deterioration, or makes useful and salable products which otherwise could not have been sold at the time of receiving.

Records and Accounts ^{1/}

The statement above with reference to plant machinery and equipment applies also in the case of bookkeeping and accounting equipment. Sufficient machinery for this purpose should be obtained, but it is comparatively easy for a new association to get stocked with more machines than it can adequately use.

Adequate Accounting System

Records and accounts of an association should at all times show the status of the association and each member's interests therein. A card or sheet system should be maintained for the individual member and patron that will reflect at any time the amount of business the individual has transacted through the association. A financial statement should be prepared monthly by the manager. The statement may or may not be furnished to the board of directors as often as every 30 days, depending on how frequently the board may meet, or on the policy adopted. The board of directors or the executive committee should meet, however, at least quarterly, and there should be a meeting of the entire board at least every 6 months. Operating and financial statements should be furnished the executive committee and the board at such regular meetings, and special reports should be requested and rendered as needed.

Bookkeeping and auditing.-- The following simple transactions, frequently occurring in cooperative associations, have been translated into commercial book entries.

Unquestionably, each cooperative must have a commercial bookkeeping system. It can be very simple for small cooperatives, composed of a "Journal" only. The entries in this Journal are made in such a way that each transaction shows a "debit" and "credit" entry of equal amounts. This is done to facilitate summarization of the income and expenses and to show the financial progress made during each month or other period.

^{1/} The section on "Records and Accounts" was prepared with the advice and cooperation of Walter H. Stoiting, Asst. Chief, Economics & Cooperative Marketing Section.

Debit and credit entries are governed by the following rules:

In asset accounts:^{1/}

Increases are recorded by debits.

Decreases are recorded by credits.

In liability and capital accounts:^{2/}

Increases are recorded by credits.

Decreases are recorded by debit.

How simple transactions are prepared for entry in the Journal may be seen from an assumed cooperative business as follows:

19--

- Sept. 1 Signed stock subscription was received from John Jones for subscription of \$1500.00.
Debit: John Jones Capital Subscription
(increase in asset)
Credit: Capital Stock
(increase in capital)
- Sept. 5 Check received from John Jones in payment of \$1500.00 capital stock subscription.
Debit: Cash
(increase in asset)
Credit: John Jones Capital Subscription
(decrease in asset)
- Sept. 7 Cooperative member John Jones delivered 10,000 pounds of haddock to Co-op at 10 cents per pound.
Debit: Merchandise Purchases
(decrease in Profit & Loss-Capital Account)
Credit: John Jones - Member
(increase in Liability)
- Sept. 7 Customer, Max Soldo, bought 5,000 pounds of haddock at 12 cents per lb.
Debit: Max Soldo, Customer
(increase in asset)
Credit: Merchandise Sales
(increase in Profit & Loss - Capital Account)
- Sept. 10 Received check from Max Soldo in payment of Invoice of 9/7/46.
Debit: Cash
(Increase in asset)
Credit: Max Soldo, Customer
(decrease in asset)

^{1/} Means accounts of things owned.

^{2/} Means accounts of things owed.

- Sept. 10. Bought 100 3-cent postage stamps
 Debit: Postage
 (decrease in profit and loss - capital account)
 Credit: Cash
 (decrease in asset)
- Sept. 11 Borrowed \$1,000.00 from the First National Bank on
 90-day note in order to obtain working capital.
 Debit: Cash
 (Increase in asset)
 Credit: Notes Payable
 (increase in liability)
- Sept. 14 Paid John Jones 75% of value of his delivery of 9/7/46, in
 accordance with policy set by Board of Directors.
 Debit: John Jones, Member
 (decrease in liability)
 Credit: Cash
 (decrease in asset)
- Sept. 15 Paid employee, Henry Hill, his semi-monthly wages.
 Debit: Wages
 (decrease in profit and loss - capital account)
 Credit: Cash
 (decrease in asset)
- Sept. 15 Sold for cash, 5,000 pounds of haddock at 12 cents per pound.
 Debit: Cash
 (increase in asset)
 Credit: Merchandise sales
 (increase in profit and loss - capital account)
- Sept. 15 Paid Cold Storage Company \$10.00 in payment for freezing
 services and freezer space.
 Debit: Freezer expense
 (decrease in profit and loss - capital account)
 Credit: Cash
 (decrease in asset)
- Dec. 31 Paid John Jones balance due him for deliveries made during
 season.
 Debit: John Jones, member
 (decrease in liability)
 Credit: Cash
 (decrease in asset)
- Dec. 31 Declared patronage refund of 10 percent on value of deliveries.
 Accordingly, \$10.00 was due John Jones.
 Debit: Patronage refund declared
 (decrease in surplus - capital account)
 Credit: John Jones, member
 (increase in liability)

Dec. 31 Patronage dividend declared was paid in cash. Accordingly, a check for \$10.00 was sent to John Jones.

Debit: John Jones, Member
(decrease in liability)

Credit: Cash
(decrease in asset)

The transactions mentioned above are entered in the Journal as follows:

		JOURNAL		Page 1
		Folio	Debit	Credit
19				
Sept. 1	John Jones Capital Sub- scription.....	1	1,500.00	
	Capital Stock....	1		1,500.00
	To record capital stock subscription of John Jones.			
5	Cash	1	1,500.00	
	John Jones Capital Sub- scription - to record capital stock subscription of John Jones.	1		1,500.00
7	Merchandise Purchases	2	1,000.00	
	John Jones, Member...	2		1,000.00
	To record delivery of 10,000 lbs. haddock @ 10¢ lb.			
7	Max Soldo, Customer.....	2	600.00	
	Merchandise sales.....	2		600.00
	To record sale of 5,000 lbs. haddock @ 12¢ lb.			
10	Cash	1	600.00	
	Max Soldo, Customer	2		600.00
	Received check in payment of invoice 9/7/46.			
10	Postage	3	3.00	
	Cash			3.00
	Bought 100 3¢ stamps....	1		
11	Cash	1	1,000.00	
	Notes Payable	3		1,000.00
	Borrowed \$1,000.00 from First National Bank on 90- day note.			

		Folio	Debit	Credit
19--				
Sept.				
14	John Jones, Member	2	750.00	
	Cash	1		750.00
	Remitted 75% of balance due member in accordance with policy of settling 75% within one week and balance at end of season.			
15	Wages	3	100.00	
	Cash	1		100.00
	Paid Henry Hill semi-monthly wages.			
15	Cash	1	600.00	
	Merchandise Sales	2		600.00
	Sold for cash 5,000 lbs. frozen haddock @ 12¢ lbs.			
15	Freezer Expense	4	10.00	
	Cash	1		10.00
	Payment made to Cold Storage Co. for freezing and freezer space.			
Dec.				
31	John Jones, Member	2	250.00	
	Cash	1		250.00
	Balance due on deliveries made during season.			
31	Patronage Refund Declared	4	10.00	
	John Jones, Member	2		10.00
	Patronage refund declared - 1% of value of deliveries.			
31	John Jones, Member	2	10.00	
	Cash	1		10.00
	Payment of patronage refund made this date.			

Larger cooperative associations transfer the entries mentioned above from the Journal to a "Ledger." The Ledger contains, under individual headings, all asset and liability accounts. The Ledger may be one bound book or it may be a card file. The division and heading of the accounts is the same whether the Ledger is a book or a card file.

Entries are posted in the Ledger in the following manner: (The page of the Ledger in which they are posted is noted in the "Folio" column of the Journal.) Correspondingly, in the folio column of the Ledger, the page of the Journal from which the entry was taken is entered.

LEDGER

Page 1

: Folio :		Debit	: Folio :		Credit
19--		John Jones Capital Subscription	19--		
Sept. 1	1	1,500.00	Sept. 5	1	1,500.00
Capital Stock					
			19--		
			Sept. 1	1	1,500.00
Cash					
19--			19--		
Sept. 5	1	1,500.00	Sept. 10	1	300.00
10	1	600.00	14	1	750.00
11	1	1,000.00	15	2	100.00
15	2	600.00	15	2	10.00
			Dec. 31	2	250.00
			31	2	10.00

: Folio :	Debit	: Folio :	Credit
-----------	-------	-----------	--------

19--		Merchandise Purchases		
Sept. 7	1	1,000.00		

Merchandise Sales

19--				
Sept. 7			1	600.00
	15		2	600.00

John Jones - Member

19--			19--	
Sept. 14	1	750.00	Sept. 7	1 1,000.00
Dec. 31	2	250.00	Dec. 31	2 10.00
31	2	10.00		

Max Soldo - Customer

19--			19--	
Sept. 7	1	600.00	Sept. 10	1 600.00

		:	:			:	:
		:	:			:	:
:	Folio	:		Debit	:	Folio	Credit
19--				Postage			
Sent.10	1			3.00			
Notes Payable							
				19--			
				Sent. 11	1	1,000.00	
Wages							
19--							
Sept.15	2			100.00			
Freezer Expense							
19--							
Sept. 15	2			10.00			
Patronage Refund Declared							
19--							
Dec. 31	2			10.00			

The debits and credits which have been made to the various accounts must be equal at all times and frequent checks should be made to see that this is the case. A check made to determine this condition is known as a trial balance. A trial balance consists of listing the amounts of the debits and credits of each account. If the sum of the debits equals the sum of the credits, the books are in balance, and except for the possibility of compensatory errors all transactions have been posted properly. If the debits and credits are not equal, a mistake has been made and the books should be checked for the error or errors.

A trial balance, resulting from the few entries made above, follows:

Trial Balance
Dec. 31, 19--

	:	:
	:	:
	:	:
	Debits	Credits
Capital Stock		1,500.00
Cash	2,577.00	
Merchandise Purchases	1,000.00	
Merchandise Sales		1,200.00
Postage	3.00	
Notes Payable		1,000.00
Wages	100.00	
Freezer Expense	10.00	
Patronage Refunds Declared	10.00	
	3,700.00	3,700.00

After the trial balance is made, two other summary statements should be established: The Balance Sheet and the Profit and Loss Statement. These statements indicate what progress the organization is making, and should be prepared at the end of each month as well as at the end of each fiscal year.

The balance sheet presents a financial picture of the business at a particular time (December 31, for example), while the profit and loss statement pictures the operations through a given period of time, such as a month or a year.

Examples of these two statements follow:

Balance Sheet
Dec. 31, 19--

Assets		Liabilities	
Cash	\$2577 00	Notes Payable	\$1000 00
		Capital	
		Capital stock	1500.00
		Surplus	<u>77.00</u>
			1577 00
	<u>\$2577 00</u>		<u>\$2577 00</u>

Statement of Profit and Loss
Dec. 31, 19--

Merchandise Sales	1200 00	
Merchandise Purchases	<u>1000 00</u>	
Gross Profit		200 00
Deduct Expenses		
Postage	3 00	
Wages	100 00	
Freezer Expense	<u>10 00</u>	<u>113 00</u>
Net Profit		87 00
Patronage Refund Declared To Surplus		<u>10 00</u>
		<u>77 00</u>

The examples given should be sufficient to enable any small cooperative to apply sound bookkeeping principles. The manager has only to make entries in his book by following the examples given above.

However, in large cooperatives, more elaborate accounts are required and consequently more elaborate balance sheets must be expected. For those larger cooperatives the following description of a more complicated balance sheet and profit and loss statement is added.

The balance sheet is divided into three distinct sections: (1) assets, (2) liabilities, and (3) net worth. The term itself implies that there is a balance. The assets are always equal to the liabilities and net worth.

What are Assets?

Assets represent all the property and resources of the organization. All assets which could be converted into cash during a year's operations are current assets. Such items as land and buildings, machinery and equipment, furniture and fixtures, and long-term notes receivable are fixed assets.

"Accounts receivable" is a current asset and an item which is frequently overrated on the balance sheet when organizations fail to make proper allowance for bad accounts. Ordinarily accounts which are more than one year old are questionable. Organizations doing considerable credit business should watch this item carefully and accounts of questionable value should be written off. Loss on bad accounts is an operating cost and should be shown as such in the profit and loss statement (income and expense).

"Prepaid Expenses" represents that part of expenses which is paid in advance but is not yet used up. Insurance is an example.

What are Liabilities?

Liabilities represent debts or obligations of the organization. Most common among liabilities are accounts payable, notes payable, and mortgages.

Liabilities are also listed as "current" and "long-term," depending on when they have to be met. Ordinarily any liability which will mature during a year's operations is considered current. Quite frequently such liabilities as accrued taxes and accrued interest are omitted from the balance sheet. Accrued liabilities are the opposite of prepaid expenses and represent that part of an expense not yet due and payable but actually chargeable to the current period of operation. These accruals are definite liabilities and should be shown as such on the balance sheet to present a true picture of the financial condition of the organization at a particular time.

What is Net Worth?

Net worth shows the members' claims on the assets of the organization and is the excess of assets over liabilities. Net worth items are paid-in-capital (including capital stock and stock credits), surplus accumulated from past and current earnings retained in the business, and special reserves for a building fund, for fire losses, etc. (Valuation reserves for depreciation of boats, vessels, buildings and equipment, for bad debts etc., are deductions from assets and are shown as deductions in the assets section of the balance sheet.)

Unless assets exceed liabilities there is no net worth or owner's equity in the organization since it would take all the assets to satisfy liabilities (creditor claims) of the business. Again, in any balance sheet, the assets are equal to the liabilities and the net worth.

Financial Ratios

If an organization is to stay in business, it must pay its debts as they come due. It must also have enough cash on hand to meet current operating expenses. One measure of an organization's ability to do this is the ratio of current assets to current liabilities. Just what ratio is desirable will depend on the type of organization and its method of operation.

Generally, an organization should aim to have two dollars of current assets for each dollar of current liabilities or a ratio of two to one.

In ensuing pages a balance sheet and a profit and loss statement of a representative fishermen's cooperative association are given in greater detail. The value of comparisons based on the balance sheet and the profit and loss statement is also discussed.

Balance Sheet of
 FISHERMEN'S COOPERATIVE-----ASSOCIATION
 as of December 31, 19--

ASSETS

Current Assets

Cash on hand.....	\$	163.28	
Cash in bank.....		2,100.00	
Accounts receivable			
Patrons.....	\$	586.44	
General.....		<u>2,550.77</u>	
	\$	3,137.21	
Less: Reserve for Bad Accounts...		<u>62.74</u>	
			3,074.47
Notes receivable.....			1,387.41
Inventory			
Merchandise.....		1,060.52	
Supplies.....		921.54	
Prepaid expense.....		<u>77.49</u>	
			<u>\$8,784.71</u>

Investments

Stock in other organizations..			200.00
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Fixed Assets

Land.....		1,006.67	
Buildings.....		13,337.33	
Less: Reserve for Depreciation		<u>2,776.55</u>	
			10,560.78
Vessels, machinery, and equipment		8,980.45	
Less: Reserve for Depreciation		<u>4,118.25</u>	
			4,862.20
Office equipment.....		246.49	
Less: Reserve for Depreciation..		<u>119.46</u>	
			127.03
Trucks and delivery equipment....		1,160.00	
Less: Reserve for Depreciation.		<u>580.00</u>	
			<u>580.00</u>
 Total Fixed Assets.....			 <u>17,136.63</u>
 Total All Assets.....			 26,121.39

Balance Sheet of
 FISHERMEN'S COOPERATIVE-----ASSOCIATION
 as of December 31, 19-- (CONTINUED)

LIABILITIES

Current Liabilities

Accounts payable		
Patrons.....	\$ 3,553.88	
General	501.85	
Short-term notes payable	599.17	
Accrued interest payable	18.20	
Accrued taxes.....	<u>147.00</u>	
Total current liabilities		\$ 4,820.10

Fixed Liabilities

Mortgage payable.....		<u>1,850.00</u>
Total liabilities.....		6,670.10

NET WORTH

Capital stock - authorized.....	\$ 15,000.00	
Less: Unissued.....	<u>3,500.00</u>	
Capital stock issued and outstanding..	11,500.00	
Surplus.....	7,841.09	
Net income for period.....	<u>110.20</u>	
Total net worth.....		<u>19,451.29</u>
Total liabilities and net worth..		\$26,121.39

In the balance sheet above there is \$1.82 current assets for each dollar of current liabilities or a ratio of 1.8 to one. Since the ratio is less than two to one, the organization may have difficulty in meeting its current obligations as they come due and still have sufficient operating capital in the business so as to take advantage of cash discounts and allowances on its purchases. Should the ratio be less than one to one, the organization will need to borrow money to pay its current obligations and may have to buy its supplies "on time." Such a condition indicates either a heavy and pressing debt load or that too much capital is tied up in fixed assets. Such an organization usually has difficulty in borrowing capital on reasonable terms.

Worth-debt Ratio

The worth-debt ratio is also important. This is the ratio of net worth to total liabilities.

The total net worth should equal or exceed total liabilities indicating that there is more owner than creditor capital in the business.

In the balance sheet there is \$2.91 of net worth or owner capital for each dollar of creditor or borrowed capital. This is a desirable situation. Creditor capital should be held to a minimum since fixed interest charges and debt payments can quickly increase costs to a point where it is difficult to meet competition. This is particularly true when the volume of business is relatively small. It is desirable to finance all fixed assets from owner capital. This is generally accomplished by selling stock to patrons or retaining earnings in the business.

Per Unit Overhead Costs

A third ratio, of interest to directors and members of cooperatives, is the ratio of total units of business (pounds, tons, barrels, dollars, etc.) to the investments in fixed assets. It is calculated by dividing total units of business by the total fixed assets. The ratio shows the number of units handled per dollar invested in fixed assets.

Since fixed assets represent a definite overhead expense, it is desirable to handle as many units as possible per dollar invested. The more units handled per dollar of fixed assets, the lower will be the per unit overhead costs and the more efficient will be the cooperative in serving its members.

What are Reserves?

Reserves are funds set aside for use in the future, either to meet a definite known expense or as insurance against possible future expenses or losses. For example, an organization which has a mortgage that will mature at a definite future date may set up a "reserve for debt retirement" to which part of the earnings each year are allotted so as to have money on hand to retire the mortgage when it matures. Merely setting up a reserve does not guarantee that money will be on hand at the time it is needed unless the amount credited to the reserve is actually held as a separate fund or invested in securities which can be converted to cash when the mortgage is to be paid.

There is a tendency in cooperative marketing organizations to pay out as much as possible for products marketed. This frequently leads to a depletion of reserves unless such reserves are held in a separate fund. It is not uncommon to find records showing large reserves but little or no cash on hand. This means that money is "tied-up" in inventories, accounts receivable, fixed assets, etc.

Reserve for Depreciation

Boats, vessels, buildings and equipment wear out with use and the passing of time. New buildings and equipment must at some time replace those used in present operations. "Wear and tear" are definite operating costs and chargeable to the current year's business. By charging current operations with this expense and setting the amount aside in a "Reserve for Depreciation," it is possible to build up sufficient capital to replace the building or equipment at the time it is worn out, or when it must be replaced by newer and more efficient facilities.

The rate of depreciation to be used for buildings and equipment will vary with different businesses and kinds of facilities. Generally the life of buildings and equipment can be estimated quite accurately and a rate of depreciation developed.

The balance sheet should show "reserves for depreciation" as a deduction from the original value of the property (fixed assets). Reserves for depreciation are set up to show the proportion of the original value that has been used up and the present net value of assets. The allowance for depreciation should be included in the statement of operating expenses. If no charge or too small a charge is made for depreciation, net earnings will be overstated and an inflated surplus will be recorded on the books of the association.

If funds which should be set aside as a reserve for depreciation are used and paid out for the products marketed, the organization is consuming its member capital. When such procedure has been followed, the organization must borrow heavily when replacement of buildings and equipment is necessary.

What is Surplus?

This question is often raised in cooperatives when the records show a large surplus account but little cash is on hand.

Surplus is the amount of earnings from previous years that has been retained in the organization. Such earnings may be used in three ways: to build up cash, to pay off a debt, or to increase the facilities of the cooperative.

If a debt is paid with earnings, the value (net worth) of the organization to its owners (stockholders) increases to the extent that the debt is decreased. Thus, surplus would increase, but "cash on hand" would not. Cash from earnings frequently is absorbed in inventories, accounts receivable, or buildings and equipment, with the result that no increase in the cash item appears in the assets of the balance sheet. Nevertheless, assets in the other forms are increased, and the offsetting item in "liabilities and net worth" is an increase in surplus.

What is a Patron's Equity Reserve?

Some cooperatives, in order to retain enough capital in the organization for efficient operation, declare a patronage dividend out of net earnings at the end of the year. Instead of paying out the dividends in cash, they set up a patron's equity reserve account (revolving fund) and credit each patron according to the volume of business done with the association. Certificates of indebtedness may be issued for this reserve fund to the members of the cooperative. Such reserves are paid out in cash when the organization is in a position to do so. At such a time, the oldest patron's equity reserve accounts should be paid first. This revolving fund method of financing the cooperative out of earnings without increasing the undivided surplus, makes it possible for a cooperative to build up sufficient working capital without violating state and federal cooperative laws. Net earnings retained in the organization as undivided surplus are the property of the stockholders in proportion to the amount of stock owned by each. Net earnings allocated to patrons and listed as patron's equity reserves are the property of the patrons. This provides an equitable method for building up working capital and leaves the legal claim to such capital with those who helped build it.

What are Stock Credits?

Frequently the item of "stock credits" appears in the net worth section of the balance sheet. In order that all patrons will become stockholders (members) and the voting control of the organization kept in the hands of those using it, many associations apply patronage dividends toward the purchase of a share of stock for those patrons not already stockholders. Such dividends or refunds are referred to as stock credits until an amount has accumulated equal to the purchase price of a share of stock and a certificate of stock is issued. A similar procedure can be followed to increase the amount of stock held by each stockholder as a means of securing additional capital.

The Profit and Loss Statement

"The Profit and Loss Statement" shows operations during a given period of time (one year, for example), and how "net earnings" are determined. It is actually a statement of income and expense.

PROFIT AND LOSS STATEMENT
 Fishermen's Cooperative----- Association
 Jan. 1, 19-- to Dec. 31, 19--

<u>Sales</u>		\$191,825.00
<u>Cost of Sales</u>		
Inventory, beginning of year..	\$4,181.39	
Purchases	<u>173,705.54</u>	177,886.93
Less: Inventory, end of year..		<u>5,789.68</u>
		<u>172,097.25</u>
Gross Profit.....		19,727.75
<u>Operating Costs</u>		
Labor and wages.....		9,120.00
General supplies.....		2,128.56
Fuel.....		1,546.83
Light and power.....		1,324.56
General repairs.....		556.09
Local taxes.....		610.92
Depreciation		
Buildings.....	333.43	
Machinery and equipment...	898.05	
Delivery equipment.....	<u>290.00</u>	
		<u>1,521.48</u>
		16,808.44
<u>General and Administrative Costs</u>		
Office Salaries.....		870.00
Managers fees.....		474.00
Payroll taxes.....		371.20
Office supplies.....		289.20
Advertising and printing.....		201.84
Insurance.....		273.86
Annual meeting expense.....		143.62
Auditing.....		41.06
Telephone and telegraph.....		19.28
Depreciation, office equipment.		24.65
Bank service charges.....		20.60
Miscellaneous items.....		<u>79.80</u>
		<u>2,809.11</u>
<u>Total Expenses</u>		\$19,617.55
<u>Net earnings for year 19--</u>		\$ 110.20

Most of the items included above are self-explanatory. Expense items frequently omitted from the profit and loss statement are depreciation of buildings and equipment, accrued wages, accrued taxes, and accrued interest expense. If expense items are omitted, net earnings are overstated.

Frequently the "operating costs" and "general and administrative costs" are intermingled. A good auditor will properly classify the various expense items and make a comparison possible with figures from the statements of other cooperatives.

Frequently the profit and loss statement prepared for stockholders and patrons is so condensed as to give little information about the actual operations of the organization. Expenses should be itemized in sufficient detail to present a complete picture of costs in the organization.

Detailed Analysis Necessary

The profit and loss statement shown above is merely an illustration and more condensed than it should be. A similar statement should be prepared for each department of the business. Only through such a detailed analysis is it possible to discover weaknesses and initiate action to overcome them. A few small "leaks" may, if not discovered at an early stage, soon reach proportions where all savings from efficient operation in some departments are drained off into a cesspool of high costs and inefficiency in others.

Comparisons Useful

To determine how successful an organization is, one needs both the balance sheet and the profit and loss statements. For measures of efficiency in the business, it is necessary to obtain further information, such as cost per dollar of sales, cost per unit of product manufactured, changes in gross and net margins, etc. Such information can be obtained from the balance sheet and profit and loss statements through a few simple calculations. It is advisable to make such calculations from statements for a period of years to determine changes in the financial set-up and efficiency of operation. Such measures of efficiency have much value for comparison with other similar organizations.

Best Measures of Success

The earnings shown at the end of the year are not a good measure of the efficiency of cooperative associations. The best measures are: (1) cost per unit of handling and processing, (2) price received for products marketed, and (3) price returned to producers. Changes in the volume of products handled are significant indicators of progress and usually affect the per unit cost of handling and the price returned to producers.

Need for Audits

Audits by disinterested professional accountants should be made at least once each year in all cooperative associations. Audits help avoid errors in accounts and make a basis for financial analysis. An auditor familiar with the particular line of business can give much valuable assistance in setting up a satisfactory accounting system, suggesting desirable financial policies and more efficient methods of operation. There is no better means of creating a sense of security and of promoting confidence and good will among members of a cooperative than through a thorough audit that is openly and frankly discussed before all members at the annual meeting. In any discussion there is no substitute for basic accounting data as a source of information.

The cost of audits depends largely on the condition of the records and the type of audits made. Where audits are made regularly and the auditor's suggestions for improving the accounting methods are followed, the cost will be less than for irregular audits made only when questionable practices are suspected.

A cooperative organization properly located, with good records, well informed directors, and sound management, is in a position to serve its members effectively. However, it is important to keep members informed of progress being made and of obstacles standing in the way of more rapid progress. Directors must carry this responsibility. This can be accomplished through good records and good audits. However, records are of value only in so far as the management and directors make use of them in improving the business of the cooperative.

Patronage Refunds

A matter of great importance in the operation of an association is the question as to what policy should be adopted with respect to paying for products when received from members and patrons--as to whether an outright price or an advance payment should be made. The latter policy of making advance payment is becoming more popular among marketing associations. Too often new associations try to make exhibitions of their ability and strength and in so doing sometimes try to embarrass competitors by paying prices which are as high or higher than those paid by dealers. This will often cause members and producers to assume such practice to be the policy and purpose of the association and be attracted thereby. Consequently, when conditions require a change in this practice, necessitating the paying of lower prices or making advance payments, the membership views the change as being other than to its interests and therefore becomes critical and dissatisfied with the association. In which case, the association faces the possibility of a loss in membership and volume or a continuation of the high-price practice. The latter usually results in the association consuming its working capital and having to draw on its surplus or reserve funds in order to hold its membership and meet its obligations.

A more sound policy, and one which is usually more satisfactory to the producer as well as safer to the cooperative, and one which does not unnecessarily stir up competition, is the making of advance payments to producers at the time of delivery. The advance payment may be 70, 80, or 90 percent of the current market price. The remainder of the price for the commodity may be made at the end of a particular season when the final returns on the sale of the product and operating costs are known. To make such seasonal payments it would be advisable to set up seasonal or commodity pools where there is seasonal production during the year and several products are being handled. For instance, there may be established an oyster pool, a shrimp pool, or a scallop pool in case of an association handling large volumes of these several commodities seasonally. Should seasonable pools not be advisable, then final payments for various products may be made on a calendar basis, such as quarterly, semiannually, or yearly.

To cover total operating expenses and to provide for reserves and other funds of the association, there should be established an operating fee based on unit of volume or weight or on a percentage of the price of the commodity. Admittedly, such charges should be sufficient to cover all costs of operation and the amounts necessary for reserves and other funds. In time such deductions or fees for reserve funds should be sufficient to cover unforeseen contingencies or emergencies. If such fees, deductions, and charges have been adequately and wisely determined, and the expected volume was obtained, there should be a net earning or saving at the end of the business year. In other words, a margin of safety should be provided to cover all possible costs of operation.

The disposition of such net earning or saving, if any, should be made at the close of each business year. This is a matter of importance to the welfare of the association and is of interest to the members individually. First and most important, the amount for reserves, as may be stipulated in the bylaws, or as may have been determined by the board of directors, should be deducted and set aside. If the association is a stock corporation, dividends on preferred and common stock should be declared next, if at all. The balance of the net earnings or savings, if any, should be returned to the members and other producers who have patronized the association during the last business year. Contrary to most corporations, earnings are not reflected to members (common stockholders) on the basis of capital stock invested, but on patronage in the association. This is known as a patronage dividend or refund, and is based on the amount of business each individual did with the association during the preceding business year.

In recent years it has become increasingly desirable to distribute only part of the earnings, for several reasons. In the first place, fish distribution has become a more complex business due to (1) use of machinery in scaling, filleting, and packaging; (2) quality improvement by freezing; and (3) the demand for quality fish by consumers. Hand

in hand with this change in the distribution pattern went a revolutionary change in fish prices and fishermen's revenues. Cooperatives, which before World War II, only operated gasoline stations or small fish houses became wholesalers who operated freezers, laboratories, and complete fleets of trucks. In many cases it was impossible to both distribute the earnings to the members and retain enough capital for the enlargement of business.

The retention of capital and the establishment of reserves by undivided earnings, however, created in some cases difficulties with collectors of internal revenue. Some collectors subjected these reserves to corporate income taxation, and in one case the tax collector was upheld by the Treasury Department. In another case, so far as information could be obtained, a U. S. District Court reversed the opinion of the tax collector and declared the undivided income of the cooperative non-taxable.

To avoid difficulties, some of the largest cooperatives in this country decided to give to its members certificates of indebtedness which were due to them from the association instead of paying cash. The effect of such practice is that the association increases its indebtedness in the same proportion as it retains undistributed earnings, thus avoiding taxable net profits.

This procedure permits the cooperative association to build up tax free reserves which may be used for the establishment of freezers, laboratories, or office and warehouse buildings.

The unsatisfactory element of this procedure is that the certificates in the hands of the individual members may be taxed, and these members may be forced to make cash payments on such certificates to the collector of internal revenue although they do not receive any cash payments from the cooperative association.

In some States the statute governing cooperatives, mutual associations, or general corporations may alter the procedure as given above. Some States require that a certain percent of net earnings be utilized for educational purposes among the members and patrons of the association. The statute should be adhered to in this as in other respects. The outline given above generally prevails, however, and where not otherwise specified, or in case the statute fails to specify, the procedure given is suggested. The bylaws or stock certificates stipulate the rate or maximum amount of interest that the association may pay on preferred and common stock.

The question of taxation of fishery cooperatives under the Federal income tax legislation is neither clearly stated nor clearly answered. An article entitled "Problems of Taxation of Fishery Cooperatives," published in "Fishery Market News" in 1945, states in more detail how fishery cooperative associations are treated under present Federal income tax legislation. 1/

If cooperative associations limit patronage refunds to 8 percent per annum, as provided for in the Fishery Cooperative Marketing Act, and use the excess revenue as reserve under the certificate procedure, as described above, the tax burden for cooperative associations will probably be negligible.

1/ This article may be obtained from U. S. Fish & Wildlife Service, Washington 25, D. C.

Membership Relations

It may be said that in the administration and operation of a cooperative marketing association there are three important items around which hinge its success or failure: (1) Efficient management with low overhead costs, (2) sound sales policy, and (3) an informed and sympathetic membership. All three of these are important: without them there can be but temporary success. The record, however, shows fatalities where membership relations were not considered significant enough for the management to be concerned with the attitude of members toward their association. It should be remembered that members of the board of directors and the manager are servants of the member-patrons, and it is their obligation to give at least a periodical account of their stewardship to the members, and good management demands it. There is usually information of a confidential nature that should not go beyond the executive committee or board of directors. It should be remembered, however, that the management of a cooperative association is under far greater obligation to the members thereof than the management of a private corporation is to its common stockholders. In the case of the latter, common stockholders as a rule receive no services as such but are investors and may assist in promoting and financing the corporation. In the case of a cooperative, the members or common stockholders are the association. Upon them depends not finances necessarily but the volume of products, the lifeblood of the association. Viewed in this light, it is anything but good management or desirable administrative policy to fail to keep the membership informed and sympathetic concerning the association.

Every association should have an educational program among the members that is as definitely a part of its administration as the selling of products or the keeping of books and records. The management must at all times continue to "sell" the association to its members. An association cannot depend entirely upon price advantages, if any, to keep its membership aligned with it. Such price advantages will vary from time to time and in some cases they may be minimized to the point where they are not significant. On the other hand, there are benefits to be derived from membership in a cooperative enterprise other than an immediate price advantage.

An educational program also should be directed toward overcoming false and misleading statements about the activities of the association. ^{1/}

In this connection the rights and privileges of members or common stockholders should be kept in mind by the management. As stated above, the membership is the association and should be considered and treated as the employer. All rights not otherwise restricted or delegated by law belong to the membership. And in most States the power to amend the bylaws is vested only in the members of an association. Through the bylaws even the policies of operation and management may be ultimately determined by the members.

^{1/} See Appendix 5, indicating helpful literature:

It should not be overlooked that the successful establishment and operation of a cooperative depends on the fact that enough members can be found who possess certain personal qualifications which are basic for cooperation. The following character qualifications are desirable in people who make up the membership of a cooperative: honesty and conscientiousness, unselfishness, frankness, and open-mindedness, broadmindedness, fairness and level-headedness, and reasonable aggressiveness. Needless to say, narrow-mindedness, envy, jealousy, suspiciousness, and dishonesty have no place in a cooperative movement. Such qualities creep in and gnaw on the vitality of cooperatives. The best remedy for these human weaknesses is education, publicity, and openness in all doings. Where a cooperative movement makes a serious attempt to live up to the principles of democracy, equity, and publicity, these human failings do not get much chance to get nestled in the organization in question.

LEGAL REQUIREMENTS AND CORPORATE STRUCTURE

Incorporated or Unincorporated Associations?

After or immediately upon deciding to form a cooperative association, the most likely question to be decided upon next is whether or not to incorporate. Probably too few laymen consider this question as being significant. To others the question may prompt another query as to why raise the issue at all, meaning that it is a foregone conclusion the association should incorporate. A strictly legal appraisal of the question is not herewith attempted. However, the following is submitted for consideration by those contemplating the formation of a cooperative marketing association.

Some States have statutes which authorize the formation and operation of unincorporated associations. For the most part, however, unincorporated associations may be, and usually are, organized without respect to such laws. In the absence of State statutes authorizing unincorporated associations they are governed by what is known as common law as to the rights of individuals to barter, trade, and contract with one another. Such an association may have, and usually does have, a constitution which sets forth the purposes, powers, and limitations of the association, and also bylaws which provide for rules and the regulation of its conduct.

An unincorporated association may operate and function as a going concern unless otherwise restricted by specific State statutes. It can sue and be sued, not in its own name, however, but only in the name of its members, in the absence of a statute. Likewise, an unincorporated association, in the absence of statute, is unable to acquire or hold real or personal property in its own name. Furthermore, the constitution or bylaws of such an association are held to be a contract between and binding on all parties who agree to them, and such parties, broadly speaking, are partners and are generally personally liable for the accountability of the actions taken therein. In the absence of a statute, an unincorporated association has no legal existence, except at common law.

In Bouvier's Law Dictionary, the following forms of unincorporated associations which are possible under common law are cited:

1. The Joint Stock Company is defined as "An association of individuals for the purpose of profit, possessing a common capital contributed by the members composing it, such capital being commonly divided into shares of which each member possesses one or more, and which are transferable by the owner.

"A quasi partnership invested by statutes in England and many of the states with some of the privileges of a corporation.

"A partnership whereof the capital is divided, or agreed to be divided, into shares so as to be transferable without the express consent of the co-partners.

"Such associations are not pure partnerships, for their members are recognized as an aggregate body; nor are they pure corporations, for their members are more or less liable to contribute to the debts of the collective whole. Incorporated companies are intermediate between corporations known to the common law and ordinary corporations and partake of the nature of both.

"They are to be distinguished from limited partnerships chiefly in that there is, in a joint stock company, no dilectus personarum, that is no choice about admitting partners, the shares are transferable without involving a dissolution of the association, the assignee of shares becomes a partner by virtue of the transfer, and the rights and duties of the members are determined by articles of association,...

"Joint companies may be formed without regard to the statutes, and the promoters may choose to proceed solely upon their common-law rights and responsibilities; 1/

"The relation of the stockholders to the company is settled by the articles of agreement. They contribute the capital, select the trustees and are entitled to a distributive share of the profits. They have no power to use the name of the company, to interfere with its business, or to bind it in any manner. This power they have voluntarily surrendered to the trustees."

2. The Unincorporated Company is defined as "...fundamentally a large partnership, from which it differs mainly in the following particulars: That it is not bound by the acts of the individual partners, but only by those of its managers; that shares in it are transferable; and that it is not dissolved by the retirement, death, bankruptcy, etc. of its individual members.

1/ These companies are not illegal.

"In the United States this term is used to signify a body of persons united without a charter but upon the methods and forms used by incorporated bodies for the prosecution of some enterprise."

A corporation, or an incorporated association, is something separate and intangible, created by law, and is responsible for its own acts and those of its officers performed in line of duty. It can sue and be sued, acquire, own, hold, and dispose of real or personal property, all in its own name. All action taken in an incorporated association is the responsibility and liability of the corporation as such. Its net assets and total resources are subject to a judgment for its acts, but not the property of its members or common-stock holders. The powers, rights, and limitations of corporations are usually specified in a particular statute authorizing corporations or are provided under general corporation laws.

Nearly all cooperative marketing associations are incorporated. As a rule, associations that are not benevolent societies but which are engaged in business operations and in the trafficking and trading of commodities are incorporated. Those that are small operators, performing in a limited area or conducting functions of a noncommercial nature may not deem it necessary to become incorporated. It is recommended, however, that fishery cooperative marketing associations which are business concerns and are engaged in commercial enterprises be incorporated; therefore, this pamphlet is devoted, for the most part, to a consideration of associations as incorporated associations. The use of the word "association" means an incorporated association unless otherwise specified.

State Statutes

Upon reaching the decision that the association is to be incorporated, the next question before a group of organizers and incorporators would be "Under what statute?"

The Federal Government and each of the State legislatures have the power to create corporations. There is no provision, however, whereby cooperative associations may be incorporated under Federal law. Congress, in enacting Public, No. 464, established the principle of approval by the Federal Government of such functions by fishermen, and authorized that actions in accordance with the provisions thereof might be conducted in interstate and foreign commerce.^{1/} The act lists functions in which such an association may engage, but the functions of an association are not limited to those specified in the act. A definition of "aquatic products" is provided in the act which interprets it as including "* * * all commercial products of aquatic life in both fresh and salt water * * *." The act further provides that such associations may have marketing agencies in common, and that their members may make the necessary contracts and agreements to effect such purposes.

^{1/} See Appendix 6.

By way of limitations, the act sets forth that such associations must be operated for the mutual benefit of their members and that (1) voting in such associations shall be limited to one vote per member irrespective of the number of shares or membership stock held in the association; or (2) dividends on stock or membership capital held in the association shall not exceed 8 per centum per annum; and in any case (3) the association shall not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members.

The law does not provide for the granting of Federal charters to associations. To incorporate such an association, therefore, it must be done under an appropriate State statute.

Some State statutes providing for corporations are general in that they do not specify the particular type of business that may be engaged in by an association incorporated thereunder. On the other hand, there are special acts that specify and limit the type of business an association incorporated thereunder may pursue. For example, practically every State has a statute authorizing associations of producers of agricultural products; yet, at the time of this writing, it has not been found that the language of a State statute grants such authority specifically to producers of aquatic products. In some States there are "cooperative" or "mutual" laws of a general character which do not specify who may organize, or become members of, or the type of business of an association organized thereunder. Furthermore, nonprofit associations may be organized under the general corporation laws of some States.

The absence of State laws specifically authorizing fishermen's cooperative associations, or the absence of cooperative laws of a general character should not deter fishermen from organizing and incorporating their associations. There are hundreds of cooperative associations in this country that are organized under general corporation statutes. There is little doubt that many of the States do not have statutes under which a fishery cooperative association could be properly organized, incorporated, and operated. The fact that a fishery association is organized and incorporated under the general corporation statutes of a State need not necessarily affect the cooperative character of such an association if it is properly organized and operated. Although certain provisions are usually contained in cooperative laws, granting what is sometimes considered as certain rights or privileges to cooperatives not enjoyed by other corporations, this should not be a deterring factor in the operations of cooperative associations incorporated under general corporation laws.

It is important, however, to give careful consideration to the selection of the State statute under which an association is to be incorporated. Regardless of the State statute contemplated, it is well for those who are responsible for the formation of a cooperative or non-profit association to determine definitely that the statute under consideration will permit the corporation to pursue the purpose for which it is to be formed to perform the functions necessary, incidental, and related thereto, and that

producers may exercise their rights and privileges as member-owners of a cooperative association in the protection of their rights and interests therein. Furthermore, the provisions and requirements of the statute should be understood as to the general and specific rights, privileges, benefits, or restrictions of an association formed thereunder. After deciding upon the statute under which to incorporate, it is necessary to ascertain and follow the requirements thereof. Competent counsel should be sought in selecting the statute and in preparing corporate papers in accordance with the provisions of the statute and which will suit the purposes and proposed functions of the association.

Given elsewhere in this pamphlet are suggested steps in the procedure of forming a cooperative association. It is well, however, to point out some things here in connection with the legal phases of organizing and incorporating an association.

In the following paragraphs, information is given for each of the fishery States listed, indicating whether in each particular State a special cooperative State law is in existence or whether cooperatives may be established under the general corporation law, as well as the State agency with which an incorporated association must be recorded;

MAINE.--Fishery cooperatives may be organized under the general corporation law (Revised Statutes of Maine, 1944, vol. 1, p. 975 ff.) Certificate of incorporated corporation is to be recorded with the Registry of Deeds in the county in which the corporation is located.

NEW HAMPSHIRE.--Fishery cooperatives may be organized under the general corporation law (Revised Laws of New Hampshire, 1942, vol. II, p. 1160). The record of organization is to be recorded in the office of the Secretary of State.

MASSACHUSETTS.--Fishery cooperatives may be organized under Chapter 157, Cooperative Corporation, of the General Law of Massachusetts (Annotated Laws of Massachusetts, V, Ch. 157) Certificate of an incorporated cooperative must be filed in the office of the Secretary of State.

RHODE ISLAND.--Fishery cooperatives may be formed under the general corporation law (General Laws of Rhode Island, 1948, ch. 116). The charter must be filed with the Secretary of State.

CONNECTICUT.--Fishery cooperatives may be organized under the special law for cooperative Associations (General Statutes of Connecticut, 1930, II, sec. 3508 ff.) Certificate of incorporation shall be filed with the Secretary of State.

NEW YORK.--Fishery cooperatives may be organized under the Cooperative Corporations Law, Chapter 77, of the Consolidated Laws (Art. 1, sec. 2), which states: "A cooperative corporation shall be . . . a producer's and consumer's cooperative stock corporation." Three or more persons may form a cooperative of this type for the purpose of conducting a general producing, manufacturing, warehousing, or merchandising, processing and cleaning business on the cooperative plan for articles of common use. The certificate of incorporation must be filed with the Department of State.

NEW JERSEY.--Fishery cooperatives may be formed under Title 34, Chapter 17, of the Revised Statutes - New Jersey (N.J.S.A. 34:15-1). Under this section any seven or more persons resident in the State may associate themselves into a society for the purpose of carrying on any lawful mechanical, mining, manufacturing or trading business, or of trading and dealing in goods, wares, and merchandise or chattels. The certificate of association must be recorded in the Office of the Clerk of the county in which the principal office or place of business of the society is located, and a copy must also be filed in the office of the Commissioner of Labor.

PENNSYLVANIA.--Fishery cooperatives may be formed under a special Pennsylvania law for that purpose (Perdon's Statutes, 13, par. 1). Such cooperative associations may be incorporated by any five or more persons for the purpose of trading or dealing in all kinds of goods, wares, merchandise, etc. The articles of association must be filed in the office of the Secretary of State, and two copies must be made for certification by the Secretary of State, one of which must be filed and recorded in the office of the Recorder of Deeds in the county in which the principal office of the association is located.

DELAWARE.--Fishery cooperatives may be incorporated under the General Corporation Law of the State (Chapter 65, Art. 1, sec. 1, Revised Code of Delaware, 1935). Section 1 states: "Any number of persons, not less than three, may associate to establish a corporation for the transaction of any lawful business...." Certificate of incorporation must be filed in the office of the Secretary of State.

MARYLAND.--Fishery cooperatives may be organized under a special subtitle of the Corporation Law applying specifically to cooperative associations (Art. 23, sec. 430, et. seq; p. 989, vol. 1, Annotated Code of Maryland, 1939). Such associations may be organized by any number of adult persons not less than five, two of whom are residents of the State. Original articles of incorporation or a true copy thereof verified by two of the signers thereof must be filed with the State Tax Commission.

VIRGINIA.--Fishery cooperatives may be organized under the law dealing with the creation of corporations (Title 35, Ch. 148, Virginia Code of 1942, Annotated). Certificate of incorporation must be executed by any three or more persons and be filed with the State Corporation Commission.

NORTH CAROLINA.--Fishery cooperative associations may be organized under the law pertaining to cooperative organizations (General Statutes of North Carolina, vol. 2, sec. 54:111). Any five or more persons may form the association. The original articles of incorporation or a true copy thereof, verified as such by the affidavits of two of the signers thereof, must be filed with the Secretary of State.

SOUTH CAROLINA.--Fishery cooperatives may be incorporated under the law pertaining to cooperative associations (Chapter 158, Art. 1, Code of Laws of South Carolina, 1942, vol. 4). Under this Chapter, five or more persons, residents of South Carolina, may associate themselves as a cooperative. The Secretary of State will issue a charter after certain requirements have been met concerning payment of capital subscriptions.

GEORGIA.--Fishery cooperatives may be organized under the Corporations Law of Georgia (Georgia Code Ann., Title 22). The Superior Courts of the State have power to grant charters. Any three or more persons desiring the charter shall file in the Office of the Clerk of the Superior Court of the county in which they desire to transact business, a petition or declaration specifying the object of their association along with certain other stipulations.

FLORIDA.--Fishery cooperatives may be organized under a special provision of the General Corporation Law pertaining to cooperatives (F.S.A. sec. 611:38). For this purpose there shall not be less than ten incorporators. A declaration to the effect that the Association is a cooperative must be filed by the President and Secretary of the organization and presented to the Secretary of State.

ALABAMA.--Fishery cooperatives may be organized under a special provision of the General Corporations Law pertaining to cooperatives (Code of Alabama 1940, Title 10, sec. 163). For this purpose, ten or more persons may become a body corporate by filing with the probate judge in the county where they propose to establish the organization, a declaration in writing, setting out the name of said corporation, the names of the charter members, and the purposes of said corporation.

MISSISSIPPI.--Fishery cooperative associations may be organized under the general corporations law (Miss. Code Ann., 1942, sec. 5309). The persons desiring to be incorporated shall prepare an instrument to be styled "The Charter of the Incorporation of....," which shall contain appropriate information as specified in the corporations law. This instrument must be filed with the Secretary of State.

LOUISIANA.--Fishery cooperative associations may be organized under a special law for that purpose (Louisiana General Statutes - Dart, sec. 3120.1). Ten or more persons, a majority of whom are residents of the State, engaged in catching, gathering, or the production of seafood products, may form a non-profit cooperative association under the law. Articles of association must be filed in the mortgage office of the parish where the registered office of the association is located, and thereafter shall be filed and recorded in the office of the Secretary of State.

TEXAS.--Fishery cooperative associations may be organized under the general corporations law of this State (Vernon's Texas Civil Statutes, Article 1302 et seq.). Three or more persons may draw up the charter which must be filed with the Secretary of State after complying with certain preliminary requirements.

CALIFORNIA.--Fishery cooperative associations may be organized under the Fish Marketing Act (Deering's General Laws of the State of California, vol. 1, Act 2947h). Five or more persons, a majority of whom are residents of the State and who are engaged in the production of fishery products may form such an association. Articles of incorporation must be filed with the Secretary of State.

OREGON.--Fishery cooperative associations may be organized under the Cooperative Associations Law of the State (Oregon Compiled Laws, Ann., vol. 5, sec. 77:501, and Biennial Report of the Opinions of the Attorney General of the State of Oregon, 1936-1938, p. 113). Any five or more persons may form the association, and one copy of the Articles of Association must be filed with the State Corporation Commissioner.

WASHINGTON.--Fishery cooperative associations may be organized under a special law for the formation of cooperative associations (Rem. Rev. Stat., sec. 3904). Five or more persons are required to associate and execute the articles of association which must be filed with the Secretary of State.

MINNESOTA.--Fishery Cooperative associations may be organized in this State under the law pertaining to cooperative associations (Minn. Stats., 1941, vol. 1, sec. 308.01). Five or more persons are required to sign and acknowledge written articles of incorporation. One copy is required to be filed with the Secretary of State.

WISCONSIN.--Fishery cooperative associations may be organized under the cooperative associations law of the State (Wis. Stats. 1943, Chapter 185). Five or more resident adult persons are required to form the association and they shall sign and acknowledge the written articles of incorporation, a copy of which must be filed with the Secretary of State.

ILLINOIS.--Fishery cooperative associations may be organized under an Act providing for the incorporation of cooperative associations for pecuniary profit (Smith-Hurd Ann. St. Chap. 32, sec. 305). Any five or more persons may form the association. They must make a statement containing specified information to the Secretary of State.

MICHIGAN.--Fishery cooperative associations may be organized under a provision of the General Corporations Act applying to cooperative associations (Mich. Stats. Annotated, vol. 15, sec. 21.99). One or more persons may incorporate the organization, and triplicate original copies of the articles of incorporation shall be delivered to the Secretary of State.

OHIO.--Fishery cooperatives may be organized under the General Corporation Act of the State (Throckmorton's Ohio Code Ann., sec. 8623-1 et seq.) Any three or more persons may organize the corporation and must file articles of incorporation in the Office of the Secretary of State.

Articles of Incorporation ^{1/}

After determining the State statute under which an association is to be incorporated, the next act of the group forming the association is to prepare the articles of incorporation and file an application for a charter. The articles of incorporation is the legal paper or instrument that is signed by those forming the corporation. It contains certain requirements of the law and other provisions within the law agreed to by the incorporators. It might be said that the various articles of this instrument are the markers by which the course of the corporation ship is chartered. It contains the limitations and privileges authorized by the statute under which the corporation is formed.

Experience has taught that articles of incorporation and by-laws should be reasonably broad. In the light of modern technical developments and the progress in national and international relations, provision should be made for the cooperative association to cooperate with associations of a similar nature in this country or in other countries. It also is desirable to make provision for eventual branches or subsidiary organizations.

In every cooperative organization, the articles of incorporation should limit the dividends to 8 percent per annum on paid-in capital stock. In recent years it has become more and more customary to include in the articles of incorporation a general clause like this:

"The cooperative association shall have the powers, privileges, and rights conferred on ordinary corporations and cooperative associations by the laws of the State and all powers and rights incidental or conducive to carrying out the purposes for which this association is formed."

^{1/} See Appendix 1.

From experience it can be said that it is practical to determine in detail the ways in which members who are expelled or withdraw from the association might be compensated. Usually in the by-laws it is said that the book value of the shares of stock should be evaluated by the board of directors and this value should be paid to the withdrawing member. This solution has two difficulties. First, it seems unjust and unfair to give each member an equal part in the assets of the cooperative regardless of the length of his membership. Therefore, the membership should be divided into different classes, according to years of membership, and value of shares should be determined for each different class. The other difficulty arises from the fact that in highly capitalized cooperative associations major portions of the assets are fixed in buildings and machinery, and it would be hard on the cooperative association to repay the value of the shares in cash to withdrawing members. The by-laws should therefore contain a clause that the board of directors is empowered to determine installment payments which should be applied to the compensation of withdrawing members. The examples of articles of incorporation and by-laws in the Appendix are adjusted in accordance with the experience stated above.

Statutes vary as to what shall be contained in the articles of incorporation, but the following are generally required with respect to the main features:

Citation of the statute under which it is to be incorporated.

Name of the corporation.--The corporation must have a name and one that is not a duplication or imitation of another corporation engaged in the same or similar activities. Where required or not restricted by law, it is suggested that the words "cooperative association" be used as part of the name.

Location of the principal office or main place of business within the State.--This does not necessarily mean the place where the majority of the business of the corporation shall be conducted. It establishes the legal residence of the association.

The objects or purposes for which the corporation is formed.-- These should be stated clearly and should include all things that are in keeping with and related to the principal objects of the corporation. The inclusion of various objects does not mean the association will have to perform such functions, but their inclusion provides the privilege of conducting such functions if desired. Otherwise, it would necessitate amending the charter to do the things that were omitted.

It is recommended that activities of a cooperative should not be limited to any one particular State or to the United States. International trade developments are growing. A cooperative may be handicapped in its activities by a too narrow description of objects and purposes.

Capital stock.--The total amount, in dollars, of the authorized capital stock, the classes of stock, the number of shares in each class, how and by whom the same shall be acquired, held, and transferred, and the par value of the shares, if it is to be a stock corporation. If not a stock association, specifications for membership should be set forth herein.

Reserve funds.--The manner in which reserves and other funds of the association may be provided, utilized, disposed of, and abolished.

Directors.--The number of directors the association shall have and the names of those comprising the original board of directors who shall serve the first year or until their successors are elected and qualified.

Duration.--Some States require that the length of time for which the corporation shall have legal existence shall be stated in the articles of incorporation.

Other.--There are probably other requirements in some States. Every provision in the articles of incorporation must be authorized by law, and the inclusion of a provision that is not authorized is generally void at least as to third parties.

States vary in their requirements as to the procedure in filing the articles of incorporation. As a general rule, however, the articles of incorporation are filed at the office of the secretary of state. In some States the statute requires that upon receiving a certified copy of the articles of incorporation from the office of the secretary of state that the same shall be recorded at the courthouse in the county in which the corporation is to have its main office or its legal address. Upon meeting other requirements specified in the statute in connection with the acquiring of the charter, the corporation can then be said to have legal existence.

Requirements of By-Laws ^{1/}

After securing the corporation charter, the incorporators should consider the adoption of bylaws for the corporation. The authority to adopt bylaws is usually specifically granted by the State statute under which the organization may be incorporated. However, the power to adopt bylaws exists at common law and such power is vested in the

^{1/} See Appendix 2.

stockholders or members unless the statute specifies some other group. It is desirable that an association adopt bylaws even in the absence of statutory requirements to do so.

The bylaws may be termed rules and regulations to govern the operations and affairs of the association. In this connection, bylaws usually set forth the relationships between the corporation as such and the members or common stockholders thereof. Limitations or requirements, if any, are usually specified in the statute under which the association is incorporated, and such should be complied with in adopting bylaws. Considerable variation exists as to the proper form and contents of bylaws. For the most part, however, it is felt that the following are the main features which are generally provided in bylaws:

The name of the corporation.--The name of a corporation comes from its articles of incorporation. Bylaws are usually headed: "Bylaws of the-----Association which is hereinafter referred to as "association."

The objects and purposes.--The objects and purposes of a corporation are set forth in the articles of incorporation. Therefore, it is sufficient for the bylaws to state that "the objects and purposes for which this association is formed are those set forth in its articles of incorporation."

Membership and membership relations.--Herein should be definitely stated what shall constitute membership in the association, who shall be eligible for membership in the corporation and upon what conditions and requirements membership in the association may be obtained and continued. Membership here refers to both the holders of membership in nonstock associations and the common-stock holders in associations with stock.

Members should be required to sign a pledge similar to the following:

Member's Pledge

I pledge to do my part and assume responsibility in the cooperative association that has been established to serve my community.

I WILL:

Be loyal, and consider myself a part of, and not apart from, my cooperative.

Recognize the financial needs of the association and willingly furnish my share of the required capital, as determined in the articles of incorporation and in the by-laws.

Support my cooperative with my patronage, and encourage others to use it.

Help establish policies for the association which will be fair to all, and vote for and urge the election of directors, including younger members, who are capable, aggressive, and willing to give close attention to the affairs of the association.

Urge the board of directors to adopt policies and procedures which will improve the efficiency of the association and the services rendered to patrons.

Read the articles of incorporation and by-laws and sincerely try to comply with their provisions, and with the policies adopted by the board of directors.

Seek full information about the association and study the problems so that I can confer, advise, and vote intelligently, and help adopt up-to-date and effective methods and procedures.

Do independent and careful thinking and express my honest opinion, but be open-minded and a teamworker.

Curb emotion and apply reason and common sense to all association affairs.

Remember that membership in the association carries with it the obligation to abide by the decisions of the majority, even when I am in the minority.

Pay cash, if possible, for all goods or services obtained from the association but in any event pay my accounts promptly in accordance with the established credit policy.

Be prompt and attentive at all association meetings and prevent loss of time.

Participate actively in meetings of the association, but take only a reasonable and proportionate share of the time for discussion so that other members may also have an opportunity to express their views.

I WILL NOT:

Consider my cooperative as just another place to buy or sell.

Expect privileges from the association that are not available to other members.

Insist that my ideas always shall prevail.

Permit the same directors to be reelected by voice vote each year.

Approve the employment of close relatives of directors and executives in the association.

Unfairly criticize the directors, the management, or members of the association.

Carry grudges against members, patrons, directors, the management, or employees."

(This member's pledge was formulated and is currently used by the Agricultural Extension Service, University of Minnesota.)

Capital stock certificates.--The bylaws should specify the language that shall be printed on the face of the certificates of common and preferred stock if the association is a stock corporation, or on membership certificates, if the association is formed without stock.

Reserve fund certificates.--The bylaws should consider the possibility of establishing a reserve fund to give the cooperative a broader basis for future activities. It is advisable to retain the reserve fund as loans of the members to the cooperative association and to issue certificates of the value of each member's contribution.

Fiscal year and meetings.--Under this subject should be stated the fiscal year of the corporation, the time, place, and manner of calling and conducting regular meetings of the membership. Provisions should be made for special meetings of the membership and the time and manner of giving notices thereto. There should be included hereunder the rights and privileges of members; the manner of voting, whether in person or by proxy; and the number of members constituting a quorum at any meeting. In most nonprofit corporations, even though not required by State statute, it is common practice to limit voting in the corporation to one member, one vote, irrespective of the number of shares of stock or the amount of membership capital one may hold in the corporation.

Directors and officers.--There should be provided hereunder the directors, officers, their qualifications, and the number thereof. In addition, powers, duties, and functions of officers and directors and their compensation, if any, should be stated. The management of the business and affairs of the association is usually vested in the board of directors. The board of directors is given power and authority to delegate any of its duties or functions to other parties which are not otherwise prohibited by the articles of incorporation or the statute under which the corporation was formed. Generally, the board of directors selects and employs a manager who conducts the business affairs of the corporation, and to whom the board may issue from time to time instructions as to his duties, functions, and responsibilities. The board of

directors is responsible for conditions existing in the corporation and has general stewardship of all the association's affairs.

A manager should be required to sign a pledge similar to the following:

Manager's Pledge

"I pledge to serve to the fullest extent of my ability the cooperative association that has placed me in a position of trust and responsibility.

I WILL:

Above all things be honest and diligent.

Accept and carry out the policies laid down by the board of directors.

Do everything possible to inform members and patrons of established operating policies and the reasons therefore.

Be alert to reactions of members and patrons and keep the board of directors informed, as an aid in improving the policies of the association.

Use my initiative in directing the operating phases of the business and inform and advise the directors about the needs of the association.

Study the business and the problems of the association and continuously strive for up-to-date and effective methods and procedures that make for increased efficiency.

Give a complete and accurate accounting of the operating affairs and financial condition of the association to directors, members, and patrons.

Treat all patrons, members, and directors alike and not grant any special privileges and favors.

Be courteous and tactful with patrons, members, directors, employees, and others dealing with the association.

Be fair with all employees and favor none.

Provide opportunity for utilizing the initiative of employees to the fullest extent, as a means of continued progress and development in the association.

Outline carefully and specifically the authorities, duties, and responsibilities of employees to avoid friction and poor morale with the association.

Develop understudies who can assume my responsibilities in case I am absent or sever my connections with the association.

Gain support for the association on the basis of its merits and of a job well done.

Assume responsibility in community affairs, in the interest of good citizenship and as a means of acquainting my community with the program and the value of the association.

Curb emotion and apply reason and common sense to all problems.

I WILL NOT:

Consider myself indispensable.

Discharge my duties with arrogance or a sense of vested interest.

Unfairly criticize competition and competing products.

Employ my own close relatives, nor members of the board of directors or their close relatives.

Carry grudges against employees, directors, members, and patrons."

(This manager's pledge was formulated and is currently used by the Agricultural Extension Service, University of Minnesota.)

Expenses and payments.—There should be set up in the bylaws a provision for the handling of products of the organization and its patrons, including charges, fees, and deductions for the handling and sale of same. The bylaws should set forth also the amount of deductions or additions for reserves or other purposes of the association which is usually based on a per unit of value or volume. This provision is usually made in case the association does not have a marketing agreement with its members. In the absence of marketing agreements and provisions expressed in the bylaws with respect to such charges, deductions, and fees, this power is vested in the board of directors, who may set up from time to time schedules of such payments, deductions, and fees, and the board of directors in turn delegates the authority for the execution of such plans to the manager or other appropriate officer of the organization. The payment of fees, charges, and deductions should be provided for also in the event the association is conducting a cooperative purchasing business of supplies and equipment for its members and patrons.

Members' equity in the association.--It is usually well to make provisions in the bylaws for reserves and other funds for any of the purposes of the association; the manner in which the net assets, including reserve funds, of the association may be credited to the members thereof; and provisions for their distribution in the event of liquidation or dissolution of the association.

Accounting and audits.--Bylaws should set forth a requirement for a recognized standard system of accounts and auditing which will show at all times each member's interest in the association; the volume of business each member conducted through the association during the current year's business; and the amounts credited to him on reserves or in special accounts.

There should be stated, also, the manner and order in which the savings or earnings of the association shall be distributed. This should include dividends on common and preferred stock, if a stock association; the amount set aside for reserves; and patronage dividends to members and other patrons who have done business through the association. Such patronage dividends to members and patrons are based on the amount of business, usually in dollars, that each member contributes to the total volume of business of the association.

Patronage dividends are declared out of net earnings or savings after the current indebtedness has been liquidated; preferred and common-stock dividends, if any, have been set aside; and the amounts necessary for reserves have been allotted. The rest of the net earnings then may be declared patronage dividends and distributed on the basis of patronage in the organization by members and patrons. Patronage dividends of nonmembers may be credited to them on the books to apply on the purchase of membership stock in the corporation.

At the end of each business year the board of directors should determine the value of each share. The bylaws should provide that the so-determined value should be considered as binding on any member who should withdraw from the association during the following year. The bylaws should also provide for the manner in which the withdrawing member should be compensated. That means it should provide for eventual installment payments so that the association may not be affected too heavily if one member, having many shares; or many members, having a few shares each, should withdraw at the same time.

Federation.--Within the powers and limitations of the State statute under which the association is incorporated and the articles of incorporation of the association, the bylaws should make provisions for the affiliation of the association with other such corporations engaged in similar or related business which would be to the advantage and welfare of the association. Such affiliation may be effected by the purchase of stock or membership in the other corporation.

Amendments.--The bylaws should specify the manner, time, and place in which the bylaws of the association may be amended. The power to amend bylaws is usually stipulated in the statute authorizing the corporation. However, the manner, time, and place of amendment are usually left with the discretion of the respective associations, as set forth in the bylaws.

Membership Agreements or Contracts

Some associations may deem it advisable to have a membership agreement or contract between itself and its producing members or patrons governing the delivery of products to the association. Agreements or contracts are in keeping with the powers and purposes of the corporation. They usually are so drawn as to be continuous from year to year unless either party cares to withdraw, in which case notice is given to the other party, within a specified time, of the date provided for such withdrawal.

APPENDIXES

APPENDIX 1
ARTICLES OF INCORPORATION

Of

This is to certify that we, the undersigned, all of whom are residents of the State of _____ engaged in the production of aquatic products, hereby voluntarily associate ourselves for the purpose of forming a cooperative, nonprofit association with capital stock, to be operated on a mutual basis under the provisions of chapter _____, public laws of _____, entitled _____, and amendments thereto, and for that purpose adopt these articles of incorporation.

Article I.--Name-Location

The name of this association is _____. The principal place of business of this association shall be in _____ in the county of _____, State of _____.

Article II.--Purposes

The objects and purposes for which this association is formed and the nature of its business and operations are:

Section 1. To associate its members and producer-patrons for the purpose of engaging in any activity involving or relating to collecting, catching, taking, planting, producing, buying, receiving, grading, processing, packing, storing, financing, preparing for market, handling, marketing, selling, and/or distributing of aquatic products, or conducive to buying, selling, or otherwise handling fishery and marine supplies and equipment; and for the conduct of any activity deemed by the association to be necessary, convenient, proper, or expedient for the accomplishment of such purposes on a cooperative basis for the mutual benefit of the members of this association provided that the association shall not deal in the aquatic products or fishery and marine supplies and equipment for nonmembers in an amount greater in value than that handled by it for members. The term aquatic products as used herein includes all commercial products of aquatic life in both fresh and salt water.

Section 2. To act as a collecting and marketing agency of aquatic products, and any of the products manufactured therefrom; to carry on any and all activities necessary, convenient, expedient, or proper for the accomplishment of same; to unify and systematize the business of producing aquatic products; to improve the quality, facilitate the distribution, and stabilize the prices of fishery products; and to act as a purchasing agent for its members and producer-patrons of nets, twine, rope, leads, motors, boats, paints, grease, gasoline, oil, and other marine supplies and/or

equipment used in or incident to producing, collecting, propagating, catching, or taking of aquatic products.

Sec. 3. To promote, encourage, foster, and facilitate the economic, orderly and efficient production, distribution, and sale of aquatic products.

Sec. 4. To buy, lease, acquire, hold, and control as owner or otherwise, and to pledge, mortgage, and dispose of any interest in any real or personal property as may be necessary, convenient, or proper in the conduct of the business of the association or incidental thereto; to erect, construct, or acquire any interest in and operate any plants, buildings, facilities, or machinery necessary, proper, or incident to the carrying on of its business; and to sell or dispose of any or all of its property and assets.

Sec. 5. To borrow money without limitation as to amount of corporate indebtedness or liability, and to give a lien on any of its property as security therefor; to finance and aid in the financing of the catching, collecting, taking, producing, and the marketing of the aquatic products of its members and producer patrons, and to make advance payments and advances to them therefor; and to draw, make, accept, endorse, guarantee, execute, and issue promissory notes, bonds, mortgages, bills of exchange, drafts, warrants, certificates, and all kinds of negotiable or transferable instruments and obligations for any purpose that is deemed necessary or proper to further the objects for which this association is formed.

Sec. 6. To form, organize, own, or control such subsidiary corporations and branches as may be deemed by this association to be necessary and expedient to carry out the purposes of this association, and to buy, hold, own, vote, control, and exercise all the privileges of ownership in the stock and bonds of other corporations or associations engaged in any related activity, and to pledge, mortgage, and dispose of the same; and by membership, stock ownership, joint or common ownership, or control of any instrumentality or personnel, by contract or otherwise, to control and manage or participate in the control and management of such corporations or associations and their activities and affairs; and to buy, acquire, hold, control as owner, pledge, sell, and otherwise deal in and dispose of its own capital stock, but such stock held by the association shall not be entitled to vote or to receive dividends.

Sec. 7. To cooperate with other similar associations in creating central, regional, national or international cooperative agencies, for any of the purposes for which this association is formed, and/or to become a member or stockholder of such agencies now or hereafter formed.

Sec. 8. To conduct educational work among producers of aquatic products concerning cooperation; the adjustment of producing, catching, and taking of aquatic products to prospective demand for aquatic products; and for all other purposes pertaining to cooperation.

Sec. 9. To establish, invest, use, transfer, distribute, or abolish reserves and other funds for any and all of its purposes.

Sec. 10. To do each and everthing necessary, suitable, or proper for the accomplishment of any one or all of the purposes, or the attainment of any one or more of the objects herein enumerated which may be conducive to, or deemed expedient for, the interest or benefit of the association, and to contract accordingly.

Sec. 11. To have and exercise all the powers, privileges, and rights conferred, authorized, or allowed to corporations by the laws of the United States and of this State and all powers and rights incidental to carrying out the purposes for which this association is formed, except such as are inconsistent with the act under which it is incorporated.

The foregoing shall be construed both as objects and powers and the enumeration thereof shall not be held to limit or restrict in any manner the general powers conferred on this association by the laws of the State of _____, all of which are hereby expressly claimed.

Article III.--Capital Stock

Section 1. The authorized capital stock of this association shall consist of \$ _____, divided into _____ shares of preferred stock of the par value of \$ _____ per share, and _____ shares of common stock of the par value of \$ _____ per share.

Sec. 2. The preferred stock of this association may be held by any person, firm, or corporation, and shall be freely transferable. Holders of preferred stock shall not be entitled to vote. Noncumulative dividends of six percent (6%) per annum may be paid thereon when, if, and as declared by the board of directors. Upon any dissolution or distribution of the assets of this association, the holders of the preferred stock shall be entitled to receive up to the par value of their stock plus all declared unpaid dividends thereon before any distribution is made on the common stock.

Preferred stock shall be redeemable and retirable at such times and upon such conditions as shall be determined by the board of directors and set forth in the certificates of preferred stock.

Sec. 3 (a). The acquiring of membership in this association shall be by means of acquiring the ownership of common stock herein which may be purchased, owned, or held only by persons, firms, or corporations who are producers of aquatic products, and to cooperative associations as defined by an act of Congress, approved June 25, 1934, entitled "An act authorizing associations of producers of aquatic products." After ceasing to be such a producer or cooperative association, no assignment or transfer of common stock in the association is permissible to any person not entitled under the foregoing to hold the same, any rights or privileges on account of such stock, or in the management or control of the association. The findings of the board of directors as to original or continued eligibility under the above provisions shall be final and conclusive. The board of directors shall have discretion to permit or deny the acquiring of common stock by persons entitled under the foregoing. The common stock of this association may be transferred only with the consent of the board of directors of the

association and only then to producers of aquatic products.

(b) Each holder of common stock, or member, shall be entitled to one vote only, regardless of the number of shares held, and no stockholder shall own more than _____ percent of the number of shares of the issued common stock. Noncumulative dividends in the nature of interest of not to exceed eight percent (8%) per annum may be paid on stock, when, if, and as declared out of any net earnings or savings of the association after the payment of dividends on preferred stock. Upon any dissolution or distribution, after the redemption of preferred stock, the common stock shall be entitled to a distribution of all remaining assets, except as hereinafter provided.

(c) The holding of common stock or retention of membership in this association shall be subject to termination or cancelation as provided in the bylaws, and the association shall have the right to purchase any of its common stock at its par or book value from the owner thereof who is not engaged in the production of aquatic products, or from any member whose stock is for sale.

Article IV.--Reserves and Funds

Before the paying of any dividends, as aforesaid, reasonable reserves, as determined by the board of directors, may be set aside. Amounts carried to reserves from business done in any year shall be allocated on the books of the association on a patronage basis for that year, or, in lieu thereof, the books and records of the association shall afford a means for doing so at any time so that in the event of dissolution, or earlier, if deemed advisable, in the sole discretion of the board of directors, such reserves, or any part thereof, may be returned to the members of the association.

Certificates of participation in the reserve funds shall be issued by the board of directors. Such certificates shall bear no higher interest than the highest dividend permissible under these articles of incorporation or the bylaws of the association.

After setting aside amounts for reserves and after the payment of dividends, if any, as aforesaid, the balance of the net earnings or savings of the association shall be distributed to members and/or producer patrons on a patronage basis in proportion to the amount of business each contributed to the association. Such patronage refunds may be credited to producers on the books of the association to apply on the purchase of stock in the association, or to be used as working capital by the association and in evidence of which the association may issue certificates of indebtedness.

Article V.--Directors

Section 1. The business and affairs of this association shall be managed by a board of _____ directors, the nomination and election of which shall be provided in the bylaws. The incorporators shall be the directors for the first year, or term, and shall serve until their successors are elected and qualified. The bylaws may provide for a public director and/or public liaison committee.

Sec. 2. The bylaws of this association may provide that the area in which members of the association reside be divided into districts for the purpose of nominating directors, administering the affairs of the association, or for other purposes.

Article VI.--Miscellaneous

Section 1. This corporation shall exist for _____(____) years.

Sect. 2. No member of this association shall be personally liable for any debt or financial obligation of this association.

The names and places of residence of the incorporating directors who shall serve the first term or until their successors are elected and qualified, and the number of shares of common stock subscribed by each are as follows:

Name	Address	Number of shares
------	---------	------------------

(All names to appear in this form)

In testimony whereof, we have hereunto set our hands and affixed our seals this _____ day of _____, 19__.

(All signatures of incorporators to appear in this form)

Witness:

The State of _____, county of _____.

The execution of the foregoing articles of incorporation was this day duly acknowledged before me by _____, _____ of the incorporators therein named, for the purposes therein expressed.

Witness my hand and official seal, this the _____ day of _____, A.D. 19__.

_____, Notary Public

APPENDIX 2

BYLAWS

of the _____ Association which is hereinafter referred to as "association."

Article I.--Purposes

Section 1. The purposes for which this association is formed are as set forth in its articles of incorporation.

Article II.--Membership

Section 1. Membership in this association shall be obtained by the acquiring of one or more of the shares of common stock of this association. The common stock of this association shall be acquired or held only by producers of aquatic products, or cooperative associations as defined by an act of Congress approved June 25, 1934, and entitled "An act authorizing associations of producers of aquatic products." No common shareholder, after ceasing to comply with the foregoing shall be entitled to hold common stock or have any vote or voice in the management and affairs of this association, and no purported assignment or transfer of voting stock in this association shall pass to any person or association not entitled under the foregoing to hold the same, any rights or privileges on account of such stock. The findings of the board of directors as to original or continued eligibility under the above provisions shall be final and conclusive. The board of directors shall have discretion to permit or deny the acquiring or holding of common stock by persons or associations eligible under the foregoing. Common stock of this association may be transferred only with the consent of the board of directors and only then to producers of aquatic products.

Sec. 2. For good and sufficient cause, as determined by the board of directors acting by majority vote, the association may elect to cancel and terminate the membership and all rights, privileges, and interests of any common shareholder upon tender to it or its legal representatives of the fair book value of the shares held by such member, as determined by the board of directors, together with any dividends, or other sums due and unpaid, less any indebtedness due the association from such shareholder. Wilfully failing to comply with the bylaws and regulations of the association, or wilfully continuing in a breach of marketing or purchasing agreement with the association, or wilfully obstructing its purposes and proper activities, or ceasing for such period as shall be determined by the board of directors to patronize the association, shall be deemed sufficient cause for the expulsion of a member, but the enumeration of these causes shall not be taken to exclude any other causes which, in the discretion of the board of directors, shall require such expulsion for the best interests of the association.

Sec. 3. In case of the proposed cancelation of membership or expulsion of any member organization, such member shall be informed in writing of the charges against it at least 10 days before the meeting at which the board of directors shall finally pass upon such cancelation or expulsion, and at such meeting shall have an opportunity to be heard by counsel or in person and to present witnesses in regard thereto.

Sec. 4. Each member shall sign a proper pledge before being admitted.

Article III.--Form of Stock Certificates

Section 1. Each certificate of common stock of this association shall have the following statement printed on its face:

"The common stock evidenced hereby may be held by producers of aquatic products only and may be transferred only to producers of

aquatic products with the consent of the board of directors hereof. In the event any of the common stock of this association shall come into the hands of any person who is not a producer of aquatic products he shall have no right to vote by reason thereof.

"Each qualified holder of common stock shall be entitled to one vote only regardless of the number of shares held. Noncumulative dividends in the nature of interest, of not to exceed 8 percent per annum, may be paid upon the common stock, if, as, and when declared, out of any net earnings or savings of the corporation, after the payment of dividends, in the nature of interest, of not to exceed 6 percent per annum on the preferred stock.

"No purported assignment or transfer of common stock shall pass to any person not eligible to hold same, any rights or privileges on account of such stock, or in the management or affairs of the association.

"When the board of directors of the association is of the opinion that the association has sufficient working capital to enable the association to do so, certificates of common stock shall be retired at their book or par value, whichever is less, in the order in which issued, except that each member shall continue to own at least one share of the common stock. This association shall have the right to purchase any of its common stock at its par or book value, whichever is less, in the event the owner thereof is not engaged in the production of fishery products. This common stock is also subject to all the other terms and conditions stated in the articles of incorporation and bylaws of this association."

Sec. 2. Each certificate of preferred stock of this association shall have the following statement printed on its face:

"The preferred stock of this association shall carry no voting rights. Noncumulative dividends of 6 percent per annum shall be paid thereon when, if, and as declared by the board of directors. Upon the dissolution or distribution of the assets of this association the holders of the preferred stock shall be entitled to receive the full par value of their stock, and all unpaid declared dividends thereon and no more.

"The preferred stock evidenced by this certificate may be retired at any time at the option of the association at par plus accrued dividends on giving 30 days' notice to the holder hereof."

Article IV.--Fiscal Year and Meetings

Section 1. The fiscal year of this association shall commence on the first day of _____.

Sec. 2. The annual meeting of the members of this association shall be held at _____ in the county of _____, State of _____, at ___ o'clock, __. M. on the _____ in _____ of each year, if not a legal holiday, or, if a legal holiday, on the next business day following.

Sec. 3. Special meetings of the members of this association may be held at any time pursuant to a resolution of the board of directors, or upon written petition to the president by ten percent (10%) of the members. Notice of every special meeting shall specify the time, place, and object or objects thereof, and no business other than that specified in the notice shall be considered at any such meeting.

Sec. 4. Written or printed notice of every regular, special, or district meeting of the members shall state the time and place, and in case of special meetings, the objects thereof, and shall be given to each member appearing on the books of the association by mail at least 5 days and not more than 30 days before any such meeting.

Sec. 5. Twenty percent (20%) of the members of the association shall constitute a quorum for the transaction of business at any meeting, provided that not less than five members shall be required to constitute such quorum.

Sec. 6. In all membership meetings each member shall have only one vote irrespective of the number of shares held. Voting by proxy shall be allowed, provided proxy is given in writing. Voting by mail shall be permitted, provided that notice setting forth the proposition to be voted on shall be mailed to each member at least five days before the meeting at which such vote is to be taken, and provided that the notice shall be returned to the secretary of the association, together with the vote of the member thereon.

Sec. 7. The order of business at all regular meetings shall be:

- (1) Roll call.
- (2) Proof of due notice of meeting
- (3) Reading and disposal of minutes
- (4) Annual reports of officials and committees.
- (5) Unfinished business, including other reports.
- (6) Election of directors.
- (7) New business.
- (8) Adjournment.

Article V.--Board of Directors

Section 1. The business and affairs of this association shall be managed, conducted, and controlled by a board of _____(____) directors who are members of this association and who shall be nominated and elected at the annual meeting of the membership. Of the first elected board of directors _____ members shall be for 1 year; _____ members for 2 years; and _____ members for 3 years, and thereafter each director shall be elected for a period of 3 years except such as shall be chosen to fill vacancies.

Sec. 2. The incorporators of this association shall constitute the first board of directors, and shall hold office until the first annual meeting of members or until their successors are elected and qualified. Directors thereafter shall be elected annually.

Sec. 3. Upon majority vote of the board of directors prior to the annual meeting, public educational institutions, or State departments from whom the association is receiving cooperation and assistance may be requested in writing to name one or more persons to represent such institutions or departments as public directors on the board of directors of the association, or to compose an advisory committee for the association. The names of such representatives shall be certified in writing to the secretary of the association by such institution or department prior to the annual meeting.

Sec. 4. At any time, by majority vote of the board of directors, the board may propose an amendment to these bylaws whereby the area in which the members of this association reside may be divided into districts for the purpose of nominating directors to represent the respective districts on the board of directors. The proposed amendment, which shall include the number of districts and appropriate identification of each, the number of directors to be nominated by each district, the time and manner of conducting meetings of members in each district for such nominations, shall be submitted to the membership with the notice for the next ensuing annual meeting following such vote by the board of directors. Procedure thereafter, and at the ensuing annual meeting, relative to the proposed amendment shall be as hereinafter provided for the amendment of these bylaws.

Sec. 5. The annual meeting of the board of directors shall be held previous to the annual membership meeting. Each board of directors shall meet within ten (10) days after the annual meeting of the members, for the purpose of electing officers for the ensuing year, and transacting any other business that shall be proper at such meeting. The board of directors shall meet regularly on the second Tuesday in April, July, and October of each year at the office of the association. Special meetings of the board of directors shall be held whenever called by the president or upon written request of three members of the board of directors, addressed to the secretary, and the president shall call such meeting to be held within 15 days from the date of receipt of such request by the secretary.

Sec. 6. Ten (10) days' notice by mail or five (5) days' by wire of each regular or special meeting shall be given to each director, provided that no defect or failure of notice of regular meetings shall affect the validity of any proceedings taken thereat.

Sec. 7. A majority of the directors shall constitute a quorum for the transaction of business at any meeting.

Sec. 8. The directors shall receive no compensation for their services other than reimbursement for the actual expenses incurred by them in attending meetings or on other official and authorized business of the board of directors, and a per diem of _____ for each day traveling to, from, and while in attendance at such meetings, provided that this shall not exceed 3 days for any one meeting. No director shall be a salaried employee of the association.

Sec. 9. Any director may be removed from office for cause by vote of

not less than two-thirds of the members present at any annual meeting or at any special meeting called for that purpose, at which a quorum of members must be present. Such director shall be informed in writing of the charges preferred against him at least ten (10) days before such meeting and at such meeting shall have an opportunity to present witnesses and be heard in person or by counsel in regard thereto.

Article VI.--Duties of Directors

Section 1. Management of business.--The board of directors shall have general supervision and control of the business and the affairs of the association and shall make all rules and regulations not inconsistent with law or with these bylaws for the management of the business and the guidance of the officers, employees, and agents of the association. The board shall have installed an accounting system which shall be adequate to the requirements of the business and to the interest of the members therein, and it shall be the duty of the board to require proper records to be kept of all business transactions.

Sec. 2. Employment of manager.--The board of directors shall have power to employ or to authorize the employment of a manager and such other employees as may be deemed necessary, and to fix their compensation. The manager shall have charge of the business of the association under the direction of the board of directors. The manager must sign an appropriate pledge.

Sec. 3. Bonds and insurance.--The board of directors shall require the manager and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds, or property, or the funds or property of others entrusted to it, to give adequate bonds. Such bonds shall be secured from a responsible bonding company and approved by the board of directors, and the cost thereof shall be paid by the association.

Sec. 4. Audits.--At least once in each year the board of directors shall secure the services of a competent and disinterested public auditor or accountant, who shall make a careful audit of the books and accounts of the association and render a report in writing thereon, which report shall be submitted to the members of the association at their annual meeting. This report shall include at least (1) a balance sheet showing the true assets and liabilities of the association; (2) an operating statement for the fiscal period under review which shall show the cost of, and income from, sales and the gross income, or loss, from each of the commodities handled during the period; and (3) an itemized statement of all expenses for the period under review.

Sec. 5. Marketing agreements.--The board of directors shall have the power to carry out the marketing agreements of the association with its producer-members in every way advantageous to the association representing the producers collectively.

Sec. 6. Depository.--The board of directors shall have the power to

select one or more banks to act as depositories of the funds of the association and to determine the manner of receiving, depositing, and disbursing the funds of the association and the form of checks and the person or persons by whom same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

Article VII.--Committees

Section 1. The board of directors shall elect from their number an executive committee of three members, one of whom shall be the president, which shall exercise all the powers of the board of directors when the board is not in session; provided that if any dissension or disagreement shall arise at any meeting of the executive committee, any member by notice at such meeting and by a notice in writing mailed to the secretary of the association not more than two days after such meeting may appeal the matter in controversy to the board of directors and the committee shall not take any action thereon except after and in accordance with the action of the board of directors, and provided that the executive committee shall not have authority to remove any member thereof. The executive committee shall keep minutes of all its meetings and submit a copy of such minutes to each director not more than ten (10) days after each meeting.

Sec. 2. The board of directors may appoint such other committees as it deems advisable, fix their compensation, and delegate to them such powers as it deems proper.

Sec. 3. The compensation allowed the members of the executive committee, and other committees, unless otherwise specified, shall be the same as for the members of the board of directors.

Article VIII.--Officers

Section 1. Within 10 days after each annual election the directors shall elect a president, a vice president, a secretary, and a treasurer. The two last-named offices may be combined and the officer filling such position shall be designated secretary-treasurer. The directors may appoint an assistant secretary-treasurer who shall not be a director and need not be a member of the association, who shall hold office until the election and qualification of his successor unless earlier removed by death, resignation, or cause.

Article IX.--Duties of Officers

Section 1. The president shall (1) preside at all meetings of members and of the board of directors and the executive committee; (2) call special meetings of the association and of the board of directors; (3) perform all acts and duties usually performed by an executive and presiding officer; and (4) sign all certificates of stock and such other documents and obligations of the association and perform such other duties as may be authorized or directed by the membership or directors.

Sec. 2. The vice president shall perform all the duties of the president in case of the absence or disability of the latter to serve. In

case both the president and vice president are unable to perform their duties, or are absent, the stockholders or directors, as the case may be, may appoint a president pro tempore.

Sec. 3. The secretary shall keep the minutes of all the proceedings of the stockholders, directors, and executive committee, which shall be attested by him. He shall keep such books as may be required by the board of directors and shall have charge of the seal and stock books of the corporation. He shall issue and attest all certificates of stock and shall generally perform such duties as may be required of him by the stockholders and directors.

Sec. 4. The treasurer shall perform such duties relating to the finances, accounts, and property of the association as may be prescribed by the board of directors. He shall keep such financial accounts as may be required and shall generally perform such duties as may be required of him by the common-stock holders and directors. On the expiration of his term of office, he shall turn over to his successor or to the board of directors all property, books, papers, and money of the corporation in his hands.

Sec. 5. Assistant secretaries and assistant treasurers shall perform such duties as shall be delegated to them by the secretary and treasurer or the board of directors.

Sec. 6. All checks, demands for money, notes, deeds, mortgages, deeds of trust, or any other form of instrument, obligation, and/or evidence of indebtedness of the association shall be signed in its behalf by such officer or officers or such other person or persons as the board of directors may from time to time authorize to do so.

Article X.--Operation and Management

Section 1. The board of directors or the executive committee shall fix in advance for each season and fiscal year reasonable and uniform rates of charges, deductions, and withholdings to be made from proceeds of sales and purchases made through the association, on account of any of its services or activities in relation to members, or patrons or their products, and, for the purpose of making the same, may classify the products handled, the services rendered, or the districts served, in any manner that is reasonable, equitable, and conducive to the best interests of the members and the association. In computing freight and other charges, costs, and expenses for any or all products or other goods handled, the directors may allow differentials based upon actual differences entering into the cost of handling such products or supplies.

Sec. 2. This association shall function on a cooperative basis for the mutual benefit of its members.

(1) At the close of any business year, and before the payment of dividends on preferred or common stock, the board of directors may set aside

from any net earnings or savings, or other funds received by the association for its use, reasonable reserves and other funds, as may be determined by the board, for any of the purposes of the association, except as otherwise provided by law or these bylaws. Any reserves or other funds set aside from business done in any year shall be apportioned on the books of the association on a patronage basis and so credited to the various members of the association in proportion to the amount of business done with each member during the year, or in lieu thereof, the books and records of the association shall afford a means for doing so at any time. Any reserves or other funds, or any part thereof, whether upon dissolution, liquidation, or otherwise, in the sole discretion of the board of directors, shall be distributed to the members of the association in accordance with such apportionment subject to provisions in law or these bylaws. Such interests of the members of the association in funds or reserves held by it may be evidenced by certificates of interest to be issued by the association.

(2) At the end of each year, after setting aside the amounts for reserves or other funds, and after the payment of dividends, if any, on preferred or common stock, the balance of the net earnings or savings of the association for that year shall be distributed to members and/or producer-patrons on a patronage basis in proportion to the amount of business each contributed to the association during the year. Such patronage refunds may be credited to producers on the books of the association, to apply on the purchase of stock in the association by producers, or to be used by the association as short-time working capital and in evidence of which the association may issue certificates of interest, within the discretion of the board of directors and the limitation of the articles of incorporation.

Sec. 3. Should a member withdraw or be expelled for reasons as described in Article II, the board of directors may determine the value of his share(s) or, in the case of a non-stock association, his interest in the net worth of the association. The determination is binding on the member. The board of directors may on the last day of each calendar or fiscal year, whichever is deemed more appropriate, determine the value of each share, or in the case of a non-stock association, the value of each member's interest in the net worth of the association. This determination is binding for all members of the association during the following year.

The board of directors may prescribe rules concerning how withdrawing or expelled members are to be compensated, whether within the period of one month in full, or in installment payments extending not longer than 2 years.

Article XI.--Miscellaneous

Section 1. No member of this association shall be personally liable for any indebtedness or financial obligation of this association.

Sec. 2. It shall be a policy of this association to cooperate with, aid and assist other fishermen's cooperatives, as defined by an act of Congress approved June 25, 1934, entitled "An act authorizing associations of producers of aquatic products", insofar as may be practical, feasible, and to the best interests and welfare of this association and its members.

Sec. 3. After adoption, a copy of these bylaws, preceded by a copy of the articles of incorporation, shall be furnished to each member of the association and to others upon admittance to membership herein, such copies to be in printed pamphlet or mimeographed form.

Sec. 4. The corporate seal of this association shall be circular in form and shall have inscribed thereon the name of the association and the year in which it is incorporated.

Article XII.--Amendments

Section 1. These bylaws may be altered or amended at any regular or special meeting of the members of the affirmative vote of three-fourths or more of the members present, provided that the proposed alteration or amendment shall be included in the notice or call for the meeting.

* * * * *

We, the undersigned, being all of the members of the association, do hereby consent to the foregoing bylaws and do adopt the same as the bylaws of said association.

In witness whereof, we have hereunto subscribed our names this _____ day of _____, 19__.

(All names of Members to appear in this form)

APPENDIX 3
(Form for stock associations)

APPLICATION FOR MEMBERSHIP

In The

(Name of association)

(City) (State)

I, _____, being a producer of aquatic products, hereby make application for membership in and agree to the bylaws of the _____

(Association)

and subscribe for ___ shares of the common or membership stock at \$ ___ per share in the same: the amount of which shall be paid as follows: \$ ___ herewith in cash and the balance of \$ ___ out of deductions on products and supplies handled by the association for me, or out of any patronage refunds or other monies that may be due me by the association, provided that such subscription shall be paid in any event in ___ years, and if not so paid, the amount credited thereon may be canceled by the association and such funds be credited to its reserves.

Signed _____

Address _____

APPENDIX 4
(Form for nonstock associations)

APPLICATION FOR MEMBERSHIP

In The

(Name of association)

(City) (State)

I, _____, being a producer of aquatic products, hereby apply for membership in and agree to the bylaws of _____ Sub-
(Association)
mitted herewith is the initial membership fee of _____. I further agree to pay, in cash, or the same may be deducted from dividends or any other funds due me by the association, annual membership dues of _____ in said association on or before the beginning of each fiscal year thereof so long as I am a member therein; provided the amount and method of paying annual membership dues may be altered or changed by the board of directors of the association.

Signed _____

Address _____

APPENDIX 5

SUGGESTED LIST OF COOPERATIVE LITERATURE

General

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Company, Canadian Cooperative Wool Growers, Manitoba Cooperative Wholesale Society, Manitoba Vegetable Growers Cooperative.

PRODUCER-CONSUMER, THE. 517 Fisk Building, Amarillo, Texas. "Owned by farmer cooperatives in Texas, New Mexico, and Oklahoma."

APPENDIX 6
FISHERY COOPERATIVE MARKETING ACT

(Public--No. 464--73d Congress)

(H. R. 9233)

AN ACT

Authorizing associations of producers of aquatic products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That persons engaged in the fishery industry, as fishermen, catching, collecting, or cultivating aquatic products, or as planters of aquatic products on public or private beds, may act together in associations, corporate or otherwise, with or without capital stock, in collectively catching, producing, preparing for market, processing, handling, and marketing in interstate and foreign commerce, such products of said persons so engaged.

The term "aquatic products" includes all commercial products of aquatic life in both fresh and salt water, as carried on in the several States, the District of Columbia, the several Territories of the United States, the insular possessions, or other places under the jurisdiction of the United States.

Such associations may have marketing agencies in common, and such associations and their members may make the necessary contracts and agreements to effect such purposes: Provided, however, That such associations are operated for the mutual benefit of the members thereof, and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; or

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum. and in any case to the following:

Third. That the association shall not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members.

Sec. 2. That if the Secretary of Commerce 1/ shall have reason to believe that any such association monopolizes or restrains trade in interstate or foreign commerce to such an extent that the price of any aquatic product is

1/ Now Secretary of the Interior

unduly enhanced by reason thereof, he shall serve upon such association a complaint stating his charge in that respect, to which complaint shall be attached, or contained therein, a notice of hearing, specifying a day and place not less than thirty days after the service thereof, requiring the association to show cause why an order should not be made directing it to cease and desist from monopolization or restraint of trade. An association so complained of may at the time and place so fixed show cause why such order should not be entered. The evidence given on such a hearing shall be taken under such rules and regulations as the Secretary of Commerce 1/ may prescribe, reduced to writing, and made a part of the record therein. If upon such hearing the Secretary of Commerce 1/ shall be of the opinion that such association monopolizes or restrains trade in interstate or foreign commerce to such an extent that the price of any aquatic product is unduly enhanced thereby, he shall issue and cause to be served upon the association an order reciting the facts found by him, directing such association to cease and desist from monopolization or restraint of trade. On the request of such association or if such association fails or neglects for thirty days to obey such order, the Secretary of Commerce 1/ shall file in the district court in the judicial district in which such association has its principal place of business a certified copy of the order and of all the records in the proceedings together with a petition asking that the order be enforced and shall give notice to the Attorney General and to said association of such filing. Such district court shall thereupon have jurisdiction to enter a decree affirming, modifying, or setting aside said order, or enter such other decree as the court may deem equitable, and may make rules as to pleadings and proceedings to be had in considering such order. The place of trial may, for cause or by consent of parties, be changed as in other causes.

The facts found by the Secretary of Commerce 1/ and recited or set forth in said order shall be prima facie evidence of such facts, but either party may adduce additional evidence. The Department of Justice shall have charge of the enforcement of such order. After the order is so filed in such district court and while pending for review therein, the court may issue a temporary writ of injunction forbidding such association from violating such order or any part thereof. The court shall, upon conclusion of its hearing, enforce its decree by a permanent injunction or other appropriate remedy. Service of such complaint and of all notices may be made upon such association by service upon any officer, or agent thereof, engaged in carrying on its business, or on any attorney authorized to appear in such proceeding for such association and such service shall be binding upon such association, the officers and members thereof.

Approved, June 25, 1934.

APPENDIX 7
REORGANIZATION PLAN NO. II OF MAY 9, 1939

(U.S. Stat. 53 (Part 2): 1431, 1433)

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, May 9, 1939, pursuant to the provisions of the Reorganization Act of 1939, approved April 3, 1939.

.

(e) Bureau of Fisheries.--The Bureau of Fisheries in the Department of Commerce and its functions are hereby transferred to the Department of the Interior and shall be administered in that Department under the direction and supervision of the Secretary of the Interior. The functions of the Secretary of Commerce relating to the protection of fur seals and other fur-bearing animals, to the supervision of the Pribilof Islands and the care of the natives thereof, and to the Whaling Treaty Act, are hereby transferred to, and shall be exercised by, the Secretary of the Interior.

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APPENDIX 8

(Public Law 478 - 79th Congress)
(Chapter 529 - 2d Session)

(H.R. 6335)

Excerpt

AN ACT

Making appropriations for the Department of the Interior for the fiscal year ending June 30, 1947, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of the Interior for the fiscal year ending June 30, 1947, namely:

.

Commercial fisheries: For collection and compilation of fishery statistics and related information; conducting investigations and studies of methods and means of capture, preservation, utilization, and distribution of fish and aquatic plants and products thereof, including investigation, study and research with respect to the utilization of packed sardines and the development of methods and procedure which should be employed in improving the quality and appearance of packed sardines; maintenance, repair, alteration, improvement, equipment, and operation of laboratories and vessels; and enforcing the applicable provisions of the Act authorizing associations of producers of aquatic products (15 U.S.C. 521); including contract stenographic reporting services, \$360,000.

.

Similar appropriations have been given to the Department of the Interior year after year since 1939, indicating the will of Congress and of the President to have the act authorizing associations of producers of aquatic products administered by the Department of the Interior.

APPENDIX 9

Names, Locations, and Purposes of the Fishery Cooperative Associations of the United States and Alaska

A. Pacific Coast

1. LaConner Cooperative Fishermen's Association, LaConner, Wash.--The purpose of the cooperative is cooperative fishing and marketing. The cooperative has about forty members; it possesses four boats, a fishhouse, and an office building.

2. Fishermen's Packing Corporation, Anacortes, Wash.--The purpose of the cooperative is to can and market fish. The membership includes 45 boat owners and 51 fishermen who are not boat owners.

3. Fishing Vessel Owners Association, Seattle, Wash.--The purpose of the cooperative, which comprises about 350 owners of halibut boats, is to act as an insurance agent for the boat owners and as attorney for the payment of social security taxes and for the clearance of customhouse papers. In addition, the cooperative maintains an auction salesroom.

4. Halibut Producers Cooperative, Seattle, Wash.--The purpose of the cooperative is legally unrestricted. However, for all practical purposes the cooperative was established to market halibut livers and to operate a marketing agreement with the firm Lyle E. Branchflower.

5. Fishermen's Cooperative Association, Seattle, Wash.--The cooperative comprises about 750 members engaged in troll fishing. The purpose of the cooperative is all-inclusive. It includes, for example, the cooperative purchase of gear and cooperative marketing.

6. Union Fishermen's Cooperative Packing Company, Astoria, Oreg.--The cooperative has about 150 members. The purpose of the cooperative is to maintain a warehouse for boat supplies, to can fish purchased from the members, and to market the canned products.

7. Fishermen's Store Cooperative, Seattle, Wash.--This is a comparatively new enterprise comprising about 100 members. It was established for the purpose of delivering groceries to the Seattle halibut fleet.

8. Wheeler Fishermen's Cooperative, Wheeler, Oreg.--This is a small cooperative composed of about 8 members. Its purpose is cooperative marketing.

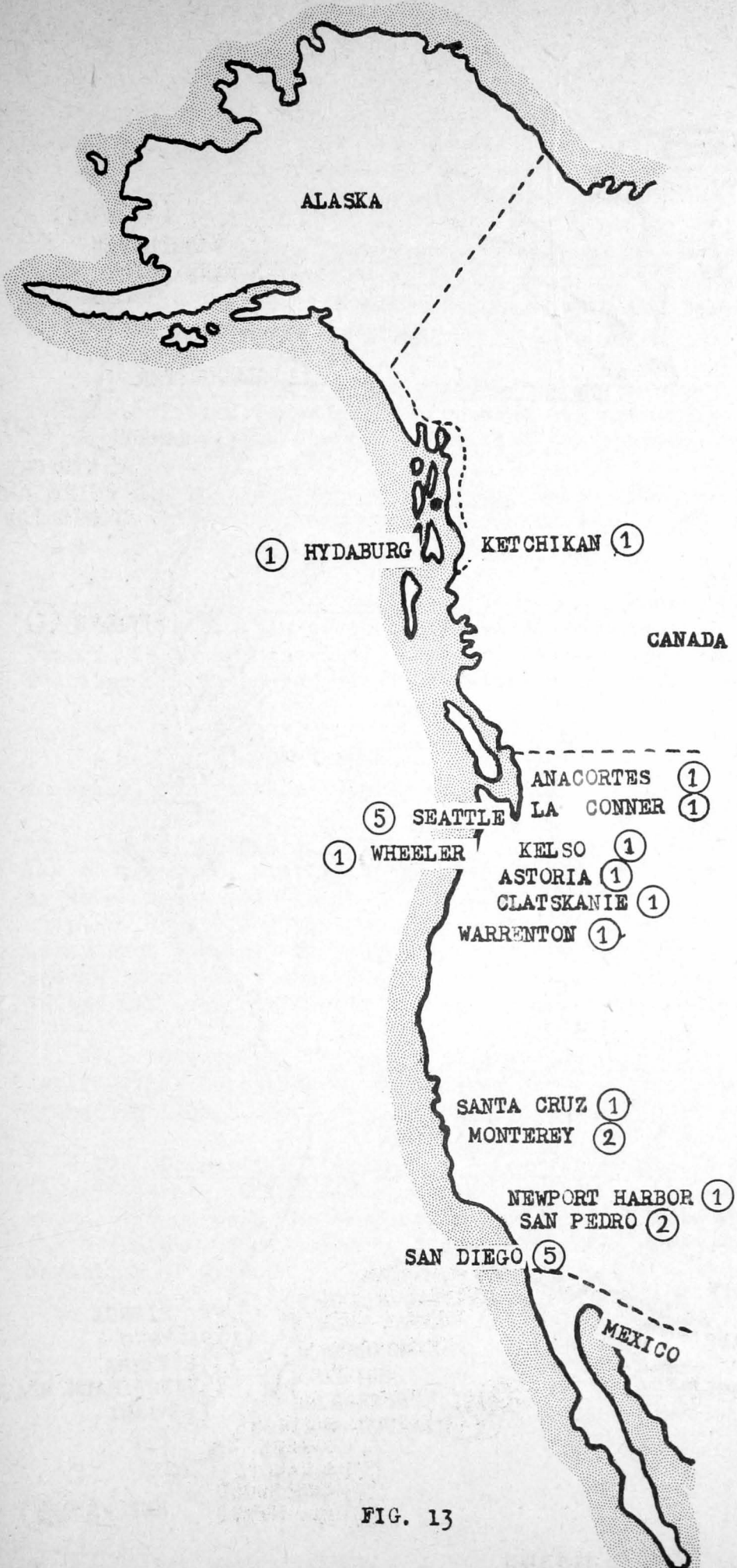
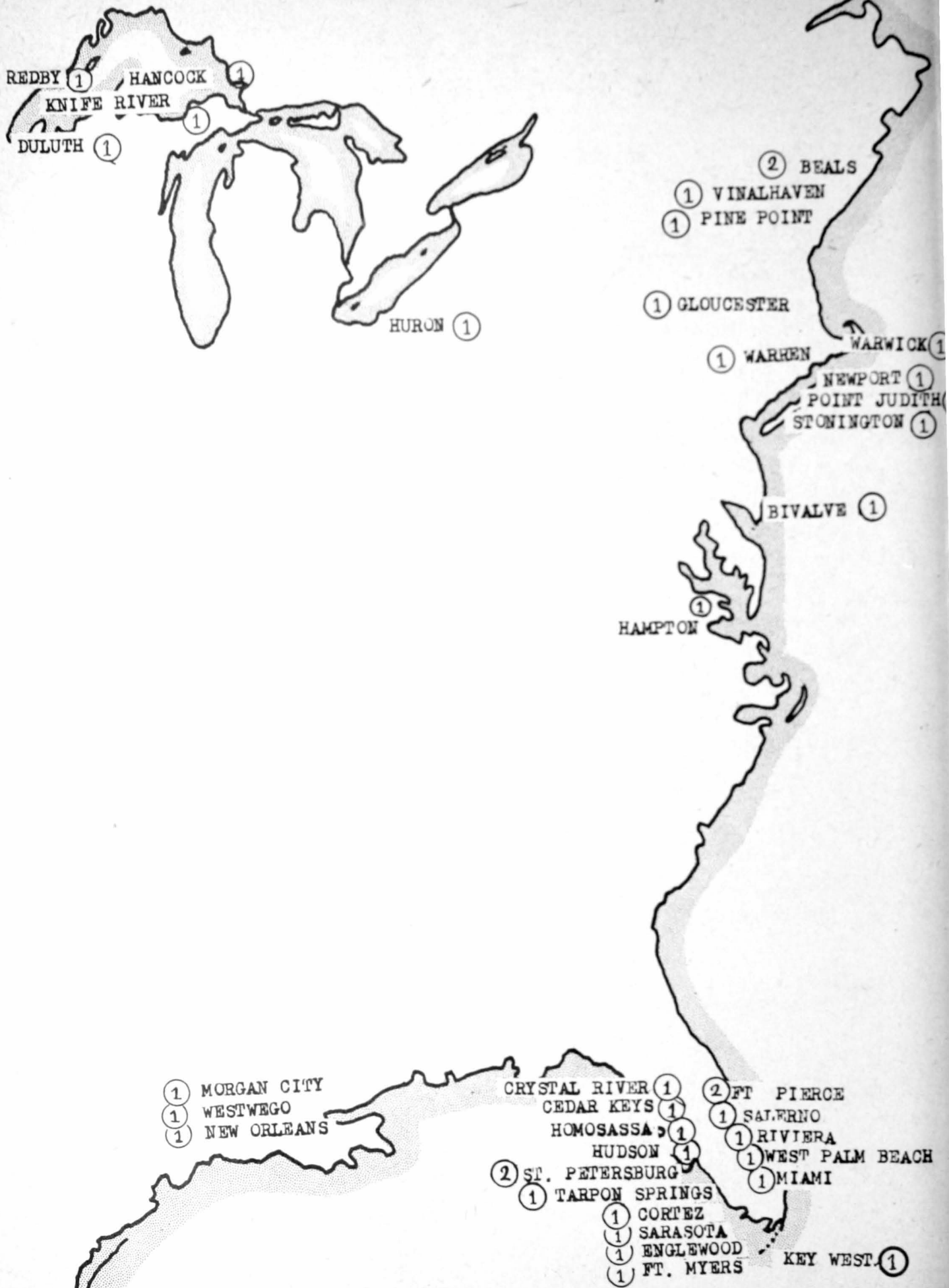


FIG. 13



9. Santa Cruz Fisheries, Inc., Santa Cruz, Calif.--The cooperative, comprising about 20 members, maintains a freezer and a cold-storage warehouse. It also operates a restaurant. The main purpose of the cooperative is the cooperative marketing of fish.

10. The Willapa Oyster Growers Cooperative Association, Seattle, Wash.--The cooperative has as its purpose the cooperative marketing of oysters. Its activities were suspended with the beginning of the war in 1941. Its revival is intended.

11. Crab Fishermen's Association, Warrenton, Oreg.--This cooperative association temporarily suspended its activities during the war. It is not known how far the activities are revived at present.

12. Columbia River Smelt Co-op, Kelso, Wash.--The purpose of the cooperative is the cooperative marketing of Columbia River smelt and other fish.

13. Monterey Sardine Industries, Inc., Monterey, Calif.--The main purpose of this cooperative, which comprises about 55 sardine boat owners, is to act as sales agent for the members. In addition to this function it purchases gear cooperatively and gives loans to its members.

14. Fishermen's Cooperative Association, Monterey, Calif.--This cooperative was in the status of formation when this pamphlet went to press. No further details are available.

15. Fishermen's Cooperative Association, San Pedro, Calif.--The cooperative, comprising 95 members, has as its main purpose to act as sales agent for the sale of sardines and tuna to canneries. The charter, however, gives to the cooperative all-including powers. In using such powers, the cooperative maintains cleaning facilities, operates trucks, rents dock space, advances loans to members, and acts as attorney in tax declarations and in clearing papers with Mexican authorities.

16. Commercial Fishermen's Inter-Insurance Exchange, San Pedro, Calif.--This cooperative, comprising about 50 boat owners, was established in 1944, to subscribe marine insurance for its members.

17. Commercial Fishermen's Cooperative Association, Inc.,--Newport Harbor, Calif.--The cooperative, comprising about 100 members, has as its purpose the cooperative purchase of nets and other supplies, the operation of a freezer and a cold storage warehouse, and the marketing of fish.

18. Southern California Fishermen's Association, San Diego, Calif.-- This cooperative has about 100 members. Its purpose is to act as sales agent in the members' dealings with canneries. It also acts as attorney for the members in clearing Mexican papers.

19. The San Diego Fishermen's Association, San Diego, California.-- The cooperative, which was recently established, is an organization of market fishermen. The purpose is the clearance of papers with Mexican authorities.

20. Lower California Fisheries Association, San Diego, Calif.-- The main objective of this association, which comprises about 150 members, is to settle accounts between fishermen and canneries. In addition, it grants loans to member fishermen and acts as sales agent for market fish.

21. American Fishermen's Tuna Boat Association, San Diego, Calif., This cooperative, comprising about 400 tuna fishermen, acts as agent for its members in settling accounts with canneries.

22. Clatskanie Smelt Fishermen's Association, Clatskanie, Oreg.-- The purpose of this cooperative, established in February 1947, is the marketing of smelt.

23. Commercial Fishermen's Cooperative Association, San Diego, Calif.-- This cooperative is organized for the purpose of marketing the catch of its members.

B. Gulf Coast (including Florida).

1. Twin Cities Fishermen's Cooperative Association, Morgan City, La.--The cooperative, originally established in 1938 and reestablished in 1946, comprises about 25 shrimp fishermen. Its purpose is the maintenance of a cold-storage warehouse and freezer and the cooperative marketing of shrimp.

2. Westwego Fishermen's Cooperative, Westwego, La.--This cooperative recently established by about 10 shrimp fishermen has as its purpose the cooperative marketing of fish.

3. Fishermen, Oystermen, and Fur Trappers Producers Cooperative Association of Louisiana, Inc., New Orleans, La.--This cooperative, comprising about 200 members, has as its purpose the marketing of seafood, seafood byproducts, and furs.

4. Fishermen's Union Cooperative Association, Cedar Keys, Fla.-- This cooperative, comprising about 150 fishermen, has as its purpose the cooperative marketing of fish.
5. Fishermen's Cooperative Association, Snug Harbor, Florida.-- This cooperative possesses two boats, a 150-foot pier, a quick freezer, and a cold-storage warehouse. Its purpose is the operation of these establishments and the cooperative marketing of fish. The cooperative has about 25 members.
6. Fishermen's Cooperative Association, Sarasota, Fla.-- This cooperative, comprising about 60 fishermen, buys gear and sells fish cooperatively.
7. Fishermen's Cooperative Association, Cortez, Florida.-- This cooperative, comprising about 150 fishermen, is a production and marketing association.
8. Fishermen's Cooperative Association, Punta Rassa, Florida.-- This cooperative maintains a fish house. It purchases gear and sells fish cooperatively. Membership is about thirty.
9. Fishermen's Cooperative Association, Key West, Florida.-- This cooperative is in the status of organization. About 150 fishermen intend to take part in this cooperative.
10. Fishermen's Cooperative Association, St. Petersburg, Florida.-- This cooperative, comprising about 50 members, operates a fish house and sells fish cooperatively.
11. Englewood Cooperative Fisheries, Englewood, Florida.-- This is a small cooperative of about 10 members selling fish cooperatively.
12. Union Fish Company, Homosassa, Florida.-- This cooperative, comprising about 50 members, maintains a fish house and operates a gasoline station. The cooperative has a contract with the Lewis Fish Company, Crystal River, Florida, to which firm all fish are delivered.
13. Union Fish Company, Hudson, Florida.-- This is a small cooperative comprising about ten fishermen, established for the purpose of selling fish cooperatively.
14. Fishermen's Cooperative Association, Crystal River, Florida.-- This cooperative, comprising about 25 fishermen, is a marketing organization.
15. Miami Fishermen's Cooperative Association, Miami, Florida.-- This cooperative, comprising about 30 fishermen, maintains a fish house and a sales office. It owns several trucks and boats. Its purpose is the cooperative sale of fish.

16. Fishermen's Cooperative Association, West Palm Beach, Fla.-- This cooperative has at present only nominal existence. It intends to resume operations January 1, 1947.

17. Salerno Fishermen's Association, Inc., Salerno, Fla.--This cooperative has at present 27 members and was created for the cooperative sale of fish. It became dormant during the war; revival is intended.

18. Fishermen's Cooperative Corporation, Riviera, Fla.--This Cooperative, comprising about 25 members, became dormant during the war.

19. United Fishing Company, Fort Pierce, Fla.--This cooperative, comprising 21 members, maintains a fish house, including a refrigerator and a gasoline pump.

20. Cape Fish Company, Fort Pierce, Fla.-- This cooperative has 11 members and sells fish cooperatively. It has two fish houses, one in Fort Pierce and another in Cocoa. It has its own sales agent in New York, New York.

21. Tarpon Springs Sponge Producers Exchange, Inc., Tarpon Springs, Fla.--A newly organized cooperative sponge producers association which packs and markets sponges. The cooperative has four packing houses.

C. Atlantic Coast.

1. Bivalve Cooperative Co., Bivalve, N. J.--This cooperative, having about 22 members, is established for the sole purpose of purchasing gasoline, oil, groceries, and other ship supplies collectively.

2. New England Oyster Growers Exchange, Warren, Rhode Island.-- This cooperative is understood to be active in selling fish and fishery products cooperatively.

3. Rhode Island Fishermen's Cooperative Association, Newport, R.I. This is a recent establishment, having about 270 members. Its purpose is the cooperative catching, processing, and selling of fish.

4. Beals Consuming Cooperative Association, Beals, Maine.-- This is a small cooperative of lobster fishermen organized for the purpose of purchasing supplies.

5. Perio Fishermen's Cooperative Association, Beals, Maine.-- This is a small cooperative of lobster fishermen organized for the purpose of purchasing supplies.

6. Fishermen's Cooperative Association, Vinalhaven, Maine.--This cooperative is operated by lobster fishermen for the purpose of marketing their catch and purchasing supplies.

7. Atlantic Mackerel Association, Inc., Gloucester, Mass.--This cooperative comprises about 20 members. Its purpose is the marketing of mackerel.

8. Pine Point Cooperative Association, Pine Point, Maine.--The purpose of the association is the wholesale purchase of fishing gear and equipment and the maintenance of a general store.

9. Point Judith Fishermen's Cooperative Association, Point Judith, R.I.--This cooperative is organized for the purpose of marketing the catch of its members.

10. Warwick Fishermen's Cooperative, Warwick, R. I.--As this publication is being prepared, it is reported that in Warwick, Rhode Island, a cooperative of clam and oyster fishermen is being formed.

D. Great Lakes

1. North Superior Cooperative Fisheries, Inc., Duluth and Tofte, Minn.--This cooperative of about 70 members operates in the cooperative purchasing of supplies for fishermen and the cooperative sale of fish and fishery products. It also owns a motor freight company, running 12 trucks between Port Arthur, Ontario, and Duluth.

2. Copper Country Cooperative Enterprises, Inc., Hancock, Mich.--This is a cooperative of several hundred fishermen engaged in cooperative fishing and marketing of fish and fishery products.

3. Knife River Fishermen's Cooperative, Knife River, Minn.--This cooperative is composed of about 20 members. Its first activity was purchasing land for the establishment of a harbor. The cooperative intends to work in close cooperation with the North Superior Cooperative Fisheries, Inc., Duluth, Minn.

4. As this publication is being prepared, it is reported that in Huron, Ohio, a fishermen's cooperative is being formed.

E. Cooperatives under the Supervision of the Office of Indian Affairs, U. S. Department of the Interior.

1. Annette Island Packing Company, Ketchikan, Alaska.--This cooperative comprises about 200 members. It is established for the purpose of canning salmon and merchandising the canned product.

2. Red Lakes Fisheries Association, Redby, Minn.--This cooperative is comprised of the Indians of the Red Lake Indian Reservation. It is established for cooperative fishing and marketing of fish.

3. Hydaburg Cooperative Association, Hydaburg, Alaska.--This cooperative has 329 members and was established for the canning and marketing of salmon.

(Additional cooperatives organized while this Leaflet was written)

1. Connecticut Fishermen, Inc., Stonington, Conn.
2. Bay-Sea Cooperative of Virginia, Inc., Hampton, Va.