



# **The Cooperative Business Model & Development Process**

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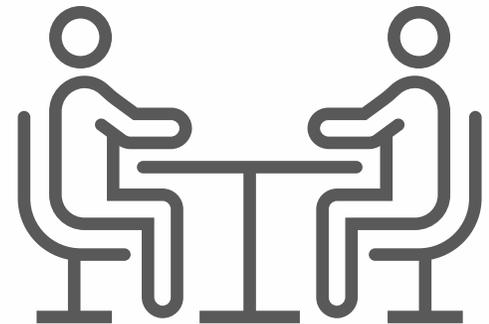


# CFAES Center for Cooperatives

**Mission:** To extend knowledge and technical assistance to emerging and existing cooperatives through integration of teaching, research and Extension.

# Before we get started...

*This presentation is provided for educational purposes only. It is not legal advice. It is not a substitute for the potential need to consult with a competent attorney in the appropriate jurisdiction.*

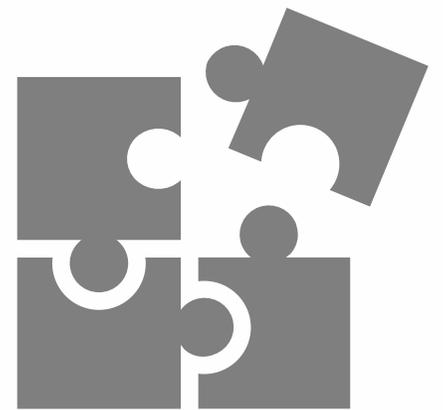


# Part I: What is a co-op?



# A co-op can be. . .

- A legal entity
- A legal structure (incorporated under other legal forms and operated cooperatively)
- A tax category
- A set of practices, values, and principles



# The Co-op Business Model

**“autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.”**

- International Co-operative Alliance, *Statement on the Cooperative Identity*

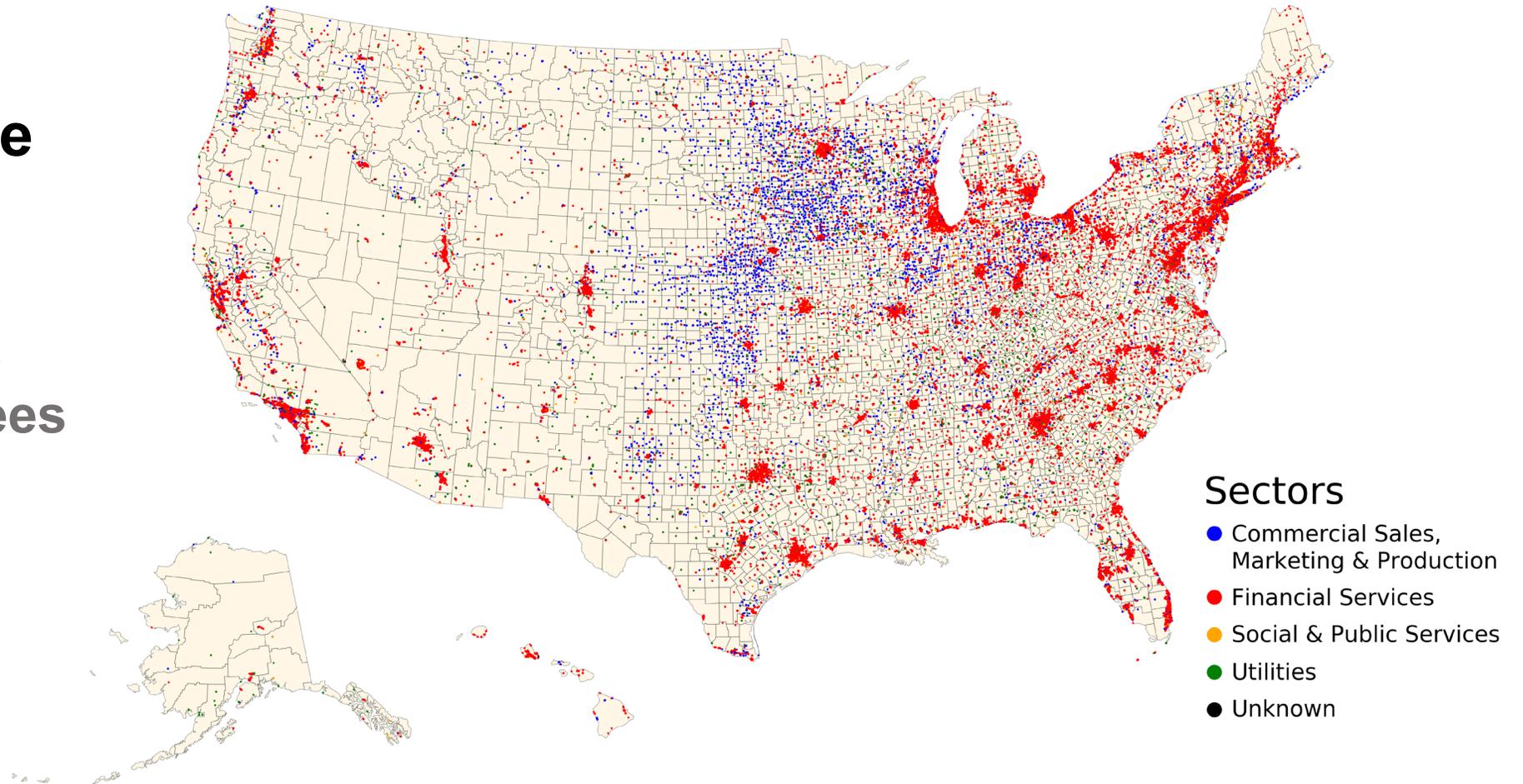
**“form of business owned and controlled by the people who use its services.”**

- U.S. Department of Agriculture, *Understanding Cooperatives: Who Runs the Cooperative Business?*

# Cooperative Locations: Sectoral Composition

## Co-ops by the Numbers

64,017 co-ops  
852,843 employees





**What are some words  
you associate with  
Cooperatives?**

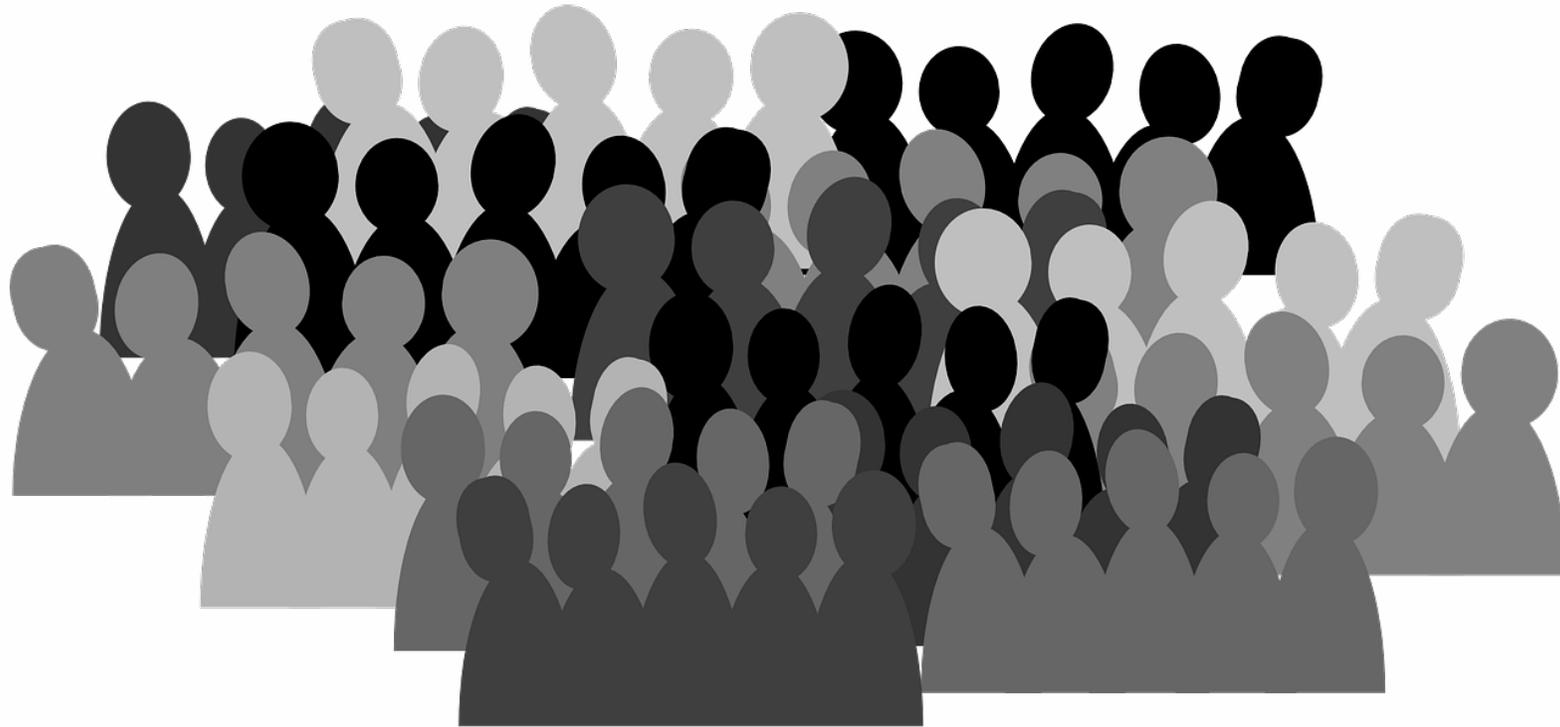
# Cooperative Principles

- 1** Voluntary & **OPEN** membership
- 2**  **Democratic member control**
- 3**  **Member economic participation**
- 4**  **Autonomy & Independence**
- 5**  **EDUCATION TRAINING & INFORMATION**
- 6**  **among cooperatives**
- 7**  **CONCERN FOR COMMUNITY**

# Part II: Why do people start co-ops?



# Can you do something better as a group than you can individually?



	<b>Sole proprietor</b>	<b>Partnership</b>	<b>LLC</b>	<b>Corporation</b>	<b>Non-Profit</b>	<b>Co-op</b>
<b>Ownership</b>	Individual	Two or more individuals or entities	One or more members	One or more shareholders	None	User members (individuals or entities)
<b>Business purpose</b>	Earn a return on owner investment; provide employment	Earn a return on owner investment; provide employment	Earn a return on owner investment; provide employment	Earn a return on owner investment	Provide services or information	Meet member needs; returns on member investment
<b>Membership requirements</b>	Determined by owner	Determined by partners	Determined by members	Stock purchase. Established in founding documents.	Membership fee in some cases	Stock purchase or fee payment. Established in bylaws.
<b>Financing</b>	Owner investment, retained profit	Partners' investment, retained profit	Members' investment, retained profit	Sale of stock, retained profit	Grants, contributions or fees	Membership; retained profit
<b>Voting</b>		Partners in proportion to investment or according to agreement	Members, often in proportion to investment	One vote per share		One-member, one-vote
<b>Management/Governance</b>	Owner or hired management	Partners; in a limited partnership, general partner	Members according to agreement or hired management	Board of directors and hired management	Board of directors and hired management	Board of directors and hired management
<b>Benefits/Profits</b>	Proprietor	Partners, usually in proportion to investment	Members according to agreement	Shareholders in proportion to investment	Retained by organization	Members in proportion to "use"

# Advantages



## Shared knowledge

## Pooled resources

- Economies of scale
- Market access
- Bargaining power
- Reduce individual risk

## Member control

- Accountability to members
- Member benefit

# Limitations



## Control and Profits

- Is everyone willing to share?
- Does it make sense to share?

## Financing

- Co-ops are organized for member benefit. Not to maximize profit.

## Complexity

# Forms of Cooperative Ownership

- Producer Cooperative
- Consumer Cooperatives
- Worker Owned Cooperative



**Members**



**Board of Directors**

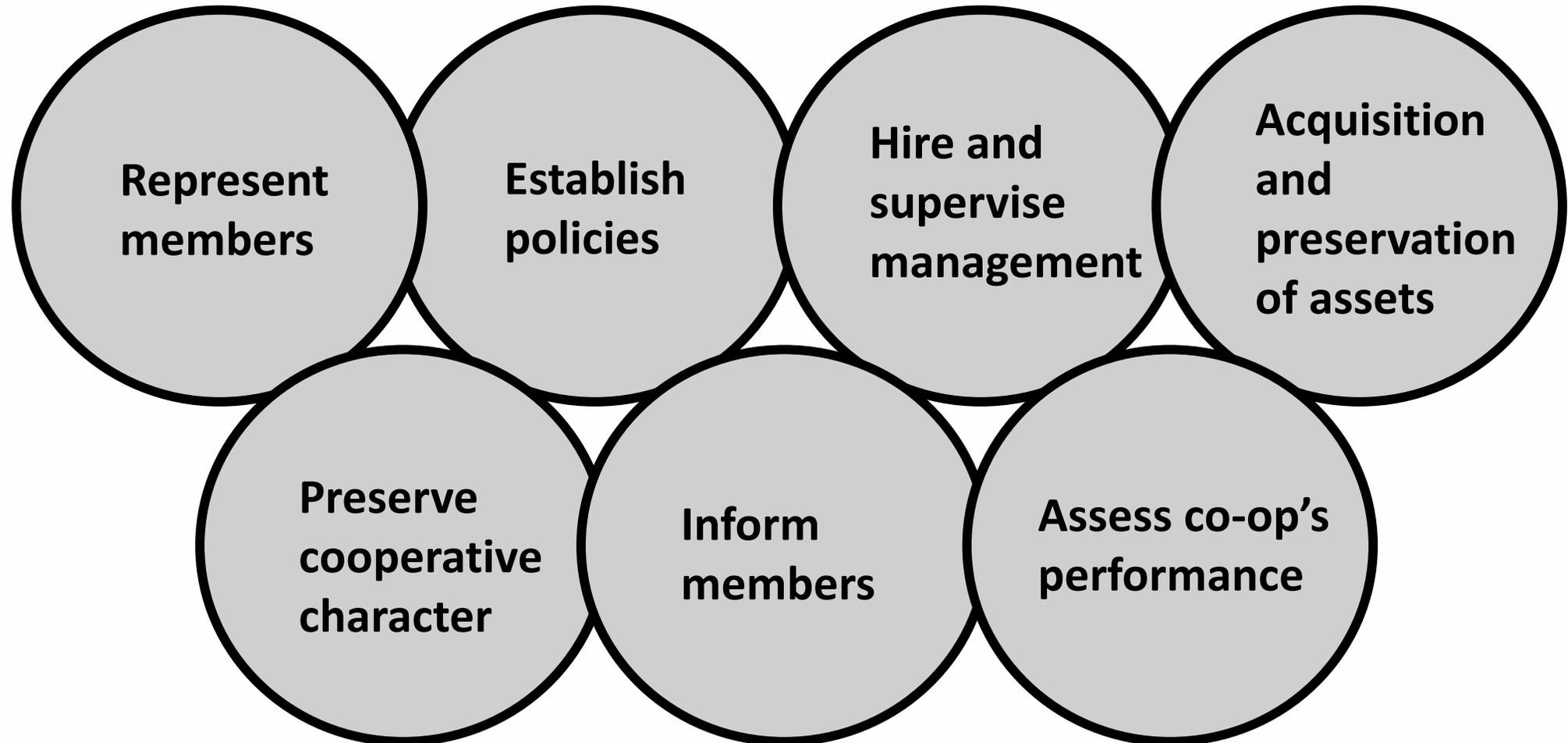


**Manager**



**Employees**

# Governance: Board of directors





<http://www.floridasnatural.com/>



<https://packers.com/>



<http://www.touchstoneenergy.com/>



<http://www.welchs.com/>



<https://www.acehardware.com>



<https://www.tillamook.com/products/cheese/>



<https://www.bluediamond.com/>



<https://www.landolakes.com/products/butter-spreads/>

# Cooperative Development Process

- Identify the mutual economic need among your group
- Understand the marketplace, potential member use, and the feasibility of an enterprise
- Develop a business plan
- Create a governance structure and train new leaders and members
- Acquire capital, implement business plan



# Continue your co-op learning!

## CO-OP MASTERY

Beyond Cooperatives 101



THE OHIO STATE  
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COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

HOME

ABOUT THE CFAES  
CENTER FOR  
COOPERATIVES

THE COOPERATIVE  
MODEL ▶

GOVERNANCE ▶

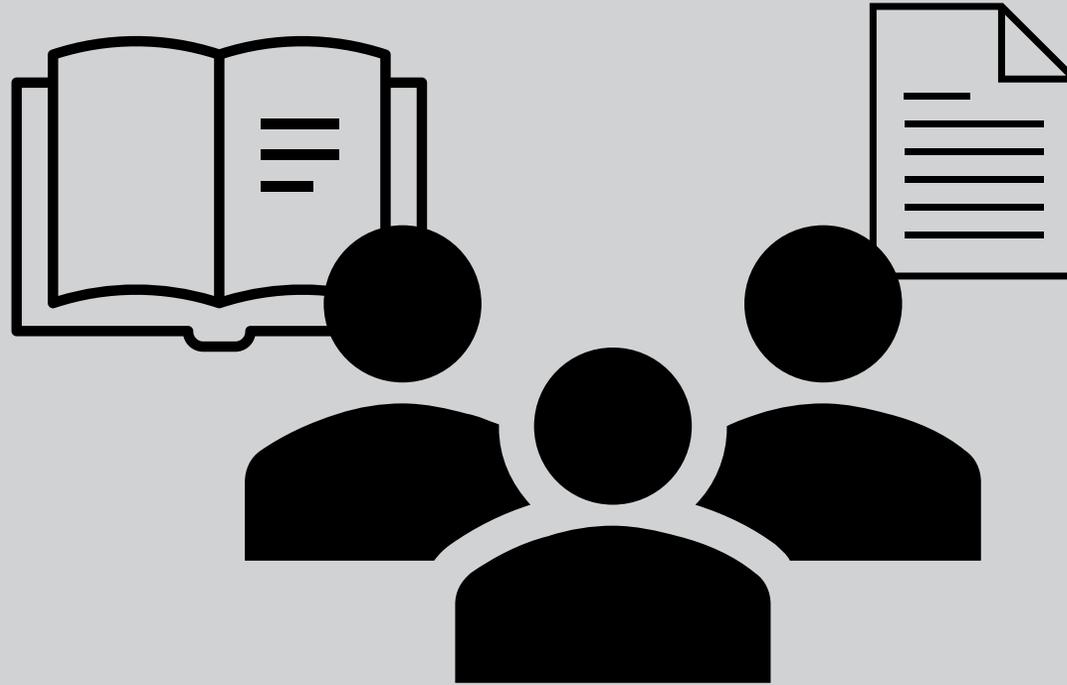
HISTORY ▶

LEGISLATION ▶



Are you a **member** of a cooperative?

[go.osu.edu/coopmastery](https://go.osu.edu/coopmastery)



# How Can We Help?

- Formation Counseling
- Business Planning
- Feasibility Activities
- Strategic Plan Development
- Policy Development
- Membership Trainings
- Community Trainings
- Board Education
- Steering Committee Facilitation
- Resource Linkages

 [go.osu.edu/cooperatives](http://go.osu.edu/cooperatives)

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# Questions?



# Cooperate with us

**Contact the CFAES Center for Cooperatives for more information.**

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**Check the CFAES Center for Cooperatives website and social media for updates.**

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