The Cooperative Advantage

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Keystone Development Center

KDC is a non-profit corporation dedicated to providing technical and research assistance to groups who wish to organize as cooperatives. KDC has been working with emerging, start-up and established cooperatives and businesses throughout the Mid-Atlantic Region serving over 100 clients since 1999. Our experienced team can support you and your group from development through to operations.

Sectors Served:
• Agricultural Marketing
• Food Cooperatives
• Purchasing
• Shared Services
• Broadband
• Energy/Utilities
• Transportation
• Worker Owner
• Artists
• Senior Housing
Reasons for Business Organization

- Production of Basic Commodities
- Processing or Manufacturing
- Marketing and Distribution
- Business Services
- Combination
Why Business Structure Matters

- Defines who owns the business
- Clarifies management and how decisions are made
- Organizes how earnings are distributed
- Protects personal assets
- Impacts taxation

- **Goals and Objectives.**
- **Participants.**
- **Ownership, Governance, and Financial Risk and Reward.**
- **Legal Limitations on Various Legal Structures.**
Legal Forms of Business

- Sole Proprietorships
- Partnerships
  - General Partnership
  - Limited Partnership
- Corporations
  - S Corp
  - C Corp
  - Non-Profit
- Limited Liability Company
- Cooperatives
Cooperative
A business owned and controlled by the people who use its services.

• User Owner • User Control • User Benefit

The primary difference between cooperatives and other types of businesses is the objective. A cooperative seeks economic benefits for its members. While the investor owned business has the objective to make profits for its investors, cooperatives exist to meet member needs economically and efficiently.
Types of Cooperatives

**Consumer Cooperatives**
- are owned by the people who buy the goods or use the services of the cooperative. Ex. housing, electricity and telecommunications, credit unions, healthcare, childcare, and funeral services.

**Producer Cooperatives**
- are owned by people who produce similar types of products and collectively market them to improve their incomes. Ex. farmers, craftsmen, artisans

**Worker Cooperatives**
- are owned and governed by the employees of the business. Ex. restaurants, taxicab companies, timber processors and light and heavy industry.

**Purchasing/Shared Services Cooperatives**
- are owned and governed by independent business owners and government agencies that band together to enhance their purchasing power. Ex. independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power.

Co-ops range in size from small store-fronts to large Fortune 500 companies. In the U.S., there are 48,000 co-ops serving over 130 million members; two of every five citizens belong to a co-op.

Worldwide, some 750,000 co-ops serve 800 million members. In many ways, they're like any other business; but in several important ways they're unique and different.
Cooperative Principles
Adopted in 1996 by the International Cooperative Alliance

- **Open, Voluntary Membership**
  - Membership in a cooperative is voluntary and nondiscriminatory.
- **Democratic Control**
  - Each member receives one vote. This is in contrast to other corporations where the number of shares owned determines voting power.
- **Member Economic Participation**
  - Members contribute to, and democratically control, the financial resources of their cooperative.
- **Autonomy & Independence**
  - Cooperatives are independent, self-help organizations controlled by their members.
- **Continuous Education**
  - Cooperatives provide education on the principles and practices of cooperative business so that members will be good decision makers and so the general public will better understand cooperatives.
- **Cooperation Among Cooperatives**
  - Cooperatives work together at the local, regional, national and international levels to further economic democracy.
- **Concern for Community**
  - Cooperatives work for the sustainable development of their communities through policies accepted by their members.
Producer Cooperative

My Story

CSA farm started in 1999 with 25 shares

Grew to 125 shares by 2005

Raised 50 different crops for 25 week harvest

Offered community events and programs

Trained many young interns
Producer Cooperative

My Story

People
Planet
Profits
Triple Bottom Line

Customer Service
Sales
Bookkeeping
Transportation
Labor
Complex cropping system
No time for other markets
Lancaster Farm Fresh Cooperative
Started in 2006 with 15 farms, now 100 Small Family Farm Members in 2016

- Products
  - Fresh, local, organic produce, fruit, herbs & flowers
  - Grass-fed animal meat & dairy products
  - Small batch value added products

- Customer Services
  - Distribution from NY, Phila., Baltimore, DC, Eastern PA, NJ
  - Wholesale to retail, food co-ops, restaurants & institutions
  - Community Supported Agriculture (CSA)
  - Buying Club
  - Year round service
  - Professional sales staff
  - One stop shop

Started in 2006 with 15 farms, now 100 Small Family Farm Members in 2016

One stop shop started in 2006 with 15 farms, now 100 Small Family Farm Members in 2016

A Non-Profit Organic Farmers Cooperative
Lancaster Farm Fresh Cooperative

• Services to Farmers Include
  • Sales & Marketing
  • Transportation
  • Warehousing
  • Purchasing
  • Business Support
    • Record Keeping & Planning
    • Product Development
    • Farmer Education

Efficiency
Shared Costs
+ Economy of Scale
Greater Profits
Local Food System

The food system includes all processes involved in keeping us fed: growing, harvesting, processing, packaging, transporting, marketing, consuming and disposing of food. It also includes the inputs needed and outputs generated at each step. Each step is also dependent on human resources that provide labor, research and education.
Producers Cooperatives

Agricultural Marketing Cooperatives help farmers to market and distribute their products.

Central PA Milk Marketing Co-op
Chester County Cheese Artisans
Community Oasis at Bird in Hand
Friends and Farmers Cooperative
Heritage Shellfish Cooperative
Jackson Meadows Country Market
Keystone Beef Marketing Network
Lancaster Farm Fresh Cooperative
Lancaster Vegetable Growers Cooperative
Maryland Apple Producers Exporting Coop
Maryland Meat Marketing Cooperative
Northwest PA Growers Cooperative
Penns Corner Farm Alliance
Southern Maryland Beef
Tri-County Cooperative Auction Market Association
Tuscarora Organic Cooperative
Wine Co-op (Maryland)
Cooperative Advantage

- Improve Market Power
- Reduce Costs
- Improve Purchasing Power
- Transparency, Awareness and Empowerment
- Control Over Business Decisions
- Expand Market Opportunities – Niches
- Improve Product Quality
- Increase Income
Key Ingredients

• A shared conviction that this is an appropriate form of business
• Mutual need
• A shared vision of a committed group of people with an affinity for one another
• Brings out the talents and energy found in a diverse group of stakeholders who shoulder the various aspects of the business.
• Core leadership team become the steering committee and board of directors.
• Various advisors include cooperative developers, lawyers, accountants, and others.
How Cooperatives are structured:

- Complex to Organize: Articles of Incorporation and Bylaws Required.
- Responsibility for management and control is held by Board of Directors.
- Liability of Owners is the owner’s (shareholder’s) investment.
- Taxes are passed onto shareholders.
- Existence is tied to its’ member-owners.
- Capital is raised by direct contributions, retained earnings, per unit retains, or by borrowing.
Cooperative Development

- Identify Need / Agree on Mission
- Evaluate Feasibility
- Good Business Plan
- Develop Leadership
- Capitalization
- Management

Steering Committee
- Guides the development process
- Keeps minutes of its meetings
- Conducts the initial feasibility analysis and due diligence process
- Oversees the incorporation process and serves as the incorporators
- Develops bylaws for organization
- Establishes the first Board of Directors according to the bylaws
KDC Technical Assistance

- Feasibility Studies
  - Identification of Primary Trade Area
  - Competitor Analysis
  - Financial Modeling
- Business Plans
  - Financial analysis
  - Market research
- Organizational Development
  - Bylaw development
  - Strategic planning
  - Director/Board education
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Keystone Development Center
...sustaining communities, economies, and resources through cooperatively owned businesses