

Cooperatives in Wisconsin

The Power of Cooperative Action





The “twin pines” symbol for cooperatives originated with The Cooperative League of the USA, which adopted it as its logo in 1922. The pine tree is an ancient symbol of endurance; the two trees together represent the strength in mutual cooperation—people helping people.

What is a cooperative?

A cooperative (co-op) is a business that is owned and controlled by its members. The cooperative is operated to benefit its members, not to maximize profits for outside investors.

People who use the cooperative **own** their co-op because they finance it in a variety of ways. They share in both the business risks and the business profits. Each cooperative determines what level of financial participation is required to establish membership status in the co-op.

Members democratically **control** their cooperative by exercising the voting rights that come with membership. In Wisconsin, each member is entitled to one vote.

Members **benefit** from the cooperative because they have access to the products and services that they need. In addition, all or part of a cooperative’s net operating profits may be distributed proportionately, based on each member’s use, or patronage, of the co-op.

What are the advantages of the cooperative model?

The cooperative model can be a very effective way for people to address their own economic needs. Often a cooperative is organized in response to some adversity — individual farmers face falling dairy prices, for example, or a community loses its grocery store. A common need for products or services may go unmet because the business opportunity does not present an attractive return to outside investors but is nonetheless feasible as a business operation. A cooperative business may provide a solution because its ownership structure allows the business to maintain its focus on meeting member needs, not maximizing returns for owners or investors.

Co-op businesses can diversify and strengthen the local economic community. Profits tend to remain in the local economy because they are returned to members. The cooperative also can be a source of local employment, further strengthening the community.

Members’ active participation in a cooperative can benefit a community’s civic life. The empowering experience of self-determination through cooperation provides a perspective and set of skills that can be applied to other community activities.



Barron Co-op Creamery, ca. 1900. (Wisconsin Historical Society)

How long have cooperative businesses existed in Wisconsin?

Cooperatives have long played an important role in the economy of rural Wisconsin, with the first town mutual insurance society dating back to the mid 1800s. In the late 1800s, the Grange movement addressed the many economic hardships facing farmers through social and political action. The Granges advocated cooperative enterprise and familiarized many rural Wisconsin communities with cooperative stores, grain elevators, and mills.

By the early 20th century, 46% of the state's creameries and 37% of all cheese factories were farmer-owned. In the 1930s, telephone and electric cooperatives brought those critical services to rural Wisconsin.

In the more recent past, there has been consolidation among many Wisconsin cooperatives. Changes in the market, increased transportation options, and improvements in communications have made larger scale operations both necessary and feasible. Faced with today's market challenges, many traditional agricultural cooperatives have entered into strategic alliances or pursued mergers or acquisitions with both cooperative and non-cooperative types of businesses.

New agricultural co-ops have been created to market "value-added" products. Members' products are produced, processed, or packaged in ways that command higher prices, providing greater returns to the co-op's members. Ethanol from corn and milk produced in accordance with organic standards are both examples of value-added products made by Wisconsin cooperatives.



Adams-Columbia Electric Cooperative worker fixes utility lines.

Are there different types of cooperatives?

Cooperatives can be broadly grouped into several categories, depending on the needs of their members.

Agricultural Marketing and Farm Supply Cooperatives



Wisconsin Cranberry Cooperative markets the cranberries its member-owners grow on individual family farms.

Westby Cooperative Creamery is owned by dairy farmers who supply milk for the cheese and dairy products that are produced and marketed by the cooperative.



CROPP Cooperative is the largest organic farming cooperative in the US. CROPP markets its organically produced dairy, eggs, soy, juice, produce and meat under the Organic Valley and Organic Prairie brands.



Landmark Services Cooperative provides its members with fuel, fertilizer, feed, grains, marketing and agronomy services, and operates retail automotive and convenience stores.

Agricultural marketing and farm supply cooperatives

are owned by their farmer members who use the cooperative to manage their farm operations more efficiently. By pooling products and demands for farm inputs, a co-op can negotiate better prices and provide access to larger markets for members. A co-op can also add value by further processing member products, which increases the product price and demand.

Worker co-ops are businesses that are owned and controlled by the workers, rather than the end-users of the business's products or services. This allows the worker-members to directly benefit from the business's success. Profit distribution to worker members is based on some combination of job position, hours worked, seniority, and salary. Worker cooperatives are found in a wide variety of industries.

Worker Cooperatives



Union Cab is a worker-owned and operated taxicab cooperative serving south-central Wisconsin.

Isthmus Engineering & Manufacturing is an industrial worker cooperative that specializes in automated equipment.



Cooperative Care is a worker-owned company that provides homecare services and certified nursing assistant care to the disabled and elderly in their homes.

Housing cooperatives provide an alternative to personally owning a home as an individual. In a housing co-op, a group of people jointly own the cooperative by buying shares (stock) in the cooperative corporation. The co-op owns the land and the housing units, and the shares entitle members to live in the housing units. The cooperative is responsible for repair and improvements to exterior and shared spaces. Interior maintenance may be shared between the members and the cooperative in a variety of ways. Housing co-op members benefit from all the tax advantages of home ownership, and the housing co-op model permits a wide range of legal and financial flexibility.

Consumer cooperatives supply specialized goods or services to their member-owners to meet their specialized needs. By combining member demand, the co-op can provide the consumer better pricing, product availability, and control of services than might be available otherwise.

Purchasing cooperatives also combine member demand to achieve better pricing, availability, and delivery of products or services. However, the members of purchasing cooperatives are businesses that use the cooperative to more efficiently operate their own enterprises.

Housing Cooperatives



Ridge Side Co-operative. (Adam Bauknecht)

Homestead Cooperative of Mt. Horeb provides 25 homes to active senior citizens.

Ridge Side Co-op offers nine units of affordable housing in downtown Madison.

Adams-Friendship Cooperative Homes is a community of five separate modular homes built on cooperatively owned land.

Consumer Cooperatives



Viroqua Food Cooperative provides its consumer members with organic and locally produced foods.

Adams-Columbia Electric Cooperative is a rural electric distribution cooperative that provides its member-owners with utility services.



UW Credit Union provides customized financial products and services to meet the money management goals of its members.

Purchasing Cooperatives



Independent Pharmacy Cooperative negotiates with wholesalers to get better pricing and services for its members, who own independent pharmacy businesses.

Educational & Institutional Cooperative Purchasing is a buying cooperative established to lower costs for its member institutions in higher education. E&I maintains supplier contracts in areas ranging from furniture to food service.

How does a cooperative operate?

The operation of a cooperative depends on four different groups of people: members, board of directors, management, and employees.

The **members** are the foundation of a cooperative: they own it, they control it, and their needs are the reason it exists. Members control the cooperative by electing a board of directors to act on their behalf. Members directly vote on changes to articles of incorporation and bylaws, and on cooperative mergers or dissolution. In Wisconsin, each cooperative member receives one vote.

An informed and educated membership is essential. Members can make better voting decisions that support the co-op's ongoing success when they understand the business and financial issues that the co-op is facing. For this reason, a cooperative's member communication and education programs are a sound investment in the co-op's future.

Members also have a responsibility to patronize the cooperative and to provide the capital necessary to finance the business. Member support keeps the co-op economically healthy and allows it to adapt to changing member needs.

The **board of directors** ensures that the cooperative pursues long-term business strategies that meet the needs of the membership while supporting the ongoing viability of the business. The directors are responsible for the financial health of the cooperative and are trustees for the members' equity. They review and evaluate all financial reports, assess the capital needs of the cooperative, and determine patronage refund allocations. They establish operating policies and are responsible for hiring and evaluating the general manager. Directors must stay clear of conflicts of interest so that their decisions serve the needs of the entire cooperative rather than specific groups within the business.

A cooperative's **management** team is hired to carry out the objectives and policies adopted by the board. The general manager oversees the day-to-day operations of the cooperative. The manager furnishes the board with information and recommendations for long-range planning, develops the budget for board approval, and provides ongoing financial and operations reports. Management is also responsible for hiring and supervising staff.

A co-op's **employees**, as in other businesses, are hired to carry out the tasks needed to operate the cooperative. Employees significantly contribute to members' overall satisfaction with their co-op as they interact with members in co-op transactions. Employee understanding of cooperative principles and objectives can be an important part of positive member relations. In the case of worker-owned cooperatives, the management and employees may both be member-owners.



Tire change at Landmark Cooperative



Photo by USDA NRCS

How is a cooperative financed?

Adequate financial resources, or capital, are fundamental to start, operate, and grow any business. These funds can be in the form of debt or equity capital.

Debt capital refers to loans, bonds, or credit that are borrowed from banks or other financial institutions and that must be paid back to the lender with interest over time. Providing debt capital does not give the lender ownership rights. Cooperatives, like other businesses, use debt capital to start and finance their operations. Up to 50% of a healthy co-op's capital needs may be financed through debt.

Debt capital is usually borrowed from commercial or cooperative banks, or other public and private financial institutions. Loans from members can be another effective way to help meet the co-op's capital requirements. Because member loans are generally subordinate to loans from outside lenders, they are riskier and are often considered quasi-equity.

Equity capital is supplied by investors who, by putting their capital at risk, are granted some degree of ownership and a share of the business's profit. In the case of a cooperative, members act as investors by supplying a large portion of the equity capital. It is part of members' obligation as owners to share in business risk as well as business profitability, in proportion to their use of the cooperative.

How do cooperatives raise equity capital from members?

1. Selling common stock or membership certificates to members

Membership in a cooperative is typically established by the purchase of common stock or a membership certificate. The stock cannot be traded nor does it appreciate.

The fees or stock purchases required for membership are determined by the bylaws of each cooperative. Membership requirements must balance the cooperative's capital needs with the ability to attract and maintain members. The amount required varies by cooperative type and by sector.

2. Allocated and unallocated equity

To meet the ongoing need for capital, established cooperatives, like other businesses, will retain some portion of annual net profits and reinvest it back into the business. In the case of cooperatives, this type of equity can either be allocated or unallocated.

Allocated equity is the retained portion of those annual net profits that are allocated to members based on their proportional usage, or patronage, in that year. This patronage "refund" or "dividend" allocation is distributed to members through a combination of qualified written notices, non-qualified written notices, and cash.

Qualified distributions of the patronage refund are credited to individual member accounts, and the income tax liability is passed through to the member, who pays the income taxes on those earnings. However, the cooperative can retain and reinvest up to 80% of the qualified

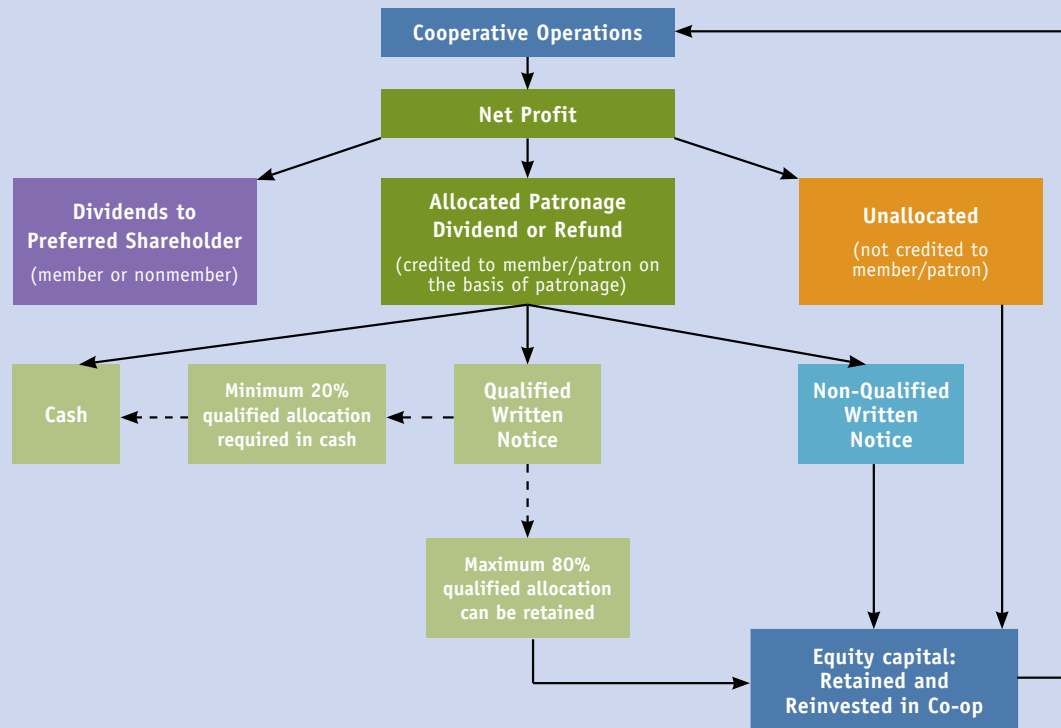


Photo by USDA NRCS



Photo by USDA NRCS

Cooperative Net Profit Distribution



Both co-op and recipient pay income tax

Member/patron pays any required income tax.

Co-op pays income tax. Upon future distribution to member, member/patron pays any required tax, and co-op receives tax credit.

Co-op pays income tax

University of Wisconsin Center for Cooperatives

distribution allocation to meet equity capital needs. The Internal Revenue Service requires that at least 20% of the allocation be distributed to members as cash to cover tax payments.

Nonqualified distributions are also credited to individual member accounts and retained by the cooperative, but the cooperative pays income tax at the corporate rate on the member allocations. At a future date, should that equity be distributed to members, the member pays income tax and the cooperative receives a tax credit.

A portion of the patronage refund allocation may also be distributed as cash to members, who are responsible for the income taxes on that amount. In the case of consumer cooperatives, where member transactions with the cooperative are for personal use, cash and qualified patronage distributions are considered refunds and are not subject to tax.

The cooperative's capital needs, its tax position, and its business sector contribute to its annual decisions about patronage refund distributions and retained allocated equity. There is the expectation that the cooperative will redeem allocated equity in the future based on a redemption plan developed by the board of directors.

A portion of the net profit may also be designated as **unallocated equity**. Unallocated equity is not credited to individual member accounts and is directly reinvested in the cooperative, which is

responsible for the taxes. Typically this portion of the net profit is from business conducted with non-members.

3. Per unit retains

Per unit retains are another method for members of marketing cooperatives to contribute equity to the co-op. The cooperative retains a portion of each transaction it makes with a member for products received or purchased. The retained payments are credited to a member's account and are treated similarly to allocated equity accounts. Unlike qualified allocated equity, however, there is no 20% cash refund requirement. As with allocated equity, the cooperative is expected to redeem this equity at some point in the future.

4. Selling preferred stock to members and non-members

When larger amounts of capital are needed for start-up or expansion efforts, Wisconsin cooperatives may generate equity by selling preferred stock to both members and non-members. Holders of preferred stock receive dividends paid out of the cooperative's net profit, regardless of membership status. These dividends receive priority over any other allocation of net profits and are made at the discretion of the board. Wisconsin state law limits dividends of traditional cooperatives to 8%.

Preferred stockholders have voting rights under Wisconsin law but solely on matters that directly affect the value of their investments, such as a merger or dissolution. Each preferred stockholder receives only one vote, regardless of the amount of preferred stock owned. Preferred stock also receives priority if the cooperative is dissolved.

Are there new approaches to financing co-ops?

The cooperative structure can make it challenging to raise large amounts of equity capital. Because a co-op is designed to benefit its users by distributing profits based on patronage, it may not have the retained earnings for new, capital-intensive projects. Members may not be able to raise sufficient capital themselves for a larger start-up venture. Traditional cooperatives are not structured to offer ownership shares and a potential return on investment to attract larger, non-member investors.

Newer cooperative laws in several states, including Wisconsin, have been adopted to address these issues. These new laws do not replace existing ones but instead provide another structural option to solve a business start-up problem.

Another structural innovation to address financing issues is the new generation cooperative (NGC), which is often used in value-added agricultural ventures. NGCs tie membership shares to "delivery rights." Members purchase shares that commit a certain amount of their product for sale and delivery to the cooperative and must pay fees to the cooperative if they fail to do so. NGCs also use delivery rights to establish limited or closed memberships so that the cooperative can control the quantity of product it receives and must process and market. Members can sell their shares to other producers if they want to leave the cooperative but usually must obtain board approval. Share value is allowed to fluctuate depending on cooperative performance.

Cooperative Laws in Wisconsin

New cooperatives can be formed under either Chapter 185 or the newer Chapter 193.

Chapter 185

- Net profit is distributed to patrons on the basis of use, not on investment.
- Individual members have one vote and elect the board of directors from the membership.
- Investors holding non-member preferred stock are entitled to one vote on specific issues such as mergers or dissolution.

Chapter 193

- Investors as well as patrons may be members, have voting rights, and be elected as directors.
- Net profit can be distributed to members on the basis of both patronage and investment.
- Patron members have a right to at least 51% of profit unless bylaw or article changes are approved by patron members. A 30% distribution to patron members is required, even if equity from investor members is over 70%.
- Patron members must be allocated at least 51% of the total member vote.
- An existing cooperative incorporated under Chapter 185 cannot convert to a Chapter 193 cooperative.

“Despite the considerable imperfections common to humankind, co-ops still provide an opportunity to have faith in like-minded people. This faith is an essential element in cooperation and adds considerable business strength and efficiency to the organization. It is the ultimate corporate culture.”

—Bill Patrie,
Common Enterprise
Development Corporation

How do cooperatives compare with other business models?

The legal structure of a business defines ownership, liability, earnings distribution, and control. A cooperative is a type of business that is owned and controlled by its members.

While other businesses typically distribute profits to owner-investors based on the amount of their investment, cooperatives focus on providing member services at cost and returning profit to members according to individual member use, or patronage. Because the members are also the users of a cooperative, there is less incentive to increase investors' earnings at the expense of delivering the products and services that members need.

Cooperatives also differ from other business structures because they often operate on cooperative principles that reflect social and political, as well as business, concerns. There are seven cooperative principles that have been developed over time and are generally accepted by cooperatives worldwide.

More recently, in response to changing market conditions, some cooperatives in the United States have experimented with modifying these principles. For example, some cooperatives have used closed membership to maximize efficiency, profitability, and the return on member equity investments. New cooperative laws in some states have granted voting rights to non-patron investors. Whether these modifications ultimately dilute the benefits of the cooperative model remains a topic of debate.

The Seven Principles of Cooperatives



1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education and training of members and information provided to the public
6. Cooperation among cooperatives
7. Concern for community

A Comparison of Business Structures*

	Cooperative	Unincorporated Cooperative Association (UCA)	Corporation (C or S)	Limited Liability Company (LLC)	Partnership	Sole Proprietor	Non-Profit
Who are the owners?	Members (individuals or entities)**	Members (individuals or entities); may include both patron and investor classes	One or more shareholders (individuals or entities). S Corp limited to 100 shareholders	One or more individuals who are members	At least two individuals or entities	Individual	No ownership
What are membership requirements?	Determined by bylaws. Usually one share/fee. May include other requirements.	Determined by bylaws	One share of stock, with rights and privileges attached to it determined by the articles of incorporation, bylaws, shareholder agreement, and applicable law	At discretion of LLC members	At discretion of partners	At discretion of owner	Membership fee may be required to participate
What is the business purpose?	To meet member needs for goods or services; earn return on member investment	To meet member needs for goods or services; earn return on member investment	To earn a return on owner investment	To earn a return on owner investment; provide employment for members (usually)	To provide employment for partners and a return on partners' investments	To provide employment for owner and a return on owner's investment	To provide services or information
How is the business financed?	Stock/shares to members, and/or outside investors retained profits	Stock/shares to patron and investor members; retained profits	Sale of stock; retained profits	LLC member investments; retained profits	Partner investments; retained profits	Proprietor's investment; retained profits	Grants, individual contributions/donations, fees for services
Who receives profits?	Members in proportion to use; preferred shareholders in proportion to investment, up to 8%	Patron members in proportion to use; patron and investment members in proportion to investment	Shareholders in proportion to investment	LLC members in proportion to investment, or by agreement	Partners in proportion to investment or by agreement	Proprietor	Retained within the organization
Who pays income taxes on profit?	Members on qualified profit distributions based on patronage*; co-op pays on nonqualified and unallocated profits.	Members pay individual rate or can elect to be taxed as cooperative corporation	C Corp pays on profits, shareholders pay individual capital gains rates on dividends; S Corp stockholders pay individual rate on profit share and capital gains	LLC members pay individual rate, or can elect to be taxed as a corporation	Partners pay individual rate	Proprietor pays individual rate	Not applicable; tax exempt
What is owner legal liability?	Limited to member's investment	Limited to member's investment	Limited to shareholder's investment	Limited to member's investment	Unlimited for general partners, limited to investment of limited partners	Unlimited for proprietor	Limited to assets of the organization

*Members of personal consumer co-ops do not pay taxes on patronage refunds that follow certain IRS guidelines.

**Preferred stock shareholders may include nonmembers, and may vote on certain issues such as dissolution. As a group, preferred stock shareholders do not set policy; only members can vote for directors.

There may be exceptions to what is summarized here. See state business statutes and/or consult an attorney for further information.

Source: University of Wisconsin Center for Cooperatives 2012.

How do we start a cooperative?

Starting a co-op is about starting a business. Co-ops are subject to the same market forces and economic conditions that other businesses face. A cooperative cannot be successful if it is not market-driven. Demand for the cooperative's products or services must generate profit levels that offset both the risks of investing in the business and the costs of operating the business.

As with any new business venture, starting a co-op requires good ideas, many kinds of expertise, time, energy, and money. Typically, it takes from six months to two years or longer for a new co-op to go from initial concept to beginning operations. Depending on the scale of the project, outside experts in cooperative organization, financing, and sector-specific business knowledge may be crucial.

Starting a co-op presents unique opportunities. A community of people often can address a common economic need or opportunity more effectively than an individual. That community can supply a wider range of strengths, skills, financial resources, and persistence that are needed to get a new business up and running. And working together to meet a common challenge can provide the intangible but meaningful rewards that come from contributing to a larger common good.

Starting a cooperative presents challenges as well. Collaborative efforts require strong communication and "people" skills. It is important to effectively coordinate the time and energy that people give to start-up efforts. People will bring many different perspectives to the cooperative development process, and these must be combined into a single vision and direction. Future decision-making about the co-op's priorities and direction will be influenced by how well the co-op has clearly defined its goals and the benefits it will provide to potential members at the start.

Each new cooperative business situation is unique. The manner in which the momentum, the people, and the money come together will vary. The steps that are described here are typically part of a successful start-up venture, but they are only guidelines. Often the circumstances of a particular start-up venture require that some steps occur simultaneously or in a different sequence. However, each of the steps described below are logical points at which organizers can evaluate a cooperative's progress and decide whether the effort should move forward to the next stage.



Photo by USDA NRCS



Organic Valley/CROPP Cooperative ©2006

1. Identify the problem or opportunity and gauge broader interest.

A core group of individuals explores the common need for a particular product or service and identifies the benefits that a cooperative might offer. The core group reaches out to the larger community to gauge interest in the co-op idea and to further define a common need. This group organizes informational meetings for potential members and uses these opportunities to recruit others who have the skills and expertise required to start the cooperative.

2. Form a steering committee and further explore the co-op business option.

If there is sufficient interest in the idea of a co-op, a steering committee of committed and trustworthy individuals is established. The steering committee further evaluates the cooperative business option by surveying potential members to determine interest levels and potential business volume. The committee refines the business idea and drafts the initial mission, purpose, and goals of the proposed cooperative business.

The steering committee will be responsible for financial matters, handling confidential information, and leading the decision-making process about the cooperative business opportunity. It is essential that individuals on the committee have good business sense, will champion the project, and are capable of putting the interests of the group before their own. Many potential cooperative members will base their support of the cooperative on the credibility of the steering committee members.

3. Conduct a feasibility study and evaluate the results.

To determine whether the proposed cooperative is a viable business venture, the steering committee conducts a feasibility study. The feasibility study examines whether there is a market for the new co-op's products or services and whether the proposed co-op can generate enough revenue to cover the risks and costs of operating the business. A feasibility study includes:

- a market analysis;
- management, equipment and facility needs;
- revenue projections;
- sources of financing;
- potential membership base.

The feasibility analysis is a key step in the development of the co-op, and outside expertise may be necessary. Frequently the steering committee brings in a consultant to perform all or a portion of the feasibility study. It is important that the consultant be knowledgeable about the particular business sector and not have a vested interest in the study's outcome.

The results of the feasibility study are shared with members or interested stakeholders, and the steering committee decides whether to continue the cooperative development process.

Often the first phase of a membership drive is undertaken at this point, so that seed money is available to pay for a feasibility study, consultants, and other related expenses. Other sources of funding for a study might be available from federal, state, or non-profit agencies.

Collaborative efforts require strong communication and "people" skills. The many different perspectives that people bring to the cooperative development process must be combined into a single vision and direction.



4. Incorporate the cooperative and adopt bylaws.

To conduct business in Wisconsin, a cooperative must be established as a legal entity. The cooperative can either incorporate as a cooperative corporation under Chapter 185 or establish itself as an unincorporated cooperative association under Chapter 193. It must file either articles of incorporation or articles of organization, which describe the type and scope of its business, with the Wisconsin Department of Financial Institutions.

The steering committee, acting as the interim board of directors, may draw up the articles. The articles specify whether the cooperative is a stock or non-stock cooperative, the price of the stock, and several other basic facts about the co-op. The initial bylaws, which describe how the cooperative is governed, may also be drawn up by the steering committee, acting as the interim board. Thereafter, bylaws must be adopted or amended by the cooperative membership. A lawyer familiar with cooperatives should review both the articles and bylaws. Once the cooperative is established, a bank account can be opened for the deposit of member equity payments and other funds.

5. Prepare a business plan.

The business plan is an in-depth analysis of the co-op's business idea and includes an operational plan for how the business will be run. The business plan is an important communication tool for answering questions that potential members will have about the proposed co-op. Lending institutions and other funding sources will also want to review the business plan. The business plan includes:

- a market analysis;
- a description of the product or service that the cooperative will be selling and how it meets a need in the marketplace;
- marketing and sales strategies;
- operations;
- management and ownership;
- sources and uses of start-up funds;
- projected membership basis;
- projected financial data for the first five years of operations.



Members of the Spring Rose Growers Co-op build a hoop house to extend the season.

6. Begin a membership drive.

The membership drive will indicate whether there is sufficient member support for the new cooperative. Materials for prospective members should clearly explain the cooperative's mission, the financial requirements (stock purchases or membership fees), and the risks and benefits of membership.

7. Elect a board of directors and secure start-up capital.

A membership meeting is held to elect the first board of directors and to present and approve the bylaws.

The board of directors coordinates the business plan implementation and works to secure start-up capital in the form of loans from banks or other financial institutions. Lending institutions will evaluate the risks associated with making a loan to the start-up cooperative business by analyzing the financial projections in the business plan.

Banks will also look at the amount of member equity invested in the cooperative, since this indicates support and the level of risk that members are willing to assume. Usually, members will be expected to supply between 30–50% of the start-up equity capital. The co-op will need to borrow the balance from financial institutions, members, or other sources.

Banks that are specifically oriented to cooperatives and understand their unique structure can be an important resource at this juncture.

Although staff recruitment cannot go forward until financing has been secured, some cooperatives identify possible management personnel earlier in the process or retain them as consultants. Because knowledgeable staff is essential to running the day-to-day business operations, financial institutions also pay close attention to personnel and management planning as part of their risk assessment.

8. Secure site, vendors, and staff so that operations can begin.

Once hired, key management personnel play an important role in securing the operations site, developing vendor networks, and hiring staff. There often are specific licensing or regulatory requirements that must be met before the business can begin operations. Legal, insurance, and risk management issues must also be addressed before the business can begin operations.



What factors contribute to a new co-op's success?

Certain common characteristics are often cited as influencing the successful development of a new cooperative.

Successful new co-ops:

- Use committees, advisers, and outside expertise effectively.
- Keep members informed so that they stay involved and supportive.
- Conduct business-like meetings by using agendas, parliamentary procedures, and democratic decision-making.
- Maintain good board-management relations by clearly defining roles and responsibilities.
- Follow sound accounting practices and present financial reports regularly.
- Develop alliances with other cooperatives.
- Develop clear policies on confidentiality and conflicts of interest.

Potential risks to a new co-op include:

- Lack of a clearly defined mission, purpose, and focus.
- Lack of member leadership.
- Inadequate feasibility study and/or business plan.
- Failure to use experienced advisors and consultants.
- Lack of financial commitment from members.
- Lack of competent management to run the cooperative's operations.
- Failure to identify and minimize business risks.
- Lack of adequate financing.
- Inadequate communications.



Adams-Columbia Electric Cooperative



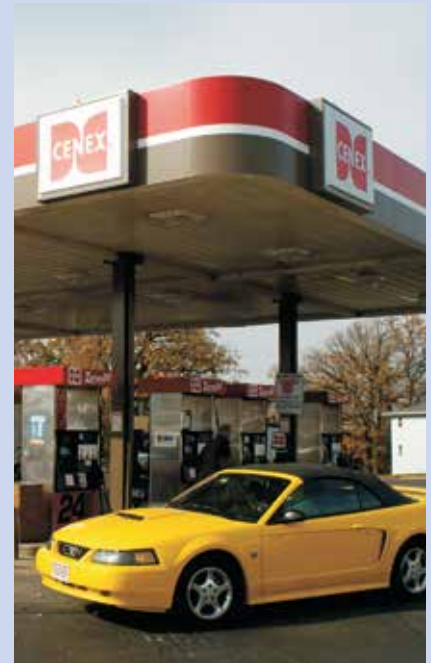
Utility poles. (Adams-Columbia Electric Cooperative)

Where can I learn more about cooperatives, and how to start a cooperative business?

Reading about cooperatives, and talking to knowledgeable people, can be a good start to learning more about cooperatives and starting a cooperative business.

The University of Wisconsin Center for Cooperatives (UWCC) fosters understanding about cooperatives through research, education and outreach programs, and provides general technical assistance to groups interested in cooperative start-ups. Our website is an extensive resource for information, contacts, publications, and articles related to co-ops.

UW Center for Cooperatives
427 Lorch Street
Madison, WI 53706
608-262-3981
www.uwcc.wisc.edu



Cooperative Resources

There are many organizations that have co-op, small business or program area specialists on staff who can provide assistance to cooperative start-ups or existing cooperative.

Organizations in Wisconsin

Center for Technology Commercialization (CTC)/ Wisconsin Entrepreneurs' Network (WEN)

CTC/WEN provides a website that integrates statewide resources for existing and potential new business development.
www.wenportal.org

Cooperative Development Services

CDS provides organizational and developmental guidance to communities seeking to start new co-ops in all sectors of the economy and planning assistance to existing co-ops seeking to expand.

131 West Wilson Street, Suite 302
Madison, WI 53703
608-204-9705
www.cdsus.coop

Cooperative Network

Cooperative Network is a statewide trade association representing Wisconsin and Minnesota cooperatives across economic sectors, including agriculture, financial services, utilities, health care, and insurance.

1 South Pinckney Street, Suite 810
Madison, WI 53703
608-258-4400
www.cooperativenetwork.coop

The Great Lakes Cooperative

Center (GLCC), a partnership of UWCC and Cooperative Network, provides technical assistance for emerging cooperatives in food systems, healthcare, energy efficiency, senior housing, and other sectors.
www.glcc.coop

Rural Housing Inc.

Rural Housing assists low-income Wisconsin families to obtain housing, including housing cooperatives, and enables small communities to more effectively address housing, water, and community development needs of low-income rural residents.

4506 Regent Street
Madison, WI 53705
608-238-3448 or 888-400-5974
www.wisconsinruralhousing.org

Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP)

DATCP provides agricultural business development resources to assist farmers, agribusinesses, and industry associations.

2811 Agriculture Drive
Madison, WI 53708
608-224-5012
www.datcp.wi.gov

Wisconsin Department of Financial Institutions (DFI)

The Corporation Section of DFI is the filing office for organizational instruments to create business entities, including cooperatives. The site includes information on business entity types, forms, and filing instructions.

201 W. Washington Ave, Suite 500
Madison, WI 53703
608-261-9555
www.wdfi.org/corporations

Wisconsin Economic Development Corporation (WEDC)

WEDC provides a broad range of business development assistance. 201 West Washington Avenue
Madison, WI 53703
608-210-6700
www.inwisconsin.com

Wisconsin Small Business Development Center Network (SBDC)

The SBDC provides business counseling and educational programs developed at the local, regional, and statewide level to support Wisconsin small business creation and growth. The network consists of twelve service centers and three specialty centers located at four-year University of Wisconsin campuses.

432 N. Lake Street, Room 423
Madison, WI 53706
608-263-7794
www.wisconsinsbdc.org

U.S. Department of Agriculture — Rural Development, State Office

USDA Rural Development's Cooperative Programs promotes the understanding and use of the cooperative form of business as a way to meet rural needs for goods and services.

5417 Clem's Way
Stevens Point, WI 54482
715-345-7600
www.rurdev.usda.gov/wi

University of Wisconsin-Extension

UW-Extension extends the knowledge and resources of the University of Wisconsin to people where they live and work. With an office in each Wisconsin county, Cooperative Extension partners with local, county, state and federal government, and a wide array of community partners to plan and carry out programs that are tailored to local needs and based on university knowledge and research.

www.uwex.edu/ces/cty

National Organizations

Association of Cooperative Educators

ACE brings together educators, researchers, cooperative members, and cooperative developers from across cooperative sectors and national borders, resulting in ideas that enhance cooperative development, strengthen cooperatives, promote professionalism and improve public understanding.
www.ace.coop

Capital Impact Partners

Capital Impact Partners combines financial and development services to improve access to health and elder care, healthy foods, housing and education in low-income communities.
703-302-8000
www.capitalimpact.org

CDS Consulting

CDS Consulting Co-op specializes in providing consulting services to cooperatives in the areas of starting a food co-op,

expansion and growth, leadership development and governance, and improving retail operations.
www.cdsus.coop

CHS Foundation

The CHS Foundation is committed to investing in the future of rural America, agriculture, and cooperative business through education and leadership development.
800-814-0506
www.chsfoundation.org

CoBank

CoBank is a national cooperative bank that provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers.
www.cobank.com

The Cooperative Foundation

The Cooperative Foundation is a private foundation that supports unique, innovative cooperative development, research, and education projects.
www.thecooperativefoundation.org

The Cooperative Development Foundation

CDF promotes community, economic and social development through cooperative enterprise.
www.cdf.coop

Cooperation Works!

CW is a national organization of cooperative development centers and practitioners that provides expertise across all aspects of co-op enterprise development.
www.cooperationworks.coop

Credit Union National Association (CUNA)

CUNA is the national trade association for both state- and federally chartered credit unions in the United States.
800-356-9655
www.cuna.org

Food Co-op Initiative

Food Co-op Initiative is a non-profit organization dedicated to enabling a faster and more efficient start-up process to develop new retail grocery co-ops.
507-664-2034
www.foodcoopinitiative.coop

National Association of Housing Cooperatives

NAHC is the national federation of housing cooperatives, mutual housing associations, other resident-owned or controlled housing, professionals, organizations, and individuals interested in promoting the interests of cooperative housing communities.
www.coophousing.org

National Cooperative Business Association CLUSA International (NCBA CLUSA)

NCBA CLUSA is a national cross-industry membership and trade association that supports cooperative development, advocacy, and education.
202-638-6222
www.ncba.coop

National Cooperative Grocers Association (NCGA)

NCGA helps unify natural food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to natural food co-op owners and shoppers everywhere.
866-709-COOP
www.ncga.coop

National Council of Farmer Cooperatives (NCFC)

Since 1929, NCFC has worked to advance the interests of America's farmer. NCFC members include nearly 50 national, regional and federated farmer cooperatives that, in turn, are comprised of some 3,000 local cooperatives, and 27 state and regional councils of cooperatives.
202-626-8700
www.ncfc.org

National Rural Electric Cooperative Association (NRECA)

NRECA represents the national interests of consumer-owned electric utilities in the United States.
703-907-5500
www.nreca.coop

Northcountry Cooperative Development Fund (NCDF)

NCDF is a cooperatively owned community-development loan fund committed to fostering economic democracy by investing in cooperative enterprises.
612-767-2100
www.ncdf.coop

Ohio Employee Ownership Center (OEOC)

OEOC is a non-profit, university-based program to provide outreach, information, and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership.
330-672-302
www.oeockent.org

U.S. Federation of Worker Cooperatives

USFWC is a national grassroots membership organization for worker cooperatives, democratic workplaces, and organizations that support the growth and development of worker cooperatives.
www.usworker.coop

U.S. Department of Agriculture — Rural Development, Business & Cooperative Programs

USDA has an online library of publications about cooperatives, cooperative development, and issues related to ongoing cooperative operations.
www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm



Organic produce at People's Food Co-op in LaCrosse, WI.



Reprinted in 2014 with support from the Federated Youth Foundation.
University of Wisconsin Center for Cooperatives

Additional photos courtesy of: Adams-Columbia Electric Cooperative, Co-operative Care, Landmark Services Cooperative, Neuhauser Pharmacy, People's Food Co-op, Spring Rose Growers Cooperative, UW Credit Union, Viroqua Food Co-op, Wisconsin State Cranberry Growers Association, Willy Street Grocery Co-op, Wisconsin Historical Society.

The University of Wisconsin Center for Cooperatives is an interdisciplinary center combining the resources of University of Wisconsin–Madison and University of Wisconsin Cooperative Extension.

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For additional copies, please contact:
University of Wisconsin Center for Cooperatives
info@uwcc.wisc.edu