



# Introduction to the Cooperative Business Model

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# Presentation Objectives

- **Share Basic Information to Increase Awareness of the Cooperative Business Model**
- **Encourage Healthy / Positive Thinking and Dialogue Regarding the Cooperative Business Model**

# Sugar Cane Production in Estate Bethlehem, St. Croix (circa 1950)



# Vegetable Crop Production in Estate Dorothea, St. Thomas (1954)



# Tomatoes Packed and Prepared for Export From St. Croix (circa 1964)



# Local Organizational Efforts Among Farmers

- **St. Croix Farmers Association (Est. 1984)**
- **St. Croix Farmers in Action (Est. 1997)**
- **St. Thomas/St. John Livestock Association (1982)**
- **We Grow Food, Inc. (Est. 1993)**
- **Virgin Islands Farmers' Cooperative (Est. 2006)**
- **Crucian Beekeeping Network (Est. 2009)**

# Cooperative Economics has Been Practiced for Centuries (Informal Partnerships)

- **Common Needs and Challenges**
- **Limited Resources**
- **Disenfranchisement**

# Other Factors Influencing Spread of Cooperative Movement

- **Common Needs and Challenges**
- **Limited Resources**
- **Disenfranchisement**
- **Concerns About Profit-Oriented Large Businesses**
- **Individualism of Capitalism**
- **Usurious Business Practices**
- **Long Working Hours at Low Wages**



# Cooperative Movement in the Caribbean

- **Jamaica (1905) - Peoples Cooperative Bank**
- **Trinidad and Tobago (1940s) - Co-operative Credit Union League**
- **Dominica (1951) - Co-operative Credit Union League**
- **Barbados (1957) Co-operative & Credit Union League, Ltd.**

# The Puerto Rico Experience in Cooperative Development

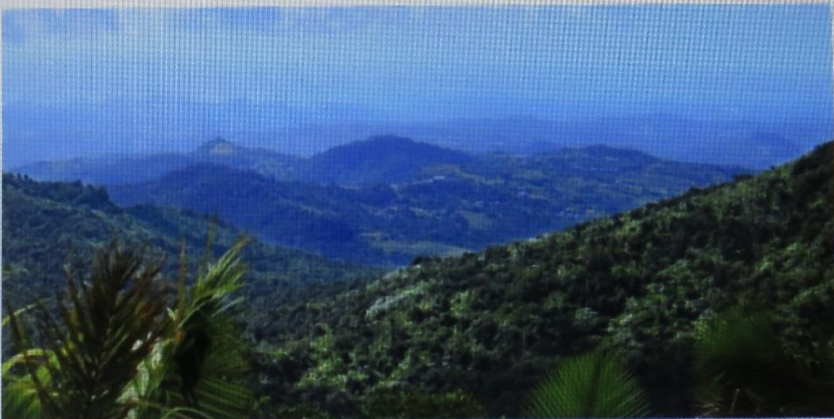
Co-operative News

CO-OPERATIVE NEWS / NEWS / CO-OPERATIVES / AGRICULTURE / PUERTO RICAN FARMERS ASSOCIATION BACKS CO-OPERATIVES TO STIMULATE AGRICULTURAL DEVELOPMENT

## Puerto Rican farmers association backs co-operatives to stimulate agricultural development

🇵🇷 PUERTO RICO

Article by [Anca Voinea](#)  
20 May 2015



*Puerto Rico, where the Association of Farmers has come out in support of co-operatives*

The Puerto Rico Association of Farmers will be supporting and promoting co-operatives as vehicles of agricultural development, according to the organisation's president, Héctor Iván Cordero. He said other areas of focus would be agricultural education, biotechnology, agricultural engineering and alliances with financial institutions.

Speaking at a press conference at the College of Agronomists in Hato Rey, Mr Cordero explained how co-operatives helped farmers get better prices for their products, gain access to the market and improve products.

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# Cooperative Development Throughout the Caribbean

## Jamaica Agricultural Society wants Cooperatives Act modernised

11 June 2015



*Government senator Norman Grant, who is president of the Jamaica Agricultural Society (JAS), says that there is an urgent need to modernise Jamaica's cooperative legislation.*

"There have been no major changes to the Cooperatives Societies Act since it was first enacted over 60 years ago," Senator Grant said, as he opened the debate on his motion seeking a comprehensive

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included as case study in B20 Policy Paper

20 July 2016

International Day of Co-operatives 2016

30 June 2016

Co-operative enterprises commit to Unite  
Sustainable Development Goals

30 June 2016

Publicity  
Advertise your event or product in the most

# What is a cooperative?

**A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly and democratically controlled enterprise.**

# What is a cooperative?

**A cooperative is an organization or business owned and operated for the benefit of its members. The earnings and profits are distributed among its members (user/owners).**

# Cooperative Membership?

**Cooperative membership can be composed of individuals or it can be composed of a group of businesses.**

# Common Applications of the Cooperative Business Model

1. **Agriculture**
2. **Retail**
3. **Arts and Crafts**
4. **Health Care**
5. **Financial**
6. **Restaurant**
7. **Rural Utilities**
8. **Housing**

# General Types of Cooperatives

- **Consumer** – members buy goods and services to improve purchasing power
- **Producer** – members produce, process and market their commodities or crafts
- **Worker** – members own and democratically govern businesses
- **Hybrid** – combination of co-op types



# Agricultural Cooperatives / Collectives

- **Some act as buying groups to obtain needed supplies for members.**
- **Others work to collectively sell the goods their members have produced.**
- **Some provide members access specific services that might otherwise be too expensive to obtain individually.**

**It's all about the power of the group!!**

# Cooperative Principles

- ❑ **Voluntary and open membership – membership is open to everyone**
- ❑ **Democratic member control – all members have an equal voice in making policies and electing representatives**
- ❑ **Member economic participation – all profits are controlled democratically by members and for their benefit**
- ❑ **Autonomy and independence – co-operatives are always independent, even when they enter into agreements with the Government and other organizations**
- ❑ **Education, training and information – co-operatives educate and develop their members as well as their staff**
- ❑ **Co-operation amongst co-operatives – co-operatives work together with other co-operatives to strengthen the co-operative movement as a whole**
- ❑ **Concern for community – co-operatives also work to improve and develop the community, both locally and internationally.**

# Cooperative Values

- ❑ Self-help – we help people to help themselves
- ❑ Self-responsibility – we take responsibility for, and answer to our actions
- ❑ Democracy – we give our members a say in the way we run our businesses
- ❑ Equality – no matter how much money a member invests in their share account, they still have one vote
- ❑ Equity – we carry out our business in a way that is fair and unbiased
- ❑ Solidarity – we share interests and common purposes with our members and other co-operatives.

# Organizational Structure of the Cooperative Business Model

1. **Manager (hired)**
2. **Board of Directors**
3. **Executive Officers**
4. **General Membership**
5. **Staff (hired)**

# Advantages of the Cooperative Business Model

**1. Less Taxation.** Similar to an LLC, cooperatives that are incorporated normally are not taxed on surplus earnings (or patronage dividends) refunded to members. Therefore, members of a cooperative are only taxed once on their income from the cooperative and not on both the individual and the cooperative level.

# Taxes and Cooperatives

1. A cooperative operates as a corporation and receives a "pass-through" designation from the IRS. More specifically, cooperatives do not pay federal income taxes as a business entity.
2. Exemption authorized by section 521 of the Internal Revenue Code

# Advantages of the Cooperative Business Model

**2. Funding Opportunities.** Depending on the type of cooperative you own or participate in, there are a variety of government-sponsored grant programs to help you start. For example, the [USDA Rural Development](#) program offers grants to those establishing and operating new and existing rural development cooperatives.

# Advantages of the Cooperative Business Model

**3. Reduce Costs and Improve Products and Services.** By leveraging their size, cooperatives can more easily obtain discounts on supplies and other materials and services. Suppliers are more likely to give better products and services because they are working with a customer of more substantial size. Consequently, the members of the cooperative can focus on improving products and services.



# Advantages of the Cooperative Business Model

**4. Democratic Organization.** Democracy is a defining element of cooperatives. The democratic structure of a cooperative ensures that it serves its members' needs. The amount of a member's monetary investment in the cooperative does not affect the weight of each vote, so no member-owner can dominate the decision-making process. The "one member-one vote" philosophy particularly appeals to smaller investors because they have as much say in the organization as does a larger investor.

# Potential Benefits of Cooperatives in USVI

- **To address needs too challenging on individual basis**
- **To reduce business / operational cost**
- **To reduce importation / production costs**
- **To increase income/revenue**
- **To meet production and market demands**
- **To increase lobbying capacity**
- **To create employment / Self Empowerment**

# Disadvantages of the Cooperative Business Model

**1. Obtaining Capital through Investors.** Cooperatives may suffer from slower cash flow since a member's incentive to contribute depends on how much they use the cooperative's services and products. While the "one member-one vote" philosophy is appealing to small investors, larger investors may choose to invest their money elsewhere because a larger share investment in the cooperative does not translate to greater decision-making power.

# Disadvantages of the Cooperative Business Model

**2. Lack of Membership and Participation.** If members do not fully participate and perform their duties, whether it be voting or carrying out daily operations, then the business cannot operate at full capacity. If a lack of participation becomes an ongoing issue for a cooperative, it could risk losing members.

# How to Start a Cooperative

- 1. A group of potential members must agree on a common need and a strategy**
- 2. An organizing committee then conducts exploratory meetings, surveys, and cost and feasibility analyses before every member agrees with the business plan.**
- 3. File Articles of Incorporation; the articles of incorporation legitimizes your cooperative.**

# How to Start a Cooperative (Cont'd)

4. Create Bylaws indicating membership requirements, duties, responsibilities and other operational procedures that allow your cooperative to run smoothly.

5. Create a Membership Application to recruit members and legally verify that they are part of the cooperative, you must create and issue a membership application.

# How to Start a Cooperative (Cont'd)

**6. Conduct a Charter Member Meeting and Elect Directors / Executive Officers**

**7. Obtain Licenses and Permits**

**8. Hire Employees if necessary**

Are you a member of or  
do you presently support  
any cooperatives?



# Examples of Family and Farmer Owned Cooperatives

Co-op of family farms founded in 1902



Headquartered in Valencia, California



# Examples of Family and Farmer Owned Cooperatives



# Examples of Family and Farmer Owned Cooperatives

Est. 1921

HQ – St. Paul, Mn.

Membership: 800



# Examples of Family and Farmer Owned Cooperatives

Est. 1956

HQ – Concord, Mass.

Membership: 1,300

Owned by National  
Grape Cooperative  
Association



# Other Examples of Cooperatives

**Est. 1973**

**HQ – Oak Brook, Illinois**

**Largest Hardware retail  
Cooperative Store in  
the world.**



# Other Examples of Cooperatives

(Retailer-owned co-op since 1973)



# Other Examples of Family and Farmer Owned Cooperatives



# Other Examples of Family and Farmer Owned Cooperatives

**Est. 1910**

**HQ – Sacramento, Ca.**

**Serves 3,500 Growers**





# Other Examples of Family and Farmer Owned Cooperatives

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# Other Examples of Family and Farmer Owned Cooperatives

**Est. 1933**

**HQ – Lake Wales, Fla.**

**1100 Members**



# Other Examples of Family and Farmer Owned Cooperatives



# Other Examples of Family and Farmer Owned Cooperatives

**Est. 1930**

**HQ – Lakeville-Middleboro  
Mass.**

**Membership: 700 Growers**



# Other Examples of Family and Farmer Owned Cooperatives



# Other Examples of Cooperative Enterprises

**Est. 1970**

**HQ – Duluth, Mn.**

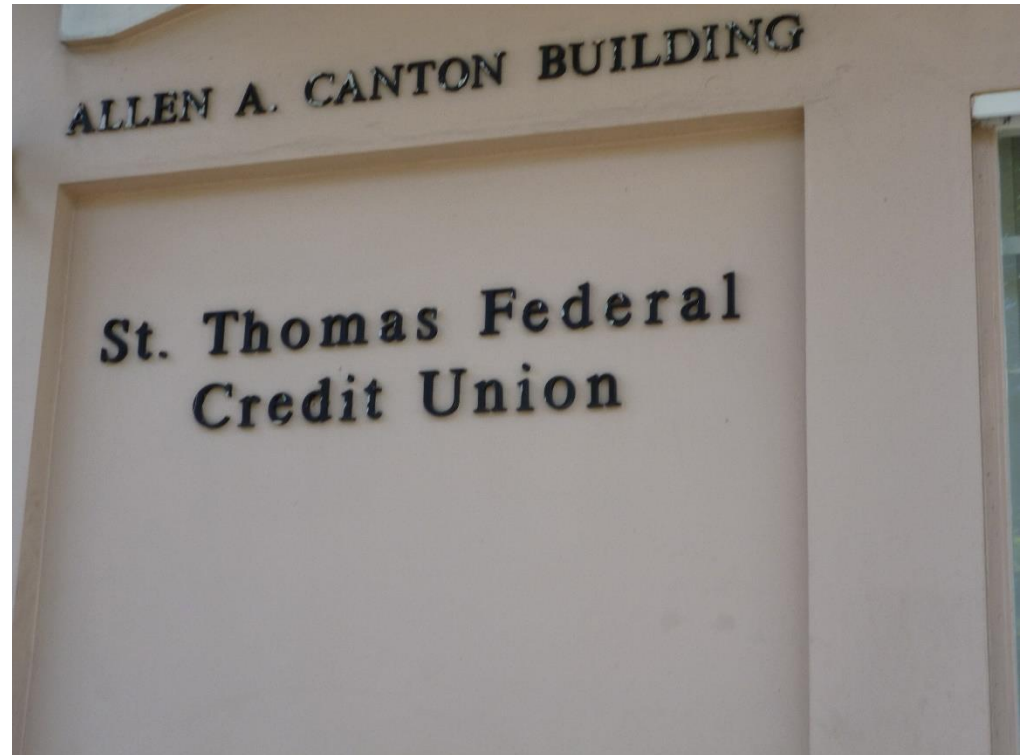
**Certified Organic  
Retail Grocery**

**8000 members**



# Credit Unions

**A Credit union is a member-owned financial cooperative, democratically controlled by its members and organized for the benefit of its members.**



# The Art and Science of Cooperative Development





# The Cooperative Development Model (Wisconsin Experience)



## Upcoming Classes

**REFUND POLICY**  
Unless otherwise specified in the description of the event, registration for events that Willy Street Co-op cancels will be refunded in full. Individuals who wish to cancel their registration or transfer to a different event must contact Customer Service with 72 hours notice to receive a full refund. No refunds will be given for cancellations within 72 hours of an event. In order to cover costs incurred, there are absolutely no exceptions to the Refund Policy.

Class Name	Date	Time	Age Range	Instructor	Owner Cost	Non-Owner Cost
<b>Kids in the Kitchen: Marvelous Mexican</b>	Friday 7/8/2016	4:30pm-5:30pm	5-8; adult supervision not required	Lily Kilfoy	\$10	\$20
<b>Basic Brews</b>	Thursday 7/21/2016	6:00pm-8:00pm	14 and older; adult supervision not required	Ben Becker	\$10	\$20
<b>Kids in the Kitchen: Great Grilled Cheese</b>	Tuesday 7/26/2016	4:30pm-5:30pm	9-12; adult supervision not required	Lily Kilfoy	\$10	\$20
<b>Individual Nutrition Consultations</b>	Friday 7/29/2016	2:15pm-5:30pm	Any; adult supervision required	Katy Wallace	\$35	\$70

**What do you buy & what does it cost?**  
...open a store in the current...

# The Cooperative Development Model (Wisconsin Experience)

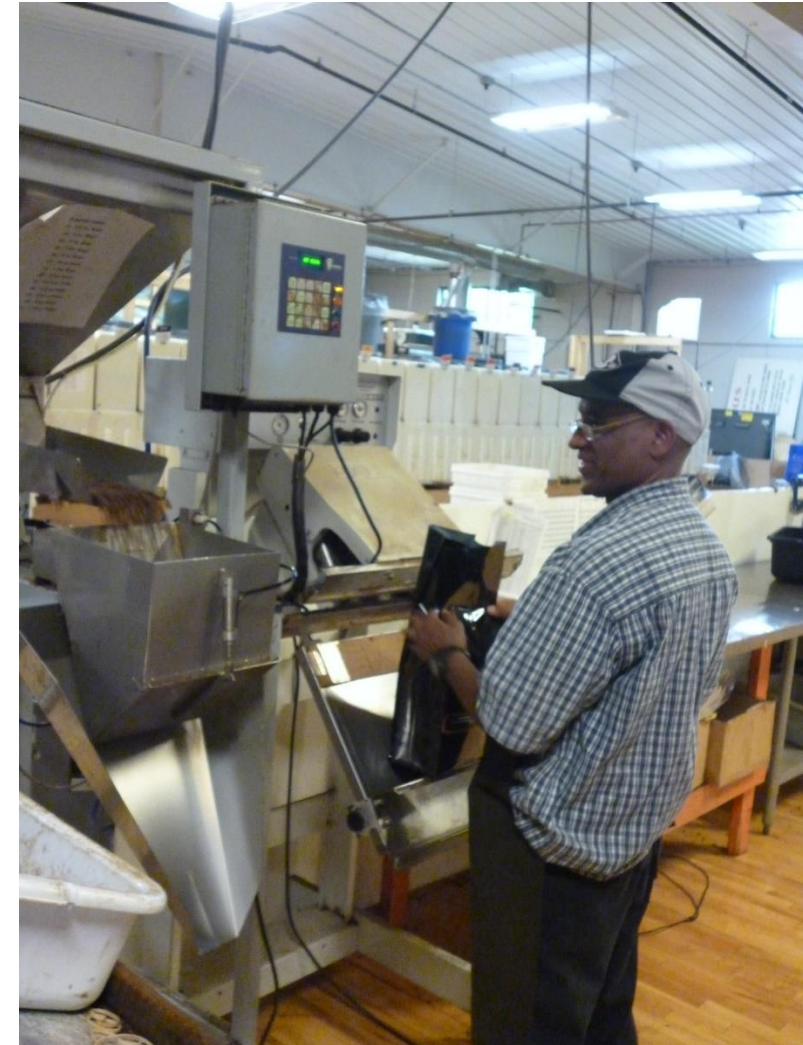
Consumer Owned & Operated

**CO-OP**  
CONSUMERS *BUY* FOR MANY STORES  
..... THIS ONE THEY *OWN*  
STOP AND SHOP TODAY

- Individual Ownership: \$56
- Household Ownership: \$91
- One of the least expensive grocery co-op Ownerships in US.



# The Cooperative Development Model (Wisconsin Experience)



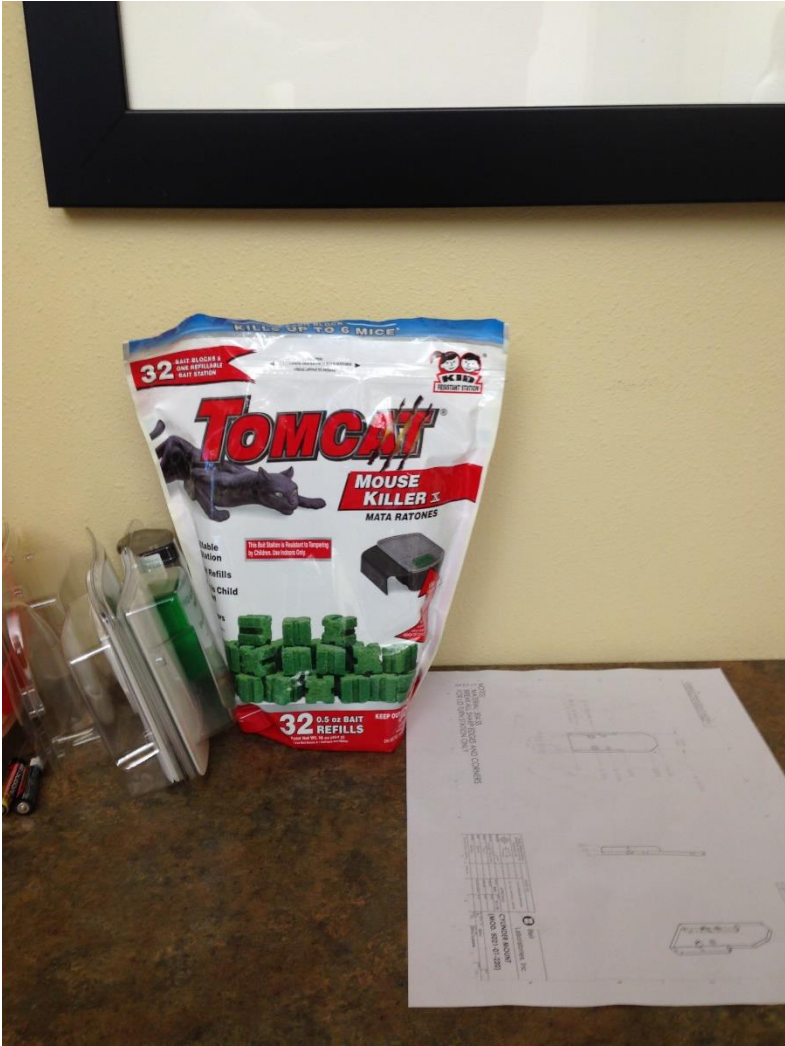
# The Cooperative Development Model (Wisconsin Experience)



# The Cooperative Development Model (Wisconsin Experience)



# The Cooperative Development Model (Wisconsin Experience)



# The Cooperative Development Model (Wisconsin Experience)



# The Cuban Experience





# The Cuban Experience



# The Cuban Experience



# The Cuban Experience



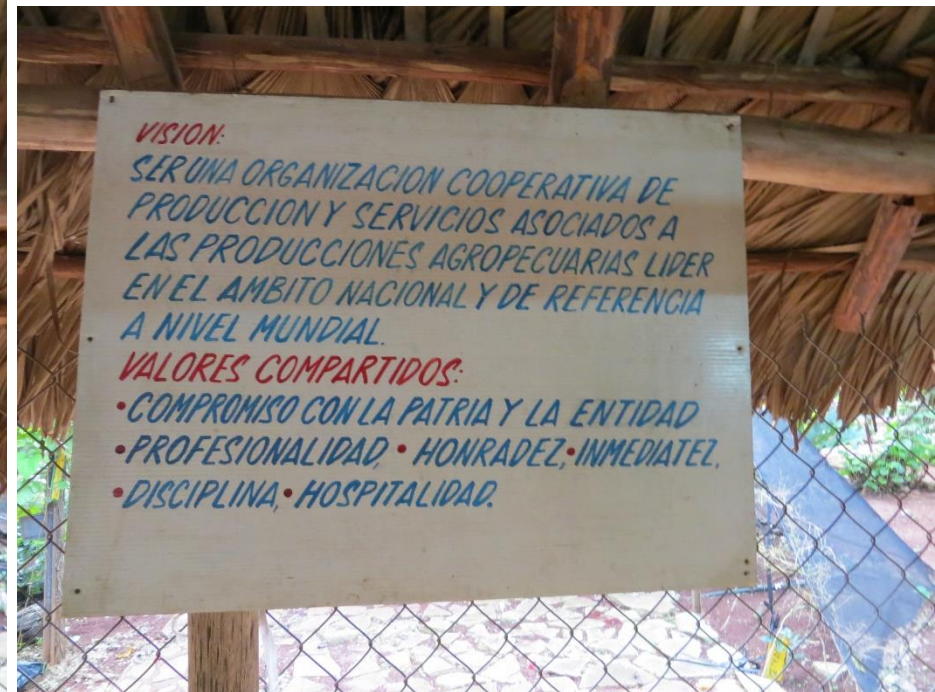
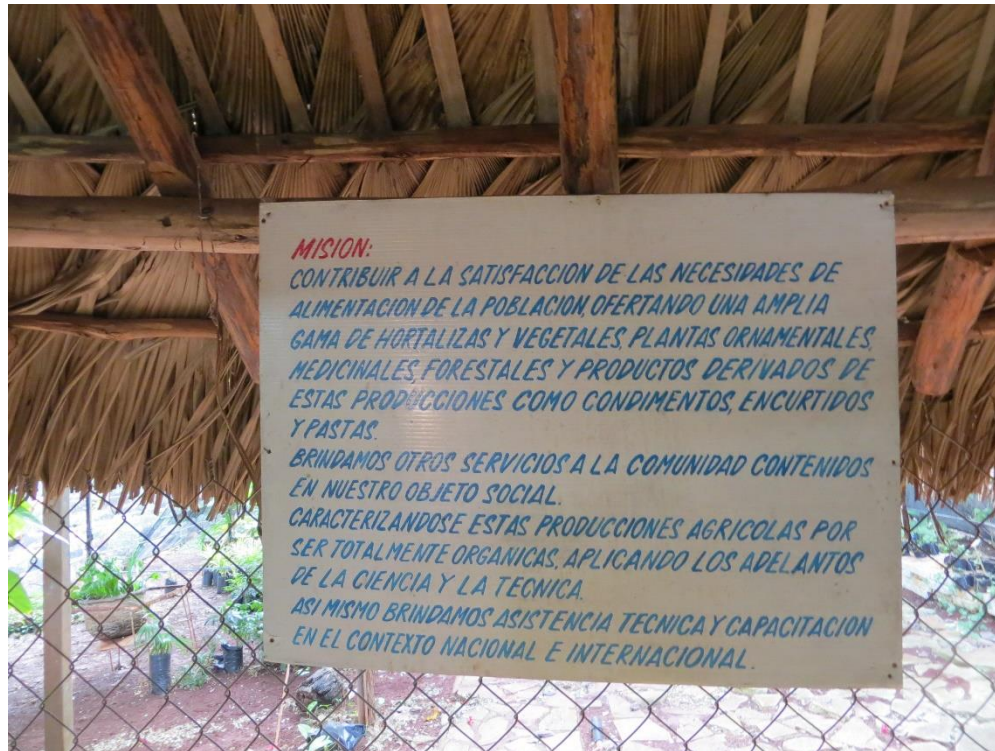
# The Cuban Experience



# The Cuban Experience



# The Cuban Experience



# The Cuban Experience



# The Cuban Experience





# The Cuban Experience



# The Cuban Experience



# The Cuban Experience (Value Added/Food Preservation)



# The Virgin Islands Experience in Cooperative Development



# The Virgin Islands Experience in Cooperative Development (poultry Producers)



# The Virgin Islands Experience in Cooperative Development (Beekeepers)



# The Virgin Islands Experience in Cooperative Development (Beekeepers)



# Role of Government in Cooperative Development

- Legislative Structure / Legal Framework
- Taxation and other Financial Incentives
- On-going Oversight
- On-going Educational Programs



# Virgin Islands Code Regarding Cooperatives

TITLE SEVEN Agriculture  
Chapter 13. Farming and Fishing  
Subchapter I. Farmer's, Fishermen and Consumers Assistance  
7 V.I.C. § 192 (2016)  
**§ 192. Definitions**

For the purposes of this chapter, the term:

(a) "A person engaged in agriculture" means any individual, partnership, firm, **cooperative** or corporation engaged in any business listed in this section, whose income is wholly or partially derived from fishing or the production of food, including but not limited to:

# Virgin Islands Code Regarding Cooperatives

TITLE SEVEN Agriculture  
Chapter 1. Development of Sustainable Agriculture  
Subchapter I. Sustainable Agriculture  
7 V.I.C. § 2 (2016)  
**§ 2. Definitions**

In this chapter, unless the context clearly indicates otherwise, the following words, terms, and phrases have the following meanings:

**(a)** "Agricultural products" means fruits, vegetables, herbs, honey, forage, ornamentals, aquaculture, (fish), trees, poultry, eggs, meat, and dairy products.

**(b)** "Commissioner" means the Commissioner of the Department of Agriculture or the Commissioner's designee.

**(c)** "Crop" means the cultivated plants or agricultural produce, such as grain, vegetables, or fruit, considered as a group; the total yield of the produce in a particular season or place.

**(d)** "Department" means the Department of Agriculture.

**(e)** "Farm" means any development of land for the commercial production of plants, fruits, vegetables, herbs, honey, forage, ornamentals, aquaculture, trees, poultry, eggs, meat, and dairy products.

**(f)** "Farmer or agriculturist" means any individual, partnership, firm, **cooperative** or corporation in the Virgin Islands engaged in any business whose income is wholly or partially derived from the production and sale of food.

# Virgin Islands Code Regarding Cooperatives

TITLE SEVEN Agriculture  
Chapter 1. Development of Sustainable Agriculture  
Subchapter II. Administration, Fiscal Duties and Powers  
7 V.I.C. § 9 (2016)  
**§ 9. Administration**

The Commissioner shall:

- (a) Identify, preserve, advise for the purchase and manage all public agricultural resources and agricultural-zoned lands in the territory for the development of a sustainable agriculture industry;
- (b) Encourage and assist the people of the Virgin Islands in raising, handling, grading, packing, shipping, processing and marketing of agriculture products;
- (c) Ensure compliance with regulations as they pertain to the operation of all public farms;
- (d) Secure and maintain statistical records of the production and harvest of various crops and livestock, and make the records available annually thirty days after the end of the fiscal year to the President of the Legislature for dissemination among the members of the legislature; to the Bureau of Economic Research and to the public via electronic and print media;
- (e) Advise and assist farmers, in conjunction with the University of the Virgin Island and other relevant vocational entities in the territory, in the development and use of farm equipment and agricultural techniques;
- (f) Administer, coordinate and enforce the provisions of this chapter, in cooperation with other appropriate departments of the Territorial and Federal Governments;
- (g) Appoint, subject to the provisions of this chapter, such environmental enforcement officers, research staff, grant writers and other such personnel as are necessary for the proper and effective administration and enforcement of the provisions of this chapter;
- (h) Work with the University of the Virgin Islands and other government agencies in the marketing, promotion, research, technical services and agricultural training programs, for the development of new agriculturist and the development of a labor force;
- (i) In conjunction with the University of the Virgin Islands and the Department of Labor, develop a farm certification program in crop farming and livestock rearing;
- (j) Assist the farming industry in the establishment of farming **cooperatives**; and

## Agencies involved in the cooperative movement in Puerto Rico

- COOPERATIVE DEVELOPMENT COMMISSION OF PUERTO RICO



- CORPORATION FOR THE SUPERVISION AND COOPERATIVE INSURANCE OF PUERTO RICO



- INVESTMENT AND COOPERATIVE DEVELOPMENT FUND



# Keys to Successful Cooperative Development

- **Maintain Focus**
- **Keep Members Informed and Involved**
- **Build Strong Member Leadership**
- **Conduct Business-like Meetings**
- **Follow Sound Business Practices**
- **Maintain Honest, Open Communication**
- **Invest in Member, Board and Staff Education**
- **Forge Links with Other Cooperatives**

# Reasons for Failure of Cooperatives

- **Lack of clear common goals and interests**
- **Lack of capital resources**
- **Inadequate training / Education**
- **Poor management, leadership, governance**
- **Lack of government support**
- **Lack of participation/communication by members**
- **Lack of trust among members**
- **Lack of succession planning**

# Presentation Summary

- **Definition/Description of Cooperatives**
- **Cooperative Principles and Values**
- **Benefits of Cooperatives**
- **Organizational Structure**
- **Types and Examples of Cooperatives**
- **Role of Government**
- **Reasons for Failure of Cooperatives**
- **Keys to Cooperative Success**
- **Steps to Starting a Cooperative**

# Reviving the Virgin Islands Agricultural Industry Through Cooperative Development





# Additional Resources

- **USDA Rural Development – Rural Business Cooperative Service**
- **Cooperative Development Institute**
- **Cooperation Works**
- **UVI Small Business Development Center**
- **Federation of Southern Cooperatives**
- **National Council of Farmers' Cooperatives**
- **CDCOOP de Puerto Rico**
- [cultivate.coop](http://cultivate.coop)
- [www.cooptools.ca](http://www.cooptools.ca)

# Office Contact Information

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**Thank You For  
Your  
Cooperation!!!**