

Introduction to the Co-operative Model





"Cooperatives are people-centred enterprises owned, controlled and run *by and for their members* to realise their common economic, social, and cultural needs and aspirations."

Co-operatives fill needs.



Co-ops work for groups of people who want to work together to start a business, solve a problem or fill a need within a community.

They work especially well for niche products or services, or where needs are **not** currently being meet by the government or private sector.

Co-operative Structure and Examples



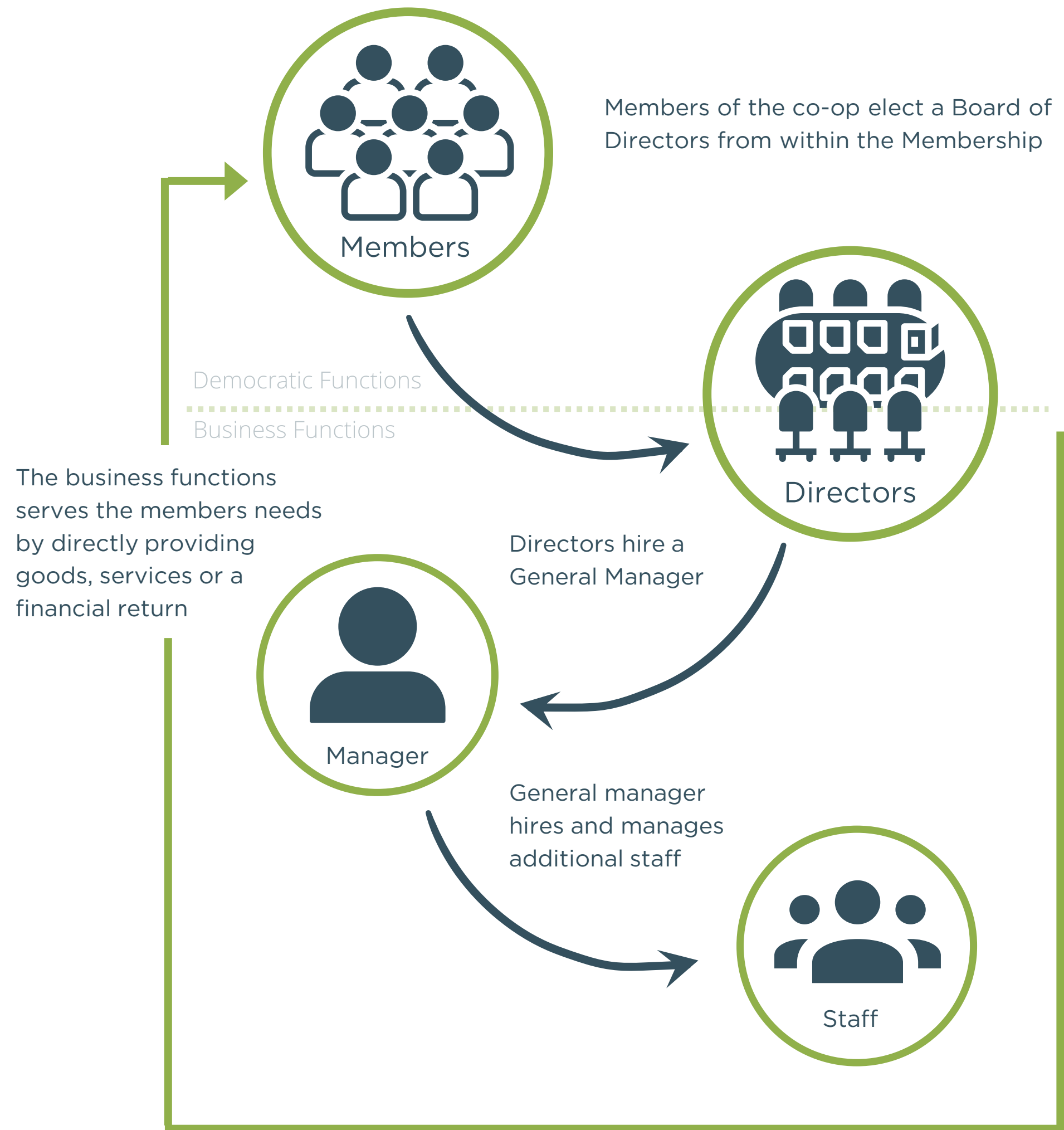
Business Corporation

Not-for-Profit Corporation

Co-operative Corporation

CO-OPERATIVE CORPORATION	BUSINESS CORPORATION	NOT FOR PROFIT CORPORATION
A union of people	A union of money	A union of people
An organization of members	An organization of investors	An organization of members
Organized by the people to meet a common need or provide a service	Organized to attract and serve customers and provide a return on investment to shareholders	Organized by people to support the organization's community mission
Owned and controlled by its members	Owned by shareholders, controlled by those with a majority of shares	Controlled by its members, no ownership
Each member is entitled to one vote at a general meeting regardless of how much they have invested in the co-op	The number of votes a shareholder is entitled to at a general meeting is equivalent to the number of shares held in the company.	Generally, one person, one vote.
An organization in which surplus earnings (profit) belong to the members and are used to make the co-op stronger or returned to members as patronage	An organization in which profit is primarily used to provide a return to the shareholders	An organization in which any surplus funding goes to maintain meet the community-based objects of the organization and is not returned to members.

FOR-PROFIT CO-OPERATIVES	NOT-FOR-PROFIT CO-OPERATIVES
Have a share structure and incorporated with share capital	Incorporated as a non-share capital co-op
Member shares, with voting rights Preference shares, for investment purposes, no voting rights	Have member fees that provide membership and voting rights Mandatory member loans can offer debt instruments like bonds or debentures
Co-op pays tax on its income at the appropriate corporate tax rate	Co-op exempt from paying income tax
Can offer dividend payments on preference shares. Can distribute surplus (profit) as a patronage payment to members	Cannot provide financial benefit to members (to satisfy Revenue Canada's requirements for not-for-profits) Surplus must be used by co-op to further its objects, cannot be distributed as patronage
Limited in eligibility for government funding and grants from foundations (usually not eligible)	Eligible for government funding or grants from foundations that are open to not-for-profit organizations





Co-op resells, packages, markets, processes, distributes the goods and gets them to market

Business Functions

Democratic Functions



Directors



Members

Produce goods and sells them to the co-op

Producer Co-ops

*Producer co-operatives are owned by people who produce similar types of goods or services. A producer co-op may **process, market, and distribute** their members products and services.*

- Are you supplying the raw materials to make products, or the finished products.
- Do you want to share costs of production, distribution or marketing.

Examples: Artists/craftspeople, farmers, food producers.



Producer Co-op Financing Example

In order to ship milk to the Co-op, a new member must purchase investment shares, as follows:

- 5 x \$100.00 membership shares
- Shipping shares @ \$100.00 each for 4,000 liters of milk production annually (a minimum of 15 shares is required)

A new producer must also pay a \$1500.00 administration fee.



Things to consider when starting a co-operative



Support & Resources

You do not have to re-invent the wheel. There are experienced people and organizations that can provide support for the development of your co-operative. There are also templates, guides, and resources available.

