



Building a Successful Cooperative

**Kentucky Center for Agriculture
and Rural Development**

What is a Cooperative?

Simple Definition

A Cooperative is a business owned and controlled by the people that it services.



**Cooperatives follow three principles
that define or identify their
distinctive characteristics**



Principle One

User-Owned:

The people who own and finance the Cooperative are those that use it (purchase supplies, marketing products or using services of the cooperative business).

Finance by membership fee or stock purchase; withholding a % of net earnings; per unit retains.



Principle Two

User-Controlled:

**Member control by election of board of directors
and voting on major organizational issues.
One Member-One Vote basis.**



Principle Three

User-Benefited:

The sole purpose of the Cooperative is to provide and distribute benefits to members on the basis of their use of the services of the Cooperative.

- Members unite in a cooperative to receive services otherwise not available, to purchase quality supplies, to increase market access, or for other mutually beneficial reasons.
- Members benefit from distribution of net earnings/profits based on the individual's business volume with the cooperative.



Keys to Building a Successful Cooperative

Key #1

Establishing that there is a need for the cooperative. This means can an idea transition into an interest that will become a commitment.

It usually involves:

- Strong leadership by key individuals in the community
- Steering Committee
- Survey of Interest
- Community Meetings



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Key #2

A decision must be made early on if it is feasible to operate a successful produce cooperative in the area. It involves a thorough feasibility analysis by objective consultants:

- To research the industry that the Cooperative would be entering.
- To do market research, supply research, etc.
- To determine facilities needed, operating costs, capitalization, and financial requirements.
- To determine obstacles to success.



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Key #3

Capitalizing the Cooperative – Can you do it?

- Project capital needs – “Best” & “Worst” case scenarios.
- Involves decision to be stock or non-stock.
- Estimate the amount of member investment (risk capital).
- Estimate the amount of debt capital needed.
- Prepare a business plan with help of



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Key #4

Decision Time!

Decide to proceed or stop at this point based upon knowledge gained from previous work.



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Key #5

If decision is to go forward:

- Elect an incorporating board of directors
- Hire a competent attorney
- Prepare and file Articles of Incorporation
- Prepare and adopt bylaws



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Key #6

Hold membership meetings and equity drive

- Involves strong leaders that thoroughly understand the purpose and benefits of the cooperative.
- Be prepared to answer tough questions.



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Key #7

Implement the business plan to:

- Acquire capital other than that raised by members.
- Hire management.
- Acquire facilities.
- Initiate business operation.

