

ARE CO-OPS FOR YOU?

Part 1: Introducing Cooperatives

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What is a cooperative?

- Owned and democratically controlled by their members not by outside investors. Members are the people who use the co-op's services or buy its goods.
- Co-op members elect their board of directors from within the membership.
- Return surplus revenues to members proportionate to their use of the cooperative, not proportionate to their "investment" or ownership share.

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Comparison

	Individual	Partnership	LLC	C-Corp	Co-op
control	Owner	Partners	Owners	Shareholders, board & elected officers	Members, board elected from membership
capital	owner	Partners. Liability up to value of property	Owners. Liability limited to investment in business	Equity raised by selling shares	Equity from members
earnings	Profits to owner	Shared gain(loss) by partners, based on partnership agreement	Shared by owners	Gain(loss) distributed to shareholders as dividends	Allocated to members based on business done w/co-op in that year
taxes	Taxed once as income of owner	Taxed once as income of partners	Taxed once either as partnership or corporation	Taxed twice	Taxed once, as income of co-op when earned, or income of members when allocated
life	Tied to owner	Tied to partnership.	Perpetual	Continuing existence	Perpetual

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Cooperatives:

- Are motivated to provide affordable and high quality goods and services to meet members' needs.
- Exist solely to serve their members.
- Pay taxes on income kept within the co-op for investment and reserves. Surplus revenues from the co-op are returned to individual members who pay taxes on that income.
- Co-ops are for profit.

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Cooperative Principles

- Cooperatives follow seven internationally recognized principles:
 - Voluntary and Open Membership
 - Democratic Member Control
 - Member Economic Participation
 - Autonomy and Independence
 - Education, Training and Information
 - Cooperation Among Cooperatives
 - Concern for Community

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Why Form A Co-op?

- Co-ops are formed by their members when the marketplace fails to provide needed goods or services at affordable prices and acceptable quality.
- Cooperatives empower people to improve their quality of life and enhance their economic opportunities through self-help.

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Weaknesses of the Co-op Model

- Management & leadership issues
- Business creation and growth difficulties
- Difficult transfer of ownership
- Slow decision-making process
- Variances in personal objectives may hinder growth and opportunities

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Strengths of Co-op Model

- Community Interest
- Flexible Profit Objectives
- Financial Advantages
- Economies of Scale

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Types of Cooperatives

- **Consumer Cooperatives**—owned by the people who buy the goods or use the services of the cooperative.



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Types of Cooperatives

- **Worker Cooperatives**—owned and governed by the employees of the business. They provide workers with both employment and ownership opportunities.



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Types of Cooperatives

- **Purchasing/Shared Services Cooperatives**—owned and governed by independent business owners that band together to enhance their purchasing power, lowering their costs and improving their competitiveness and ability to provide quality services.



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Types of Cooperatives

- **Housing Cooperatives**—owned by residents, related to condominiums.
- **Credit Unions**—owned by depositors.
- **Utility Cooperatives**—owned by ratepayers, generally found in sparsely-populated areas.

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Types of Cooperatives

- **Marketing Cooperatives**- owned by members to jointly market goods and services, taking advantage of scale economies



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Types of Cooperatives

- **Producer Cooperatives**—owned by people who produce similar types of products; often includes shared production facilities to add value



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- Founded 2004
- Consumer/Producer Hybrid
- Currently 102 producers, 1947 products
- Products sold via website
- Monthly order and delivery cycle
- 30 dropoffs, Home delivery in some locations
- Being copied in several neighboring states
- www.oklahomafood.coop

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Tuscarora Organic Growers
Family Farms Marketing Cooperatively Since 1988

- Founded 1988, now 25 producers
- Full-fledged produce distributor
- Serves mid-Atlantic markets
- \$1.5 million in sales, 500-3000 cases/week
- Carries some outside products
- Agree upon packing standards
- www.tog.coop

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