

# Cooperatives

## What are they?

### What would cooperation between CDCs and SBDCs look like?

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**INDIANA**  
cooperative development center inc.

# Today's Objectives

- Brief background on the Indiana Cooperative Development Center
- Definition of a cooperative
- Co-ops by the numbers
- Types of cooperatives
- Advantages of the co-op business model
- Factors for success
- Co-op disadvantages
- Co-op values and principles
- Development timeline
- Partnership between SBDCs and Co-op Development Centers

# Indiana Cooperative Development Center

- Established in 2003; non-profit status in 2006
- Primary funder: USDA-RD
- Mission: advance cooperative and collaborative enterprise development
- ICDC fulfills this mission by:
  - advising and counseling organizations on best business practices
  - advocating for an environment conducive to cooperative enterprises
  - educating the public about the value of cooperative in developing vibrant communities
  - connecting organizations with resources to enhance and support their businesses
  - promoting the cooperative principles
  - focusing on food/farm/local enterprise development throughout Indiana and the region

# What Is A Cooperative?

Simple Definition:

User-owned and user-controlled business that distributes benefits on the basis of use. (USDA)

# Co-op Diversity

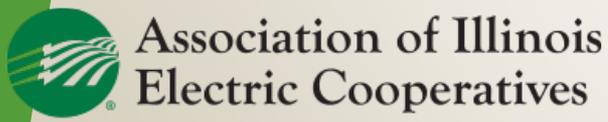
- U.S co-ops range in size from Fortune 500 companies to single, small storefronts
- Can you name any co-ops?



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# Cooperatives by the Numbers

- About 33% of farmers' products are marketed through co-ops and there are more than 2,500 farmer-owned cooperatives in the U.S.
- 8,000+ credit unions provide financial services to approximately 87 million members
- 800+ rural electric co-ops operate more than half of the nation's electric distribution lines that cover 75 percent of the land mass and provide electricity to more than 42 million people
- More than 223 million people are served by insurance companies owned by or closely affiliated with co-ops

# Cooperatives by the Numbers

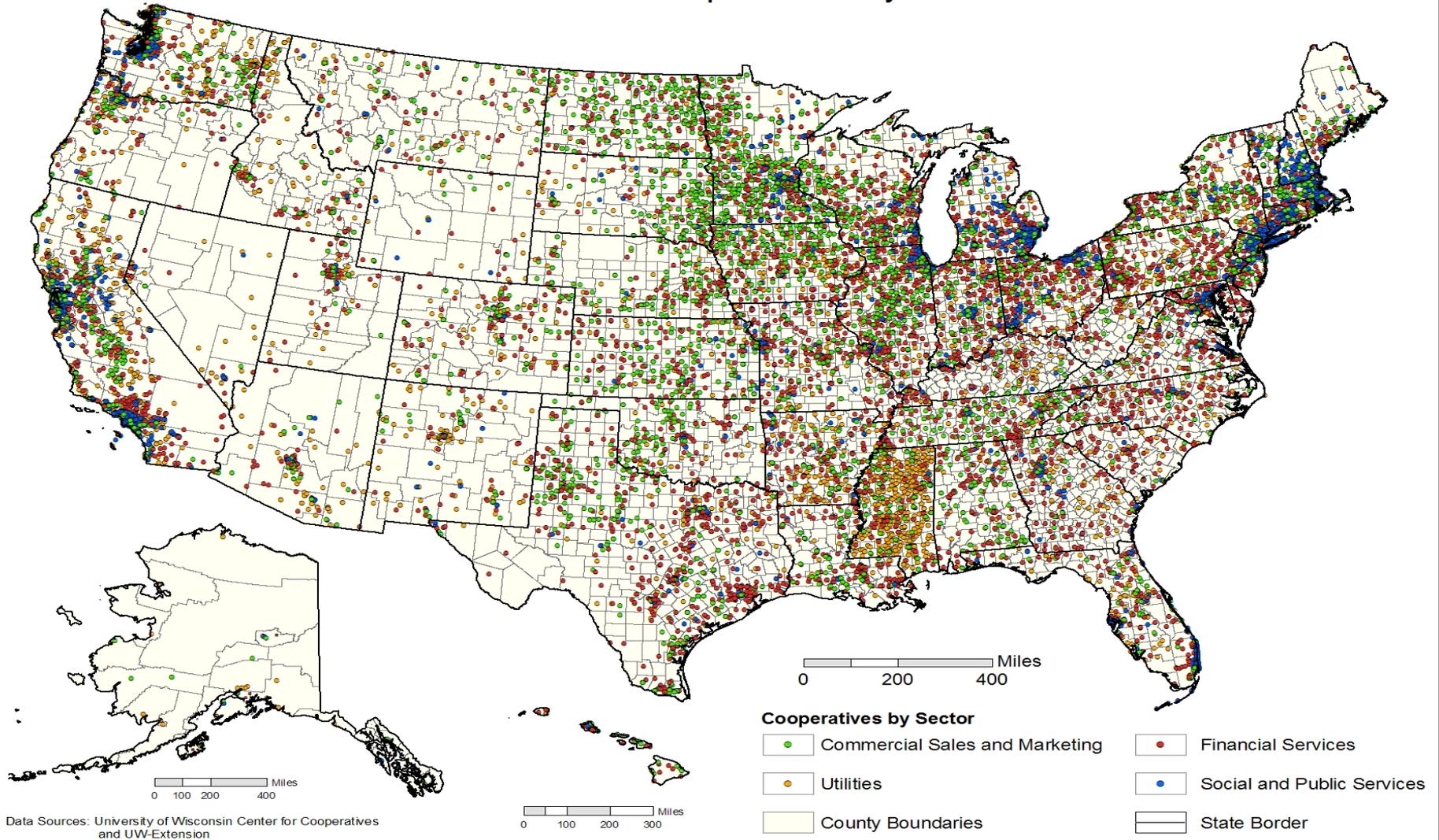
- Americans hold 350 million memberships in 29,000+ co-ops
- There are just over 1,000 cooperative child care centers, giving co-ops a crucial role in the care of our children.
- 260 telephone cooperatives provide service to 1+ million rural Americans in 31 states.
- 305 health care co-ops provide jobs to 500,000 people and pay \$1B in wages

# Co-ops: A Popular Business Model Around the World

- **France**, 21,000 co-operatives provide over 1 million
- **Kenya**, 63% of the population derive their livelihoods from co-operatives
- **Indonesia**, co-operatives provide jobs to 288,589 individuals
- **Japan**, the agricultural co-operatives report outputs of USD 90 billion with 91% of all Japanese farmers in membership
- **Uruguay**, co-operatives are responsible for 3% of the GDP. They produce 90% of the total milk production, 340% of honey and 30% of wheat

- **Canada**, four of every ten Canadians are members of at least one co-operative. In Quebec, approximately 70% of the population are co-op members, while in Saskatchewan 56% are members
- **Norway** out of a population of 4.8 million people, 2 million are members of co-operatives
- **Malaysia**, 6.78 million people or 27% of the total population are members of co-operatives
- **Paraguay**, 783,000 people or 18% of the population are members
- **New Zealand**, 3% of the gross domestic product (GDP) is generated by co-operative enterprise. Co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market

# Distribution of Cooperatives by Sector



# Types of Cooperatives

- Consumer – owned by the people who use its services
- Producer – owned by farmers to market their products
- Worker – owned by the employees
- Purchasing/Shared Services – owned by independent businesses and small municipalities



# So Why a Cooperative?

- Focus is on service to members not investment
- Cooperatives are owned and controlled by their members
- Profits return to members
- Circulate more money within the community for longer periods of time.

- Allows members to pool their financial resources and conduct business activities they could not independently perform as efficiently
- Provides members with access to goods and services needed
- Don't pick up and leave town
- Make democracy a regular practice
- Greater concern for community and the environment

# Factors for Cooperative Success

- Clearly identify the “shared” need
- Reach agreement on the cooperative’s mission
- Develop good leadership
- Gain commitment of members to do business with the cooperative
- Follow sound business practices



# Cooperative Disadvantages

- Access to capital
- Cost of member and public education
- Investment in democratic process
- Co-ops are only as good as their members ask them to be

# Why Cooperatives Fail

- Poor selection of directors
- Poor leadership
- Lack of member involvement
- Inadequate capitalization
- Poor planning
- Lack of open communication with membership



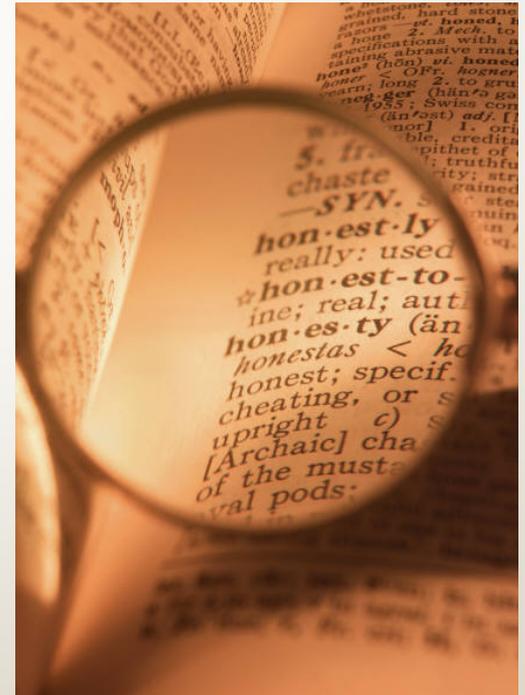
# Cooperative Values

- Self-Help
- Self-Responsibility
- Democracy
- Equality
- Equity
- Solidarity



# Ethical Values

- Honesty
- Openness
- Social Responsibility
- Caring for Others



# 7 Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

# Voluntary and Open Membership

- Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination
- Participation based upon clear understanding of cooperative's vision and acceptance of responsibilities of membership



# Democratic Member Control

- Cooperatives are democratic organizations controlled by their members (one member, one vote)
- Assumes members will participate in setting policy and giving broad direction
- Democratic control involves electing representatives to serve on the board of directors, attending membership meetings, and voting for structural changes as requested by the board of directors



# Member Economic Participation

- Members contribute equitably to the capital of their cooperative.  
Surplus uses:
  - Development of co-op
  - Setting up reserves
  - Patronage refunds
  - Other activities approved by membership
- Important to have “Skin in the Game”



# Autonomy and Independence

- Cooperatives are autonomous, self-help organizations controlled by their members
- When entering into agreements with other organizations, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy



# Education, Training and Information

- Cooperatives provide education and training for
  - members
  - elected representatives
  - managers
  - employees
- They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation



# Cooperation Among Cooperatives

- Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures

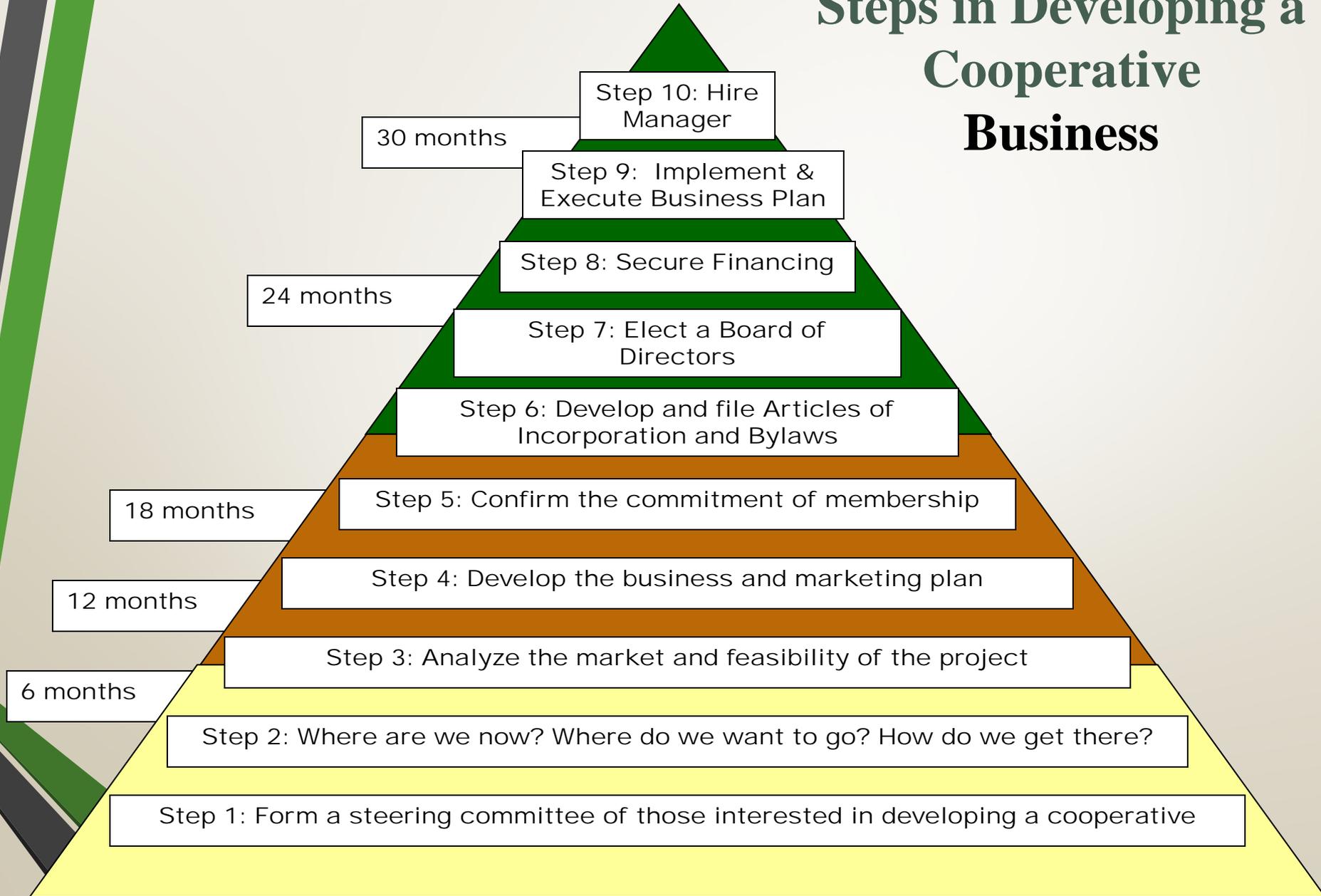


# Concern for Community

- Cooperatives recognize that healthy communities are important to the strength of their business
- Cooperatives have a vested interest in the community because the owners/members are members of the community



# Timeline and General Steps in Developing a Cooperative Business



# Cooperation Between Co-op Development Centers and SBDCs

- Learn the basics of co-op development
- Develop plan for how/when each entity interacts with the client
- Provide assistance with:
  - Feasibility studies
  - Business Plans
  - Pro forma financial statements
  - Access to capital
- Help provide forum for education of other service providers, i.e. bankers, economic developers

# In Conclusion Cooperatives....

- Can be large or small
- Can be found in every sector of the economy
  - Can be found around the world
  - Share common values and principles
  - Empower people and their communities

Opportunity exists for cooperation  
between Co-op Development Centers  
and SBDCs

# Questions?

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