

What Is a Co-op?

A cooperative is a business. Co-ops range in size from small store-fronts to large Fortune 500 companies. In the U.S., there are 48,000 co-ops; 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.

Cooperatives -

- Are owned and democratically controlled by their members. In the case of a worker cooperative, it is owned and controlled by employees, not by outside investors or by the county government.
- Elect their board of directors from within the membership.
- Return surplus revenues (profits) to members in proportion to the hours worked or services used - not in proportion to their investment or ownership share.
- Are motivated not by profit, but by service - to meet their members' needs for access to market or supportive wages while providing quality services.
- Pay taxes on income kept within the co-op for investment and reserves. Surplus revenues from the co-op are returned to individual members who pay taxes on that income.

Types of Cooperatives -

Consumer Cooperatives—Consumer cooperatives are owned by the people who buy the goods or use the services of the cooperative. They sell consumer goods such as food and outdoor equipment. They provide housing, electricity and telecommunications. And they offer financial (credit unions), healthcare, childcare, and funeral services. Almost any consumer needs can be met by a cooperative.

Producer Cooperatives—Producer cooperatives are owned by people who produce similar types of products - by farmers who grow crops, raise cattle, milk cows, or by craftsmen and artisans. By banding together, they leverage greater bargaining power with buyers. They also combine resources to more effectively market and brand their products, improving the incomes of their members.

Worker Cooperatives—Worker cooperatives are owned and governed by the employees of the business. They operate in all sectors of the economy and provide workers with both employment and ownership opportunities. Examples include employee-owned food stores, processing companies, restaurants, taxicab companies, sewing companies, timber processors and light and heavy industry.

Purchasing/Shared Services Cooperatives—Purchasing and shared services co-ops are owned and governed by independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power, lowering their costs and improving their competitiveness and ability to provide quality services. They operate in all sectors of the economy.