



Cooperatives: The Business of Working Together

Cooperation is as simple as working together. Cooperation is important in being part of a family, running a school, playing on a sports team, creating music or a video, and even running a business.

Cooperation means working with other people to accomplish something we are not able to do on our own. Cooperation works because everyone shares the same goal and each person brings what they do best to the effort.

Many businesses are cooperatives. REI is a cooperative that sells outdoor items. Tillamook is a cooperative that sells cheese and other dairy products. ACE Hardware is a cooperative that sells tools and home repair supplies.



Many businesses are set up as cooperatives, meaning the customers own and operate the company.

Cooperative businesses may be small with just a few members. These co-ops (short for cooperative and pronounced kō,äp) may serve a single neighborhood. Other co-ops may offer services to hundreds of members across an entire state. Yet other co-ops may be made of up of thousands of members across the nation.

These businesses do everything from providing electricity and loans to turning oranges into orange juice. Many cooperatives operate in rural areas and they have been around for a long time. Rural areas depend on co-ops to make sure important services are available at affordable costs.

Food, Financial, Farming, and Fuel

There are many types of cooperatives. Let's look at three: supply, service, and marketing.

Supply Cooperative

Some of the first cooperative businesses started when people agreed to buy something together and share in the savings. By buying larger supplies as a group, the co-op members could save money. They paid less for these items because of discounts made for large orders. The co-op members also shared the cost of shipping, packaging, and delivery. The savings added up. These **supply** or **purchasing** co-ops first focused on a single kind of business, such as basic food items including canned goods or farm supplies such as fence posts and barbed wire. In Colorado, farm supply cooperatives include CHS and Agfinty. When these co-ops were formed in the early 1900s, they offered only a few products. Today, they sell hundreds of products to its members.

These products include fertilizer, fuel, feed for livestock, and even tools and tires.

Service Cooperative

A **service** cooperative sells just what the name says – a service. In Colorado, service cooperatives include credit unions and rural electric associations (which is another name for a cooperative). In the 1930s, electric companies and banks were not always willing to extend service to farmers and ranchers in rural areas. The owners of these companies believed the risk was too great and the profits too little. People in rural areas put their own money into cooperative businesses that would deliver electricity to the members. Credit unions would offer loans to members. These cooperatives were able to do this because the risks and rewards were shared by the members who owned them. Providing an affordable service was more important than making a profit.

Marketing Cooperative

While a supply cooperative will buy things to sell to its members, a **marketing** cooperative sells things for its members. Let's look at farmers again. Farmers working together contribute money to build a cooperative grain elevator (a place to store large amounts of grain). The farmers then deliver their crops to the elevator at harvest. The cooperative elevator will sell the crops to a single buyer and make the farmers money. These profits go back to the farmers.

Three in One!

Some cooperatives do all these things. CHS and Agfinty are supply, service, and marketing cooperatives. They sell grain for farmers, buy fuel for farmers, and can apply fertilizer for farmers. Having one business do all these things is why farmers are members of the co-op.

Principles That Matter

Seven Cooperative Principles

The difference between cooperatives and other businesses is who owns them, who makes the decisions, and who benefits from the savings and profits. Some businesses are owned by one person or family. Decisions on where to locate, what to sell, and how to operate are made for the benefit of the owners. Other businesses are owned by stockholders. A stock represents a cash value of ownership. The more stock a person owns, the more that person can control the company. Companies like this are operated to return profits to the stockholders. A privately-owned business may close a store, change prices, or decide to drop a service because it is good for the stockholders.

A cooperative is different because it is owned by the customers, who also buy a share (or stock) in the company. Each member owns an equal amount, so no one can own more than anyone else. Remember the grain elevator on the previous page? It is owned and operated by the farmers. They use the business and they manage the business, so they will decide if changing prices, closing a store, or ending a service is good for them. Cooperatives are companies that benefit their members (the customers) who created the business. Cooperatives use **Seven Cooperative Principles** to set up and run their businesses.



1. Voluntary, Open Ownership

Open to all without gender, social, racial, political, or religious discrimination. Cooperatives benefit everyone who needs the supply, marketing, or services the business operation provides. No one is left out.



2. Democratic Owner Control

Each member in a co-op has a right to vote and a right to voice their ideas and concerns. No one can control the co-op by buying more shares. Each member is equal and gets one vote.



3. Owner Economic Participation

Co-ops may help owners save money, earn more money, or obtain a service they might not otherwise have access to. The members enjoy the direct economic benefits.



4. Autonomy and Independence

Cooperatives are owned and operated by the members for the benefit of the members. Co-ops do not exist to benefit other companies or individuals.

5. Education, Training, and Information

Each co-op dedicates time and resources to making sure the members can learn about the co-op and its services. Some cooperative grocery stores offer cooking classes. Some cooperatives offer summer camps for youth. It is one way co-ops give back to their members and to their hometown communities.



6. Cooperation Among Cooperatives

Whenever and wherever possible, cooperatives work together and buy from each other.



7. Concern for the Community

Unlike other companies, member-owned cooperatives make taking care of their communities a written priority. Cooperative members and employees dedicate time and money to projects that make their hometowns a better place to live.





A grain elevator in Colorado owned by the agriculture co-op Agfinity.



Dairy Farmers of America is a dairy marketing co-op owned by 14,000 dairy farmers in Colorado and across the U.S.



My Nanny Solution is a social co-op in Colorado that provides child care.

Cooperatives by Sectors

Businesses including cooperatives can be grouped into sectors. A sector is a category of businesses that have similar customers and operations.

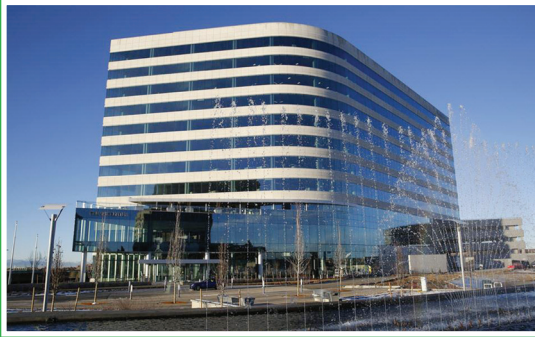
Agriculture: Some of the first cooperatives were started by farmers who grew cotton. Each farmer gave money to pay for a storage shed for the cotton. By cooperating, the farmers found a way to lower their costs of storing and selling cotton. The lower cost is another way the farmers were able to make more money from farming. These cotton farmers created marketing co-ops.

Housing: New York City is one of the biggest cities in America, even the world. There are lots of housing co-ops in New York City. Housing co-ops own property and the members control the affordability and availability of their homes. Many housing cooperatives own space in skyscrapers because there is no room in New York City for individual homes. There are housing cooperatives in Colorado, too.

Insurance: Benjamin Franklin helped form the first cooperative in America. It is still operating today. Franklin knew a fire was difficult to stop and would ruin a business. Fire departments back then had very limited equipment. By paying premiums to this cooperative,

business owners created an insurance company that could pay them back if they had a loss from fire. Business owners worked together to find ways to reduce the chance of a fire through educational programs. They pledged to work together to help put out a fire if one started. They learned cooperation was the answer to doing something that each one could not do alone. Insurance cooperatives are sometimes known as mutual insurance companies.

Social: A social cooperative meets a need of a group of people. For many reasons, this need may not be met by other companies. Two types of social co-ops are daycare and retirement homes. Daycares are more common. Families who need daycare work together to find space and staff. These parents may work during the day. Some parents will share their time, each one volunteering to be at the daycare for a few hours. By sharing, parents can create a service they need and can afford. They can make sure the daycare is operating the way they want for their children. Retirement homes allow people to manage their own activities and services and living space once they stop working and sell their homes.



CoBank is a banking cooperative specializing in agriculture.



High Plains Food Co-op delivers fresh produce to Denver and the Front Range.



Rural Colorado Apparel Manufacturing makes clothing for designers.

Financial: Credit unions are a lot like banks. They make loans to people. They offer savings accounts and checking accounts. A credit union is owned by the people who are the customers. As members, these customers can use their vote to help determine the credit union's priorities. Customers can run for the board of directors. People trust credit unions because they are managed for the benefit of the customers who own the business.

Processing and Manufacturing: Sometimes called value-added cooperatives, these businesses take raw materials and convert them into products for sale to consumers. The Great Western Sugar Cooperative is owned by farmers who grow sugarbeets in Colorado, Nebraska, Wyoming, and Montana. The farmers deliver the beets to the cooperative, which processes them into sugar that is sold in grocery stores in those four states, and across the nation. The cooperative returns some of the money it makes to the farmers.

Distribution: When several companies need products delivered to them they may form a distribution co-op. Each company may not need a full truck delivered at one time. This type of co-op lets several companies combine their orders and save money by sharing one truck and one driver.

Food: Cooperative grocery stores are popular in big cities. The customers who own the stores decide where they get their food items. Co-op grocery stores

typically get food from local farmers. The members of these cooperatives like knowing more about the farmers who grow and deliver food to the store.

Industry, Art, and Service: Individuals and companies may find it works best to work with others to find success. Colorado is home to art cooperatives. Artists may not be able to afford a store to sell their items. They may not have many items to sell. By teaming up with others, these artists can share the cost of space and even share time working at the store. Each artist may agree to work one day at the store and the other days working on more art.

Retail: Retail cooperatives are like purchasing or supply cooperatives. The difference is that retail cooperatives buy things in volume for sale to other businesses, or to use themselves. Best Western, Carpet One, and ACE Hardware are among the retail cooperatives you will find in Colorado.

Utilities: Companies like to operate where there are lots of customers that are easy to reach. In rural areas, the customers may be miles away from each other. A company that delivers electricity may not want to extend service into rural areas. The risks are greater and the profit is smaller. Cooperatives are the answer. Because cooperatives value people more than profits, they can operate where privately-owned companies may not want to. Utilities are essential services people need. Utility co-ops include electric associations, telephone associations, and drinking water cooperatives.

Cooperatives are Run by and for Members



Members (customers) who create and own a cooperative business also run the business. In some cases, businesses themselves organize a cooperative, such as a supply or transportation cooperative. Members typically pay dues or membership fees to the co-op. Members

also own a share of stock in the co-op. Members decide what kind of co-op they want, where they want it to operate, and overall business priorities.

Because members make decisions for their own benefit as customers, they will choose priorities that privately-owned companies may not. A co-op may continue offering a necessary service even if it doesn't make money. In a cooperative, members are welcome to share their ideas and voice their concerns.

Members are able to serve on the co-op's board of **directors**. Members meet once a year to learn about the co-op's operations. Each member gets one vote, so no one has more influence than anyone else. At this meeting, members elect people to the board of directors. These directors meet more often during the year to make decisions. A director represents the members to make sure the cooperative is working for them.

Directors provide guidance to the co-op **manager**. Directors also hire the manager. In turn, the manager hires employees to do the different types of work at the co-op. Cooperatives can have a few or hundreds of employees. Each **employee** has a job to do. These employees may do a certain type of work, such as drive a truck or work behind a counter. Managers handle the day-to-day operations of the co-op.

Together, the members, directors, manager, and employees work as a team to make sure the business is successful. Together, these people use the **Seven Cooperative Principles** to help guide their business decisions.

What Did We Learn?

Fill in the blank with one word to complete each sentence.

1. A supply cooperative _____ things to sell to its members.
2. A marketing cooperative _____ things for its members.
3. A service cooperative provides a _____ to its members.

Select the correct answer.

4. Cooperative members are also:
 - A. customers
 - B. truck drivers
 - C. doctors
5. Members elect
 - A. the manager
 - B. the employees
 - C. the directors
6. Directors are
 - A. members
 - B. responsible for decisions
 - C. Both A and B

Fast Facts on Cooperatives

Impress others with your knowledge of cooperatives by sharing these facts.



There are more than 40,000 cooperative businesses in the United States.



One in three Americans is a member of one or more cooperatives.



The first cooperative in the U.S. was organized by Ben Franklin.



Co-ops create jobs in their hometowns, keep profits local, and give back to their communities.



Nearly 1 million farmers belong to a cooperative.



Electric co-ops (associations) deliver more than one-third of America's electricity.



More than 100 million Americans belong to a credit union.



Food cooperatives generate combined sales of \$2 billion.



At least 233 million people are serviced by insurance companies owned by or affiliated with cooperatives.



More than 1.5 million families live in cooperative housing.

Cooperatives are on Good Terms

Fill in the blanks with the correct words to complete the sentences.

1. Companies that are owned by the customers are called _____.
2. Cooperatives are owned by _____ who are also customers.
3. Rural Electric Cooperatives are also known as _____.
4. Members can both vote for and become _____.
5. Cooperatives use the _____
_____ to guide their business priorities.
6. Three leading types of cooperatives are _____, _____,
_____.
7. A cooperative's _____ or savings are returned to the members.
8. Many cooperatives operate in _____ areas that other business avoid.
9. The first cooperative in America was started by _____.

Start Your Own Cooperative

You have learned that a cooperative is a way of business where the members own and operate the business. Cooperatives are designed to fill a need - they help us do things we can't do by ourselves. By working together, members of the cooperative make decisions for the business, share opportunity costs, and analyze risks. Anyone can start a cooperative as long as you share the same goals and want to work together.

Rocky Mountain Farmers Union is an educational and charitable organization made up of members in Colorado, New Mexico, and Wyoming. One of their many objectives is to help individuals start and run cooperatives. They also offer summer camps for students to explore 'Cooperation'. To learn more about Colorado cooperatives and educational programs, ask your teacher or parents to help you visit www.RMFU.org.

Think about starting your own cooperative. Working on your own or with a partner, answer the questions below to brainstorm ideas for starting your own cooperative.

1. Of the three types of cooperatives, supply, service, and marketing, what type of cooperative would you start?

2. What sector will your cooperative serve?

3. What is the purpose of your cooperative?

4. Who will join your cooperative and how many members do you want?

5. Do you need a manager or employees?

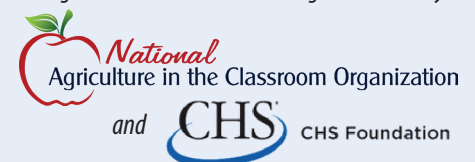
6. What name will you give your cooperative?



The *Colorado Reader* publication is an Agriculture in the Classroom project of the Colorado Foundation for Agriculture. The Colorado Foundation for Agriculture (CFA) is a 501(c)3 non-profit education corporation and works with industry partners to help meet our shared vision of advancing Colorado agricultural literacy. We provide Agriculture in the Classroom resources and programs to Colorado

educators and students, many of which are FREE or at minimal cost. For more information or to make a donation to support agricultural literacy education programs, visit www.GrowingYourFuture.com, or contact Jennifer Scharpe, Colorado Foundation for Agriculture, 10343 Federal Blvd Unit J Box 224, Westminster, CO 80260, 970-818-3308, Info@GrowingYourFuture.com. Content for this *Reader* was written by Maria Miller, with assistance from the Rocky Mountain Farmers Union. © Copyright 2019 Colorado Foundation for Agriculture. Educational instructors may, for academic purposes, reproduce, download, disseminate, and transfer that material as long as the reproduction credits CFA as its source.

This Reader was funded by the Educating Next Generation Agricultural Leaders Grant Program offered by:



Additional funding provided by Agfinity and the Rocky Mountain Farmers Union & FUSA Insurance Agency.