



## **Types of Cooperatives**

Cooperatives are owned, controlled and operated for the benefit of their members. Most corporations are controlled based on the number of shares owned, and distribute profits based on investment. But co-ops operate on the basis of one member, one vote, and return dividends based on patronage. But cooperatives take a number of forms.

As you begin to create a cooperative, it is important to reach agreement about what you are trying to do. The form of the cooperative will depend greatly on which problem it is primarily trying to solve. Are you primarily concerned with job losses or lack of access to certain types of goods? Do you suffer from poor prices for your produce, or poor market access?

### **Common Cooperative Forms**

- Consumer cooperatives are owned by the people who do business there. One particularly common business is in retail food sales. In the U.S. today, this is usually a natural foods store, but historically food cooperatives have tended to operate supermarkets and small grocery stores. Other examples include the sporting goods cooperative REI and Group Health Cooperative.
- Worker cooperatives are businesses which are owned by the employees. This is one of the most versatile of cooperative forms, and can be used even by a small group of business partners running, for example, a bakery or bookstore. However, they can also run large industrial operations, including some of the world's largest co-ops. Another common form of shared ownership is the employee stock ownership plan (ESOP), although this structure often does not give democratic control to the employees.
- Producer cooperatives are owned by people who produce the same type of goods. Such cooperatives will often operate shared facilities for processing or distribution. These are generally agricultural co-ops, including such household names as Land o' Lakes and Tree Top; but this form has also been used by artists, massage therapists and others. It can have some similarity to worker cooperatives, but generally takes a looser form. These are also sometimes known as marketing cooperatives in which each farmer maintains a fairly independent path to market, but shares a name brand.
- Purchasing/service cooperatives are used by independent business owners to raise their visibility and cut costs for services such as payroll and insurance. Some examples of these include ACE and True Value hardware stores, as well as Best Western hotels. Many franchisees for fast food restaurants like KFC are also members of cooperatives which help them get good prices for supplies and advertising, and give them a united voice in their dealings with the corporation with which they franchise.
- Housing cooperatives are owned by the residents. This can range from a single house to apartment complexes with thousands of units. It also includes co-housing projects, in which dozens of homes are cooperatively owned. Condominiums are a relative of co-ops, although with condos each member owns their own unit; in a cooperative, each member owns a share of the co-op that owns all of the property.

## **Complex Cases**

In some cases, it may be desirable to create a hybrid among these types of co-ops. These are called “multi-stakeholder” cooperatives, and often create specific roles and rights for the various types of members. For example, this may take the form of a producer/consumer or consumer/worker. In these scenarios, the membership fees might differ for the two groups. This recognizes that there will likely be fewer producer members, and that they potentially have more to gain and therefore more incentive to invest, and you might also have a certain number of board seats reserved for each (i.e. on a board of seven, there are three “at large” members, two members elected by the producers, and two elected by the consumers).

These types of co-ops are more complex, and may experience tension among the various types of members. After all, one of the benefits of cooperation is that people can work together to meet their shared interests. On the other hand, a cooperative may experience tension between its producer members' desire for high prices for their goods, and their consumer members' desire for low prices.

### **How does a co-op run?**

During its earliest development, the whole organization is run by an elected steering committee and supporting committees. This leadership group is responsible for keeping the effort moving forward through regular committee meetings, and for periodically holding general meetings to get input from other interested persons.

As the co-op approaches opening day, people become members by making a set investment in the business, and the organization takes a more permanent form. This form has many similarities to a typical corporation, but the key difference is that the board is accountable to the people who use the cooperative, rather than a group of investors, who are often absentees.

The members make a set investment and elect a board of directors. This board sets the general policy and direction of the organization, and delegates the daily running of the store. The board may hire a general manager, divide responsibilities up among paid staff, rely on volunteers or combine these approaches.

Some smaller cooperatives may decide to take the form of a limited liability company (LLC), which does not generally have an elected board.