

What is a Cooperative?

XYZ Electric Cooperative

South Dakota's



Touchstone Energy® Cooperatives
The power of human connections

Kids Voting South Dakota 2006



[K-W-L]

- What do you know about cooperatives?
- What would like to know about cooperatives?

[Cooperative]

- A type of corporation*
- Multiple owners who are user members
- Variety of goods and services
- State chartered
- Members are investors
- Owned and controlled by members who use its services*

Democracy Vs. Republic

Democracy

- a:** government by the people;
especially : **rule of the majority.***
- b:** a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation usually involving periodically held free elections.
- c:** Attitude toward law is that the will of the majority shall regulate, whether it be based upon deliberation or governed by passion, prejudice, and impulse, without restraint or regard to consequences

Republic

- a:** a government having a chief of state who is not a monarch and who in modern times is usually a president : a political unit (as a nation) having such a form of government.
- b:** a government in which supreme power resides in a body of citizens entitled to vote and is exercised by elected officers and representatives responsible to them and governing according to **law.***

[Cooperatives as Democracies]

- Members control their cooperative by casting votes on major business decisions.
- The board of directors is elected by its members (representative democracy).*
- The cooperative creates and operates with articles of incorporation and bylaws.*

[Articles of Incorporation]

- It describes in broad terms the type and purpose of the cooperative and scope of business.*
- Includes the cooperative's name, place of business, capital structure, names of incorporators, and other general information.

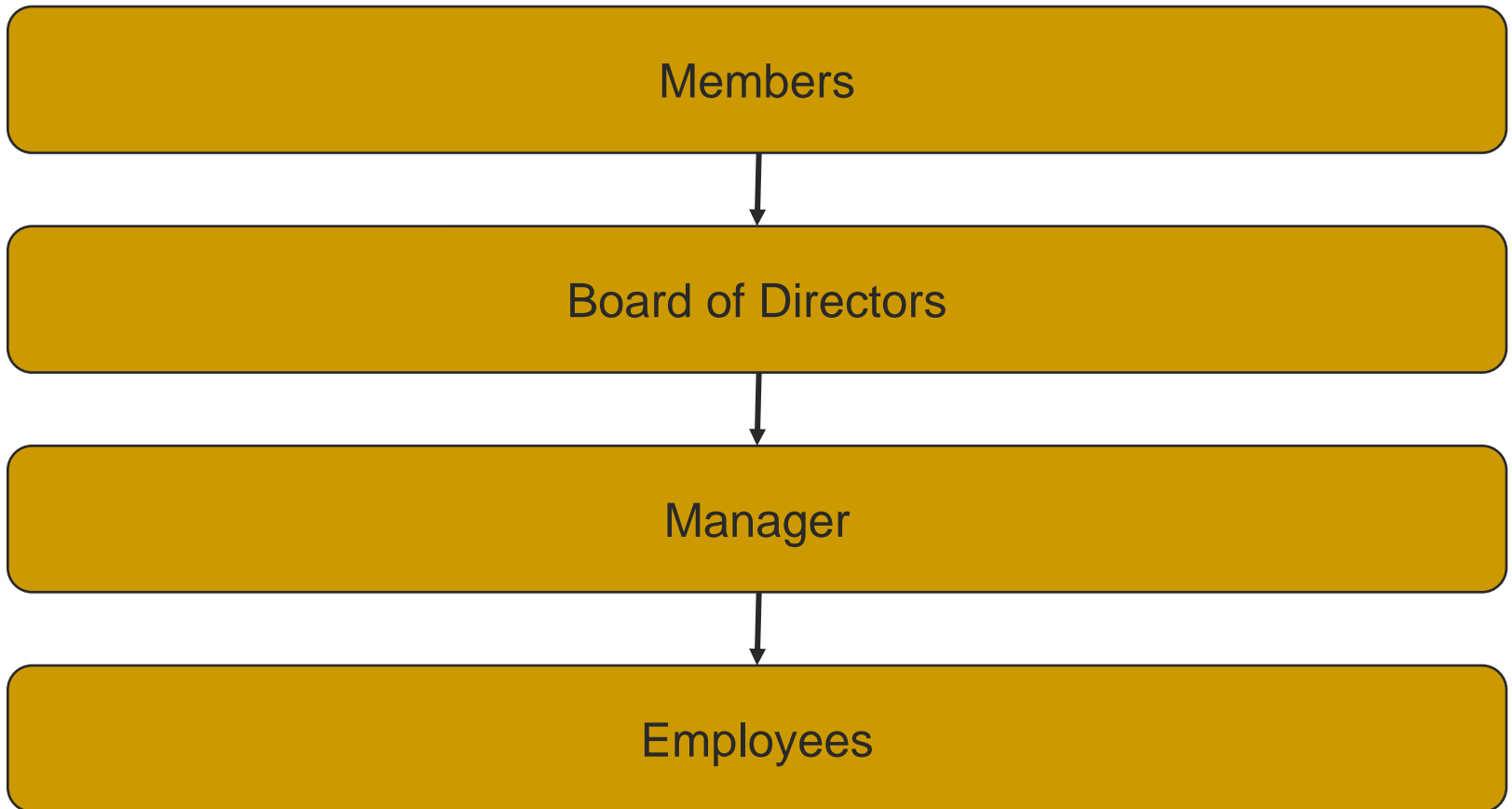
[Bylaws]

- Bylaws describe how the cooperative is organized and how it will operate.*
- Includes qualifications of membership, duties of officers and directors, meeting and voting procedures, raising and paying back member capital, and procedures and rights in case of dissolution.

[Cooperatives]

- Are primarily controlled by a board of directors elected by and from members
- Derive equity from member owners
- Operate for the benefit of member owners*
- Allocate earnings based on use*
- Earnings from member business are taxed once

[Organization*]



[Principles of Cooperatives*]

- **User-owner:** the people who own and finance the cooperative are those who use it
- **User-control:** the people who use the cooperative are those who control the cooperative
- **User-benefit:** the cooperative's sole purpose is to provide and distribute benefits to members on the basis of their use.

[Potential Benefits]

- Improve bargaining power to market, purchase and serve
- Volume purchasing of supplies thus lowering per-unit costs to members
- Services/products are provided that may otherwise may not be available.
- Increase community strength by providing jobs*

[Functions of Cooperatives]

- Cooperatives may perform one or more of three core functions:
 - Marketing products
 - Purchasing supplies
 - Providing services

- The next few pages will describe the these three core functions...

[Marketing Cooperatives]

- Assist members in maximizing returns from goods they produce
- Handle, process, and sell*
- Grade, transport, bargain
- Add value
- Research new product development

[Purchasing Cooperatives]

- Allow members to gain access to affordable production supplies and goods
- Purchase in bulk to reduce costs and increase purchasing power*
- Provide direct ownership of refineries, plants, retail facilities, and research facilities

[Service Cooperatives]

- Provide needed services
- Meet many needs
- Custom application of purchased supplies, transport of product, etc.
- Provide electricity, fuel, credit, housing, health care, technology, etc.*

[Key Concepts]

- The cooperative is a form of business.
- Members join to benefit from uniting their efforts.
- Members finance, control and use and their cooperative.
- Members are active owners and participate in the decision making.
- Cooperatives produce economic benefits to the members and the community.

[K-W-L]

What did you learn about cooperatives?

QUESTIONS?

[Resources]

- Agricultural Cooperative Service.
Cooperative information report 12: Members make co-ops work. Washington, D.C.: United States Department of Agriculture.
- Rural Business-Cooperative Service.
Cooperatives: What they are and the role of members, directors, managers, and employees. Washington, D.C.: United States Department of Agriculture.