Cooperatives: Strength in Numbers, Strength in You

2012 International Year of Cooperatives
National Farmers Union

_Coopertives: Strength in Numbers, Strength in You_

Collegiate and Adults

Contents:

Lesson 1: Building Careers, Building Communities
Lesson 2: Member Benefits & Getting Involved
Lesson 3: Creating a Cooperative from Day One
Lesson 4: Cooperative Case Studies
Lesson 5: Co-op School: The Business of Teamwork
Lesson 6: International Year of Cooperatives

For more information contact:
National Farmers Union
mmiller@nfudc.org
202.554.1600
www.nfu.org
Lesson 1: Building Careers, Building Communities

Unit Objective: Is working for a cooperative the same as working for any other business? Yes. And no. Cooperatives use a business model that is similar to traditional commercial enterprises, yet co-ops also adhere to principles that make them unique. Because of this, the customers of cooperatives enjoy the additional values built in to cooperative businesses. Likewise, employees and managers of cooperatives may also find additional rewards when working for a cooperative. This lesson explores the different careers and subsequent benefits of working for a cooperative. It will also challenge students to consider their options in choosing a work environment and career path.

Length: 60-90 Minutes: 30 minutes for lecture and the fill-in-the-blank handout; 30 minutes for three panelists; 15 minutes for closing activities.

Materials Needed: Whiteboard or flipchart, pencils or pens, and enough handouts of the Investor-Owned Corporation, Member-Owned Cooperative, Seven Co-op Principles, and Co-op Terms at a Glance worksheets.

Preparation Needed: Invite three managers, employee supervisors, hiring managers (human resources), or education/training or communications managers from three area cooperatives. Their purpose will be to serve on a panel. Ask each one to discuss overall career opportunities (including internships) that may be available at their cooperatives. Also, ask them to explain to your students how working at their cooperative may be different than if they worked at a for-profit business. Be sure to choose representatives from different cooperatives, such as marketing, service, and supply (or worker-, producer-, and customer-owned). Call 30 days in advance to secure their participation as a panelist; call each one two to four days in advance to verify their participation and to see if they need any special equipment such as a screen for a PowerPoint presentation.

Background: College students and young adults beginning their careers are making important decisions about their futures. One of the most important choices to be made by people this age is to identify what kind of employer will provide the work culture that closely matches their expectations. Increasingly, college graduates are being more selective in wanting to work for companies that provide meaningful rewards other than income and standard benefits. These rewards may include how a company treats its employees and customers, whether it supports its hometown community, if its business operations contribute to the quality of life for customers, and if the products and services are environmentally and economically responsible. In brief, young people are voicing a preference to work in a career in which they believe they will “make a difference.” Cooperative businesses are well positioned to offer such careers.

Teaching Strategy:

1. Ask your students if there is a difference between a job and a career. Write down “Job” and “Career” side by side at the top of a white board. Below these headings, write down their responses. According to the dictionary a **Job** is a paid position of regular employment, and a **Career** is an occupation undertaken for a significant period of a person’s life and with opportunities for progress. Do you want a series of jobs throughout your adult life, or do you want a career? Pause to let them consider that. If any of your students want to answer, listen to their observations.
2. Erase the white board and write down the line, “Why do people accept jobs?” Possible answers may include “To earn money,” “My family of I need health insurance benefits,” “I need experience,” “The job is close to home,” “My friends and/or family work there,” “It matches my education, experience, or interests.” Write down the answers given to you and add the ones above if no one offers them. Ask your students to raise their hands if they agree with the following questions. “How important is it for a job to: “Be fun?” “Offer rewards beyond a paycheck?” “Make a difference in the world?” “Be personally challenging?” “Be environmentally green and ethically responsible?” Ask them to share their thoughts on these questions. You may need to encourage discussion by asking a specific student or two if they agree or disagree with the questions you asked.

3. Break your students into groups of five (adjust the size of these groups based on the overall number of students participating in this lesson). Tell them you will allow them five minutes to develop the top five reasons they would prefer to work for one company over another if the pay and benefits are the same. When the time is up, ask one person at each table to read the list. Use these examples to talk about why some jobs may provide more enjoyment for the same amount of pay as other jobs. Also, mention that a person’s personality will affect whether he or she will be happier in some types of jobs. A person who is analytical may feel frustration selling paintings. A person who is a free spirit may not do well as a desk-bound accountant. These examples may seem obvious, yet plenty of people complain about their working conditions without asking whether they are a good fit for that type of job. Both the type of job and the overall work environment set by the company culture are equally important. Company culture varies significantly. Some companies want employees to be serious and professional, others support a more relaxed environment.

4. If you do not make choices about your own life, others will do it for you, and they will not do so with your best interests in mind, either intentionally or unintentionally. Pause for a moment to let them consider this. Ask them if they agree with your statement. It is not enough to decide: you also have to act. If you do not act on your own decisions, beliefs and intuitions, others will do it for you. Invite your students to share examples of how others have made decisions for them that did not work out.

5. You choose all the time: what to eat, where to shop, who will be your friends. Other choices are more constrained by factors beyond your control and even beyond your awareness. You will decide what jobs you will, and will not, pursue, but whether you are offered the job is up to the employer. When you have a choice between two jobs, you are both free and responsible to chose the one that is best for you. When you have multiple choices, you need to weigh all factors to select the one that is the best fit for your future goals.

6. Why work at a cooperative? What makes a cooperative business different? In the world of business, we are taught that competition is rewarded. This reward typically is measured in profits and market share at the corporate level, and in career employment and bonuses at the personal level. Competition implies that winning for some has to come at the expense of losing for others. Certain corporations and industries have created a negative reputation for themselves due to their questionable business ethics, their environmental record, their focus on profits at all costs, and cultural attitudes that leave customers feeling disenfranchised. Corporations have been known to compromise safety, bypass regulations, shelter earnings, offer inferior products, move jobs overseas and sacrifice long-term growth for short-term profits to meet the demands of stockholders, to name but a few of the actions they take to win.

7. In a cooperative business, the concept of winning is measured by how well the product or service benefits the customers, who also are known as patrons or members of the cooperative. In reality, customers own the cooperative that provides them with services or products. Customers own an equal share of stock in the co-op and, with the exception of a few ag marketing and processing co-ops, each member has one vote. The co-op is set up to benefit all members equally rather than favor those who have more economic or political influence and investment.

8. Cooperatives do not exist to generate maximum profits for investors. They are designed to provide products and services at the lowest possible prices or “at cost” for their members. As with any business operation, cooperatives do need to make a margin on the products and services in order to cover the cost of doing business, from buying inventory and investing in buildings to paying employees. At the end of the year, a
cooperative calculates its net margin above the cost of doing business and returns this income to members in the form of patronage refunds or capital credits and stock retirements.

9. There are three main types of cooperatives in terms of their primary business operations: **Service**, **Supply**, and **Marketing**. As the name implies, service co-ops provide services that range from utilities to information. Examples include credit unions, rural electric and telephone co-ops, day care, and housing. The Associated Press is a service co-op. Supply cooperatives are organized to purchase goods in volume and then pass along the discounts and other savings to members. ACE Hardware and Best Western are examples of purchasing co-ops. Marketing cooperatives pool (and often process) commodities delivered by members. Land O’ Lakes, Ocean Spray, and Tillamook Cheese are marketing cooperatives whose products may be found in grocery stores. And a few cooperatives are known as **hybrids**, meaning they have service, supply, and marketing operations. CHS, Inc., is the nation’s largest agricultural cooperative. It is a hybrid, too. As a supply cooperative, it has its own refinery that ships Cenex brand fuel products to farmer-owned cooperatives. As a marketing cooperative, CHS sells large volumes of grain on behalf of its members. CHS also provides agronomy and accounting services to the cooperatives that are members of CHS. In some cooperatives, the owners are individuals: in others, the members may be a group of businesses.

10. Co-ops can be small, serving just a few members, or they can be large, serving tens of thousands of individuals. They are found in rural communities and the nation’s largest cities. Cooperatives have been organized in a wide variety of industries. On the whiteboard or flipchart, write in the following industry titles: **Agriculture, Financial, Food, Funeral, Health Care, Housing, Insurance, Manufacturing, Preschool, Technology**.

11. Cooperative businesses have been organized by **producers**, **workers**, and **consumers**. Cooperative Home Care Associates is the nation’s largest worker co-op, with more than 1,000 members providing home care in the New York metropolitan area. Evergreen Cooperatives of Cleveland is a worker-owned laundry serving commercial customers.

12. REI is the nation’s largest consumer cooperative, specializing in camping and sporting goods. Founded in 1938, this co-op now has more than 100 stores and more than 3.5 million members nationwide. REI is consistently ranked by Fortune magazine as one of the “100 best companies to work for.” HealthPartners is a cooperative health care provider in Minnesota and Wisconsin and also is the largest consumer-governed, non-profit organization in the nation.

13. You are learning that cooperatives are found all across the country and are organized to meet all kinds of needs. Cooperatives at the most essential level need the same type of employees as any other business: managers, accountants, receptionists, customer service and sales clerks, marketing specialists, maintenance crews, and supervisors are among the more common types of jobs. As cooperatives specialize or grow larger, they will employ people who have more unique abilities. Examples include agronomists, utility linemen, nutritionists, chemists, economists, and mechanics.

14. Many cooperatives emphasize education and community outreach and will have specialized staff to develop and deliver appropriate programs to members and non-members.

15. Invite your panel to the front of the room. In advance, set up chairs and, if necessary, a table. Introduce each speaker by name, title, and the cooperative. Ask each panelists to first tell a little about themselves and the cooperative at which they work. Invite each panelist to outline the employment and internship opportunities available at their respective co-ops. When the last one is done, then ask them to explain how working at a cooperative may be different than working at a for-profit business. Finally, ask them to discuss what their cooperative does to give back to the community, and also how their co-ops may be more committed to their community than for-profit companies. At this point, ask your students if they have any questions for the panelists. Hopefully, this will lead to a 10-minute question-and-answer session. If your students do not have any questions, you may want to ask one or more of the following questions as a way to encourage discussion. **Can an employee also be a member of your cooperative? How many members typically show up for the annual meeting? Do you have an orientation session for new employees? Do you have job openings that are unique because your business is a cooperative?**

16. What makes working at a cooperative different? Let’s consider the difference between an investor-
owned company and a customer-owned company. (HAND OUT THE “COOPERATIVE COMPARISON WORKSHEET). Guide the participants through the worksheet.

17. There are the current principles that are unique to cooperative businesses. They are based on a set of working rules developed by the Rochdale Society of Equitable Pioneers, a consumer co-op formed in 1844 in England. Known as the Rochdale Principles, these rules formed the foundation for the modern co-op movement. (PASS OUT THE SEVEN CO-OP PRINCIPLES HANDOUT) Depending on your scheduled time for this course, you may want to offer a few comments about each principle. However, make sure you speak specifically about the last principle, Concern for Community. Many businesses support their local communities. Cooperatives put that commitment into print. Concern for community is one of the core beliefs of any cooperative. This concern can show up in hundreds of different ways. Some co-ops make it possible for their employees to be actively involved in community organizations and activities. Other cooperatives sponsor specific projects to improve their hometowns, or fund such projects. Cooperatives are both career and community builders.

18. (HAND OUT THE CO-OPS TERMS AND EMPLOYMENT WEB ADDRESS SHEETS). There are numerous ways to find employment at a cooperative. The most obvious one is to fill out an application at the co-op. Another is to visit briefly with the manager to tell him or her why you want to work at a cooperative business. It may be helpful if you are a member and have attended the annual meetings. You may want to consider setting up a LinkedIn account if you have not already done so. These accounts allow you to have a professional presence on the web. And, it will allow you to build up a network of professionals who may provide guidance in the years ahead. Also, there are discussion groups available within LinkedIn that focus specifically on cooperatives and careers. Hiring managers will look at your social media image. If you have a Facebook page loaded with photos of you being, well, loaded, it will not place you at the top of the hiring list. LinkedIn is a professional networking tool. Use it respectfully.

19. Some people simply take what life gives them. Others take the necessary actions to get out of life what they really want from it. If you take a job because it is close to home even if the pay is low, you are accepting a lifestyle job. People who farm have chosen a lifestyle job. People who work for the same company as their parents did are choosing a lifestyle job. Working at a cooperative can be a lifestyle choice as well. You need to decide what kind of business culture will make you feel at ease and able to excel, and then go for it.
Lesson 2:  Member Benefits & Getting Involved

Unit Objective: Cooperatives are organized and owned by the members. New members, or members of newly-formed cooperatives may not be aware of the benefits and responsibilities of being a member-owner. This lesson will explain the value of being a member-owner and the opportunities to be actively involved in leadership roles.

Length: 60-90 Minutes: 30 minutes for lecture and the fill-in-the-blank handout.

Materials Needed: Whiteboard or flipchart, pencils or pens for all your participants, copies of the Seven Co-op Principles.

Preparation Needed: Set up the room classroom-style with tables and chairs facing forward, and with a whiteboard or flipchart in front. Invite the general manager of a local co-op to speak at your session. You should make this call 30 days prior to the class. Be sure to call again two to four days ahead to verify his or her attendance. Ask this person to explain the benefits of being member of a cooperative, along with the opportunities to be involved.

Background: Cooperatives are owned by their customers. This unique (and time-tested) business model is not clearly understood, even by members of cooperatives. Members of cooperatives have the right to vote, run for the board of directors, attend annual meetings, and take an active interest in the business operations.

Teaching Strategy:

1. More than 100 million Americans are business owners. They may not realize it, or they may believe the businesses that are owned are reflected in the stocks purchased by their retirement or investment group. The reality is, these Americans both own and benefit from doing business at member-owned cooperatives. In fact, being a member of a cooperative opens the door to being on the board of directors, advisory committees, and other involvement. Cooperatives do not exist to generate profits for stockholders, who may never set foot in the door of the business. Cooperatives are in business specifically to benefit their customers. For a lot of Americans, cooperative membership is a way of life. They trust cooperatives and consider them to be more socially and economically responsible than some other types of businesses.

2. Cooperatives look and operate like most businesses. Yet cooperatives are owned by the customers who use them. From credit unions and some grocery stores to farm supply co-ops, these unique businesses provide a wide variety of benefits to their customers. In addition, customers have certain responsibilities to the co-op. In the cooperative business structure, customers are also known as members or patrons. To become a member of a cooperative, an individual fills out an application and pays a membership fee or buys a share of stock, or both. A lifetime membership in REI, a consumer cooperative that sells outdoor sports equipment, is $20. Each cooperative has its own membership and stock requirements as spelled out in the bylaws adopted by members.

3. SPEAKER: Invite your speaker to come forward. Introduce him or her by name, job title, and the co-op for which he or she works.

4. Members have both rights and responsibilities. Rights include a vote at the annual meeting (and the opportunity to introduce motions and voice opinions), ask questions of the board of directors, and be a candidate for the board. Responsibilities include providing capital for the co-op, controlling the co-op, patronizing the co-op, and keeping informed of the co-op’s operations, to name a few.

5. Odds are good that you will or have become a member of a cooperative that has been in business for many years. The organizers of these co-ops typically provided the start-up seed money from their own pockets.
It is equally likely the co-op originally started small and grew as more members joined. Farm supply co-ops that started with one truck and two employees during the Great Depression today have more than 100 employees and a fleet of specialized vehicles.

6. What are the financial benefits of ownership? Cooperatives do not operate to maximize profits for stockholders. They operate to provide services and products at the lowest possible costs for members. The customer-owners of cooperatives may find the co-op is extremely competitive in overall prices for goods. Equally important, the co-op may provide products and services otherwise not available. Cooperative grocery stores may offer a wider selection of locally-grown products and organic selections than a “one-size-fits-all” chain. One reason for having a membership in your name is it allows the cooperative to keep track of your overall annual business done at the co-op. At the end of the year, the co-op may (and usually does) return its “profit” or net income to members in the form of **patronage refunds**. These refunds are based on your business volume for the year. The more you patronize the co-op the larger your share of the overall refund. As with any business, the co-op builds in a margin in order to cover the cost of doing business (such as employees, equipment, buildings, and maintenance). After operational costs along with property taxes, depreciation, and other costs have been deducted from the gross margin, the co-op is left with surplus cash (or a loss if it was a difficult business year). This surplus belongs to the owners and is returned to members according to bylaws and board action. These cash returns are allocated according to each member’s level of business volume.

7. By law, 20 percent of the patronage refund must be returned in cash. However, the balance may be held by the cooperative to provide the necessary operating funds during the year. This is consistent with the co-op structure that calls for members to finance the business operation. That said, cooperatives keep track of this retained patronage refund and will return it, again based on the bylaws and board policy. There are examples of farm supply cooperatives awarding stock retirements of more than $60,000 to farmers. These payments represent the retained earnings these farmers had on account at a co-op. These amounts were accumulated by farmers who bought fertilizer, fuel, and other inputs from the co-op over a period of more than 40 years.

8. Not all cooperatives will pay dividends. Service co-ops, such as rural electric co-ops, may choose to use a cash surplus to maintain or reduce rates. Credit unions will consider offering lower interest rates on future loans. This member-supplied working capital may be used to expand or update facilities. It is important for members to know how the cooperative is using resources to benefit the owners. Ideally, a cooperative will advise you of all its benefits when you apply for membership.

9. Membership in a cooperative is open and voluntary. Cooperatives do not restrict membership based on economic or social factors, race, religion, or political affiliation. In fact, cooperatives are politically neutral. In some cases, such as a rural electric, cooperative membership is the only way to obtain service. Also, it is possible for cooperatives to sell to non-members. Hundreds of locally-owned farm supply cooperatives operate convenience stores. Motorists stopping at these stores to not have to be members to buy fuel, food or other products. Because these customers are not members, the co-op does not pay patronage refunds on the “earnings” generated. Instead, these earnings are accounted for as unallocated reserves and may be used as working capital by the cooperative.

10. Other benefits of cooperative membership will be found in the **Seven Co-op Principles**. (DISTRIBUTE THE SEVEN CO-OP PRINCIPLES HANDOUT). These principles are the rules that cooperatives use to run their business. Read Principle 5 to your students. Cooperatives support educational programs, materials, and training. Food cooperatives that operate grocery stores can and do have classrooms and staff who hold training sessions on cooking. Farm supply cooperatives hold classes on agronomy and marketing updates for their members. Credit unions sponsor fun financial lessons just for kids. Cooperative businesses will use outreach materials to explain their businesses to new and existing members, the media, and policymakers. Most cooperatives have an affiliation with organizations, association, or groups that provide additional educational materials and resources for use by members. This lesson along with the other five in this module are provided by National Farmers Union. Both state and National Farmers Union organizations helped organize hundreds of farmer-owned marketing, supply, and service cooperatives across the nation. Funds to
underwrite this curriculum were provided by the CHS Foundation, which is affiliated with CHS, Inc, one of the most successful cooperatives in the United States. Both CHS and Farmers Union share a long history of working together to strengthen family farm agriculture and rural communities.

11. The Seventh Principle underscores a hallmark of cooperatives. Few other businesses have put Concern for Community in writing. Cooperatives are owned by people who live in the community. These owners understand the value of working together for the common benefit. As a member you can volunteer for your co-op’s community projects. And as a member, you can recommend both educational and community activities to your co-op board. Of course, as a member of the co-op you have both the right and a measure of responsibility to participate. Cooperatives may also encourage their employees to participate in or otherwise support community projects.

12. The economic, social, and cultural benefits of being a cooperative member are balanced against a few key responsibilities. As owners of the cooperative, members are expected to exercise their responsibilities as owners and control the co-op. “Control” does not mean the owners are managers or directors. It does mean member-owners take time to review the annual report or audit, attend the annual meeting, are willing to voice concerns or recommendations using the appropriate avenues, read through informational mailings produced by the co-op, and volunteer as opportunities allow.

13. Members exercise the overall control of a cooperative by attending and voting at the annual meeting. Unlike investor-owned corporations in which the number of shares you own (or control) is equal to the number of votes you can wield, cooperatives believe in a one-member, one-vote system. No one person can control the outcome of any vote, including the election of directors. This level of democracy means the cooperative’s owners make decisions that are good for the overall membership instead of for a handful of people.

14. Cooperatives will thrive if their members, board, and manager are well-informed and work together. Members need to let the manager do his or her job without interference. Managers hire and train employees. Managers implement the board’s business plan, estimate and monitor budgets, and make sure the co-op is meeting the needs of its members. Managers are hired by the board of directors. The board, in turn, is “hired” through the election process by members who vote at the annual meeting. It is critical for members to elect good board members, and to hold them accountable. The board of directors represents the interest of the members. Directors help set the business direction and priorities for the co-op. Neither directors nor members are charged with overseeing employees, a responsibility that is the manager’s. Still, employees often are the “face” of the cooperative in the eyes of members. Employees are working for the owners every time they help a customer, so exceptional customer relations are critical.

15. Members need to keep realistic expectations as well. Although cooperatives are designed to place people above profits, they cannot be expected to continue operating departments or stocking products in inventory that are continually losing money. Members share the business risks of any cooperative, so members need to think like business owners. Members may be asked to decide whether to approve a merger with a neighboring co-op, expand services, invest in additional facilities, or close down operations.

16. Perhaps the most important yet least appreciated responsibility of members is to be loyal customers. Cooperatives operate most efficiently when the members buy from their own company. Cooperatives face similar competitive challenges as any business. At times, products at the cooperative may be somewhat higher in price than competing stores. Dividend payments, service, and other benefits usually result in the cooperative being the best choice in the long run. If members are not committed to the co-op, the business will suffer over time.

17. One additional item to keep in mind: Make sure you have stock in your name. Depending on how the account was set up, your family’s stock in a co-op may be in one person’s name, leaving spouses (and possibly adult children in a farm partnership) without an account. You may need stock in your own name if you want to run for the board, or vote at the annual meeting.

18. **EXERCISE:** (HAND OUT THE MEMBER BENEFITS AND RESPONSIBILITIES WORKSHEET) Ask your students to gather in groups of five (adjust this according to the actual number of students in your class), and direct them to discuss the items on the worksheet, select one responsibility, talk about why it is important, why it may be difficult for non-cooperative members to understand, and prepare to report on how
it makes a difference. After allowing for a five- to ten-minute discussion, have a spokesperson from each group summarize the comments made during this activity.

19. Unless you own a significant amount of stock in a corporation, no other business will actively invite you to run for the board of directors. Cooperative businesses are owned and controlled by the member-owners using a one member, one vote system. Directors are members in good standing who are elected by other members who cast their votes. The bylaws of each co-op will detail the election process, such as whether candidates need to file their intent to run prior to the annual meeting.

20. Being elected to the board of directors is a serious responsibility. Characteristics members look for in directors include being successful in business (including farming), leadership or management experience, community involvement, and good judgement. Directors will be expected to have knowledge of products and services, be open-minded and poised, and have good communication skills. The board of directors serves as a sounding board for the manager, reports back to members, develops policy, and acts as the financial watchdog. To be successful the board must be comprised of independent thinkers willing to set aside their own interests. As visible role models, the directors have to be committed to the cooperative business model and be loyal customers. Leading complaints about directors heard by co-op managers, employees, and members are of directors who have their own agendas, shop around for the best prices rather than support the co-op, and are not team players once the board has made a commitment. The latter occurs when the majority of the board voted one way, and the director or directors in the minority publicly question the outcome.

21. Directors need to be professional and invest in ongoing training and education to become more effective. Actually, this is another benefit of being a cooperative member, as being a director is a great opportunity to develop and build on skills ranging from parliamentary procedure to public relations. One director of a small rural electric said he takes his position seriously as his co-op has $38 million in assets. He said rural communities, businesses (including a new ethanol plant), and his neighboring farmers and ranchers are depending on the electric co-op to not let them down.

22. While managers focus on the day-to-day, month-to-month operations, directors need to be thinking about the years ahead. Will the co-op need to expand facilities? Close any? Look for a strategic partnership with a neighboring co-op? Form a new co-op? Several farm supply co-ops organized their own transportation co-op that owned a small fleet of semi trucks to reduce delivery costs. Directors need to be able to introduce proposals for future growth opportunities and have an open mind to the ideas of others. This way the board creates the culture of thinking ahead for the good of the co-op and its members.

23. Is being a director a serious responsibility? Yes. Can it be rewarding? Absolutely. Is it a benefit? For those who use the position as a chance to develop and refine personal abilities while also giving back to the co-op, certainly. Small co-ops can struggle to find qualified members willing to run for the board. It is not uncommon for reluctant people to be elected at the annual meeting because no one else is interested.

24. Cooperatives deliver a myriad of benefits to their members. Among these benefits are actual accountability to customers, financial rewards, access to services and products otherwise not available, and commitment to building communities and working on behalf of the common good of all members.

25. (OPTIONAL DISCUSSION) Ask your participants to form small groups (4 to 6 people) and discuss the following statement: Members who do not participate in the co-op’s annual meeting have nothing to lose. Allow them five to ten minutes to consider the pros and cons, and then call on a spokesperson from each group to comment. The short answer is “wrong.” Members do have something to lose. The annual meeting allows management to update the owners on the operations of the co-op. Also, should management choose to eliminate a service or product used by some members, the annual meeting allows those members to question the proposed action. And, members choose from among themselves who will represent them on the board of directors.
Lesson 3: Creating a Cooperative from Day One

Unit Objective: New cooperatives are formed every year. Others have been around for decades, even centuries. How and why is a cooperative formed? This session explores the steps people take to organize a cooperative.

Length: 60-90 Minutes: 30 minutes for lecture, fill-in-the-blank handout, and speaker’s comments.

Materials Needed: Whiteboard or flipchart, pencils or pens for all your participants, copies of the Seven Co-op Principles,

Preparation Needed: Set up room classroom-style with whiteboard or flipchart in front. Invite a co-op director or spokesperson to be a guest speaker. This invitation should be made 30 days prior to this session, with a courtesy call two to four days in advance to verify the speaker’s participation. Ask the speaker to discuss the steps that were taken to form the cooperative and the ongoing challenges of encouraging new members to join the co-op.

Background: In rural areas, agricultural cooperatives organized in the 1920s are still going strong. An employee or “worker” laundry cooperative recently was organized in Cleveland. Whether housing or food or day care, a new generation of cooperatives in America’s largest cities and rural communities are springing to life. The steps to create a cooperative can be simple or complex, depending on whether the cooperative being proposed will be simple or complex in its size and scope of services.

Teaching Strategy:

1. A mutual benefit fire prevention and response cooperative started in 1752 by Ben Franklin continues to serve the Philadelphia community in which it was organized. In the nation’s heartland, agricultural cooperatives formed in the 1920s are going strong. In Cleveland, a recently-formed worker-owned laundry cooperative is providing jobs and management training for its employees. What does this mean? For one, co-ops are time-tested ways for people to work together to improve their lives. For another, cooperatives are a unique economic and social structure that works in all cultures. Cooperatives literally are big business in the United States. CHS, Inc., an agricultural supply and marketing co-op, is a Fortune 100 company. Yet other co-ops with just a handful of employees are equally successful in meeting the needs of their members.

2. Cooperatives have been formed to meet an amazing variety of business and service needs. For example, 7500 York in Minneapolis was formed in 1978 as the nation’s first retirement housing cooperative. There are cooperative cab companies in Madison, Wisconsin; Alexandria, Virginia; and San Francisco, California. Fast food franchise operators of KFC, Long John Silver’s, A&W, Pizza Hut, and Taco Bell use a supply cooperative to take advantage of volume purchasing.

3. (PASS OUT THE CO-OP DEFINITIONS PAGE) Briefly review this page to explain the different types of cooperatives and the various business sectors in which cooperatives are most commonly found.

4. Why do people form cooperatives? It is important to keep in mind most businesses are designed to make money for their owners. Cooperatives use a unique business model in that they focus on saving money for their owners and also providing services or goods that otherwise may not be available. Cooperative businesses are owned and controlled by the people who use their services. Mutual, rather than individual, benefit is the purpose of a cooperative. That mutual benefit may be measured in social, economic, or cultural outcomes. The Kansas City Regional Purchasing Cooperative is a buying cooperative whose members are local government entities. Examples of cooperative ventures in the non-business world include public school systems, municipal water and power facilities, and at its purest form, neighbors helping neighbors after a disaster (or neighbors helping neighbors fill and stack sandbags before a flood).
5. Invite your speaker to step forward. Introduce him or her by name and the type of cooperative he or she works for. Following the presentation, encourage your students to ask questions about beginning a cooperative. And be sure to thank the person for attending and lead the applause at the end of the presentation.

6. Cooperatives do have similarities to for-profit businesses. Each has to cover its cost of doing business (not operate at a loss). Each has to generate margins to provide capital for equipment replacement and expansion as appropriate. Each follows a business plan that is based on meeting a viable product or service need. Both cooperatives and investor-owned businesses need products, facilities, employees and managers and they must adhere to legal and regulatory rules and requirements.

7. TYPES OF CO-OPS

8. At the most essential level, cooperatives are user-owned, user-controlled, and user-benefited. User-owned means the co-op is capitalized (financed) by its customer-owners, also known as patrons or members. Start-up and revolving capital requirements are the responsibility of the members.

9. Members can finance a cooperative using several financial tools: a direct contribution through a membership fee or stock purchase, an agreement to withhold a portion of net earnings (which also may be done to provide working capital), or by an assessment based on units of sale or production. The latter is common in agricultural marketing and processing cooperatives, which may require producers to make a delivery commitment as measured by bushels, volume, weight, or other approved unit.

10. User-controlled, or democratically-controlled, puts the member-owners in charge. These members elect a board of directors, adopt and revise bylaws, and hold the overall decision-making authority, usually exercised at the co-op’s annual meeting. True cooperatives adhere to a one-member, one-vote policy. Regardless of the amount of business a member does at a co-op, he or she is awarded just one vote. (NOTE: A few types of ag processing cooperatives may factor in production units for voting purposes).

11. As mentioned, cooperatives are not motivated by profits. They are motivated to return value to their member-owners. These benefits can and do range from providing products or services otherwise not available to securing a steady, stable, low-cost source of supplies at volume discounts.

12. Unlike any other business, cooperatives operate by a specific set of rules that date back to 1840s England. The Rochdale Society of Equity Pioneers was a purchasing and consumer co-op that succeeded and set the standard for modern cooperatives. One reason the co-op thrived was that its members put down in writing the principles by which it would operate. These Seven Co-op Principles continue to be the standard that cooperatives adhere to today. (HAND OUT THE SEVEN CO-OP PRINCIPLES TO YOUR STUDENTS).

13. Member education is a key component of both new and long-lived cooperatives. The formation of a cooperative depends on using educational events to explain how a cooperative works and why its has value to potential members. This priority on education will be equally important to maintain after a cooperative is up and running.

14. Like any other venture or business, a cooperative is formed by people who want to change their current situation or options in a social, economic, or cultural environment. University students in Michigan, Rhode Island, Oklahoma, and California belong to housing cooperatives as a way to secure affordable accommodations. Among the leading reasons cooperative ventures are formed include the following:

15. Improve Bargaining Power: Early cotton cooperatives were formed by southern farmers who invested money to build cooperatively owned warehouses in which their cotton was stored until market demand led to higher prices for their crops.

16. Reduce costs: The Texas-based FirstChoice Cooperative serves health care providers and school districts that want to purchase supplies at the lowest costs. The co-op has expanded to include members in numerous states from Indiana to Virginia. These types of supply cooperatives keep costs low by buying in volume and controlling handling and distribution costs, with the overall savings benefitting the member-owners.

17. Obtain or expand market access and opportunities: Tillamook Cheese is located in a small Oregon town. The co-op is owned by dairy farmers, some of whom are the grandchildren of the co-op’s founders. Tillamook products can be found nationwide. The Foodtown grocery store in Brooklyn, New York, carries Tillamook Cheese products. A small dairy on the west coast has expanded the market for its products from...
18. **Improve product or service quality, availability:** In the business world, cooperatives were often formed by groups of people who were unhappy with existing businesses or a lack of service. In the 1930s, nine in ten urban residents had electric power, yet just one in ten rural residents had the same service. Investor-owned utilities said farmers were too poor to pay for electricity and that there was little profit potential given the spread-out customer base. In response, farmers and ranchers formed rural electric cooperatives, in effect creating their own companies to deliver a service at cost. The members shared both the risks and the benefits. Today, rural electric cooperatives provide utility service to 75 percent of the U.S. landmass. These co-ops deliver service that otherwise may not have available, or available at significantly higher prices.

19. **Improve income:** Although cooperatives are not in the business of generating maximum profits, some are specifically structured to return more income to members. Marketing and processing cooperatives lead this effort. Grain cooperatives use elevator facilities, marketing resources, and transportation discounts to “return” more income from grain sales to the farmer-members. Dairy cooperatives process raw milk into cheese, ice cream and other retail goods for consumers. The co-op returns this added value income to the dairy farmers who own the operation. Many popular grocery store items, such as Florida’s Natural orange juice, Ocean Spray cranberry juice, and Land O’ Lakes butter, are made and marketed by cooperatives.

20. Cooperatives are started by people to benefit people. These beginnings may take root in the form of one passionate person or a group of people with the determination to take action. The first step toward formation of a cooperative will be an informational or exploratory meeting of people who have the vision and commitment to change the status quo. This meeting needs to be organized by the individual or group that has had initial and informal discussions. The main goal of this meeting is to gauge whether there is enough interest and need to form the cooperative being considered. If the answer is yes, the group will organize and promote a public meeting with specific focus on the people most likely to be prospective members of the co-op. There are plenty of online resources and organizations that can be extremely helpful at this time. (HAND OUT THE CO-OP RESOURCES PAGE)

21. The exploratory meeting is the first “go” or “no-go” step in organizing a cooperative. Although the agenda of this meeting will vary considerably, consider inviting a speaker who can talk about how cooperatives work. This could be a manager or board member of a similar co-op in a neighboring community. It also could be someone from a cooperative association, if one exists in your state, or from a land-grant Cooperative Extension Service, or from a national organization such as the ones listed on the Co-op Resources page. The U.S. Department of Agriculture has a wealth of information detailing cooperative business formation and operations. The core organizers need to tell their story as well, explaining why they seen both a need for and resulting benefits from forming a cooperative. The outcome of this meeting should be both a general consensus to continue and the formation of an official steering committee. A steering committee will want to develop, distribute, and analyze a needs survey to see if their vision for a co-op matches that of prospective members. Depending on the type and size of the proposed venture, a survey can be simple or it may need to be large and conducted using accepted scientific methodology.

22. Prior to the next informational meeting, the steering committee may need to consult with professionals who are experienced in legal matters, organizing, conducting surveys, and business operations, among others. A survey in particular will reveal actual need for and support of a co-op among potential members. There may not be any available funds at this time to pay for such services. Cooperatives have been built on sheer determination and also have been initially underwritten by the organizers (who may be paid back once the co-op is capitalized by members). A serious point to keep in mind is that membership in a cooperatives is both open and voluntary. Membership cannot be restricted by gender, race, political affiliation, or social or economic factors. (A marketing or processing cooperative may require members to make a minimum commitment, such as a dairy co-op that requires a specific number of gallons of raw milk.) Also worth noting: depending on size and structure, most cooperatives operate in the communities in which their members live.

23. The results of the survey should be available for consideration at the second organizational meeting. The main question to answer is whether a new co-op will attract enough members and sufficient business activity
to warrant further development efforts. Again, the decision to proceed will require a vote of all attending.

24. Subsequent organizational meetings may focus on conducting a cost analysis, a feasibility analysis, and developing a business plan. Consideration should be given to how the competition will react, what happens if sales fall below projections, and whether members will show up once the co-op opens its doors (figuratively and literally). Each of these activities will require a commitment by organizers and some measure of financial resources.

25. The decision to move forward to actually organize a cooperative should be decided by secret ballot following a presentation of the feasibility analysis and business plan. The next step, also to be taken by those attending this meeting, will be to keep or change the steering committee members, after which the committee will take steps to prepare legal papers and incorporate.

26. The stage has been set for the cooperative to move from concept to reality. The steering committee will schedule a meeting of the charter members (those who have attended the organizational meetings) and all potential members. This group will vote on the bylaws and elect a board of directors. Writing the bylaws is outside the scope of this lesson. Suffice to say, it is important to enlist the aid of professionals who have a working knowledge of cooperative businesses.

27. Depending on the bylaws, the board will elect officers (president, vice president, secretary and treasurer). The board will assign duties to implement the business plan and conduct a membership drive. A new cooperative must have enough members to begin operations and justify its continued existence. The new board will work earnestly with outside consultants to assure the business plan is sound and thorough.

28. The capitalization period will help determine the initial size and capabilities of the co-op. Should the co-op need additional funds to begin it may need to work with lenders. Certain lenders such as credit unions, Farm Credit Services, and CoBank make for natural business partners. Also, USDA and local, state, and national government programs may offer a source of start-up assistance.

29. The board will hire a manager to oversee the day-to-day operations. The manager is responsible for hiring and training employees. To be effective, the board needs to maintain an active interest in the co-op. The manager’s job is to implement the business plan adopted by the board. In turn, the board is held accountable by the members who have the ultimate voice (and vote) on the cooperative’s overall operations. Managers must understand both the objectives of the members and the overall cooperative business philosophy.

30. The final steps are for the co-op to acquire facilities, equipment, products, and all other items needed to begin operations.

31. The timeline of organizing a cooperative depends on many factors, some controllable, some not. Simple, small cooperatives may take a few days to put together. Larger cooperatives requiring sizable investments in equipment, staff, and facilities may take many months to organize. Delays in obtaining permits and lead time for construction bids all add to the time it takes from the day-one informational meeting to opening day.

32. This is a condensed and greatly simplified guideline. It is important for anyone who wants to organize a cooperative to conduct the necessary research, be realistic about the actual need, and listen to others who have gained experience in cooperative business ventures. Not all cooperatives succeed. Not all cooperatives are necessary. However, cooperatives can and do succeed as both small and big businesses if they have been intelligently organized and have the commitment of their members.

33. (OPTIONAL ACTIVITY) If time allows, invite your students to form groups of 4-6 people and have them participate in a 5-10 minute exercise in which they consider forming a cooperative. Have them answer these questions: What kind of cooperative would we want to start? What kind of people would most likely want to be members? Do we know of other cooperatives which are good examples from which to learn? What are the leading challenges and opportunities for this cooperative? How do learn to compromise and get along for our mutual benefit? Ask a spokesperson from each group to share how they answered these questions.
Lesson 4: Cooperative Case Studies

Unit Objective: Cooperatives have been formed to serve a wide variety of business sectors. This session will summarize the histories of four cooperatives and will show how the co-op model is easily adaptable to any situation.

Length: 60-90 Minutes: 20 minutes for the guest speaker; 60-plus minutes for lecture and activities.

Materials Needed: Whiteboard or flipchart, pencils or pens for all your participants, copies of the Seven Co-op Principles,

Preparation Needed: Set up the space classroom-style with whiteboard or flipchart in front. Invite speaker from a local co-op to give a brief history of the business from the organizational stages to today. Invite this person 30 days prior to the session and make confirmation call two to four days prior to the class to confirm his or her participation. Depending on your location, you may be able to secure a spokesperson from CHS or a CHS-affiliated cooperative.

Background: If you ask a farmer in the Midwest to describe a co-op, he or she will talk about the rural electric, farm supply, and grain marketing cooperatives. None of these co-ops will register with people living in Midtown Manhattan or working in the Loop in Chicago where the word cooperative makes them think of housing (or house cleaning), employee credit unions, and locally grown foods. Cooperative businesses can be large enough in scope and size to make the Fortune 100 list, and they can be small, with just a handful of employees and a few dozen members. This lesson looks at four cooperatives that serve members who have widely different needs, live in different environments, and find different benefits from their cooperative operations.

Teaching Strategy:

1. Cooperatives come in all sizes. Some employ thousands while others provide work for a handful of people. Some serve members in communities large and small from coast to coast, and others serve members in their own immediate neighborhood. Some cooperatives have been around for hundreds of years; others are just forming. We will look at four cooperatives and consider their impact for their members and their communities.

2. (HAND OUT THE CO-OP TERMS SHEET) Briefly review the terms. Ask your students to consider all the examples and decide what types of cooperatives each example falls under. Before we consider the case studies, we will hear from someone who will tell us what his/her cooperative means to its members.

3. GUEST SPEAKER Invite the guest speaker forward and introduce him or her by name and the name of the cooperative he or she represents. Allow enough time for your students to ask any questions. When the speaker is done, thank him or her and lead the applause.

4. Ask your students to share with you what kind of cooperative the speaker works for: supply, marketing, or service; and what field in falls into: ag, utility, housing, or one of the other examples on the Co-op Terms sheet.

5. Our first case study is the Si Se Puede! Women’s Cooperative that was formed in 2006 by Latina and Mexico immigrants in Brooklyn, N.Y. It is a worker-owned cooperative that provides a menu of housekeeping services. “Si Se Puede!” means “We Can Do It,” which is how the co-op markets its services. It is the social and economic solution to the problems facing a group of house cleaners. For approximately two dozen women, the Si Se Puede! cooperative makes it possible for the members to own and operate their own business. When these women worked for cleaning agencies, a good portion of the cleaning fee went to the
agency. Si Se Puede! puts the cleaning fee in the pockets of the people who do the work. And, workers now have a contract spelling out their tasks and fee structure. They remember that before the co-op was formed, some clients would use a variety of justifications to pay less than was owed. As the women had at most a high school education, they felt they had few options but to put up with such treatment.

6. In the true cooperative tradition of promoting education, the co-op’s members have completed 10 weeks of training and continue to meet bi-weekly for additional training and support to become more skilled in their careers. All the members have an equal vote when it comes to deciding policies for the co-op. Si Se Puede! adheres to another cooperative principle: it actively partners with other cooperatives such as the Rock Dove Health Care Collective for services and also Colors, a worker-owned restaurant in Manhattan.

7. Although a small co-op, Si Se Puede! is setting an example that is inspiring others who also are considering forming worker-owned cooperatives. Si Se Puede! has received glowing recommendations on yelp.com. Si Se Puede! receives support and guidance from the non-profit Center for Family Life in Sunset Park. The center is encouraging the ongoing organization of small cooperatives as a way for people to improve their lives, gain a measure of control in their futures, and build their communities.

8. CHS, Inc., is one of the nation’s leading cooperatives. It is large in size, large in scope of operations, and large in the history of U.S. cooperatives. CHS supplies energy, crop nutrients, grain, livestock feed, food and food ingredients, insurance, and financial and risk management services. The company operates petroleum refineries and pipelines and manufactures, markets and distributes Cenex brand refined fuels, lubricants, propane and renewable energy products. In effect, because of its historic and current focus, CHS is a hybrid co-op with components of service, supply, marketing, and processing cooperatives. Also, CHS is a federated co-op owned both by individual members and locally-owned cooperatives.

9. CHS was formed in 1998 with the member-approved mergers of Cenex and Harvest States cooperatives. Known as a regional co-op, CHS was a supply co-op that provided locally owned cooperatives with fuel, fertilizer, and other agricultural inputs. Harvest States was a marketing co-op that worked with locally owned grain elevators to sell and ship crops for the financial benefit of its members. Harvest States and Cenex shared a common history and a common membership base across an overlapping geographic region that spanned from the Pacific Northwest states across the Great Plains and into the Midwest. CHS also has operations and strategic partnerships overseas.

10. Cenex formerly was known as the Farmers Union Central Exchange. Harvest States was formerly known as GTA, or the Farmers Union Grain Terminal Association. These two regional supply and marketing cooperatives were organized by Farmers Union members. Farmers Union is a membership service cooperative originally formed in Point, Texas, in 1902. National Farmers Union is a federated co-op, made up of state, county, and local chapters. It is a grassroots organization whose policies and priorities are drafted, debated, and adopted by members. Farmers Union members have helped organize hundreds of farm supply, marketing, and processing co-ops, credit unions, and rural electric and telephone co-ops, among others. In the late 1920s, Farmers Union members began organizing locally owned co-ops. The Farmers Union Oil Company in Jamestown, North Dakota, opened its doors in 1928, a year of explosive co-op development in the rural Great Plains. The Jamestown co-op remains in business today, delivering diesel fuel, propane, and crop protection products to farmers. Early in 1931 about two-dozen of these locally owned co-ops formed their own regional co-op to supply them with high-quality, low-cost farm inputs such as twine and kerosene. This co-op became the Farmers Union Central Exchange, which was shortened to Cenex. Today, CHS uses Cenex as a well-known brand of fuel distributed through more than 1,000 convenience stores displaying the familiar red and white logo. CHS owns its own refinery in Laurel, Montana, along with pipelines, a fleet of trucks and rail cars, and other equipment to deliver this fuel to its member co-ops and, ultimately, to farmers, ranchers, and rural communities. CHS mills wheat and crushes soybeans to add value to crops provided by the farmers and ranchers who own the co-op. CHS mills durum wheat into flour used to make pasta. Soybean oil is used to make food products such as Dean’s chip dips and Hidden Valley salad dressing.

11. The Jamestown Farmers Union Oil Company is a locally-owned and controlled supply cooperative. It, along with hundreds of other co-ops, owns stock in CHS. Delegates chosen by the Jamestown Farmers
Union co-op members attend the annual CHS convention, where members hear financial reports, attend educational courses, and discuss and adopt or reject policy proposals introduced by members.

12. When these oil supply co-ops were formed, it was in response to a belief by farmers that large businesses were profiting at their expense. The introduction of co-ops created a competitive effect that forced large businesses to lower their prices and offer a greater selection of higher quality products. Unlike large cities, rural communities and farmers were a captive customer base that encouraged large businesses to use a “take it or leave it” business plan. These supply co-ops went on to offer a line of Co-op tractors, and even refrigerators.

13. The grain elevator co-ops were formed by farmers for similar reasons. Large privately-held or investor-owned grain buyers at that time worked to keep the prices paid to farmers low, thus improving their own profit margins. These companies would “dock” grain for quality and discount the prices paid to farmers. Again, the “take it or leave it” attitude was in force because individual farmers had little impact on large corporations. By creating and owning their own co-ops, farmers knew they were being treated fairly when it came to dockage. They could send a sample of their grain to the co-op and know they were getting a fair assessment of the quality. The result was more income was returned to farmers who grew the crops. Today CHS markets more than 1 billion bushels of crops bought by U.S. companies and export customers in at least 60 other countries worldwide. It is important to note the local and regional co-ops were capitalized by farmers during an economic depression. During the ensuing years, CHS has both acquired and merged with other co-ops, including North Pacific Grain Growers, which was formed in 1929.

14. This year (2012) farmers, ranchers, and cooperatives across the United States shared in a record $421 million disbursement from CHS, the largest cash return ever by a U.S. cooperative. The return was paid to the 1,060 member cooperatives and 45,500 individual members who own CHS. These payments include cash patronage paid on fiscal 2011 business with CHS, which is also distributing to member cooperatives cash as redemption of equity in the company they earned in prior years. The cash return to owners is based on record CHS net income of $961.4 million. Since its creation in 1998, CHS has returned more than $2.5 billion in cash to its agricultural producer and member cooperative owners. This money goes back to local cooperatives and ultimately to the farmers and ranchers who own them. The bottom line is, this money is returned to the local economy rather than being channeled into the bank accounts of investment firms or stockholders far removed from the communities served by CHS.

15. Finally, I want to mention that both the CHS Foundation and National Farmers Union are responsible for this series of co-op education session. Both the co-op and farm organization are strong advocates for developing educational materials explaining the value of cooperative ventures.

16. Credit unions are a type of financial service and also consumer cooperative. Farm Credit Services and CoBank are nationwide financial institutions that provide loans and other services to community-based, customer-owned cooperatives. At the local level, credit unions provide financial services that are similar to banks, yet a credit union is both owned and controlled by its own customers who have a common interest, career field or share a geographic community.

17. Chicago Patrolmen’s Federal Credit Union is a credit union that was initially formed in 1938 when members of the Chicago Patrolmen’s Association decided to pool their financial resources for the betterment of all. Chicago Patrolmen’s Federal Credit Union is and always has been administered by a board of directors consisting entirely of current and former Chicago police officers. The mission of Chicago Patrolmen’s Federal Credit Union remains the same as it was in the beginning: “serve the financial needs of all Chicago Police Officers and their families in order to help them realize their life’s goals” by providing members with competitive financial products and services that facilitate borrowing, promote thrift, and encourage wise money management. The Pocatello Railroad Federal Credit Union was established in 1935 as a non-profit financial organization owned and controlled by railroad employees. The legend is that the co-op was first operated out of a railroader’s lunchbox. It is common for some credit unions to serve employees in a specific employment field such as education, transportation, and public service.

18. The Oregon Community Credit Union was founded more than 50 years ago in Eugene by a small group of people. Today it is the second largest state-chartered credit union in Oregon, serving members in
10 counties. The credit union prides itself in keeping Oregon strong by investing in its members and communities and providing exceptional, personalized service in everything it does.

19. The Oregon Community Credit Union focuses on helping its member-owners make healthy, long-term financial decisions by asking questions of and then listening to members in order to suggest products and services that meet their needs. As a non-profit operation, once operating expenses are met, the credit union returns profits to members in the form of higher interest on savings, lower interest rates on loans, and new products and services.

20. The credit union was organized in 1956 by a group of state employees who pooled their money. Initially, the credit union operated out of a shoe box with volunteers watching over the funds. Today Oregon Community Credit Union is the second largest Oregon-based credit union with more than 100,000 members, more than $1 billion in assets, and ten branches in Eugene, Springfield, and Salem.

21. The word “community” commonly appears in the names of many credit unions. One of the Seven Co-op Principles speaks to concern for community. Oregon Community Credit Union puts its community commitment into action by investing in and volunteering to improve the communities it serves. “Through our Community Outreach for Employees Program, we support community service, paying our employees for volunteering with the non-profit organizations or schools of their choice,” notes the credit union. “In addition, throughout the year our employees organize events to raise funds for local chapters of charities like the American Cancer Society, United Way, Children’s Miracle Network, and the American Red Cross. In fact, Oregon Community Credit Union has received the Credit Union Association of Oregon’s first place Dora Maxwell Social Responsibility Recognition Award for implementing socially responsible projects in our communities.”

22. Another of the Seven Co-op Principles calls for cooperatives to work with cooperatives. Oregon Community Credit Union makes it possible for members to access their accounts at thousands of credit unions nationwide through the Shared Branch Network and the CO-OP ATM Network that has 28,000 surcharge-free ATMs throughout the United States and Canada. The CO-OP Network was created by credit unions, for the benefit of credit unions and their members to provide advanced and convenient financial management tools from online banking to automatic bill pay.

23. If a cooperative treats its member-owners well, how does it treat employees? Consider this: Oregon Community Credit Union was recognized as one of the “100 Best Companies to Work For in Oregon” by Oregon Business Magazine.

24. The current interest in locally grown food and community-supported agriculture (CSAs) may seem trendy, but it has been around for a long time. In 1936, 17 Hanover, New Hampshire and Norwich, Vermont, residents formed the Hanover Consumer’s Club. Initially, members of the fledgling co-op pooled orders for potatoes, oranges, and maple syrup and arranged for discounts of gasoline and fuel oil with local suppliers. A year later, co-op members incorporated as the Hanover Consumer Cooperative Society and opened a small retail store in a basement on Hanover’s Main Street. Annual sales that year reached $11,404.

25. In some ways, the Hanover Consumer’s Club was similar to the Rochdale Society of Equity Pioneers, an English cooperative organized before the U.S. Civil War, that is still in operation today and that set the standard by which modern cooperatives operate. Both cooperatives started as consumer co-ops with very limited membership and an equally limited product line.

26. Within a few years, the co-op opened Hanover’s first self-service grocery store. In 1962, the 2,000-member co-op moved into its own facility. Since then it has expanded several times to accommodate the steady growth in membership. By 1996, the co-op had almost 18,000 members, and sales had grown to over $20 million. Members voted to open a second co-op food store in order to relieve crowding at the popular Hanover store. The Lebanon Co-op Food Store opened in 1997.

27. Membership and patronage continued to expand. In May 1999, the co-op acquired a convenience store, keeping the gas pumps and adding a selection of grocery items at the newly-named Co-op Community Market. In 2008, the 1,000-square-foot facility was replaced by a new energy-efficient building with 3,500 square feet of retail space. A Commissary Kitchen in Wilder, Vermont, was added in 2000 to meet member demand for prepared foods at all locations. In 2010, the Co-op established a third food store in the
community of White River Junction, Vermont.

28. Today the co-op employs over 400 people and serves more than 28,000 member households with sales topping $65 million. All co-op members are required to purchase ten shares stock at $5 each. No annual fee is required. Those joining the co-op through the Patronage Refund Deduction plan receive a share statement with their patronage refund check. The co-op does not pay dividends on membership shares. Because members are owners of the co-op, they share in these “net savings” with other members in the form of a patronage refund when the business makes a profit. The patronage refund is calculated as a percentage of a member’s combined annual purchases at the Co-op Food Stores, Community Market, and Co-op Service Center. This percentage, or refund rate, is established annually by the board of directors and varies depending on how profitable operations have been during the preceding year. Refunds may be issued as cash or a combination of cash and co-op stock.

29. The Hanover co-op supports a culture in which members support the business they own with their patronage, participate in decision-making, and share in the profits generated by the organization’s activities. “Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others,” states the co-op.

30. These are examples of four cooperatives. All started small and each one is building on vision and hard work of the original organizers. College students on campuses across the nation belong to housing cooperatives. The People’s Memorial Funeral Cooperative in Seattle, Wash., is owned by 80,000 living members, many of whom also belong to one of the many cooperatives businesses in the Seattle area. Arts and crafts cooperatives in California make it possible for artists to save on supplies though joint purchasing, share studio space and equipment, and earn more from their sales using joint marketing. As we have learned, cooperatives are successful in a wide variety of business settings. You may belong to one that has been around for generations and operates nationwide, and you may belong to one that is still going through growing pains having been started in the past few years. Cooperatives can be a way of life. Certainly, they are a viable way to do business.
Lesson 5: Co-op School: Business and Teamwork

Unit Objective: Cooperation is teamwork at its best in a business setting. Unlike some other businesses, a cooperative is structured as a win-win operation that relies on a close and mutually beneficial business operation that counts on total teamwork among management, employees, and customers. This session will introduce the cooperative business model, operating principles, and role of employees. While this lesson is designed for both new employee orientation and as a refresher for existing employees, it may be taught to department heads and directors as well.

Length: 60-90 Minutes: 30 minutes for lecture and the fill-in-the-blank handout.

Materials Needed: Whiteboard or flipchart, pencils or pens for all your participants, copies of the Seven Co-op Principles,

Preparation Needed: Set up the space classroom-style with whiteboard or flipchart in front. Invite a co-op human resource manager or general manager (OPTIONAL)

Background: Cooperatives as a rule place a special value on educational programs. One of the Seven Co-op Principles is to “provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative.” Larger co-ops may actually employ someone whose responsibilities include conducting orientation and ongoing training for employees. Or, the co-op may arrange to have an outside organization or individual present a co-op employee school.

Teaching Strategy:

1. Open your class by commenting that some people simply want a job that comes with regular working hours and a paycheck. Others want a job that gives them a sense of accomplishment as well as a paycheck. Continue by making the following observations: Many companies want their employees to understand the purpose of the business that employs them. Cooperatives, however, have a special relationship with customers. It is important for all employees to understand how a cooperative works. Bookkeepers, janitors, shipping clerks, and other employees who may not actually interact directly with customers of a cooperative still need to understand why a cooperative is different from other types of businesses. Also, while some companies have created cultures in which management and employees act as “adversaries,” cooperatives are designed to encourage managers and employees to work as a team.

2. HAND OUT THE FILL-IN-THE-BLANK

3. Today, I will give you a quick business course explaining how a cooperative works. Write the following words as headings across the top of your flip chart or whiteboard: “Individual,” “Partnerships,” “Corporations,” and Cooperatives.” Hand out the “Cooperative Business” fill-in-the-blank worksheet and instruct your students to write in the answers as you offer them during this session. In the United States, businesses can be individually owned, or owned by several partners, or by stockholders. The majority of businesses are individually owned, also known as sole proprietorships. Accountants, plumbers, and small retail stores are examples of individually-owned businesses. The owner makes all the decisions, takes all the financial risks, provides much of the labor, and enjoys all the profits or is responsible for all of the losses. Ask your students to give you examples of local individually-owned businesses and write the examples down under this heading. As the type of business operations or services grow, ownership may be spread among several partners. The partnership arrangement makes it possible for owners to specialize in areas such as finance, planning, and marketing. Partners need to discuss and agree on their business decisions and share the profits or losses. Many professional services ranging from dentists to attorneys structure
their businesses as partnerships. Ask your students to give you a few examples of local partnerships and list them under the appropriate heading. The third major type of business is a corporation. The largest businesses in the United States are corporations. Simply put, corporations are owned by stockholders that can number in the thousands and tens of thousands. Stockholders can be other businesses, as well, including retirement funds. Stockholders elect the board of directors. In a corporation, one person can own or control significant amounts of stock and use this control to decide who will be on the board. Stockholders may or may not be actual customers of the businesses in which they have ownership. They want the corporation to earn money, which is paid back to stockholders based on the number of shares of stock that they own. Also, stockholders want the company to increase the value of its stock, so that when it is sold it will generate a profit for the owners. Stocks are bought and sold on several exchanges such as the New York Stock Exchange. Have your students offer a few examples of corporations and list them under the appropriate heading.

4. That brings us to cooperatives. Business ownership depends on who owns and controls it, who buys from it, and who gets the profits. Cooperatives are a type of corporation. They maintain business operations, own property and equipment, sell products and services, and create jobs. A cooperative is committed to user-owner, user-control, and user-benefit. The user is the customer. User-owners are the customers of the co-op. These user-owners are also known as members or patrons of the co-op. User-control means the members of the co-op actually control the overall—but not day-to-day—operations. They do this by voting at the co-op’s annual meeting and by electing the board of directors. Cooperatives use a “one-member, one-vote” practice. No one can influence or control a significant amount of stock for their own benefit. User-benefit is the real reason cooperatives exist. Cooperatives can and do provide members with services or products that otherwise are not available, or provide products that are higher quality and at more affordable prices than otherwise available. Profits made by the cooperative are returned to members in the form of patronage refunds and stock retirements. Cooperatives also return benefits in the form of reduced operating costs for products or services, or adding value to items produced by their members.

5. Early American examples of cooperation include barn-raising and threshing bees during harvest. People learned to work together to do things they could not do by themselves. The oldest continuing cooperative in the U.S. was formed as a mutual-style fire insurance company by Benjamin Franklin in Philadelphia more than 250 years ago. Historically, many cooperative businesses were formed by farmers and ranchers to either buy farm supplies such as fuel and fertilizer in bulk to save money, or to pool and process their goods such as milk and cotton into products that returned more income back to the farmers. Service co-ops also thrived in rural areas. For example, rural electric co-ops were organized to serve rural farms because existing investor-owned utilities were not willing to extend into customer-thin markets.

6. There are three main types of cooperatives: supply, marketing, and service. Larger cooperatives you may have heard of include Sunkist, Ocean Spray, Land O’ Lakes, ACE Hardware, the Associated Press, and REI.

7. A supply co-op is also called a buying or purchasing co-op. As the name implies, these co-ops buy items in bulk, control delivery costs, and provide goods to members at the lowest possible prices. Examples of supply or purchasing co-ops include ACE Hardware, True Value, and Do It Best which are collectively owned by 13,000 independent hardware stores.

8. Marketing cooperatives sell products on behalf of their members. Often, these co-ops process or otherwise add value to the product delivered by members. Land O’ Lakes is a cooperative comprised of dairy farmers. The co-op produces butter, milk, and other consumer products and returns the added value back to its farmer-members. Tillamook cheese, Ocean Spray cranberry juice, Florida’s Natural orange juice, Welch’s grape juice, Sun-Maid raisins, and Blue Diamond nuts all are food products made by producer-owned cooperatives. Marketing co-ops have been formed by artists as a way to open and operate galleries to feature and sell their works.

9. Service cooperatives provide services rather than tangible or consumable products. Service co-ops include credit unions, rural electric and telephone co-ops, and the Associated Press.

10. Although not as well known, another type of co-op is known as a processing co-op which is most commonly organized by farmers and ranchers. As the name suggests, processing co-ops add value to the crops or
livestock grown or raised by farmers and ranchers. The leading examples are dairies, which process raw milk into cheese, ice cream, butter, and other products. The additional income earned from selling retail products to consumers is returned to the farmers and ranchers.

11. Finally, a few cooperatives are known as hybrids because their operations span several business lines. CHS, Incorporated is a hybrid cooperative. It is a marketing cooperative that sells more than a billion bushels of grain for its members. It is a supply cooperative that refines and delivers millions of gallons of Cenex brand diesel fuel to farmers. It is a service cooperative that provides marketing and accounting services to locally owned cooperatives. And it is a processing cooperative that mills durum wheat into flour for making pasta and crushing soybeans to produce oil for making salad dressing.

12. As cooperatives are member-owned, the definition of a member normally refers to an individual. However, businesses, schools, and even cooperatives have joined together to create their own supply cooperatives.

13. Erase the white board or a new page on your flipchart and draw a diagram that replicates the one included marked CORPORATION. Begin at the top with “Stockholder/Investor,” below which you will write “CEO,” followed in order by “Board,” “Management,” “Employees,” and “Customers.” Explain how a corporation exists to make money for the investors, who are also known as stockholders. In effect, the corporation’s primary if not sole purpose is to create wealth for its stockholders. Notice the distinct separation between the stockholders and the customers. It is likely that stockholders do not know their customers, nor do the customers know the stockholders by name. Stockholders may not have any use for products or services of the companies in which they have ownership. In many cases, stockholders collectively group all customers into the category of market share. Success is measured not only in overall profits, but also in capturing or creating additional market share. Profits from customers are returned to investors, who may not have any connection to the communities in which their earnings are generated.

14. Ask your students these questions and listen to their responses: Is the CEO of Walmart on any given day more likely to talk to a member of the board of directors or an average customer? Are major stockholders of Walmart likely to be the type of customers who actually shop at Walmart? Are board members elected by all the customers required to be customers of the store? Stockholders of Walmart vote based on the number of shares they own: the more shares, the more votes per person. Stockholders owning or controlling the most shares essentially decide who will be elected to the board of directors.

15. In a cooperative, the customers are the stockholders and owners. Each member holds one vote. No one member can control a large block of votes or “control” the co-op. The biggest single difference, then, is that a cooperative is owned by its customers, who also are known as members or patrons. Because of this, another significant difference between corporations and cooperatives is this: corporations are in business to make money for stockholders; cooperatives are in business to save money for their customer-owners. Cooperatives do not exist to generate maximum profits for investors. They are designed to provide products and services at the lowest possible prices for their members. As with any business operation, cooperatives do need to make a margin on the products and services in order to cover the cost of doing business, from buying inventory and investing in buildings to paying employees. At the end of the year, a cooperative calculates its net margin above the cost of doing business and returns this income to members in the form of patronage refunds and stock retirements, depending on its policies.
level of business activity recorded on each member’s account. Members who do more business with their co-op will receive a greater share of the overall patronage refund or dividend.

18. What are the responsibilities of the members? The success or failure of a cooperative depends on the level of commitment by the members. Past or current members organized the cooperative and invested their money to buy stock and provide working capital. The cooperative will operate both effectively and efficiently when members make maximum use of the services and products. Members have a responsibility to know about the cooperative’s current operations and future plans. By attending the annual meeting and reading newsletters and other materials provided by the co-op, members will be in the best position to make decisions about the co-op. For example, board members use their votes to elect the board of directors and to decide whether to merge or consolidate the cooperative. Members are encouraged to have an active role in the cooperative and to run for the board.

19. What are the responsibilities of the board of directors? Between annual meetings, the board represents the overall membership by making good business decisions, safeguarding assets, and analyzing overall financial performance in relationship to projections. The board hires and evaluates the manager. To be effective, the board members have to put aside their own interests and make decisions in the best interest of the members.

20. What are the responsibilities of the manager? The manager develops the annual operating plan and budget, implements the board’s overall goals, hires and supervises employees, and makes the day-to-day decisions. The manager reports to both the members and the board of directors. To be effective, the manager must understand the nature of cooperative businesses and effectively communicate to employees, the board, and the members.

21. What are the responsibilities of the employees? Plenty. All retail and service businesses stress good customer relations to their employees. As the cooperative’s customers are the owners, customer service has to be no less than great at every level and by every employee. If a customer asks a question, employees need to be quick with an answer, a solution, or personal referral to another employee who does have the answer. Few things cause more trouble than an employee telling (or giving the impression) to a customer that “it’s not my job.” Without exception, employees need to be team players, be well-trained on policy and procedures, and understand the cooperative’s business operations and priorities. Cooperatives as a rule maintain political and religious neutrality, so employees need to be cautious when visiting with customers or taking part in some activities. Many cooperatives encourage and support employees who want to participate in community organizations or volunteer for community activities. Just as supervisors and the manager must be good at communicating with employees, co-op employees must listen to and share the comments made by customers with supervisors.

22. (HAND OUT THE SEVEN CO-OP PRINCIPLES) Cooperatives follow a specific set of business rules and have since before the Civil War. Known as the Seven Co-op Principles, these rules state how the business will be run and how members will be treated. Of course, each cooperative adopts its own bylaws to further define its operating rules. Review the principles with your students.

23. (PASS OUT WHAT MAKES A CO-OP UNIQUE) Read the questions out loud, and wait for your students to provide answers. This is an open book-style test. Also provide them with the answers to the OUR OWN CO-OP questions.

24. In summary, the board of directors can hire or fire the manager but not employees. The manager can hire or fire employees, but he or she cannot fire the board. The members “hire” the board by electing them. Members attending the annual meeting do have the ultimate and overall control of the cooperative. However, the directors have a more focused level of control month by month, and the manager is directly involved in the day-to-day operations. Each group – members, directors, manager, and employees - has its own responsibilities and authorities, yet all of them need to work together to attain individual and overall success.
Lesson 6: International Year of Cooperatives

Unit Objective: Cooperative businesses have been around for centuries, both in the United States and around the world. Participants will gain an appreciation of cooperative and consider organizing activities to celebrate local, national, and international cooperatives.

Length: 60-90 Minutes: For minutes for lecture, fill-in-the-blank handouts, and discussion.

Materials Needed: Set up your space classroom-style with a whiteboard or flipchart toward the front, pencils or pens for all your participants, copies of the Seven Co-op Principles.

Preparation Needed: Set up room “classroom” style with whiteboard or flipchart in front, and enough handouts of The Seven Co-op Principles.

Background: 2012 is the International Year of Cooperatives Whether in England, Japan, Italy, Canada, or the United States, cooperatives literally are on the job every day.

Teaching Strategy:

1. Cooperatives can be found on almost every continent, from Europe and North America, to Asia, South America, Africa, and Australia. There even are cooperative research agreements among scientists working in Antarctica. These cooperatives were organized for economic, social, and cultural reasons. They are operating in capitalist, socialist, and communist countries. The members of these co-ops are also the owners. Working together, they are accomplishing things for their mutual benefit that they could not do alone. Humans have formed cooperative ventures for thousands of years. However, the modern concept of cooperative businesses started out as small grassroots organizations in Western Europe, North America and Japan in the mid-1850s.

   The taproot was established in 1844 in Rochdale, England, where a group of 28 artisans working in the cotton mills organized what is considered the first “modern” cooperative business, the Rochdale Equitable Pioneers Society. The organizers could not afford the high prices of food and household goods. They decided that by pooling their limited resources and working together they could buy basic goods such as flour, sugar, and butter at a lower price. What made this effort the cornerstone upon which modern cooperatives are built was the decision by the pioneers to treat the customer-owners with honesty, openness, and respect. Further, the Rochdale Pioneers decided they should be able to share in the profits and have a democratic right to have a say in the business. The principles that underpinned their way of doing business are still accepted today as the foundations upon which all cooperatives operate. These principles have been revised and updated, but remain essentially the same as those practiced in 1844. Today they are commonly called the Seven Co-op Principles. (HAND OUT AND BRIEFLY REVIEW THE CO-OP PRINCIPLES)

2. Cooperatives in the United States have proved themselves to be a win-win business model for their member-owners. Not as well recognized are the contributions co-ops make in terms of social equality and community building. The United Nations has designated 2012 as the International Year of Cooperatives, providing a great opportunity to raise awareness of how cooperatives may be a tool for spreading human rights and equality worldwide. Co-ops are governed by their members, who have both an ownership stake in the business as well as a voice in how the it is run. As decisions are made on a one-member, one-vote basis, co-ops provide an example of democracy in action.

3. Consider these facts. More than one billion people across 96 countries are members of cooperatives, according to Worldwatch Institute. In 2008, the world’s 300 largest co-ops generated revenues of more than $1.6 trillion. Cooperatives gave women voting rights a century before most parliaments did. Concern for community, personal empowerment, and economic and social justice are hallmarks of the cooperative way of life. In Canada, one in four people are members of a co-op. The ratio is one in four in the United States,
Cooperatives have existed in some form in Australia for more than 150 years. Today, there are around 2,000 co-operatives operating in Australia covering a diverse range of activities, from supporting small businesses in the agriculture, manufacturing, transport, and wholesale trade industries, to consumer services in the accommodation, child care, education and training, hospitality, financial services, health care, housing, media, social services, and retail trade industries.

As explained by the United Nations, “Members of co-ops can use their collective power to fight for their common economic, social, or cultural interests: for example, members of a worker co-op might set working-hour limits and wage rates, while members of a financial co-op can access savings, loans, and other financial services that commercial banks might deny them.”

The organization charged with leading International Year of the Co-op activities is the International Cooperative Alliance, an independent, non-governmental organization which unites, represents, and serves cooperatives worldwide. Founded in 1895, it is the largest non-governmental organization in the world. ICA is made up of members from national and international cooperative organizations in all sectors of activity including agriculture, banking, fisheries, health, housing, industry, insurance, tourism, and consumer co-operatives. Currently, ICA has 267 member organizations from 96 countries, representing approximately one billion individuals worldwide.

ICA raises awareness about cooperatives. It helps individuals, government authorities, and regional and international institutions understand the cooperative business model. ICA ensures that the right policy environment exists to enable co-ops to grow and prosper. It provides political support as well as technical expertise to enable co-ops to compete on a level playing field.

In the United States and globally, cooperatives continue to provide solutions to challenging problems. With their unique set of principles and values, cooperatives are benefitting the poor, excluded, and marginalized sectors of society. Financial cooperatives are some of the largest providers of microfinance services to the poor. It is estimated that worldwide, financial cooperatives reach 78 million clients living below a poverty line of $2 per day.

Cooperatives have also been instrumental in promoting inclusive development in rural areas, helping to both strengthen and diversify rural economies. In Senegal, a health cooperative provides affordable insurance for savings and health care to disadvantaged and low-income families. Financial cooperatives provide access to credit for members who might not typically have access to the larger savings and commercial banks. This is significant in markets where financial providers are absent owing to poor revenue prospects, high risks, or high transaction costs. And it is similar to situations that occurred in America in the 1920s and 30s, when cooperatives took root in rural areas to provide services for-profit companies were unwilling to pursue.

Cooperatives have also been able to strengthen agricultural production and improve access to markets for poor farmers, especially through engaging in fair trade arrangements. Small farmers who struggle to create and sustain businesses of their own are able to increase farm revenues, lower their marketing costs, and find new markets for their production.

The International Day of Cooperatives is celebrated on the first Saturday of July every year. Its aim is to increase awareness of cooperatives and promote the movement’s successes and ideals of international solidarity, economic efficiency, equality, and world peace. ICA first celebrated the International Day in 1923. In 1994, the United Nations recognized and reaffirmed that cooperatives have an important role to play in economic, social, and cultural development and proclaimed an UN International Day of Cooperatives to be celebrated for the first time in 1995, marking the centenary of the establishment of the ICA. Both the ICA and UN Days are celebrated on the same day - the first Saturday in July every year. This year (2012) it will be held Saturday, July 7.

How can we celebrate this event in our own communities. Using the International Year of the Cooperative logo, we could prepare a display to be set up at a local co-op. This display could include a few details about cooperatives around the world, in the United States, and in our own hometowns. For the latter, we could prepare a poster and handout that names the cooperatives in our area, how long they have been in business,
and how much they have returned to the community in the form of patronage refunds and stock retirements. This activity would have to be coordinated with local cooperatives and custom-tailored for each community.

14. (PASS OUT THE FAST FACTS ABOUT COOPERATIVES WORLDWIDE SHEET) Let’s consider a few facts about cooperatives worldwide. Cooperatives have been extremely successful in the United States. The conditions that inspired Americans to form co-ops are found worldwide. The cooperative way of doing business is a way of life around the world.

15. Finally, here are a few ongoing organized activities we could use to become part of the 2012 International Year of the Cooperative celebration. (THIS INFORMATION IS ALSO ON THE HANDOUT YOU JUST DISTRIBUTED)

16. Cooperatives and their members are invited to share their photos relating to cooperatives by going to social.un.org/coopsyear/get-involved.html which provides a link to a Picassa photo gallery. In order to share your photos, please send an e-mail to this address and efforts will be made to post them. The subject of your e-mail should be “IYC Photo Sharing.”

17. Post your videos on the IYC YouTube Channel by sharing videos about the International Year of Cooperatives. In order to share your video, just send the video’s URL to the e-mail link at the address shown above. The subject of your email should be “IYC Video Sharing”

18. Join the celebration on Facebook. Visit our IYC Facebook page: http://www.facebook.com/CoopsYear as a way to use social media to further build awareness of the benefits of cooperative businesses.

19. Twitter is also being used for this celebration. Join the Twitter discussion at http://twitter.com/#!/CoopsYear

20. (OPTIONAL) If time allows and you have access to the equipment, you may choose to have your students select a local co-op, prepare a script or storyboard highlighting the value of this cooperative, and arrange to take video or digital images to be uploaded to the YouTube or Picasa photo gallery shown above.

Sources: U.S. Department of Agriculture, KnowledgeStorehouse, National Farmers Union, National Association of Cooperative Businesses, University of Wisconsin Center for Cooperatives, North Dakota State University Quentin Burdick Center for Cooperatives, International Co-operative Alliance, Association of Cooperative Educators, former North Dakota Farmers Union staff members Ray Bardell, Ken Astrup, and Bob Kjelland, the North Dakota Coordinating Council for Cooperatives, the Collegiate Conference on Cooperatives.
Cooperative Terms at a Glance

**User-owned:** The owners of the co-op, those who invest in it and finance it, are the people who use its goods and/or services.

**User-controlled:** The people who use the co-op elect the board that runs the organization and have a voice in major management issues.

**User-benefited:** A co-op’s main purpose is to provide benefits to its members. This may mean offering products and services not available elsewhere (organic food at a food co-op), greater purchasing power as a group (a purchasing co-op), or mutually beneficial services (a childcare co-op).

Types of Cooperatives by Business Focus

**Service:** A service cooperative, as the name implies, provides a service rather than a product. Service cooperatives include credit unions, rural electric cooperatives, day cares, Farm Credit Services, and the Associated Press. Service co-ops have been organized to provide a service otherwise not available or a service that is available but at a premium price and/or below average in quality.

**Supply:** Sometimes referred to as a buying or purchasing cooperative. A supply cooperative is comprised of members who benefit by purchasing quantities of a product at a discount, keeping distribution and delivery costs low, and sharing the savings. Supply cooperatives have been formed by individuals, by locally owned cooperatives, and even by for-profit investor-owned companies.

**Marketing:** Marketing cooperatives focus on selling products provided by members. By selling on behalf of a group of members, marketing co-ops may employ specialists who are able to find new markets, obtain higher overall prices for the products, and use the economies of scale to keep distribution costs in check. Members benefit from higher prices and reduced handling costs. Marketing cooperatives have been organized by farmers to sell crops and artists who use a cooperative gallery to sell paintings.

**Processing:** Often an outgrowth of marketing, processing cooperatives add value to products provided by members. Processing co-ops are especially popular among farmers and ranchers. Orange and cranberry juice, milk, cheese, cream, and meats all among the food items that carry well-known brand names of cooperatives. These co-ops include Ocean Spray, Land O’ Lakes, and Organic Valley.

**Hybrid:** These cooperatives combine two or more areas of business focus. They may be both service and supply co-ops, or a marketing and processing co-op. There are cooperatives that engage in business activities in supply, service, marketing, and processing.

Types of Cooperatives by Membership

**Consumer:** Consumer cooperatives are formed by people who have a common interest. Recreational Equipment Incorporated (REI) operates a network of stores that sell equipment for hiking, camping, climbing, rafting, and other outdoor sports activities. The largest housing cooperative in New York City is owned by 55,000 consumers. Other examples of consumer cooperatives include co-op food stores, credit unions, and rural electric and telephone cooperatives.

**Worker:** Worker-owned cooperatives are, as the name implies, owned by the workers or employees. Evergreen Cooperative Laundry of Cleveland is a commercial laundry owned by its employees who have an equal voice in how the business is run. Union Cab of Madison is another example of a worker-owned cooperative.

**Producer cooperative:** Organic Valley is in business to process raw ingredients provided by farmers and ranchers into products sold in retail grocery stores. This allows farmers to earn more income from the consumer dollars spent on food.
Ownership Structure

**Local:** Local cooperatives are owned by their members and adhere to the one-member, one-vote form of democratic control.

**Federated:** These cooperatives are organized to have only other cooperatives as members, typically allowing each member cooperative to have one vote.

**Centralized:** Centralized cooperatives are owned by both individuals and business entities as members.

**Mixed:** Mixed membership cooperatives have both individuals and cooperatives as members.

Service Areas

**Local:** The cooperative serves a neighborhood, community, or county.

**Super Local:** Larger cooperatives (sometimes formed by mergers) provide service in a geographic area covering two or more counties and may have several branch or satellite facilities.

**Regional:** These co-ops may serve members several in counties, a large area of one state, or several states.

**National:** Members will be found in numerous states across a broad geographic area.

**International:** These cooperatives maintain operations and facilities in more than their home countries.

Business Sectors

Co-ops are found throughout the economy, but here is a list of industries in which cooperative models are especially common: Agriculture • Child Care and Preschool • Credit Unions • Financial Services • Food & Groceries • Funeral & Memorial Societies • Health Care Providers • Housing • Insurance • Marketing • Manufacturing • Technology • Utility
Cooperative Quiz

**Customers at a cooperative also are known as:**

A. Members  
B. Patrons  
C. Buyers  
D. Both A & B

**Cooperatives return earnings to members in the form of:**

A. Coupons  
B. Dividends/Stock Retirements  
C. Free Calendars  
D. Gift Certificates

**Cooperative businesses embrace these rules:**

A. The Golden Rule  
B. Rochdale Principles  
C. The Preamble  
D. 7 Habits for Highly Effective People

**How many votes are typically cast by each co-op member:**

A. One for each share  
B. No more than 50  
C. Members can’t vote  
D. One only

**Who hires the manager?**

A. Members  
B. The board  
C. The employees  
D. The department heads

**Do cooperatives compete with for-profit businesses?**

A. Only service co-ops  
B. Only supply co-ops  
C. Only marketing co-ops  
D. They all do

**Cooperatives only operate where for-profit businesses have failed?**

A. True, except in Delaware  
B. False, except in England  
C. True  
D. False

**Cooperative ventures have been organized for which of these purposes?**

A. Business  
B. Social  
C. Cultural  
D. A, B & C

**The economic activity of a cooperative benefits:**

A. Members and their community  
B. Wall Street  
C. Investment Partners  
D. LLCs

**Can cooperative businesses work together to form their own cooperative?**

A. No  
B. Only in Canada  
C. Yes  
D. Yes, providing the manager is new

**One-member, one-vote is also known as:**

A. A matrix-based solution  
B. Democratic control  
C. Survival of the fittest  
D. The shell game
**Investor-owned Corporation**

- Primary business goal is to maximize profits and market share
- Customers may not have a voice. Stockholders vote based on the number of shares they own.
- Success is measured by profits and subsequent increase in stock value and dividends returned to stockholders.
- Corporations will close down and move operations or exit markets, placing an emphasis on what is right for stockholders over a commitment to customers.
Cooperative Business

In a cooperative, the customers are the owners. They also are known as members or patrons. The directors are elected by members who each have one vote. Employees, supervisors, managers, and directors all work with (and for) the members. The cooperative’s savings are returned to the members and kept in the community. Primary business goal is to provide customers (members) with products and services at lowest costs, or to market products and return the savings to members.

- Members have a voice in business operations (one member, one vote)
- Cooperatives have a commitment to their communities and service areas.
- Seven principles, including education and concern for community.

Diagram:
- Customer-Owners (Members or Patrons)
  - Low costs & Savings
- Directors
- Manager-CEO
- Employees
- Supervisors
**Co-op Discussion**

How will a corporation’s goal to generate maximum profits for investors affect its decisions as compared to a cooperative whose goal is to reduce costs for customers?

**Corporations compared to Cooperatives vis a vis profit motives.**

Is it more likely for the CEO of an investor-owned corporation to talk to directors or customers on a regular basis?

Do the owners of an investor-owned company need to know the customers?

Would the owners be likely to sell out during especially weak (reducing losses) or strong (maximizing income) market conditions?

Corporation stockholders come and go. Co-op members usually are loyal for life. How might this affect the priorities of each type of business?

Will some stockholders pressure management to take actions that could jeopardize long-term growth for short-term gains?

Do corporations close or move business operations based on how it impacts the owners, or the customers? Would this be different for cooperatives?
Co-op Formation checklist

Need of or purpose for a cooperative:

Type of Co-op

Industry:

Organizational Meeting Agenda:

Likely members:

The business plan includes:
A market analysis
A description of the product that the cooperative will be selling and how it meets a need in the marketplace
Marketing and sales strategies
Operations
Management and ownership
Sources and uses of start-up funds
Projected financial data for the first five years of operations

Begin a membership equity drive. The membership drive will indicate whether there is sufficient member support for the new cooperative. Materials for prospective members should clearly explain the cooperative’s mission, the financial requirements (stock purchases or membership fees) for membership, and the risks and benefits of membership.

Once hired, key management personnel play an important role in securing the operations site, developing vendor networks, and hiring staff. There are often specific licensing or regulatory requirements that must be met before the business can begin operations. Legal, insurance, and risk management issues must also be addressed before the business can begin operations.

Ongoing member education and board training are vital to developing a sustainable foundation for successful cooperative operations.
What Makes a Cooperative Business Unique? (Answer Key)

Three common types of business ownership are (individual), (partnership), and (corporation)

Cooperative businesses are unique because they are owned by their (customers)

Customers are known as members or (patrons)

In most co-ops, members have how many votes regardless of how much business they do in a given year (one)

Members are encouraged to run for the (board of directors)

In a cooperative, the manager is responsible for overall (operations)

The board’s duties are to set overall (priorities) for the year

Co-op employees are the face of the (company)

About our co-op

Mission statement:

Primary business operations:

Geographic area:

Number of members:

Year established:

Number of employees:
What Makes a Cooperative Business Unique? (Answer Key)

Three common types of business ownership are _______________, _______________ and _______________.

Cooperative businesses are unique because they are owned by their _________________.

Customers are known as members or _________________.

In most co-ops, members have how many votes regardless of how much business they do in a given year:_______

Members are encouraged to run for the _________________.

In a cooperative, the manager is responsible for overall _________________.

The board’s duties are to set overall ________________ for the year.

Co-op employees are the face of the _________________.

About our co-op

Mission statement:

Primary business operations:

Geographic area:

Number of members:

Year established:

Number of employees:
**Fast Facts about cooperatives worldwide**

“Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.” – United Nations Secretary-General Ban Ki-moon

Cooperatives provide over 100 million jobs around the world, 20% more than multinational enterprises.

Canadian maple sugar cooperatives produce 35% of the world’s maple sugar production.

In France, cooperatives handle 60% of retail banking, 40% of food and agricultural production, and 25% of retail sales.

In Japan, the agricultural cooperatives have 91% of all Japanese farmers in membership.

In New Zealand, cooperatives are responsible for 95% of the dairy market and 95% of the export dairy market. They hold 70% of the meat market, 50% of the farm supply market, 70% of the fertiliser market, 75% of the wholesale pharmaceuticals, and 62% of the grocery market.

In Norway, agricultural cooperatives hold 96% of the market for raw milk and 55% of the cheese market, 80% of the lumber market, over 70% of the egg and fur markets, and 52% of the seed market. The 130 consumer cooperatives have 24% of the consumer market, 71 cooperative building and housing associations hold 15% of the housing stock in Norway and in urban areas like Oslo hold 40% the housing market; insurance cooperatives provide hold 30% of the non-life insurance market.

In Slovenia, agricultural cooperatives are responsible for 72% of the milk production, 79% of cattle; 45% of wheat and 77% of potato production.

In Uruguay, cooperative produce 90% of the total milk production, 340% of honey and 30% of wheat. 60% of cooperative production is exported to over 40 countries around the world.

In Canada, cooperatives and credit unions employ over 155,000 people. The Desjardins movement (savings and credit cooperatives) is the largest employer in the province of Québec.

In France, 21,000 cooperatives provide over 1 million jobs representing 3.5% of the active working population.

In Spain, cooperatives provided jobs to 21.6% of the labour market in 2007.

In the United States, 30,000 cooperatives provide more than 2 million jobs.

In Argentina, there are 12,670 cooperative societies with over 9.3 million members or approximately 23.5% of the population.

In Canada, four of every ten Canadians are members of at least one cooperative. In Quebec, approximately 70% of the population are co-op members, while in Saskatchewan 56% are members.

In Colombia over 4.8 million people or 10.6% of the population are members of the 8,124 cooperatives in the country. The movement reports an annual growth rate of 7.78% with 348,249 new members joining cooperatives in 2009.
In Malaysia, 6.78 million people or 27% of the total population are members of co-operatives. In Singapore, 50% of the population

**Fast Facts about U.S. cooperatives**

Cooperative Home Care Associates is the nation’s largest worker co-op, with more than 1,000 members providing home care in the New York metropolitan area.

Evergreen Cooperatives are a new initiative bringing worker-owned green jobs to one of Cleveland’s poorest neighborhoods.

Rainbow Grocery is the nation’s largest retail worker co-op, operating a natural foods supermarket in San Francisco.

REI is the nation’s largest consumer cooperative, specializing in camping and sporting goods. Founded in 1938, this co-op now has more than 100 stores and 3.8 million members nationwide.

People’s Memorial Funeral Cooperative provides its members with affordable last arrangements, protecting family members from high prices and hard-sell pressure.

HealthPartners is a cooperative healthcare provider in Minnesota and Wisconsin, which operates its own network of medical centers.
Cooperatives ("co-ops") are one of America’s great hidden success stories. With more than 29,000 co-ops operating today across every major sector of the US economy, these member-owned businesses remind us that it’s possible to pursue both economic viability and social responsibility. In honor of co-ops’ positive economic impact around the globe, the United Nations named 2012 the International Year of Cooperatives (IYC). During this special year, there are a myriad ways for you to learn about, celebrate and support local cooperatives. So if you’re passionate about your community and want to make a difference, ask yourself:

**How will I co-operate in 2012?**

**Put Your Money Where Your Mouth Is.** Choose to buy from co-ops: look for co-op items at your favorite grocery store, from the dairy case to the coffee grinder.

**See the Fruits of Your Labor:** Download the free Reward Volunteers app for your iPhone. Log your time volunteering, share your efforts on Facebook and earn rewards!

**Express Yourself.** Capture your enthusiasm for co-ops and enter one of these creative competitions:

- **Coop’Art Competition** Music, photography and video competition for ages 16-35
- **My Co-op Rocks** Video & photo contest where you can win up to $1500 in prizes

**Make Your Presence Felt.** Join a co-op, from credit unions to grocery stores to homeowners associations to buying clubs, the opportunities to get involved are endless.

**Make Your Voice Heard.** Write or visit your local or state government and tell them why co-ops matter to you and your community.

**Share Your Knowledge of the Land:** If you know farming, become a Farmer-to-Farmer volunteer. There are people in Senegal who need your help—even just 2 weeks will make a difference!

**Go the Distance.** Bike, walk or ride to show your co-op pride in one of these two events:

- **2012 Community Tour** from Miami to Maine (May–June 2012)
- **Co-Cycle** Youth-led tour linking cooperatives across the country (Summer 2012)

**Tell Your Story to the World.** Contribute to Stories.coop, the first global online collection of co-op stories to spread the benefits of cooperatives through storytelling.

**Share the Wealth.** Already a co-op? Explore how you can do business with co-ops in your area and showcase your social values to a network that cares with a .coop domain.

For the latest information about IYC events and resources, including annual meeting tips, games, posters, press release templates and more, visit [www.usa2012.coop](http://www.usa2012.coop).
About International Year of Cooperatives

2012 was named the International Year of Cooperatives (IYC) by the United Nations. A yearlong celebration of the co-op business model and its positive economic impact across the globe, the IYC reminds us that it is possible to pursue both economic viability and social responsibility.

Facts about Cooperatives

Cooperatives are member-owned businesses that operate for the mutual benefit of their members. They are social enterprises with a set of shared values and community-focus operating across industry sectors, including agriculture, food, childcare, credit unions, energy, healthcare, housing, retail, media and telecommunications.

• More than 29,000 cooperatives operate in every sector of the economy
• 1 in 3 Americans are co-op members holding 250 million co-op memberships nationwide
• US cooperatives contribute annual sales of $652 billion and generate 2 million jobs each year
• 7,500 credit unions provide financial services to 92 million US consumers
• Most of the nation’s 2 million farmers are farmer co-op members providing 250,000 jobs and $8 billion in annual wages
• 1.2 million US families of all income levels live in homes owned and operated through cooperatives

Highlights of IYC

Throughout the year, cooperatives across the nation will come together through special events and programs to raise awareness of the impact of cooperative enterprises to create jobs and build communities.

• **My Coop Rocks Contest** NCGA, NAHC and USFWC have launched a cross-sector online photo and video contest to highlight how co-ops build a better world. Six winning filmmakers and shutterbugs will receive up to $1,500 in prizes.

• **Cooperative Teach In** This nationwide initiative is focused on educating universities and students on how cooperatives positively change communities and connects youth with local co-ops to learn about the impact in their communities.

• **2012 Community Tour** Cabot is hosting this 8-city community tour where farmers, cooperatives and volunteers celebrate those who give their hearts and time to strengthen their communities. They’ve launched a free Reward Volunteers App that allows volunteers to log time, post to Facebook and earn rewards.

• **Co-Cycle Tour** This youth-led cross-country bike tour will cycle across the country to build awareness for cooperatives and youth-led co-op initiatives. An NYU production team will chronicle the experience in its To the Moon documentary film.

• **Lights, Cameras, Co-ops!** With celebrity chef Kevin Gillespie, Co+op, Stronger Together and NCGA, are shining the spotlight on food co-ops throughout the nation. In 13-part video series, Kevin travels to food co-ops, from grocery aisles to farm fields, to share their passion for delicious food and their local communities.

• **Stories.coop** The world’s first online collection of cooperative stories to highlight stories of cooperation from every corner of the globe.

Get Engaged

For more information about these IYC events or to download resources, including annual meeting tips, games, posters, press release templates and more, visit [www.usa2012.coop](http://www.usa2012.coop).