

The Basics on Forming a Cooperative Business or Venture

An overview of the cooperative business model, including how it might be utilized to address food and agricultural needs in your community, and information about the Southwest Cooperative Development Center and its services.



Southwest Cooperative
Development Center

About the Southwest Center

The Southwest Cooperative Development Center works to improve economic conditions in New Mexico's rural areas through the creation, retention, and expansion of sustainable cooperative and mutually owned businesses, particularly related to healthy food access, and local and regional food systems. Services of the Southwest Cooperative Development Center (the SW Center) include to:

- ✓ provide training and technical assistance to existing and prospective cooperatives or mutually owned businesses;
- ✓ assist with identifying and securing funding such as grants, loans, and member or investor financing;
- ✓ facilitate feasibility analysis, market research and business plan development;
- ✓ offer referrals to other resources, including an "Executive on Loan" program.

Focus of the Southwest Center

- cooperative or community-owned food retail stores
- Online and other alternatives to retail storefronts
- local and regional food hubs
- Cooperative/collective marketing for producers
- service and supply cooperatives
- buying clubs (bulk purchasing, local products, and other)
- other food and food-related businesses
- Provides technical assistance
 - Step-by-step start-up
 - Facilitation
 - other
- Assists with resource identification
 - Funding
 - expertise
- Provides basic training

Did you know...

The World food supply is now basically controlled by seven large corporations?

*taken from **Food, Inc.**
A documentary film about
our changing food system*

Cooperatives can help small and mid-sized producers regain control of their markets, and compete in the global economy.

Cooperative Principles

- **Voluntary and Open Membership**
open to all persons able to use the co-op's services and willing to accept the responsibilities of membership
- **Democratic Member Control**
controlled by its members - usually, members have equal voting rights (one member, one vote)
- **Member Economic Participation**
Members contribute equitably to, and democratically control, the capital of their cooperative
- **Autonomy and Independence**
autonomous, self-sustaining organization controlled by its members
- **Education, Training and Information**
provide education and training for its members, officers and employees and inform the general public about the nature and benefits of cooperation and cooperatives
- **Cooperation among Cooperatives**
strengthen the cooperative movement by working together through local, national, regional and international structures
- **Concern for Community**
assist the sustainable development of the community(ies) served

Advantages of Cooperatives

A cooperative serves as a tool for reaching a common goal. It is a business or enterprise that is cooperatively owned by its members.

- Allow members to leverage resources and share risk
- Build sustainable community-based businesses that improve economies and quality of life
- Create new and/or expand existing market opportunities
- Improve bargaining/marketing power
- Obtain and/or improve quality of products or services
- ***Provide financial or economic benefit to its members, such as increase member income***
- Provide tax advantages over other business models
- Allow members to remain small scale while competing in a larger market (economies of scale)

Cooperative Models

Cooperatives belong to the people who use them and operate for the benefit of their members

Traditional

- Low equity investment
- Low returns
- Open membership
- No marketing commitments

New Generation

- High equity investment
- Higher returns
- Closed membership
- Enforceable marketing commitments

The cooperative business model has a lot of flexibility. Most cooperatives are some hybrid or modified model, somewhere between these two models.

Types of Cooperatives

Purposes:

- Marketing
- Shared services
 - Housing
- Purchasing
 - Individual/consumer
 - Businesses/organizations
- Other

Ownership Models:

- producer-owned
- Consumer-owned
- Worker-owned
- Blended ownership/hybrid

Sectors: Cooperatives are present in virtually every business industry, and many not-for-profit industries. Some common industries are **agriculture, retail/wholesale food, health care, child care, housing, utilities, and manufacturing.**

Challenges of Cooperatives

• *New cooperatives face the same risks as any new business!*

- Poor management
- Inadequate capital
- Undefined markets
- Lack of discipline
- Failure to identify and minimize risk

Cooperatives may also have unique challenges:

- Democratic member ownership and control
 - Retaining member interest
- Common mission and goal drift

Planning for Success

“I’m all for progress, It’s the changes I don’t like”

New ventures are exiting in the beginning; but they take time, energy and work! Here are some initial steps:

- ✓ Gather information:
 - research other similar ideas
 - visit businesses/ventures in the industry
 - talk to potential members (business partners)
- ✓ Identify initial resources and assistance available:
 - find agencies who will help you –
USDA, Extension services, SBDCs, SW Co-op
Development Center, others
 - identify initial resources among
members/partners
- ✓ Conduct due diligence – plan a feasibility study
- ✓ Be patient and thorough – it will serve your business well!

Getting Started:

Some Things to Consider

- Define the common goal - a problem or opportunity and a group who shares a vision by which to address it
- Determine who shares this goal and vision; who will benefit by cooperating.
- Address how the cooperative model might be part of the solution or opportunity and whether or not there other business models that might also be appropriate.
- Identify initial resources - human, financial, physical and otherwise- necessary to move the concept forward
 - Is there leadership among the group?

Reach out to Resources for Assistance

Enlist the assistance of:

- The Southwest Co-op Development Center
- Extension Services, SBDC, Economic Development Councils, and other economic development entities in your area
- USDA and other funding and information resources
- Your local and/or regional public officials and community agencies
- Colleges and Universities
- Individual experts, advisors and supporters

What You Will Need

- Vision
- A cooperative attitude
- Human capital
- Skilled leadership
- Research and analysis
- Planning and strategy
- Financial capital – financing and funding
- Time and Patience

A Cooperative is like any other Business

Success means:

- Following your business plan
- Generating a Profit
- Accurate and Timely Accounting
- Financial Analysis-Audits
- Personnel Management
- Strategic Planning
- Customer Satisfaction

NO MARGIN-NO MISSION

Keys to Success

- Chunk the process
- Develop an exit strategy
- Never stop planning
- Anticipate the potential for a “*Hidden Bummer Factor*”
- Maintain effective, open and ongoing

COMMUNICATION

People within **communities** work **together** toward a **common vision** to create and become **cooperatives**.

*Adapted from a presentation by the Rocky Mountain
Farmers Union Cooperative Development Center*

- Opportunities belong to the bold
- If we don't try, we can't succeed
- Failures happen – do not give up!!

Thank You!

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