



# Florida A&M University

## Cooperative Extension Programs

# Cooperatives and Producer Groups

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### Why is there a need to organize?

- ◇ Economic need
- ◇ Desire for a particular service

### Why do producers organize?

- ◇ Lack sufficient markets for products
- ◇ Lack satisfy sources of production inputs
- ◇ Lack service related to farming
- ◇ Develop source of additional income

### What is a COOPERATIVE?

*A business owned and controlled by the people who use its services for their mutual benefit.*

### Why are cooperatives organized?

- ◇ Improve bargaining power
- ◇ Reduce production costs
- ◇ Improve product or service quality
- ◇ Expand new and existing market opportunities
- ◇ Obtain products or services otherwise unavailable
- ◇ Increase income

## 3 Distinctive features of Cooperatives

### User-Owner Principle

*"People who own and finance the cooperative are those who use it."*

- ◇ Direct contribution through membership fees or stock purchase
- ◇ Agreement to withhold a portion of cooperative profits
- ◇ Assessments based on units of product sold or purchased

### User-Control Principle

*"People who use the cooperative control it (one member, one vote)."*

- ◇ Member-users control the business
- ◇ Elect board of directors and vote on structure and operation
- ◇ Board sets policy and is responsible for managing the cooperative business

### User-Benefit Principle

*"To provide and distribute benefits to members based on use."*

- ◇ Members receive services otherwise not available
- ◇ Members purchase quality inputs, usually at lower cost
- ◇ Members utilize market access otherwise not available
- ◇ Members benefit from distribution of profits based on individual volume with the cooperative

## Considering Organizing a Cooperative?

- Learn about the legal, economic, and financial aspects of cooperative business
- Get assistance from cooperative development experts, an attorney, and an accountant
- Careful planning increased the chance of success

### Ten Steps for Effective Organizing

- Hold an exploratory meeting
- Select a steering committee
- Conduct a survey of potential members
- Analyze markets for products, supplies, and services
- Prepare a business plan
- Adopt bylaws and select a board of directors
- Incorporate the cooperative as a business (for profit or not-for-profit)
- Find investment funds
- Hire management & employees and acquire facilities & equipment
- Begin operations

#### Potential Pitfalls to Avoid

- ◇ Lack of clearly identified mission
- ◇ Inadequate planning
- ◇ Failure to use experience advisors
- ◇ Poor assumptions
- ◇ Lack of quality member leadership
- ◇ Lack of competent management
- ◇ Failure to identify and minimize risks
- ◇ Lack of member commitment
- ◇ Lack of financing
- ◇ Inadequate communication

#### General Rules for Success

- ◇ Use advisors and committees effectively
- ◇ Keep members informed and involved
- ◇ Maintain good board-manager relations
- ◇ Conduct business-like meetings
- ◇ Follow sound business practices
- ◇ Forge linkages with other cooperatives

*\*Source: "How to Start a Cooperative", USDA Rural Business Cooperative Service, 1996  
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