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Introduction Statement
In the study of cooperative oil companies of Colorado, each company is considered separately, and where conditions warrant it, some pertinent comparisons are made at the close of the study. An effort has been made to secure the aid of each company and show some of the difficulties that any cooperative form of business effort can expect to meet when it enters the field of private business. An effort will be made to show the attitude of the

A STUDY OF THE COOPERATIVE OIL COMPANIES OF COLORADO
BY
T. E. McDONALD
cover
which illustrates the application of cooperative principles.

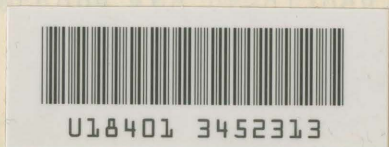
In general, there is a similarity in each of the companies studied. When this exists, the study involves the following outline, which will be followed as nearly as possible. In the case of some companies, in order to avoid repetition, some of the main points will be combined.

With the introductory statement in mind, each company will be studied from the standpoint of:

- I. History
- II. Organization and Management
- III. The Method of Financing
- IV. Capital Invested--Equipment, Labor, and Expense.
- V. The Methods

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Introductory Statement

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An effort has been made to secure the history of each company and to show some of the difficulties that any cooperative form of business effort can expect to meet when it enters the field of private business. An effort will be made to show the attitude of the officers and managers of each individual company.

No attempt will be made to place a narrow interpretation on what constitutes a cooperative company. There is naturally some variation in the formation and organization of each of these companies, so special emphasis will be placed upon the features of each which illustrates the application of cooperative principles.

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- IV. Capital Invested--Equipment, Labor, and Expense.
- V. The Methods of operation

- A. Membership relations.
- B. Business methods and practices.

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1. Methods of purchase and sale.
2. Products handled.
3. Methods of dividend payment.
4. Accounting and business practices.

- VI. Some proofs of the financial success of companies studied.
- VII. The general causes of success and failures of cooperative oil associations.
- VIII. Specific causes of success of companies studied.

The history of the companies studied will deal with the cause and conditions of starting; early difficulties encountered, the general method of financing, etc.

The organization and management will include method of organization, legal form, officers, and general form and character of management.

The method of financing will include the method of raising capital, whether membership is private or combined, the initial amount required, the price of membership, and the number of members required.

The capital invested, equipment and labor expense, will be treated only briefly. The purpose will be to show the main items under each head which are necessary to carry on the business successfully. Capital investment will also be discussed under financing.

The method of operation will be discussed fully, especially in the things which distinguish cooperative company from a commercial type of business.

The membership relations will include conditions of membership, price of membership, number of members, membership relations, etc.

The business methods and practices will include:

The method of purchase and sale, price at which goods are sold, whether to non members, whether at both wholesale and retail, terms of trade, etc.

The products handled will include products sold and service rendered.

The methods of dividend payment will include the method of making such payments, the conditions under which they are, the percent and amount of dividend,

the time and conditions of payment, the goods on which payments are made, and the privileges of members and non-members.

The accounting and business practices will include system of accounting, records kept, the forms of business practice connected with the business, etc.

Some proof of the financial success of the companies studied will include either financial statement in general or the equivalent in amounts paid either in percent or in totals of amounts paid, membership, business volume, etc.

The general causes of success or failure of cooperative oil companies will include general reasons other than those local in their nature--such as commodity, etc.

The specific causes of success or failure of companies studied will include causes of success due to locality, location, etc.

The companies studied.

The companies studied are:

THE CONSUMERS' OIL COMPANY of Colorado Springs, Colorado.

THE CONSUMERS OIL COMPANY of Greeley, Colorado.

THE PEOPLES OIL COMPANY of Leveland, Colorado.

THE CONSUMERS' OIL COMPANY, COLORADO SPRINGS, COLORADO

REPORT BY T. E. McDONALD

The history of the Consumers' Oil Company of Colorado Springs, Colorado, is one of the most interesting to be found in the study of cooperative oil companies. It shows what resourcefulness and adaption to local conditions can accomplish when properly applied.

Colorado Springs is one of the great tourist centers of the west and a famous health resort. And the history of this company is closely related to local conditions.

About ten years ago Mr. C. E. Michael, the manager, came to Colorado to benefit his health and located in Colorado Springs. He had a background of successful business experience in his native state and engaged in the automobile business. After several years of service with one of the leading auto firms of the city he decided to organize a cooperative oil company. One of the first steps to success in any business effort is adequate financing and this was accomplished by the sale of memberships.

Another factor of success in any cooperative effort is adaption to local conditions. Most successful cooperative companies are composed of farmers and are found in rural communities. In this respect, the Consumers' Oil Company, differs from the other. Colorado Springs is not a farming center and only about one percent of the membership is composed of farmers. In order to secure the confidence of the business and professional men of the city, the receipts from the sale of memberships were placed in trust with a local banking firm to be

returned if sufficient funds were not raised.

After a careful investigation of local conditions, it was decided that 500 memberships should be sold at \$5.00 each. This required several months of work by the management and when the necessary amount was secured the company was formally organized.

Organization and management.

The Consumers' Oil Company is a co-partnership in organization and management and is not incorporated. The company is managed and controlled by a limited number of co-partners who receive a reasonable amount for their services. The balance is divided quarterly among the members on a patronage dividend basis. This represents the form of accounting made to members and has proven very satisfactory. This is evidenced by the dividends paid since organization.

Another factor of success in a cooperative company is management. Since cooperation is one of the major forms of business effort, the management must meet the standards set by private business. This company satisfies those requirements. The employees are permanently engaged and every possible effort is made to meet the demands of the trade personnell and the membership. Courtesy and service are the watch words of the company and it is difficult to see how the management could be improved.

The Method of Operation.

One of the most important elements of success in a cooperative oil company is the method of operation. This involves many things not to be found in the conduct of a private business and will be treated in detail.

1. Membership relations.

The relations of members to the association comprise

practically everything in the conduct of a cooperative company. In order to become a member, a membership card must be purchased at a cost of \$5.00. The price is now \$10.00. This entitles the purchaser to the right to receive receipts for all products bought and to the patronage dividends on all purchases at stated periods.

There are two ways of becoming a member: through purchase of membership by cash, or by allowing patronage dividends to accumulate until they amount to the membership price. The latter entitles them to all the rights and privileges of members.

If a member desires to sell or transfer his membership he returns it to the company for cancellation and a new card is issued. No charge is made for this service.

2. Buying and selling methods.

Gasoline is bought in car load lots and other supplies in smaller quantities. Advantage is taken of all cash discounts and every possible economy in buying is effected. Only the best quality of supplies are purchased and only a limited number of products are carried. These are oil, gas, and greasing service. Not only are the number of products limited, but the number of grades in each product. One grade of gas, two of grease, and four of oil are sold.

The business is conducted on a cash basis and the regular retail price is maintained. Goods are sold at both retail and wholesale, but the major part of the sales are of retail products. The wholesale prices are the same as local wholesale prices and gas is sold in tank wagons at three cents less than retail price. Coupon books, ranging in price from \$5.00 to \$25.00, are sold for the convenience of members. Sales are made to non-members, but

these do not exceed ten percent of the total business of the company.

3. The methods of paying patronage dividends.

The principal service furnished by the cooperative oil companies is through the payment of patronage dividends. The basis for this payment is the sales-slip, or receipt which is given with each purchase made by a member. These receipts are to be retained and presented quarterly for payment. The amount of the patronage dividend is based upon the amount of supplies which have been purchased during any period. The percent, which is usually fifteen, is determined by net profits for that period. Patronage dividends are paid on purchases made by members.

Non-members, who have already applied for a membership-card, have their dividends credited to their accounts until they amount to the price of a membership. They then acquire the privileges of full membership.

Sales are made to the general public, but receipts are not given for purchases made unless on request.

4. Accounting and business practice.

Since business is done, the accounting system is simple and most of it is performed by a built-to-order cash register. Each receipt shows the amount and product purchased and these receipts are destroyed after payment. A record is kept of members and dividend payments which are credited quarterly or when presented for payment. Efforts are made to have receipts presented for payment promptly at the close of each quarter but no penalty is assessed for delay.

5. Location, equipment, and capital investment.

Financial Success.

The Consumers' Oil Company is an excellent illustration of a cooperative association which has applied the important principle of adapting itself to local conditions. Its success is due in no small part to its location, both specific and general. The retail station is attractively built and almost ideally located. It is intended to serve the membership in the city and is located just off the main business portion of the city and on leading national and local highways. Entrances are made from two directions and service can be given promptly. The station is equipped with the latest style gasoline pumps, aeromotor, air compressor, and rotary lift for greasing service. The service space is cemented through out and has an area of 3,750 square feet. There is a run-way over one of the gasoline pumps. The office is well equipped for service with an adding machine, air compressor, sufficient oil containers, and other necessities for efficient service.

Not only is the location suitable for the membership and general trade, it is accessible to both local and through tourist trade. The location is on the side of the road leaving the city; which is an important point when you consider such trade. Ten percent of the total business results from tourist trade and this is largely the result of its finest of locations.

In addition to the oil station, there is a wholesale plant which is located about two miles from the retail station. This consists of one 12,000 gallon tank, which is electric ally equipped for unloading. A truck with a capacity of 500 gallons is used to transport gas from the wholesale to the retail station and to make tank wagon deliveries. The retail station is leased but the equipment of both plants is valued at \$3,000.

Financial Success.

The Consumers' Oil Company has been operating since April 1, 1927 and has therefore been distributing oil and gas for a little more than two years. It is not the purpose of this study to investigate the finances of a company further than to indicate its financial success. During the two years of its life, it has paid five patronage dividends of 15 percent each and two dividends of 20 percent each. The most of the 15 percent dividends were paid on account of a local gas war caused by a general reduction of all retail companies and by a change that reduced the spread between the wholesale and retail prices. cost is low. The companies

The two 20 percent dividends were the first and last ones paid. If we look at the financial success from the total amount paid the record of the company is still more impressive. With a capital investment of \$5,000 in a two year period of operation the company has earned \$30,000 in profits, absorbed a large unforeseen expense due to leasing difficulties, bought a large amount of equipment, paid salaries of three employees, and distributed \$15000 in patronage dividends. Measured in terms of membership, which is necessarily variable, because of its personnel--the company has steadily increased its membership and now has about 700 active members. Since a great deal of the membership represents families with two or more cars each; its buying power cannot be judged entirely by membership standards. membership personnel, etc. I shall

The Consumers' Oil Company has proven that a cooperative association can be organized under the conditions resulting from city competition, and has earned the right to the financial success and business standing which the above figures convey. the most

The Causes of the Company's Success. of the Consumers'

The causes of the success of cooperative oil companies group themselves under two heads: those peculiar to the commodity and those

arising from local conditions. These will be discussed in that order. There is no question but what the oil business is peculiarly suitable to the success of a cooperative effort. There are many reasons why this is true. First: there is a wide spread between the wholesale and retail price of gas. At the present time this spread is about seven cents. Second: the demand for gas and oil products is comparatively steady the year round. This is becoming more true with the introduction of closed cars and the development of interstate transporting--both of passengers and commodities. Third: the original cost is low. The companies studied all began business with an investment approximately \$2500. The cost of operating such a concern is also low. A station and equipment may be leased at the start. The shrinkage in a well conducted place should not exceed two percent, and there is a reduction of one percent made by the state in the payment of road taxes. This reduces the shrinkage loss to one percent. The expense of operation per gallon for gasoline should not exceed three percent. All of the companies studied have a lower operating gallonage cost than this amount. This applies to all companies studied.

The second cause of the success of cooperative oil companies are those resulting from local conditions. These may be classed under management, location, membership personnell, etc. I shall consider these in the order named.

1. Management.

A cooperative oil company in order to succeed must have all the requirements of a commercial company, and of the most important of these is management. The management of the Consumers' Oil Company stands this test. The manager had a long experience

in this line of work. A good part of this was under local conditions. During this time he built up a business acquaintance which was invaluable to him in the organization and management. The management is also adapted to the conditions of membership personell. His business experience gives him the viewpoint of the business and professional which compase themmembership. I have no hestancy in saying that management is of the main causes of the success of this company. arship but leads to consequent increasing

2. Location. nt of patronage dividends. This is the great

The location of this company is another factor in its success. The personnell is made up almost entirely of professional and business men. The retail station is accessible to this class of trade. Not only is it accessible to the membership, but also convenient to the local and through tourist trade. It is located on the right side of the highway leaving town. This highway is the main entrance to the principle points of interest in the vicinity of Colorado Springs. The station is also attractive and adapted to quick efficient service. It is the last station in the main part of the city on the road to Manitou, the Garden of the Gods, and other points of scenic beauty. Also, its location helps it greatly in securing ten percent of its total trade for local and transient tourists.

3. Business volume and membership.

The other specific factor in the success of this company results for the membership personnell and business volume. Perhaps the buying power of the membership of this company is correspondingly greater than of another company with equal membership. Most of the members have two or more cars. Much of the membership represents corporation business with a large buying volume which

increases the total business of the company and enables the payment of substantial and satisfactory patronage dividends.

The Financing Method of the Company.

This is also an important factor in the company's success. This is true not only of the original method of financing, but the subsequent method of crediting purchases of products towards the payment of the membership fee. This not only increases the business volume and the membership but leads to consequent increasing growth in the payment of patronage dividends. This is the great service rendered by the Consumers' Oil Company over a short period of two years.

These general and specific factors represent some of the main causes of success of this company.

THE CONSUMERS' OIL COMPANY, GREELEY, COLORADO.

REPORT BY T. E. McDONALD

The Consumers' Oil Company of Greeley, Colorado is not only the oldest of the cooperative oil associations of the state, but also, represents the main factors of cooperation. It is, therefore, the first one studied and represents principles which are found in substance in other associations.

There are two main forms of business organization: The commercial and the cooperative. They have a legitimate place in the field of business competition. They are principally distinguishable by the motive which prompts their organization. The commercial type exists for profit and incidently for service. The cooperative company exists for service to its members thru the payment of patronage dividends, as in the case of cooperative oil associations.

The Consumers Oil Company had its inception early in 1921. The causes of its organizations are to be found in the existence of unusually high prices for oil products in the city of Greeley. Failure to secure a fair price led to the formation of a company, which was composed almost entirely of farmers, for the sale of oil and gas at cost. In order to organize such a company money was necessary and this was secured by collecting \$5.00 from each of the five hundred members. This gave an initial capital of \$2500 for beginning business.

In the securing of these members, the true spirit of cooperation was first shown. The movement started with a few men. Each member who joined was expected to get another member and this method continued until the entire number was assured. All of the membership was secured without expense and the same spirit of cooperation extended throughout the history of

the company.

By May 6, 1921, the company was ready for the preliminary organization which was perfected by the election of officers.

Organization and Management.

The Consumers' Oil Company is unincorporated and is managed by a board of five directors which are elected annually. The directors, annually, elect the officers of the company which consist of a President, vice president, secretary, and treasurer. The board of directors chooses a manager who has full charge of the business and calls meetings of the board whenever necessary. The entire management of the company is in the hands of the board of directors and manager. This method has been followed since the time of organization. There has been no change in the manager and only slight changes in the board. Continuity of policies has thus been assured. This has been an important item in the company's success.

The initial method of financing the association was through the sale of memberships. These were to be sold at \$5.00 each and five hundred members were to be secured or the membership fees were to be returned. These fees were deposited with a local bank and were collected by individual members working in teams and all this work was done free.

On July 1, 1921, the construction of the retail plant began. The method employed in the securing of members and in the sale of memberships was continued in the work of excavation, laying of pipe lines, etc. The members donated labor and equipment for underground storage and for the construction of necessary office buildings. The construction work progressed rapidly, and on September 10, 1921, the plant was opened for bus-

iness. A carload of gas and a few barrels of oil constituted the stock on hand at the opening date.

The cause of organizing the Consumers' Oil Company was the price of oil products in the city. The company was organized with the intention of selling oil and gas to the farmers at cost. Therefore this method was used in the start of the association and continued for some time. It is difficult to determine the cost of doing advance business but a price was fixed at a point which it was thought would cover the expenses incurred. This price was several cents below the going retail price and proved effective in securing a large volume of membership business. To quote the language of the secretary: "Five hundred families buying gasoline at a greatly reduced price per gallon caused such a commotion in the local retail trade that a "Price War" began against the association. This lasted long enough to demonstrate that this organization understood the purpose of it and was not to be driven out." This tribute to membership loyalty illustrates a great cooperative principle which is often overlooked by both managers and members. During the period of the gas war, because of the price reduction, the cooperative was unable to pay dividends out of the earnings. The member is still the gainer, because if the price was is directed against the cooperative its existence makes it possible for him to buy gas at the lower price. Suppose, even that the reduction is great enough, or the period of reduction lasts long enough; the cooperative may even close its doors, temporarily, and allow its members to buy gas of the regular dealers. It has rendered a service to its members that couldn't otherwise have been secured, and can resume business again when normal conditions have been restored. That this can

be done successfully has been proven by the experience of the Minnesota Cooperatives. Membership loyalty is, therefore, a great factor of success. This can be secured thru service and the payment of patronage dividends, or thru the equivalent of a price reduction.

That the manager of the Consumers' Oil Company understood this principle, was evident, when he was threatened with annihilation, if he did not meet the established retail price. He said, "If you will cut your price below mine, I will send you a whole lot of business."

Upon the failure of the price war to put the company out of business or to cause it to change its retail price a new line of action developed. The gentle art of diplomacy was resorted to, and suggestions were made to establish the actual retail price to refund to members at stated periods the margin above cost and service for the merchandise.

The company was unable to change its plan of sale until the annual meeting of the board of directors on May 6, 1922, when the present plans of sale and refund were adopted. It is understood, in this connection, that management of the company was in favor of this change long before the above date, but was unable to do so until the regular annual meeting.

This illustrates some of the things a cooperative oil company may expect to face at the start of the business, and it should fortify itself against them.

Capital Investment, Equipment, and Labor Expense.

The initial capital investment of this company was only \$2500. It must be remembered, however, that all service for securing members and most of the retail plant construction was

donated and it is probable that the initial investment was at least \$3500. At the present time, as shown under the general statements of financial success the amount invested in plants and fixtures is \$41,229,27. This includes both the wholesale and retail plants and represents large expense. Photos of these plants, which are made a part of this study, testify to amount of aggregate capital involved.

In a later part of this report an estimate is given by each manager, or head of company, of the minimum equipment and expense for plant and equipment. For the present, a brief summary is given of the equipment of each company.

The Consumers' Oil Company does both a wholesale and retail business. The retail station is located adjacent to two lines of railway which makes unloading quick and economical. Tank cars are unloaded directly into underground storage tanks at a minimum expense. It is equipped with two fifteen gallon bowl gasoline clear vision pumps which are connected with two fifteen gallon tanks. For kerosene there is a similar equipment connected with one 6500 gallon kerosene tank. This should have a larger capacity since all kerosene tank cars have a capacity of 8000 gallons.

The station has a frontage of 125 feet which contains a business space of 6400 sq. ft. The office is composed of four rooms--three of which have been added since the company began business. These are suitably arranged for office space--tube repair service and a supply department for tires, grease, oil, etc. It is well equipped with suitable office equipment, records, files, air compressors, adding machines, built to order cash register, especially made for accounting for products sold, and for simplifying the payment of patronage dividends. The

pictures which form a part of this report will give the reader a general idea of the retail plant.

To obtain an idea of the wholesale plant of the Consumers Oil Company imagine a wholesale plant of one of the standard oil companies. This gives you a fair comparison of its magnitude. Located within a square block are the wholesale plants of three of the leading companies operating in this territory. This company's plant does not suffer by comparison. It is a revelation to one unacquainted with the scope of the business of this company and an inspiration of one interested in any form of cooperative effort. It shows that vision can accomplish in the cooperative field when backed by intelligent planning and hard work. It is a monument to almost a decade of efficiency in management.

The wholesale plant is located about eighty rods from the retail plant on a railway siding especially built for wholesale oil plants. The main building was built in 1924 and enlarged in 1926. It is 80 by 24 feet, and provides space for several hundred barrels of oil, greases, etc. The tankage comprises two 1000 gallon gasoline tanks; one 15,000 gallon distillate tank; one 12,000 gallon kerosene tank; two tanks with a total capacity of 17,000 gallons for furnace oil, and two smaller tanks for gas and oil burner fuel.

In addition to the wholesale and retail plants, the company has two trucks; one for gas and oil, and one for kerosene and gasoline.

The Method of Operation.

The method of operation of cooperative oil associations is probably the most outstanding item in the study of such companies. This is especially true of the method of making patronage dividend payments since it is entirely foreign to

the commercial type of business. Membership relations, purchase and sales method, dividend payments, and accounting methods, will be discussed in order.

I. Membership Relations.

In the Consumers' Oil Company, membership relations are established by the purchase of a membership certificate which is evidenced by a receipt issued by the company. It is the informal contract between the company and the member that is of importance to each of them. The membership receipt constitutes the essential contract between the member and the company and embraces their entire business relations. In order to become a member, one must purchase a membership receipt. This may be done by a completed sale; or it may be done thru allowing the application of dividends toward the membership price. When the latter method is used the purchaser becomes a fully paid up member when the amount of the patronage dividend equals the price of a membership. The initial price of memberships was \$5.00 but this was to be increased automatically when the number of members had reached a certain point. The initial price was to be operative only until the first 700 members were secure when the price was raised to \$10. The first increase was made May 6, 1923 and has since been increased from time to time until the present price is \$25. The increased prices of course applied only to new members but it made the interests of the earlier purchasers more valuable. The number of members has increased steadily with slight variations, from time to time, and it now numbers approximately 1450.

Membership is valuable to the member as well as valuable to the company, and the greatest possible effort is made to keep the members alive and active. To that end practically no

restrictions are placed on their use. They may be loaned or sold among the members or thru the office of the company. Should a member, for any reason, become unable to use his membership for a short time; he may notify the association--either personally or in writing--and it will be transferred, temporarily, to the person named and entitle him to all the rights and privileges of membership. Or the membership may be sold directly among members or transferred to a non member. If a member wishes to sell his membership thru the offices of the company, he may do so at a small discount, but members are urged to retain their memberships because the book value is much more than their par value.

A membership entitles the holder to the payment of patronage dividends and constitutes the only way in which he can share in the profits of the company although he could indirectly, by the sale of his receipts to other members. Its importance to the member, then, lies in the financial returns which he secures by means of patronage dividends. Its importance to the company lies in the volume of business which results from keeping these memberships alive and buying produce. Of special importance, then, is the temporary loan of memberships to create volume of business, as it is the live membership which makes the volume of business and consequent profits possible.

It is difficult to over estimate the importance of the membership in the success of a cooperative oil association as will be seen in the discussion of the financial success later in the study. For instance, the par value of the fee at the present time is \$25.00. The book value is more than three times in excess of this figure. The present membership is about 1450. The nominal value of the memberships is \$14,435. Com-

pare these figures with the financial statement of the company and you can see the importance, not only of a large membership, but also, a live membership.

II. Business Methods and Practices

(a) Methods of purchase and sale.

A cooperative oil company is a form of business enterprise and business methods are necessary for success. The buying methods are similar to those of commercial companies in the same line, only the best supplies are bought from standard or independent companies. The major products: oil, gas, kerosene, distillate, and greases are bought in carload lots. Advantage is taken of all discounts and every possible economy in buying is effected.

Goods are sold at both retail and wholesale, but the bulk of the sales are these of the retail trade. Both retail and wholesale prices are those effective among the other local companies. Products are sold to non members on the same terms as members. but the great bulk of the business came from members. A charge of five cents is made for time accounts in order to defray the accounting expense connected with each sales. Receipts or sales-slips are given with all purchases and constitute the basis for making patronage dividends, or for the purchase of memberships in the case of non members. Different size coupon books are also sold.

(b) Products handled.

The only products carried at first were oil and gas but later the following: kerosene, distillate, gas, oil, furnace oil, grease, axle grease, tires, tubes were added. Tire repair service is also conducted.

(c) Methods of Dividend payment.

The method of making patronage dividends is a distinguishing feature of a cooperative association and is entirely foreign to commercial companies. Patronage dividends are based on the cooperative principle of returning to each purchaser, at stated periods, a certain percent of the amount of his purchases. With each sale of any product a sales receipt is given and is to be retained by the member and presented for payment at the end of the quarterly period. When presented for payment the sales receipts are destroyed and the amount entered on the books of the company. Payments are made only to heads of families, or to the person, who is authorized to receive them. Dividends are paid at any time after the close of the quarterly period and while an effort is made to secure a promptness in presenting tickets, no time limit is specified.

The only difference in the payment of sales receipts presented by members and those presented by non-members is the disposition made of them. The method for members has already been given. If presented by non members, they are applied on the purchase of a membership.

(d) Accounting and Business practices.

The accounting and business practices of the company are simple, and have already been discussed in part.

The principal form of accounting is that of the "Sales Receipt" and is recorded by a trade made cash register, which records the amount of the product purchased.

A separate record is kept of time sales, or charge accounts. Each salesman accounts for his own sales and deposits. The list of members are credited with patronage dividends as paid. The several business practices have been discussed under membership relations and patronage dividends.

The Reasons For the Success of Company.

The main purpose of this study is to determine the reason for the success or failure of the respective companies. These will be discussed under several headings which will differ in some respects with the companies. There are some ways in which the courses of success will be similar.

These are: nature of commodity, method of financing, management and business volume, method of operation, business volume, and number of members.

1. The nature of the commodity:

The distribution of oil and gas products lends itself to cooperative effort. These products are in wide demand among the farmers and the volume of sales thru out the year is fairly consistent. There is, therefore, both economy of operation in plant equipment and labor. A large volume of business can be handled with a small amount of equipment and this equipment may be bought on terms, or else leased. The amount of shrinkage is also small, not over two percent, and the state laws allow one percent refund on road taxes paid which decrease shrinkage to one percent.

In addition to these factors of economy, the spread between the wholesale and retail price at the present time is about seven cents. The cost of operation per gallon is about two and one half cents which leaves a good balance for each gallon of gas handled.

2. The business volume:

The Consumers' Oil Company has a membership of approximately 1500. This membership is in a compact territory and furnish-

es a large business volume. The necessity for a large business volume, whether in a commercial or cooperative company, is a major factor of success. It not only furnishes the necessary amount of business for successful operation but by decreasing operating expenses, enables the payment of increased profits in the form of patronage dividends

3. Location:

It is located in one of the best farming sections of the state. Greeley is the center of the world's largest irrigated area and furnishes the population for necessary membership, and consequent business volume.

4. Membership and Financing:

This company is financed by the membership. These memberships have increased in value from time to time and now are worth five times their original amount. This method of financing gives each member pride in the company and makes him a booster for its success. He feels that he has an equal share in its management and the consequent pride of individual ownership.

5. Dividend payments:

Each member is paid a quarterly dividend of all of his purchases, quarterly. This dividend is a substantial amount of the total of his purchases. If at the end of the year, the earnings have been sufficient, he is paid an increased dividend.

6. Management and service:

One of the major factors in the success of the company is the character and personality of the manager. This is best shown by the growth of the company. The manager devotes his entire time to the conduct of the company. His assistants are men who have been in its employ, many of them since the company was formed and are, therefore, familiar with its workings and methods

of operation. It is difficult to conceive of any improvement that could be made in this respect.

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