Aquaculture Cooperative Establishment and Management Guide

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Extension and Outreach

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In a Nutshell, What is a Cooperative?

The Small Business Association defines a cooperative as a business or organization that is owned by and operated for the benefit of those using its services. Cooperatives are common in the agriculture, food, grocery retail, food, healthcare, service, retail, and many other industries. They typically have an elected board of directors and officers who run the cooperative; regular members have voting power to control the direction of the cooperative and act as a check on the board of directors. Profits and earnings generated by the cooperative are distributed among the user-owner members. Members can become part of a cooperative by purchasing shares; the amount of shares held does not affect the weight of a member's vote.

Every State has one or more laws authorizing the formation of cooperative corporations; although a number of them are restricted to agricultural producers. Copies may be obtained from business attorneys, the Secretary of State, or State Corporation Commissioner.

Several Federal laws are especially important for cooperatives. The Capper-Volstead Act of 1922, sometimes called the "Magna Charta" of farmer marketing cooperatives, recognizes the rights of producers to act together in handling, processing, and marketing their production without violating antitrust law. Producers may also form marketing agencies in common, but even though cooperatives have this organizational protection, their operations are subject to the same antitrust laws as other businesses.

The Farm Credit Act of 1971 defines a cooperative that is eligible to borrow from the banks for cooperatives in the Farm Credit System and the conditions the cooperative must meet. The National Consumer Cooperative Bank Act created a similar financial institution, the National Cooperative Bank, to serve nonfarm cooperatives. The Internal Revenue Code describes the tax treatment of cooperatives and their patrons and tax reporting requirements.

Why a Cooperative? Basic Motivations

This section is an overview for organizing and financing a cooperative business, a framework already shown to be highly successful in developing sustainable agricultural businesses. The purpose of the cooperative is to provide benefit to the members by increasing income or providing important needed services, and greater operational efficiency. By working together, the cooperative can reach expansion and profitability objectives that would be unattainable by entrepreneurs acting alone. A cooperative is a business owned and controlled by the people who use its services; they finance and operate the business or service for mutual benefit. There are various mechanisms whereby those with the most input into the system receive the greatest guaranteed lasting return on investment (ROI).

In my survey of cooperatives, I found that economic need drove individuals to start cooperatives. This economic need fell into one of two camps: Either, due to increased competition or rising cost of operation (COO), the producers were losing the market for their existing product line(s); or they were in a situation where cooperation with peers was necessary to secure needed services for expansion and to develop sources of sustainable markets and income, impossible within their basic independent business model. In both cases, adopting a well-run and advised cooperative business model resulted in increased understanding of the supply and value chains, then developing, manufacturing and marketing product beyond anything the individual producers could have created on their own, usually in a much faster and more aggressive timeframe.

Cooperatives are active in every sector of American and International business. They have helped people obtain positive outcomes and benefits in areas like generating needed services, creating housing, developing utility infrastructures, personal and business finance options, health and child care, small business support, marketing and government lobbying. They have been proven to be critical vehicles to creating improved markets and simplifying highly-developed supply chains that provide members with discounts, efficiencies, technical support and similar services otherwise unavailable if members acted alone. To summarize, in general, the most basic motivation for cooperative formation tends to include:

- *Improve bargaining power*. Combining the volume of several members leverages their position when dealing with other businesses.

- *Obtain market access or broaden market opportunities*. Value is added to products by processing or offering larger quantities of an assured type and quality to attract more buyers.

- *Reduce costs*. Volume purchasing reduces the purchase price of needed supplies. Earnings of the cooperative returned to individual members lower their net costs.

- *Improve product or service quality*. Member satisfaction is built by adding value to products, managing competition within the cooperative framework, and improving facilities, equipment, and services.

- *Obtain products or services otherwise unavailable*. Cooperatives often provide services and products at prices on a scale not available to other private businesses.

- *Reduce Cost/Increase Income*. Reducing the cooperative's operating costs increases the amount of earnings available for distribution to members to boost their income.

The author has attempted to cover the most important elements to consider when forming a cooperative, overview cooperative business structures. This work incorporates personal research and various excellent sources from government and private cooperative-business-development agencies. The backbone of this report builds on the excellent work of Galen Rapp and Gerald Ely, in Cooperative Information Report 7, *How to Start a Cooperative* (Revised September 1996), available from the U.S. Department of Agriculture; Doug O'Brien, Neil Hamilton and Robert Laudeman in *The Farmer's Legal Guide to Producer marketing Associations* (2005), Drake University Agricultural law Center; and E.G. Nadeau, Isaac Nadeau, Mary Myers, Jody Pdgham, Phillip Guillery and Kathryn Fernholz in *Balancing Ecology and Economics: A Startup Guide for Forest Owner Cooperation* (2002), Cooperative Development Services, University of Wisconsin Center for Cooperatives, Community Forestry Resource Center, and the Cooperative

Development Institute. I am in the debt of the many individuals who took so much time to develop the wealth of great information and tools available to the public from USDA Rural Development, Small Business Development Centers CHS Foundation… -These and many sources of information are cited in the ***Additional Resources*** section of the report.

Cooperatives and Other Business Models: Important Overall Considerations

A primary focus of creating any business results from three critical considerations: Who controls the organization; and how much capital will the venture require and who contributes that capital; and what is the nature of the liability exposure (and taxation exposure) of the participants.

So, with respect to equity and ownership rights, who owns the organization? Equity rights are important to delineate in the bylaws and legal structure of the organization. Many business models typically provide owners the right to certain profits. Most organizations are set up around a particular business structure to prefer or restrict membership to a certain group; e.g. livestock producers who provide livestock to a processing/marketing venture; community members predominantly working within the same major industry who work with a credit union whose bylaws are directed to serve their community; a group of independent manufacturers who require dedicated public relations, lobbying and marketing for their industry. Enterprises may be for-profit or not-for-profit depending upon the goals of the venture, tax implications and related issues. Frequently not-for-profits are NGOs (Non-Governmental Organizations) or foundations; they are predominantly outside the focus of this report.

Capital generation, risk management and creation of new opportunities are all primary drivers to consider when settling on a business and marketing model. There are different forms of debt- and equity-financed financing, available, of course, depending on the level of risk associated with the venture and the extent to which the producers and other participants are willing to open up to outside investment. Any collective production/marketing association acts as a risk-mitigation vehicle. By simply joining a producer association a new participant is managing risk since the association can help with market access, production technical assistance and cost control. When producers join together and strive for the best-managed progressive business model, they also end up intentionally becoming vested in creating, by necessity or choice, sound business decisions.

For producer groups organizing to attempt a new venture, it is important to understand that although production considerations may be an important initial focus, the ultimate goal is to produce a marketing group that supports getting product into the value chain and to the consumer. To do this, a *marketing model* is created that becomes critical to the business plan. This can be innovative, but any model should be based on or inspired by the structures of existing established successful businesses. In its simplest form, the venture can be a marketing association where producers collectively market with no production coordination. In more complex marketing models, various aspects of production and marketing may be integrated for maximum market coverage and participant return on investment.

Different Business Models and Role of Participants:

Traditional Cooperative (composed of patrons, members or shareholders);
Value-Added Cooperative (composed of patrons, members or shareholders);
Investor-friendly Cooperative (composed of patrons, members or shareholders);
Corporations (composed of shareholders);
Limited-Liability Company (LLC) (composed of members);
Limited-Liability Partnership (LLP) (composed of general partners);
Limited Partnership (LP) (composed of general or limited partners);
General Partnership (GP) (composed of general partners);
Sole Proprietorship (SP) (composed of owner/proprietor).

Risk-capital Structures: Capitalizing the Venture

In the initial planning steps of forming the cooperative, a financial advisor or advisory team needs to prepare a financial feasibility study that outlines all assumptions and income and expense projections based on standard financing practices and presents it to the steering committee. Worst-case scenarios should be a part of the discussion and the final document (see also SWOT Analysis later in this document). Coupling the financial feasibility study with a computer model for the production system(s) is extremely helpful for identifying hidden costs and production inefficiencies. These models also are easy to modify by plugging in different parameters or by changing the assumptions used to modify the inputs.

The financial feasibility study should be in the standard form of a "projections balance sheet" and usually is well within the capabilities of any qualified financial advisor. This projection is critical for seeking funding from outside sources. Lenders look for collateral to secure their loans. The projected balance sheet anticipates the future value of the cooperative and indicates its solvency and ability to satisfy creditors' claims if and when necessary to do so. The document is quite straight-forward, in that it lists the cooperative's assets, liabilities, and net worth in the form of a schedule of fixed asset costs and depreciation.

This document should try to include everything that the cooperative intends to purchase or lease. To assure the lender that depreciation has been accurately noted, it is also desirable to outline in table form the classes of assets, cost, life expectancy, and annual depreciation. All financial projections should include "best-case" and "worst-case" scenarios to reflect sensitivity (changes) in operating assumptions. The report is then reviewed and revised to develop those aspects of the business plan that accurately reflect the risks and expected returns of the venture. The goal should be to produce a final document that can be stand up to outside reviewers and eventually be used by potential members for their informed decision making, as well as implemented without significant changes.

This report will be discussed within the planning group as well as at general meetings of potential members. For this reason, it must have descriptive considerations that cover the cooperative's purpose; goals; and key economic functions, that include the financial assumptions and projections for startup and the first 3 to 5-years of operation. In a nutshell, the document should have: projected volume of business, market Information, cash flow, an operating statement, and description of the loan and risk funding.

Additionally, these documents usually cover: volume projections; risk capital (equity) investment requirements-initial and continuing; financing projections, including tables for monthly cash flows, annual projections of operating statements, balance sheets, and a statement of cash flow; financial package and method of capitalization; payment schedules; projected patronage refunds-cash and retained; and the implementation schedule for the risk and financing capitalization.

Capitalization is the amount and source of money needed to start and operate the cooperative until it is self-supporting. Usually this will include stock or non-stock vehicles and include the amount of risk capital that members will invest. Those doing the initial planning need to estimate the amount and source of debt capital (borrowed money) needed to finance and construction and initial operations.

> ***Common stock*** is one of the most regularly employed vehicles in stock cooperatives. Members are issued stock certificates as evidence of their membership and capital investment. More than one type of stock may be issued. Stock cooperatives issue shares of common stock to show membership and voting rights. Common stock may be divided into classes. Each class may have different par values and carry different voting privileges. Usually, cooperatives don't pay interest on common stock.
>
> ***Preferred nonvoting stock*** may be issued to both nonmembers and members for additional capital investment. As with common stock, this stock may be divided into classes, and should the cooperative change structure or ownership or go out of business, preferred stock is paid before the common stock. Different classes may have different par values and/or other conditions. Interest paid on preferred stock may be limited by State statute and redemption determined by the board of directors.
>
> ***Membership Certificates*** are employed if the cooperative is organized as a non-stock organization, usually membership and capital certificates are insured, this certificate is issued when membership fees are paid and establishes voting rights in the cooperative. The amount of capital collected from membership fees is usually considered as incidental to capitalizing of the cooperative. Membership certificates are generally noninterest bearing.
>
> ***Capital certificates*** of a non-stock cooperative are the equivalent of preferred stock issued by a stock cooperative. They are sold in various denominations, may bear interest, and may or may not have a due date. They have no voting privileges and may be owned by nonmembers. The combination of membership fees, sale of capital certificates, and capital certificates issued for retained patronage are sources of risk capital (equity) for non-stock cooperatives. (Certificates issued for retained patronage may carry a due date to implement systematic rotation.)

Most new cooperatives employ straight-forward common-stock structures for structuring risk capital. A common-stock structure is more easily understood by most potential members than preferred stock or capital certificates. If organizing the cooperative using these other vehicles, more member education may be needed to explain and justify the risk-capital structure. This will be described in the bylaws as well as the reasons why preferred stock or capital certificates are justified to fulfill particular goals for business capitalization or to ensure return on investment for those taking on the greatest responsibility (risk exposure) for risk-capital generation.

Member Investment is a basic member investment responsibility for creating risk capital. The equity capital (initial required investment) from each member will be determined by projected costs for the timeline proposed in the feasibility study and business plan.

Member investment should be large enough for them to realize they have a serious financial stake in the business and that they need to protect their investment through involvement. If this is based on volume (vs. number of members) the investment should be in proportion some way to the expected participation. Those who wish to contribute more than their share or provide short-term debt capital may purchase preferred stock or capital certificates or certificates of investment that earn fixed dividends, but carry no additional voting privileges.

Members may also provide additional amounts of risk (equity) capital while using their cooperative. For example, “per-unit capital retains.” Essentially, the cooperative deducts from member transactions an amount based on the value or quantity of services provided or products marketed. Another way to do this is to retain part of the cooperative's net earnings at the end of each business year. Under both of strategies, the risk capital (equity) investments are credited to members' equity account.

Like other businesses, cooperatives must build financial reserves. This is an important part of long-term business planning that carry a venture through a myriad of short-term emergencies. With most agricultural cooperatives, there will be times when operating expenses exceed income. Additionally, some reserve planning may be earmarked for a specific purpose, such as covering uncollectible accounts (bad debts) or a specific type of emergency. Many established cooperatives (as described later in the overview section) set aside funds for member services, resource enhancement, community improvement and other forms of charitable giving.

An accumulated reserve relieves the pressure on the cooperative to borrow money from institutions or members, or to reduce important services during trying periods. As part of considering the elements of capitalization when forming the feasibility study and business plan, the steering committee should estimate the amount of needed reserves and the financial vehicles by which to obtain them. Legal counsel should review these plans against state laws on reserve levels and methods of accumulation (fees or profit withholding).

Revolving member equity capital is a plan to compensate the earliest investors to the mutual benefit of the cooperative, the earliest and subsequent investors. This is essentially a “systematic equity-redemption program” that keeps the cooperative financed by current users in proportion to their use.

The membership fee or payment for a share of stock is usually retained by the cooperative, at least until a member’s membership is terminated. However, an equity-redemption program within the capitalization plan is a way to buffer member equity capital related to the business done with the cooperative, retained patronage refunds, and retained per-unit funds.

Once the cooperative's equity is sufficient to meet its needs, a schedule for revolving equity should be established by the board of directors. In this plan, a portion of each year's income will be used to redeem the oldest patronage-based equity. This equity is replaced by funds retained from the current year's patrons and again, is to accurately compensate those most actively assuming risk and operational expenses.

Debt capital is borrowed money, and may include government loan guarantees. How much debt capital the cooperative can borrow depends on how much risk (equity) capital is initially invested by members, cash flow, quality of management, and the degree of risk in the venture. Members should contribute equity capital amounting to at least half the total capital requirements. But, it usually takes several years of operations to reach this goal. Long-term credit is the usual way of acquiring part of the money to finance land, buildings, and equipment. The period of the fixed asset loan depends on a number of factors, but it is usually related to the facility's projected life.

Initial planners should explore various sources of long-term loans and recommend the source that can supply the financing best suited to the proposed cooperative. Among sources of facility loans are State offices of USDA's Rural Development, CoBank, St. Paul Bank for Cooperatives, National Cooperative Bank, programs of commercial banks, credit unions, and insurance companies. Other financial arrangements may be available that are temporary or unique to the venture.

Operating capital may be obtained through short-term loans (1 year or less) after the cooperative becomes established. A new cooperative, however, can obtain only part of its operating funds from short-term loans. Member equity usually comprises the balance. Sources of short-term credit include credit unions, commercial banks, banks for cooperatives in the Farm Credit System, and the National Cooperative Bank. The planning committee should explore all sources and recommend the lender that best meets the requirements of the business.

Cooperatives that provide supplies and services normally have open membership. Those that process and market or bargain for price and contractual agreement or offer limited services may have a selective membership policy. Members should feel a responsibility to recommend others believed to be qualified users. That's why it's important for members to understand what their cooperative is, how it operates, its benefits, and its limitations.

People join cooperatives primarily for economic benefits, services and increased income. Most people want to be shown the advantages of cooperative membership. If those benefits are not evident, few prospects will join and even if they do, they probably won't regularly patronize the cooperative. New members may be asked to join by purchasing stock or paying a membership fee and signing an application. There should be receipts for any collected funds, and the cooperative must then follow-up with the membership material and stock certificates. Accurate accounting of money is an extremely sensitive issue. The cooperative should retain an independent accounting firm to assist in recording funds prior to any sale of stock or the collection of substantial amounts of money.

When considering “the architecture of the venture,” it may be a consideration that a subsidiary company be formed for production of an input, any secondary processing or specialized marketing need. The venture will have a dedicated relationship, to the primary business defined by the cooperative’s marketing model, but for whatever reason, it is better to have this part of the production chain as a dedicated, but separate business entity. For example, a wholly-owned subsidiary for the distribution of perishable product lines, a specialized marketing division for international sales to a specific group of countries, or a dedicated producer for a needed input that will first serve the cooperative, but can sell excess product on the open market.

There are various financial advantages to the cooperative business model; one of which may be 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. There also are various funding programs that may be available to the business. Depending on the type of cooperative you own or participate in, there are a variety of government-sponsored grant programs to help establish the venture. For example, the USDA Rural Development program offers grants to those establishing and operating new and existing rural development cooperatives.

As the reader will find in later sections of this report, the first great agricultural cooperatives were formed to reduce costs and improve product marketing, or to create or improve member services. By leveraging their size, cooperatives can easily obtain discounts on supplies and similar inputs and services like advertising and marketing. 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; doing what they do best and leave the overall management and product placement to dedicated professionals with those contacts and skillsets.

In many respects, cooperatives resemble other businesses. They have similar physical facilities, perform similar functions, and must follow sound business practices. They usually incorporate under State laws and require bylaws and other necessary legal papers. Members elect a board of directors to represent their interests. The board sets policy and hires a manager to run the cooperative's day-to-day business.

The SBA (www.sba.gov/content/cooperative) cites several advantages of a cooperative business structure:

- *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.

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

- *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.

- *Perpetual Existence.* A cooperative structure brings less disruption and more continuity to the business. Unlike other business structures, some members in a cooperative can routinely join or leave the business without causing dissolution of the business.

- *Democratic Organization.* Democratic involvement 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.

Even though cooperatives may appear similar to most other businesses, they are distinctively different in some key areas; most notably, the cooperative's purpose, ownership, control, and distribution of benefits. Cooperatives follow three principles that define or identify their distinctive characteristics: *They are owned by the users, controlled by the users, and produce benefits for the users*.

The user-owned principle means the people who directly own and finance (support) the cooperative are those who use it and benefit from that relationship. "Use" usually means buying supplies, marketing products, or using services of the cooperative business. The relational benefit can come in the form of regular profit sharing and the ability to use the cooperative's resources to make it through tough or trying conditions or markets that would severely impact the independent producer.

Members finance the cooperative through different methods: 1) by a direct contribution through a membership fee or purchase of stock; 2) by an agreement to withhold a portion of net earnings (profit); or 3) by assessments based on units of product sold or purchased. For example, a tomato grower would be assessed a fee such as 10 cents for every box marketed through the cooperative. These assessments, generally referred to as "per-unit retains," help finance the cooperative's operations.

The user-controlled principle, also called "democratic control," says those who use the cooperative control it by electing a board of directors and voting on major organizational issues. This is generally done on a one-member, one-vote basis, although some cooperatives may use proportional voting based of or participation in the cooperative. The user-benefited principle says that the cooperative's sole purpose is to provide and distribute benefits to members on the basis of their use. Members unite in a cooperative to receive services otherwise not available, to purchase quality supplies, to increase market access, or for other mutually beneficial reasons. Members also benefit from distribution of net earnings or profit based on the individual's business volume with the cooperative.

To operate under these distinctive principles, an important practice, particularly for new cooperatives, is to conduct continuing member education. This is especially important for attracting and recruiting new members. It is also necessary because a strongly sustained cooperative's membership continually changes as older members retire and new ones join.

Keeping owners informed is an important practice for any business, but vital in a cooperative for at least three reasons:

- *The democratic control principle: participatory involvement.* Exercised through majority rule, this requires that the entire ownership (members) be informed and involved to assure that enlightened decisions are made.

- *Member need and responsibility.* Members must indicate their needs and accept the accompanying financial responsibilities before the cooperative can fulfill those needs.

- *The business structure promotes rural economic health and sustainable communities.* Most people are not familiar with the cooperative business model. The educational system in the United States contains little, if any, information about cooperatives. For this reason, most successful cooperatives go out of their way to thoroughly explain the purpose, function and impact on the community.

Cooperatives with a dedicated and engaged membership are strongly sustainable. A cooperative structure brings less disruption and more continuity to the business. Some business writers describe this as "perpetual existence" for the venture. Unlike other business structures, members in a cooperative can routinely join or leave the business without causing dissolution of the greater entity. And since 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. Please note: This voting arrangement usually does not reflect how the proceeds of the cooperative's business are distributed to founding members, participating-members, investor-members, etc.

Once again, people organize cooperatives to improve their income or economic position or to provide a needed service. Oftentimes, this is to enhancing marketing, purchase or share supplies or services. With respect to market access or broadening market opportunities, this may be done through the development of value-added product lines. So the cooperative shares the human, equipment, material investment and marketing costs. It also shares the risks associated with processing innovation and developing new offerings of an assured type and quality to attract more or a new audience of customers. For example, other cooperatives are considered franchise-purchasing cooperatives. This means that individually owned units are organized in ways to gain economy of scale with respect to purchasing goods and services, increased efficiency of deliver of supplies or pick-up of product, etc.

Some of these cooperatives have formed their own insurance companies, established leasing programs, or developed equipment-financing programs to benefit their members. These benefits are derived not only from savings through group purchasing, but also from the shared earnings based on the member's business volume through the cooperative.

Another cooperative model is the flexible manufacturing network. These businesses are a mechanism for small manufacturing enterprises in a local geographical area. By joining together under a cooperative umbrella, members achieve certain shared objectives that might be otherwise impossible to achieve on their own. Thanks to the network, members share costs for market research, environmental compliance, or technical training for employees. Joint product development and market penetration are also feasible objectives this and most other cooperative models.

One example of a highly successful cooperative is the Farm Credit System (FCS). This nationwide network of cooperative lending institutions provides credit and financially related services to farmers, ranchers, and their cooperatives. In existence for more than 75 years, FCS is the largest provider of agricultural credit in the United States. FCS specializes in low-cost financing for agricultural enterprises and rural utilities. Its expertise is unequaled by any other lender.

Disadvantages of a Cooperative

There are some disadvantages to 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 if they feel that their larger share of risk investment does not translate into a greater decision-making role in the business. Additionally, the lack of strong participatory membership can be serious problem. If members do not fully participate and perform their duties, whether it be voting on issues or fulfilling daily operational commitments, then the cooperative will not operate at full capacity or potential. If a lack of participation or poor management communication becomes an ongoing issue for a cooperative; this usually will result in the loss of membership and severely impact the recruitment of vital new members. All of these issues underscore the importance of engaged and professional senior managers and board of directors.

Cooperatives and Taxation

Taxes are an important consideration when considering a cooperative model. Cooperatives do not directly pay federal income tax. Cooperatives operate as a type of corporation and receive a "pass-through" designation from the IRS, but must follow the regulations of IRS Subchapter-T Cooperatives Tax Code to remain compliant. The SBA www.sba.gov/content/cooperative covers this in detail. As one would expect, the business needs to register with the IRS and with state and local revenue agencies for the appropriate tax identification numbers and permits.

Taxes are paid when the cooperative's members file their personal income taxes. Members pay federal and state income tax on the margins earned by the cooperative. The amount of taxation varies by state. Check with your state's income tax agency for information about state taxes and some cooperatives, like credit unions and rural utility cooperatives, are exempt from federal and state taxes due to the nature of their operations.

To file taxes on income received from cooperatives, please refer to relative IRS instructions on how to file Form 1099-PATR, and more information about taxable distributions received from cooperatives is available at IRS.gov. If one is involved with a consumer cooperative for retail sales of goods or services that are generally for personal, living, or family, this is done through a different form and application system.

With many cooperatives, the return on equity investment is limited by statute. Additionally, share transfer may be controlled in the bylaws within strict limits, such that shares may only be transferred within the family of the member or to other members of the organization. It all depends upon the long-term goals of the venture. It may be important to the life of the venture that they may wish to restrict those who can gain equity interest. Additionally, liability goes hand-in-hand with ownership. The business structure will determine who takes on this risk. Cooperatives, corporations, LLCs, and certain types of partnerships usually cover this consideration through different mechanisms that protect members or shareholders from any or undue liability.

What is a Coalition or Association Compared to a Cooperative?

As we have stated, a cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the user-owner members. It is run by an elected board of directors and officers while regular members have voting power to control the direction of the business. Members can become part of the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote.

There are times when a group of producers can come together to form an organization with greater producer independence (and individual risk) and a far looser operating structure. This type of organization can be classed as a coalition, or perhaps an industry association. Usually grower/producer coalitions or associations are partnership groups created out of the common need to address a particular issue or issues. They may financially partner to hire leadership, public-relations/lobbying or marketing talent.

With respect to seafood and aquaculture, Maryland offers a great example of a program reported in the fall 2013 issue of Urner Barry's Reporter. Since 2010, the coalition of Maryland Seafood Supporters has been coordinated by their Department of Natural Resources to help promote the state's domestic fisheries. In 2012 they launched the True Blue Program to encourage restaurants to source crab products directly from the state's fishery. The program provides signage, menu indicators and similar marketing materials to restaurants and seafood sellers. In one year the program increased from an initial 26 establishments at its inception to 150; the state's crab-meat processors reported a 17% increase in domestic pounds sold.

Coalition leaders noticed that one of the great problems facing the industry (and any domestic fishery or aquaculture or local-foods industry) is the consumer-producer disconnect (where important components of the value chain are isolated and do not lend feedback to one another), partly due to the modern food-service or distributor-type distribution system. The coalition addressed this by developing "Chef's Trips," field trips onto Chesapeake Bay where participants could see and handle the products (crabs or aquaculture-produced oysters) right along with the people who harvest them. The hands-on education about the domestic fisheries, lead to lasting connections between the chefs and the fishermen/processors. The chefs then became almost universally proactive in driving consumer understanding and appreciation of product attributes, and ultimately, increased consumer demand.

Additionally, due to this exposure of the industry to the consumer, consumers were then primed to participate in an oyster-recovery partnership program to promote restoration of the state's oyster beds. Part of this initiative focused on restaurant and consumer recycling of oyster shells. Oyster shells were a limiting factor in the recovery effort. Thanks to the awareness program, over 200 partner restaurants, and their consumer-clients, are now helping to rebuild and expand the production end of the value chain. This resulted in full-circle benefits to the industry, including many new and unique targeted-marketing opportunities for the producer/processors.

Cooperative Formation

Forming a cooperative is different from forming other business entities. To create the venture, a group of potential members must agree on a common need and a strategy on how to meet that need. An organizing committee (steering committee) is formed that then conducts exploratory meetings, surveys, and cost and feasibility analyses. Committee members often become the initial organizers and members of the cooperative's first board of directors. The organizing committee (perhaps also the steering committee) will proceed with the creation of a business plan that is them reviewed and should be agreed upon by all members. Not all cooperatives are incorporated, though many choose to do so.

The steering committee should have a keen interest in the venture and be comprised of well-respected individuals of sound judgment. The first function is to select officers of the steering committee, usually at the close of the first general information meeting. Next, regular meetings should be established, along with developing a timeline with deadlines for completing the different aspects of the business plan, including target dates for communications with and surveys of potential members. Through this process, the steering committee, with the help of one or more advisers, determines if a cooperative is feasible. First, and foremost, it determines whether the proposed cooperative will succeed and how the members will benefit.

Formal survey techniques are best for estimating potential membership. The steering committee should now draft a list of individuals interested in membership, and then usually drafts the survey questionnaire; it is not unusual for this to be done by an outside consultant. This of course, can take many forms depending on the focus of the venture.

Some Example Survey Questions:

- Volume of need or use in an appropriate unit of measure for the most recent or typical year;
- Member-user experience and capabilities-years in present location, overall success, demand specific to the cooperative venture, and production and marketing success;
- Variety of products or services to be offered or needed;
  Period of need or services;
- Current unit value-sales price or cost per unit.
- Member-user--location of use or need.
- Familiarity with and use of other cooperatives and willingness to join, finance, and use one.
- Expected returns or services.

The committee or its consultant will then schedule group meetings at a central location to administer the survey. Estimates of both membership and volume should be conservative (not all persons interested will join initially and some may wait to join; not all who join will make the fullest use of the cooperative's services). The goal is to end up with a committed, strong, and fully engaged membership.

The consultant usually analyzes the survey, prepares a report, and presents it to the steering committee. The results and implications are then discussed at a meeting of those surveyed. Survey results should reveal how potential members identify the economic need and the degree of interest in a cooperative to fulfill that need. The survey should indicate the level of support in terms of business volume and if financial commitment is sufficient to organize and successfully operate the cooperative. The final action at this meeting is a vote on whether to continue.

Plan for Direct Action Part I: The First 10 Steps:

1. Assemble interested parties and establish a steering committee (developmental planning and timetable).

2. If interested in proceeding, create a list of expert for- and not-for profit support and advisory network; identify key management personnel for the venture and bring them in as consultants or on a fee-for-service basis.

3. Task the team to construct an honest and concise mission statement and top-five goals statement to guide the venture.

4. Draft Articles of Incorporation & Bylaws (kind and scope of the cooperative's business and must be filed with the secretary of state); to be drafted or reviewed by legal counsel (important to do at this point*; more in a later section of this document).

5. The Steering Committee or a consultant hired by the committee develops a feasibility study (cooperators, market(s), SWOT**, general financing and profit-loss overview);

6. Internal and external (advisory network) review of feasibility analysis and decide whether or not to proceed with a business plan.

7. Develop business plan (expanded feasibility document that reflects sustainable growth of the venture, three- to five-year finance projections for three or so different levels or modes of producer participation; consider whether or not to include non-producer investors (the shareholder equity-drive model). (Note: Any new cooperative should initially limit services to avoid elaborate or costly facilities above what is absolutely needed. If successful, services and infrastructure can later be expanded.)

8. Review business plan internally and with potential lenders and decide whether or not to proceed.

9. If interested in proceeding, member recruitment: Hold first membership meeting and officially announce the venture; perhaps in conjunction with a founding-member and steering committee meeting (finalize founding-member status, support team and determine immediate “next steps”).

10. Is the co-op planning to collect funds from potential members prior to completion of the business plan? Are there grant and loan programs to which the steering committee is interested in applying that require the co-op to be incorporated? Are some of the steering committee members concerned about legal liability issues that would be lessened if the co-op were incorporated? If none of these issues are of concern to the steering committee, incorporation can be deferred until after the business plan is completed.

    * If the co-op is planning to collect funds from potential members prior to completion of the business plan, or if certain grant and loan programs require the co-op to be incorporated; legal liability issues may be lessened if the co-op is incorporated (if these are none issues, incorporation can be deferred until completion of the business plan).

    ** SWOT: Strengths, Weaknesses, Opportunities & Threats.

Critical Documents.

So what do these things mean? The articles of incorporation legitimizes your cooperative and includes information like the name of the cooperative, business location, purpose, duration of existence, and names of the incorporators, and capital structure. Once the charter members (also known as the incorporators) file with your state business entity registration office and the articles are approved, you should create bylaws for your cooperative.

While the law does not require bylaws, they do need to comply with state law and are essential to the success of your cooperative. Bylaws list membership requirements, duties, responsibilities and other operational procedures that allow your cooperative to run smoothly. According to most state laws, the majority of your members must adopt articles of incorporation and bylaws. To recruit members and legally verify that they are part of the cooperative, you must create and issue a membership application. Membership applications include names, signatures from the board of directors and member rights and benefits.

Many generic and state-specific examples and templates for these and other "critical documents" are available on the Internet. The following is a general description:

The "Legal Papers." Perhaps the most important process, other than determining the business feasibility, is drafting articles of incorporation and bylaws. Other legal documents include the membership application, membership or stock certificate, revolving fund certificate, marketing/purchasing agreements, and meeting notices and waivers of notice.

Articles of Incorporation. Incorporation is usually the best method of organizing. Each State has special enabling laws under which cooperatives may incorporate. It may be preferable to incorporate under the State's general corporation enabling act, but structure bylaws to operate as a cooperative. Incorporation gives the cooperative a distinct legal standing. Members generally are not personally liable for the debts of an incorporated organization beyond the amount of their investment. The articles indicate the nature of the cooperative business. The articles should specify rather broad operating authority when incorporating even though services may be limited at the beginning. These articles usually contain the name of the cooperative, principal place of business, purposes and powers of the association, proposed duration of the association, names of the incorporators (in most States), and information about the capital structure. In some States, the names of the first officers of the association must be included. Filing the articles of incorporation (usually with the Secretary of State) activates the cooperative corporation. After the organizing committee approves the articles, the attorney files for the corporation charter and includes the recording fees. Once chartered by the State, the cooperative should promptly adopt bylaws.

Bylaws. The committee prepares the articles and bylaws with the help of an attorney so provisions comply with laws of the State in which the cooperative is incorporated. The committee's role also is to assure the bylaw provisions will not conflict with operating procedures. The bylaws delineate how the cooperative will conduct business and must be consistent with both State statutes and the articles of incorporation. Bylaws usually have membership requirements and lists rights and responsibilities of members; grounds and procedures for member expulsion; how to call and conduct membership meetings, methods of voting, how directors and officers are elected or removed, and their number, duties, terms of office, and compensation; time and place of director meetings; dates of the fiscal year; requirement to conduct business on a cooperative basis; how net margins will be distributed; process for redemption of members' equity; a consent provision that members will include the face value of written notices of allocation and per-unit retain certificates as income in the year they are received; distribution of nonpatronage income; handling of losses; treating nonmember business; dissolution of the cooperative; indemnification of directors; and the process for amending the bylaws.

Also covered is how the board is structured to represent the membership, given geographical distribution and size of the membership, the scope of the business and function of the cooperative. Directors may be selected to represent districts based on membership density, to reflect commodities or services to be handled, technical or business expertise or some other factor that promotes equitable representation. The organizing committee's recommended management structure should include the basis for director representation, voting methods, and the board's officers and their terms. For marketing cooperatives that lack a marketing agreement, the bylaws specify the extent of members' obligation to market through the cooperative. They outline the terms and conditions under which the products will be marketed and accounting procedures.

Membership Application. This form has five main parts: applicant's statement asking to become a member of the cooperative, signature of the applicant, statement of cooperative acceptance of applicant, signatures of the president and secretary, and a statement of the duty and intent of the member. The application, signed by the member and approved by the board of directors, is the legal proof that a patron is a member. A cooperative should have a completed membership application on file from every member. Membership and the amount of business done with members and nonmembers are important factors for certain antitrust and taxation provisions. A membership certificate may be issued to each member as evidence of entitlement to all of the rights, benefits, and privileges of the association.

Marketing and Purchasing Agreements. In the marketing agreement, the association agrees to accept specified products of stated or better quality, to market them to the best of its ability, and to return to members all marketing proceeds less deductions for expenses and continuing capital needs. A similar contract with members can be structured for service and supply cooperatives. This continuing or self-renewing agreement should specify that after it has been in force for some initial period, it should continue indefinitely unless the member (or the cooperative) states in writing a desire to cancel or modify it. A cancellation request must be made during a specified annual period as noted in the contract. An agreement ensures sufficient control over products or services to be delivered so the cooperative can function. This is especially helpful in the first few years of operation when the cooperative is establishing its reputation as a responsible and successful business. Marketing and purchasing agreements have helped some cooperatives get needed outside financial help. In some cases, cooperatives that use contractual agreements must file them with the State Government.

Now that this information is in order, it is followed up by the first Charter-Member Meeting and election of the first Board of Directors. During this meeting, charter members discuss and amend the proposed bylaws. By the end of the meeting, all of the charter members should vote to adopt the bylaws. If the board of directors were not named in the articles of incorporation, you must designate them during the charter meeting.

Consult an attorney to verify that your bylaws and membership package complies with state laws. Additionally, consult your attorney, Secretary of State's office or State Corporation Commissioner for more information regarding your state's specific laws if you are hiring employees and to be sure that you are in the know regarding your state's particular laws governing cooperatives. Your attorney or your state's income tax agency will have information about how you will report your federal and state taxes. At this point, it may be judicious to obtain relevant business licenses and permits. Regulations vary by industry, state and locality. The SBA has an on-line licensing and permitting tool (http://www.sba.gov/content/search-business-licenses-and-permits) that can be used to generate a list of federal, state and local permits, licenses and registrations you'll need to run the business.

Organization: Roles and Responsibilities

According to most statutes under which cooperatives are organized, articles and bylaws must be adopted by a majority vote of the members or stockholders. For convenience in organizing, only the persons named in the articles of incorporation (the charter members), must vote to adopt the bylaws. These persons are regarded as members or stockholders as soon as the articles of incorporation are filed. A good practice, however, is to invite everyone who has signed a pre-membership agreement to the meeting to ratify the bylaws. Usually, a temporary presiding officer conducts this first meeting and reports that the articles of incorporation have been filed. This is followed by a draft of the proposed bylaws is presented, discussed, and adopted, read or amended.

Further action is usually needed to accept those members or stockholders who have subscribed for stock or agreed to become members but are not named in the articles of Incorporation. Under some statutes, however, the incorporators can adopt the bylaws as incorporators rather than as members or stockholders. If members of the first board of directors have not been named in the articles of incorporation, they should be elected at this meeting.

The first board of directors usually results from the work of a nominating committee. This committee develops a panel of candidates for positions on the board. Only members of the cooperative business venture can be selected as candidates (these may be investor-members rather than producer-members); and at least two candidates should be selected for each open position on the board. The vote is by secret ballot. Alternates may be designated from runners-up.

Soon thereafter, a schedule should be established to familiarize the new board members with legal liability, cooperative finance, management establishment and supervision, and member relations. Session topics for the entire membership should include member responsibilities, cooperative operating policies, tax issues including the tax treatment of patronage refunds; and familiarization with attendance requirements, parliamentary procedures and record keeping for meetings.

In most cooperatives, corporations and similar business models, there usually are two tiers of control. The Board of Directors (board) handles large strategic decisions and management handles daily operations and related decision-making. The board s will chart the overall course for the business, hire senior management, consider major acquisitions, and other strategic moves. Management earns their pay by best implementing strategies arrived at by the board; hiring and firing workers; managing employees, suppliers, buyers, subcontractors; and overseeing all business-related record keeping. Independent consultants and auditors, if needed, may be hired by either oversight tier, but frequently they are a mutually agreed upon decision of both management and the board.

If we are discussing a cooperative, then let’s consider sound business practices for board and management. It is a major misconception that the greatest challenges to cooperative members, the board, and operations management occurs after operations begin. Management needs to me nimble, communicate well and fully realize that all startup responsibilities continue well after production is operational. For example, it's critical to operate on a sound business basis to avoid year-end losses. Requirements include developing and installing a double-entry accounting system, preparing financial reports including operating and capital improvement budgets, reporting to the membership in a clear and timely manner, and conducting long-term planning. As well as complete and accurate documentation of income and expenses, a cooperative must keep exact member records. They account for members' initial and subsequent investments and member purchasing, marketing, and/or services used to determine patronage allocations from net earnings. Members also need these records for their own personal accounts, particularly for income tax purposes.

Management staff must prepare and oversee periodic operating statements and balance sheets to inform both the board and membership on how the cooperative is performing, its financial condition, and for use in revising the business plan and strategic goals. Typically, an annual report is prepared for wide dissemination, as well as abbreviated monthly or quarterly reports for the board. Reports should be timely enough to cover important business activity, spur appropriate management or membership action, and generally keep members up-to-speed on the status of the co-op. An annual independent audit serves as an outside appraisal of the cooperative's financial condition, a check on the business and accounting procedures, and how the cooperative has conformed to tax and other legal requirements.

The board has three broad overall responsibilities. These are to set policies, employ and evaluate the general manager's ability to carry them out, and provide adequate financing for the cooperative. Specifically, the board will undertake these management responsibilities by functioning as trustees for the members with respect to controlling the “total operation” by:

- Preserving the cooperative character of the organization.
- Safeguarding their assets in the cooperative.
- Setting goals, objectives, and general policies.

- Adopting long-term strategic plans.
- Employing a competent manager and evaluating performance.
- Establishing an accurate accounting system.
- Adopting an annual operating budget.
- Appointing an outside firm to perform an annual audit.
- Authorizing distribution of cooperative net earnings and redemption of member equity.

Selecting and evaluating the cooperative’s manager is one of the most critical start-up tasks for the board. The manager directs the day-to-day operations, and the success of the cooperative depends more on the manager than any other individual. Finding a manager with both education and experience with cooperatives is important for several reasons. Unlike investor-owned corporations, a cooperative manager should not participate in cooperative ownership. Career decisions could conflict with ownership interests. Cooperatives do not offer managers stock options or profit sharing, although some cooperatives have incentive plans. The candidate needs to understand the special nature of the cooperative's patrons because they're both customers and owners. This dual relationship adds a unique dimension to the candidate's communication and public-relation skills.

The organizing committee begins the task of manager selection by developing a position description. A supplemental statement should indicate the relationship and responsibilities of a manager and the board of directors in a cooperative.

Long and varied lists have been compiled of the qualities to look for when seeking out a qualified and capable manager; but the three most important areas are education, experience, and ability to constructively respond to and work with people. Manager candidates need to be judged in these areas from the perspectives of commodity expertise, general business understanding of this type of venture, and due to their unique nature, knowledge of cooperatives.

Good managers are hard to find, especially for cooperatives. The best source is often other cooperatives. Leads may be obtained by contacting the managers of other cooperatives, directors of State cooperative councils, national cooperative organizations, the advisers who helped form the cooperative, and employment agencies.

The differing responsibilities of the board and the management team must be clearly understood and carried out. Directors represent members and are legally responsible for the performance and conduct of the cooperative. All corporate powers of the cooperative, other than those specifically conferred on members, are vested in its directors and outlined in the bylaws and in State and Federal legal statutes.

The board, in turn, delegates responsibility for daily operations to a hired general manager or chief executive officer. The general manager hires or discharges employees, including department heads, who with the manager comprise the hired-management staff that constitutes the management team.

When it comes to staffing, the board hires the manager who, in turn, selects the staff of the cooperative. Questions often arise as to the division of responsibilities between the board and hired management. Sometimes they overlap and an exact division cannot be made. Some factors to consider are: the time period-long-term decisions are the responsibility of the board while management makes short-term decisions; idea decisions are usually introduced by the board and actual decisions implemented by management; decisions involving policy are the responsibility of the board, and cooperative functions are handled by management; broad primary control activities usually concern the board, while secondary controls pertaining to short-run operations are the responsibility of management. Use of policy and procedure manuals and job descriptions along with frank discussions of questions when they arise can help maintain an understanding of the divisions of responsibility between the board and the management team, and between the management team and staff.

Management responsibilities include managing or directing daily business activities; carrying out policies set by the board; setting goals and making short-term plans; employing, training, and discharging employees; organizing and coordinating internal activities in compliance with cooperative goals and objectives and board policies; keeping complete accounts and records and developing an annual operating budget; and providing the board with periodic reports.

Plan for direct action Part II: next steps to streamline the organization:

1. Management recruitment (done early-on in the process is good, now fill out the roster: hire the coaches and team players).
2. Secure financing.
3. Develop quality-assurance and accountability systems.
4. Use the quality-assurance and accountability systems to develop general production, quality-control, risk-management and training Standard Operating Procedures (SOPs).
5. Legal & financial guidelines (SOPs) for entry and/or investment into the cooperative.
6. Create a review structure for periodic review of the business plan and SOPs.

Getting Started: Leaders, Losers and Human Problem-Solving.

Determine the official leadership and advisory groups. Leaders begin by discussing their idea at organized small group planning meetings with other prospective members, advisors and cooperators. The leadership group is at the forefront of project development and has the responsibility for starting the cooperative and then seeing the project through to a point where it is self-sustaining.

As support develops, the next step is to seek the advice of someone familiar with cooperatives. Specialized help is needed throughout the various step-by-step legal, economic, and financial aspects of starting a cooperative. Specialized advisory assistance is available from many governmental and non-governmental groups that will assign personnel to assist the venture.

Someone from the leadership team should act as a point person to identify resources then contact individuals who can act as business and cooperative-development resource advocates. These people then need to be brought together into an outside public-sector advisory team. Contacts for most relevant government and non-government groups and other resources are presented elsewhere in this report. For example, the federal rural-development offices in most states have a cooperative development specialist who can recommend other service providers and suggest directions for the planning process.

With respect to the leadership team, there are several important positions to consider; these include:

- ***Legal Counsel,*** usually an attorney familiar with State cooperative statutes, is needed. Among sources to check for one are State Extension specialists working with cooperatives, the State cooperative council, CoBank, St. Paul Bank for Cooperatives, National Cooperative Bank, National Society for Cooperative Accountants, USDA's Cooperative Services, or an established cooperative in the area.

  An attorney prepares the organization papers or checks the legality of those written by someone else. Early expertise is needed to acquire property, make capitalization plans, borrow money, and write agreements and contracts. Even after the cooperative is operating, an attorney should be retained who can help ensure the organization conforms to applicable laws.

- ***Financial counsel (financial institution).*** An experienced individual from a financial institution who can advise and act as a “reality check” on anticipated capital needs and financing. The person should ideally represent an institution that understands this type of business development, the state and federal support system, and can provide advice on designing the feasibility study to meet requirements of lending agents. (Feasibility study advice and review is available from Iowa State University’s Value-added agriculture Program. If specialists from this group are already involved in project development, the Director will assign another individual without conflict-of-interest to act as an independent reviewer.)

- ***Financial counsel (working finances).*** Perhaps in addition to the previous individual, a finance and accounting specialist who can advise on day-to-day operational-financial and regular reporting systems. Early in the development stages of some projects, those developing co-ops hired independent accounting firms with knowledge of cooperative operations to establish their bookkeeping systems, tax records, and revolving-capital plans prior to any handling of members' money or the sale of any stock. Later, the board will need to hire an outside accounting firm, perhaps with input from this individual and the institutional financial advisor, to conduct the independent annual audit.

- ***Technical advisors.*** Technicians and persons experienced in key areas of business or technical operations.

- ***Project Coordinator or Manager.*** Developing organizations that run completely on volunteer labor can progress by fits and starts. Highly committed volunteers can help hold the show together in the early stages of project development, but they are no substitute for having a dedicated professional in place as soon as possible. Having an experienced professional in place can act as a driver for project development that can included day-to-day business, educational and recruitment events for potential new members, business-plan and marketing development.

Exploratory meeting: To determine the level of interest in starting and supporting a cooperative, invite potential members to a general meeting. Announce the meeting date, time, and place via newspapers, radio, telephone, at other meetings, by letter, or word of mouth. Invite outside advisers.

The leadership group should develop an agenda and select a presiding officer who can conduct a business meeting. Sometimes, an adviser can act as chair or help answer questions. Primary agenda items should include:

- The need the venture will address;
- Possible outcomes resulting from the venture and directions it could take;
- Cooperative principles and terminology;
- Advantages and disadvantages of a cooperative business structure;
- Cooperative operating practices;
- General risk capital equity and financial requirements; and
- Necessary member-user commitment.

Areas of the discussion should be handled by different members of the steering committee / leadership team best suited to those areas. Allow plenty of time for discussion. Prospective members should be encouraged to express their views and ask questions. All issues raised should be addressed, although if there is a lack of solid information on a topic, the discussion of it should be formally delayed to a later date after responsibility for the appropriate research has been assigned and the work completed.

Starting a cooperative is a complex project. A small group of prospective members discuss a common need and develop an idea of how to fulfill it. Depending on the situation generating the idea, a new cooperative may be welcomed with enthusiasm or may be met with vigorous competitive opposition.

If opposed, leaders must be prepared to react to the various strategies of competitors. For example, retain potential cooperative members' business in the face of price volatility; better contract terms or canceled contracts; attempts to influence lenders against providing credit; and even publicity, misstatements, and rumors attacking the cooperative business concept. The strongest arguments for cooperative business structures can be found by looking at the simple basic reasons for cooperative formation, and then surveying some examples of successful cooperatives (provided later in this document).

Developing a successful cooperative structure takes leadership; certainly leadership from a few key people, but the more mature, professional and considerate the process, with an emphasis on inclusion, the better. Various authorities have written about what it takes to organize and motivate people toward a common goal. Along the way there are a couple of common pitfalls that usually involve some type of serious communication or organizational failure; this is something we will consider and discuss in cautionary notes in later areas of this document.

There are pretty much three steps in getting from concept to a working profitable cooperative. With respect to the 10,000-foot overview, these fall into the categories of vision, alignment and execution. All three are equally important. Vision and execution are pretty easy to understand and things with which most people are familiar and comfortable. The intermediary step, alignment, however, is perhaps the most misunderstood and underappreciated area of the planning puzzle. This is the step where the group tests its rational; identifies important goals, roles and relationships; and then structures and formalizes its "messages." These may be the organization's mission statement, performance expectations for the different sectors of the cooperative (how the "pieces fit"), and statements of the duties and responsibilities of the board and individual management team members.

It is very easy to blow past or outright ignore these "less-tangible" and thus seemingly less important aspects of business planning. With respect to communication or organizational pitfalls or failures, this alignment phase is where incorrect or improper assumptions, or a lack of cohesive group understanding, will plant the seeds for inter-personal misunderstandings or critical time and monetary setbacks that can cause huge problems in the later action phases of business development. At this stage, it cannot be stressed enough, as in the old saying, "Time to better get your ducks in a row!" In the humorous, but always fascinating worlds of immortal baseball great, Yogi Berra, "If you don't know where you're going, you'll end up someplace else."

When visioning the cooperative, everyone must stay committed to exploration, boldness, testing assumptions and making decisions. When it comes to prioritizing the big picture, this means being adventurous, speaking out, developing meaningful dialog, learning how to listen and seek counsel, and explore implications. The end purpose is making a meaningful decision and going forward to accomplish the next goal.

With respect to overarching considerations, the first and foremost is that experienced leaders see vision as critical to a leaders work. Managers deal with one-on-one problems and making day-to-day operational decisions that result in the organization's function. Leaders create the organizational fabric that is the direction and vision for the group's future.

Leadership is about change. Leading people somewhere; somewhere that is not here. With respect to successful business development, this is about movement form one goal or milestone to another. If you have a person who has assumed a leadership position and is constantly naysaying, cutting short discussions or harkening back to their reputation or past accomplishments, you probably have the wrong person at the helm. Unfortunately, one can easily categorize these folks as the "Yea but…" people. "Yea, you have an idea, BUT…" With a few "Yea but" people in the room, you may find that you spent several hours of your life in a meeting where absolutely nothing was accomplished. Your group's task is to be adventurous, speak out, dialog and get things done. This means learning how to listen, seek counsel, explore implications and make decisions. If you let the "Yea but…" people hijack your meeting and waste your valuable time, well, you are courting failure.

The most effective way to deal with these people and this problem is to create a list of potential problems and concerns, then place them the "parking lot." You can do this with a white-board or markers and a paper pad. Write them down for the record, tell the naysayer that the group will revisit the issue at the appropriate time, but for now there are bigger fish to fry. The group can then elect when to revisit the issue or may assign someone to do more research on the matter prior to any decision-making motions or decisions. You are now back on task, work on the big picture; the particulars are concretely setting in the parking lot. They will not be ignored, but will be dealt with in time at the proper time. Actually, many different concerns usually will work themselves out as other aspects of business-planning fall into shape.

One way to stay grounded and not get knocked off course is to remember why you are there, then, if necessary, forcibly steer the discussion back to the issue at hand. In Patrick Lencioni's book, The Advantage, he poses six questions to keep a group or the self on task. These are:

1. Why do we exist?
2. How do we behave?
3. What do we do?
4. How will we succeed?
5. What is (right now) the most important thing?
6. Who must do what?

Most people can learn how to craft an effective, compelling vision, but this usually requires someone to help them along the path. Most great visions involve contributions from a wide range of people. The art of crafting a vision can be understood and practiced. Jim Collins in Good to Great, considers a vision as a BHAG (Big Hairy Audacious Goal: pronounced BeeHag); "A BHAG serves as a unifying focal point of effort, galvanizing people and creating team spirit as people strive toward a finish line."

Leaders at all levels can be responsible for crafting vision and coming up with silver bullets to nail emerging markets, that is why it is important to consider people's views and to actively listen to what they are saying, not what you may think they are saying. Don't be dismissive until you have had a chance to think it through. Truly great vision sparks imagination, elevates everyone's work across the organization by touching our underlying human need to do or create something lasting and of value. Then it is time to turn the vision into a set of goals and develop an action plan to meet them.

When doing this, there are a couple of outstanding management strategies that leaders of the developing cooperative should adopt. Cooperative development is an accelerated path of change. Many people are uncomfortable with change, especially rapid change. Most successful entrepreneurs enjoy it.

When it comes to strategies to initiate, then keeping the ball rolling, perhaps the most important focus is to reinforce key messages following adoption of key ideas or plans. As mentioned earlier, participants often give positive feedback immediately after settling on a common vision, so leaders tend to assume that the messages have taken hold. Often, there is little follow-up.

Participants need ongoing communication and support to develop traction for an idea and to make permanent meaningful change. Leaders should consistently repeat and reinforce key messages and accomplishments (mission, goals, milestones) in communications, team meetings, as well as informal person-to-person contacts. Many top-performing companies provide coaching for people who struggle with organizational change, and opportunities for participants to discuss their experiences and share best practices with one another. In a developing business structure like the formation of a cooperative, regular honest communication can do wonders with respect to keeping everyone informed and engaged.

It is important to hold participants accountable for the roles and duties they have chosen. Top performers in your organization can easily assume that those roles and duties left to the discretion of participants will be dealt with as they themselves would deal with them. This often is not the case. Some level of accountability, will assure all participants that the organization is serious about the process. Leaders should set clear expectations for the accomplishment of any assigned task, and provide a mechanism for managing and follow-up through reminders or project meetings at regular intervals. Job descriptions and performance reviews for new hires for management positions should include clear performance, public-behavior and public-communication expectations. Management and board members are the foremost public faces representing the reputation of the cooperative and need to behave professionally, especially when talking with the media. Great organizations hold every employee accountable for the mission and reputation of the organization.

Managers and employees often believe that some issues are beyond their control, such as staffing, workload, and resources. Good communication in an organization goes a long way to prevent this kind of thinking. If there is a problem, address the issue and move on. That is why it is extremely important to address systemic barriers that block progress. Long-term problems become what are termed systemic barriers. Many systemic barriers may be a symptom of a victim mentality. The negative victim thinking of one or a few individuals can spread like cancer through an organization impacting moral and performance.

If a systemic problem persists, it is time for management or the board to correct it with a reorganization or surgical personnel change. If there is an immediate real problem or group of problems that the company must tackle then prioritize then for near-term action, particularly the one or those that generate a quick and visible win. This success will send a message to partners, investors and employees that leadership is committed to moving forward and not passing the buck or ignoring the issue.

A systemic weakness or almost any other organizational problem is best solved when managers and employees work together to define the problem and create a lasting solution. Leaders must drive the action, but ad-hoc or cross-functional teams are very effective at proposing the best solutions and creating and sharing best practices. Participation builds a sense of ownership of the solution that solves the problem.

These types of teams can be effective only if they feel like they are empowered to act. They should have a clear and limited charter. This means that team or working group should have a clear mission and purpose: "We are here to do [x]." (Teams with open-ended agendas may constantly meet but rarely get accomplished anything.) Always to be sure to remember to encourage and recognize the active participants and their accomplishments; they will be more than ready to step up to address the next challenge. Pride in accomplishment is organizationally infectious and results in organizational pride of ownership.

Mark Cuban's 12 Rules for Startups. Serial entrepreneur, Mark Cuban is co-founder and chairman of Denver-based independent cable network HDNet and owner of the Dallas Mavericks basketball team. He is also an active investor and regularly appears on ABC's reality series, Shark Tank. Below is an edited excerpt from a 2012 Entrepreneur.Com article based on Cuban's book How to Win at the Sport of Business: If I Can Do It, You Can Do It (Diversion Books, 2011). Although Cuban's companies are quite different from an individual aquaculture operation or aquacultural cooperative, there are some insights into how active and engaged management facilitates communication, camaraderie and builds teamwork.

Cuban says, "Anyone who has started a business has his or her own rules and guidelines, so I thought I would add to the memo with my own. My "rules" below aren't just for those founding the companies, but for those who are considering going to work for them, as well.

1. Don't start a company unless it's an obsession and something you love.

2. If you have an exit strategy, it's not an obsession.

3. Hire people who you think will love working there.

4. Sales Cure All. Know how your company will make money and how you will actually make sales.

5. Know your core competencies and focus on being great at them. Pay up for people in your core competencies. Get the best. Outside the core competencies, hire people that fit your culture but aren't as expensive to pay.

6. An espresso machine? Are you kidding me? Coffee is for closers. Sodas are free. Lunch is a chance to get out of the office and talk. There are 24 hours in a day, and if people like their jobs, they will find ways to use as much of it as possible to do their jobs.

7. No Offices. Open offices keep everyone in tune with what is going on and keep the energy up. If an employee is about privacy, show him or her how to use the lock on the bathroom. There is nothing private in a startup. This is also a good way to keep from hiring executives who cannot operate successfully in a startup. My biggest fear was always hiring someone who wanted to build an empire. If the person demands to fly first class or to bring over a personal secretary, run away. If an exec won't go on sales calls, run away. They are empire builders and will pollute your company.

8. As far as technology, go with what you know. That is always the most inexpensive way. If you know Apple, use it. If you know Vista, ask yourself why, then use it. It's a startup so there are just a few employees. Let people use what they know.

9. Keep the organization flat. If you have managers reporting to managers in a startup, you will fail. Once you get beyond startup, if you have managers reporting to managers, you will create politics.

10. Never buy swag. A sure sign of failure for a startup is when someone sends me logo-embroidered polo shirts. If your people are at shows and in public, it's okay to buy for your own employees, but if you really think people are going to wear your branded polo when they're out and about, you are mistaken and have no idea how to spend your money.

11. Never hire a PR firm. A public relations firm will call or email people in the publications you already read, on the shows you already watch and at the websites you already surf. Those people publish their emails. Whenever you consume any information related to your field, get the email of the person publishing it and send them a message introducing yourself and the company. Their job is to find new stuff. They will welcome hearing from the founder instead of some PR flack. Once you establish communication with that person, make yourself available to answer their questions about the industry and be a source for them. If you are smart, they will use you.

12. Make the job fun for employees. Keep a pulse on the stress levels and accomplishments of your people and reward them. My first company, MicroSolutions, when we had a record sales month, or someone did something special, I would walk around handing out $100 bills to salespeople. At Broadcast.com and MicroSolutions, we had a company shot. The Kamikaze. We would take people to a bar every now and then and buy one or ten for everyone. At MicroSolutions, more often than not we had vendors cover the tab. Vendors always love a good party."

The Abilene Paradox and Group Think. When thinking about leadership, group decision-making and working-group interaction, it is important, for at least a few minutes, to consider a psychological phenomenon known as The Abilene Paradox.

The term was introduced by management expert Jerry B. Harvey in an article: The Abilene Paradox: The Management of Agreement. Although some could argue that this is more accurately describing "The Mismanagement of Agreement." The name of the phenomenon comes from an anecdote in the article which Harvey uses to describe the paradox:

> On a hot afternoon visiting in Coleman Texas the family is comfortably playing dominoes on a porch, until the father-in-law suggests that they take a trip to Abilene (53 miles north) for dinner. The wife says, "Sounds like a great idea." The husband, despite having reservations because the drive is long and hot, thinks that his preferences must be out-of-step with the group and says, "Sounds good to me. I just hope your mother wants to go."

> The mother-in-law then says, "Of course I want to go. I haven't been to Abilene in a long time."
>
> The drive is hot, dusty, and long. When they arrive at the cafeteria, the food is as bad as the drive. They arrive back home four hours later, exhausted.
>
> One of them dishonestly says, "It was a great trip, wasn't it?" The mother-in-law says that, actually, she would rather have stayed home, but went along since the other three were so enthusiastic. The husband says, "I wasn't delighted to be doing what we were doing. I only went to satisfy the rest of you." The wife says, "I just went along to keep you happy. I would have had to be crazy to want to go out in the heat like that." The father-in-law then says that he only suggested it because he thought the others might be bored.
>
> The group sits back, perplexed that they together decided to take a trip which none of them wanted. They each would have preferred to sit comfortably, but did not admit to it when they still had time to enjoy the afternoon.

Other management instructors have compared the paradox to "group think" and similar theories that adversely impact clarity of thought and lead to bad decisions. The big idea here is that groups not only have problems managing disagreements, but that the agreements too may be a problem in a poorly functioning group. Human beings are often very averse to acting contrary to the trend of a group, going against its leaders or risking being seen as outside the group.

Elements of the Paradox and similar group-think problems are outlined in various resources, for example the Internet-based My Strategic Plan (http://mystrategicplan.com/resources/how-to-identify-groupthink-an-introduction-to-the-abilene-paradox/) summarizes causes, effects and warning signs. In this article it is stated that, according to Harvey, the issue that leads to the Abilene Paradox is an inability to manage agreement, not conflict. The following symptoms are said to exist in organizations that tend to fall for "paradox thinking":

- Organization members agree privately, as individuals, as to the nature of the situation or problem facing the organization.

- Organization members agree privately, as individuals, as to the steps that would be required to cope with the situation or problem they face.

- Organization members fail to accurately communicate their desires and/or beliefs to one another. In fact, they do just the opposite and thereby lead one another into misperceiving the collective reality.

- With such invalid and inaccurate information, organization members make collective decisions that lead them to take actions contrary to what they want to do, and thereby arrive at results that are counterproductive to the organization's intent and purposes.

- As a result of taking actions that are counterproductive, organization members experience frustration, anger, irritation, and dissatisfaction with their organization.

Consequently, they form subgroups with trusted acquaintances and blame other subgroups for the organization's dilemma.

- Finally, if organization members do not deal with the generic issue-the inability to manage agreement-the cycle repeats itself with greater intensity.

When your organization makes decisions, do you find the same dysfunctional activities repeated over and over? If so, you want to be on the lookout for the paradox and find a way to cut it off before it causes more damage. If you want to identify the paradox at work within your group, here are some symptoms the My Strategic Plan folks mention to watch out for:

- Members exhibit different opinions in the group as opposed to one on one: If your people are telling you one thing and then offering their true opinions only in private, there's likely an issue with communication. It's common for bad news to have trouble flowing upstream in an organization, but if no one's telling you the plan is a dud, you'll never know.

- Members are discouraged to dissent, often seen as lack of commitment: When someone on your team offers constructive criticism, is it encouraged, or are they accused of failing to be a team player. If anyone offering a different opinion is asked "hey, where are your pom-poms?" you may have a problem on your hands.

- Members seem frustrated or resentful towards management and other team members: If your organization has a habit of letting bad ideas come to fruition, then it stands to reason that someone's being blamed for each failure. There are plenty of reasons for employees to be resentful of management- some are reasonable and some are unreasonable. In this case, you're looking for reasons for being blamed, often for tasks that were already doomed to failure when assigned.

- Members avoid responsibility or even attempt to blame others: The same systemic habit of failure mentioned above can often lead to a culture of blame. If no one feels the freedom to point out bad ideas, then no one wants to take responsibility for them either.

- Members exhibit a lack of trust: Eventually, all of these things erode trust. Employees distrust management that doesn't listen to their concerns and that delegates not only tasks, but also blame for failed initiatives. Corporate politics then lead to backstabbing and blame-shifting among employees under such management, as everyone does what they can to avoid being targeted.

- All decisions require unanimous agreement: Leadership by committee can breed horrible decision-making. On the one hand, it may increase buy-in. On the other hand, every member is incentivized to agree as soon as possible, or risk being stuck in committee session longer than they want, as well as risk the image of dissenter.

- Very little dissent from group opinion is observed: Again, lack of dissent is not always a good thing- in fact, if you as a manager aren't encountering any dissent for the decisions you make, that should be a red flag. You have a choice. You can go on believing that the reason that your employees fail to argue with you because all of your decisions arise from bulletproof logic and infallible judgment, or you can probe to find out if the Abilene Paradox is thriving under your less-than insightful leadership or the heavy-handed control of someone else.

Considerable time and effort are spent in starting a new cooperative. Avoiding the pitfalls experienced by others helps to increase your effort to be successful.   New organizations are most vulnerable in their early formative years. Here are some tips from other publications on this subject, as well as interviews with co-op members, that may help you to avoid potential pitfalls:

- *Lack of clearly identified mission.* A new cooperative shouldn't be formed just for the sake of forming one. The potential member-user must identify a clear mission statement with definite goals and objectives.

- *Inadequate Planning.* Detailed plans for reaching defined goals and the mission are important. In-depth surveys of the potential member-user needs coupled with business feasibility studies are necessary. Stop the organizational process if there isn't sufficient interest in the cooperative by potential member-users or if it isn't a sound business venture. The human cost in time and organization expense may be better used elsewhere.

- *Failure to use experienced advisors and consultants*. Most persons interested in becoming member-users of a new cooperative have not had cooperative business-development experience. Using resources persons experienced in cooperative development can save a lot of wasted motion and expense.

- *Lack of member leadership.* Calling on the services of experienced resource persons can't replace leadership from the organizing group. Decisions must come from the potential member-user group and its selected leadership. Professional resource persons should never be in decisionmaking positions.

- *Lack of member commitment.* To be successful, the new cooperative must have the broad-based support of the potential member-users. The support of lenders, attorneys, accountants, cooperative specialists, and a few leaders won't make the cooperative a business success.
- *Lack of competent management.* Most cooperative members are busy operating and managing their own businesses and lack experience in cooperative management. The directors hire experienced and qualified management to increase the changes for business success.

- *Failure to identify and minimize risks.* The risk in starting a new business can be reduced if identified early in the organizational process. Careful study of the competition, Federal, State, and local Government regulations, industry trends, environmental issues, and alternative business practices helps to reduce risk.

- *Poor assumptions.* Often, potential member-users and cooperative leaders overestimate the volume of business and underestimate the costs of operations. Anticipated business success that ends in failure places the organizers in a "bad light." Quality business assumptions tempered with a dose of pessimism often proves to be judicious.

- *Lack of financing.* Regardless of the amount of time spent in financial projection, most new businesses are underfinanced. Inefficiencies in startup operations, competition, complying with regulations, and delays often are the causes. Often, the first months of business operations and even the first years are not profitable, so adequate financing is important to survive this period.

- *Inadequate communications.* Keeping the membership, suppliers, and financiers informed is critical during the organization and early life of the cooperative. Lack of or incorrect information can create apathy or suspicion. The directors and management must decide to whom and how communications are to be directed.

All professional businesses should have formal meetings conducted in a businesslike manner. Parliamentary procedure is appropriate for orderly decision making by any democratic group. The most used system is Robert's Rules of Order (http://robertsrules.com). It is easily learned, but takes some practice to master. There are courses, teachers and advisors on parliamentary procedure and Robert's Rules of Order. Most state university extension services have staff who do this training or can direct boards to certified trainers. Parliamentary procedure enables the chair to lead a group smoothly and efficiently in determining the wishes of the majority while protecting the rights of the minority. It also serves to move the meeting along and avoid circuitous "go-nowhere" discussions. Good meetings take some prior planning. Consider consulting with others before the meeting to plan topics and their order of coverage, key member involvement, following a published agenda (using Robert's Rules of Order), and action plans for following through on meeting action items.

A reasonable quorum (the minimum percentage of members required to be present to conduct official business) should be established for membership and board meetings. These are sometimes written into state statutes, but should be stated in the organization's bylaws. As membership expands, the percentage quorum may increase with the number of attending voting members. Conversely, setting the quorum too high increases the risk of not getting enough voting members needed for critical timely action to address immediate decision-making needs.

Build the Membership Base

According to most statutes under which cooperatives are organized, articles and bylaws must be adopted by a majority vote of the members or stockholders. For convenience in organizing, only the persons named in the articles of incorporation, called the charter members, must vote to adopt the bylaws. These persons are regarded as members or stockholders as soon as the articles of incorporation are filed. A good practice, however, is to invite everyone to the meeting who has signed a pre-membership agreement to ratify the bylaws.

A temporary presiding officer conducts this first meeting and reports that the articles of incorporation, have been filed. A draft of the proposed bylaws is presented, discussed, and adopted as read or amended. Further action is usually needed to accept those members or stockholders who have subscribed for stock or agreed to become members but are not named in the articles of Incorporation. Under some statutes, however, the incorporators can adopt the bylaws as incorporators rather than as members or stockholders. If members of the first board of directors have not been named in the articles of incorporation, they should be elected at this meeting.

From the successful cooperatives surveyed for this report, there was an overwhelming emphasis on the importance of building a solid informed membership base from the get-go. Try to build the membership base as soon as possible. <u>One obvious critical, but overlooked fact is that there will be no organization to succeed if there is no organization.</u> This means that if people are interested, they need to be vested in the outcome. The membership and potential membership need to informed. One of the most commonly cited instances where early leadership and management teams failed their co-ops was when they "dropped the ball" on communicating with members. This can be as simple and inexpensive as regular e-mail communications. Good communication is at the heart of any member-driven organization. Great cooperatives have strong driving memberships.

Member responsibilities start with the conception of the cooperative and remain throughout its life to assure successful organization, sound management, and operation. When members are involved and informed about the cooperative, they measure their needs in terms of dollars and are more willing to invest in and patronize the cooperative. Cooperative members should be intimately familiar with it the cooperatives goals and be encouraged to assume positive roles where needed in the organization, including eventual stints in management and on policy or issue committees set up by the board.

For this reason, it is important that the membership understand their purpose, objectives, benefits, limitations, operations, finances, and long-term plans. It is important that they read and understand the articles of incorporation and bylaws, and know that laws that limit the rights or powers of the membership as well as those of their board of directors. Along with understanding the bylaws, it is important for the membership to understand that the bylaws or policies of the elected directors may at times seemingly be in conflict with individual member goals and may perhaps limit their operations due to established member obligations, regulations or quality controls exceeding those prescribed by legal statutes.

Most cooperatives have limited financial means small beginning and find it necessary to borrow some capital. Later, as they become established and business services expand, they generally find it neither necessary nor wise to rely on only member capital to meet all financial needs. That said, member or equity capital is almost always the basis for loans, grants and similar funding.

Regardless of the business climate for the proposed cooperative, leaders must demonstrate a combination of expertise, enthusiasm, practicality, dedication, and determination to see that the project is completed. Here is an example of an ideal progression of events:

- Invite leading potential member-users to meet and discuss issues. Identify the economic need a cooperative might fill.
- Conduct an exploratory meeting with potential member-users. If the group votes to continue, select a steering committee.
- Survey prospective members to determine the potential use of a cooperative.
- Discuss survey results at a second general meeting of all potential members and vote on whether to proceed.
- Conduct a needs assessment or use cost analysis.
- Discuss results of the cost analysis at a third general meeting. Vote by secret ballot on whether to proceed.
- Conduct a feasibility analysis and develop a business plan.
- Present results of the feasibility analysis at the fourth general meeting. If participants agree to proceed, decide whether to keep or change the steering committee members.
- Prepare legal papers and incorporate.
- Call a meeting of charter members and all potential members to review and adopt the proposed bylaws. Elect a board of directors.
- Convene the first meeting of the board and elect officers. Assign responsibilities to implement the business plan.
- Conduct a membership drive.
- Acquire capital and develop a loan application package.
- Hire the manager.
- Acquire facilities.
- Begin operations.

The Feasibility Analysis & Business Plan. The emerging picture of the size and scope of the cooperative now permits the adviser and the steering committee to consider needed facilities, operating costs, other financial requirements for day-to-day and forward-thinking business investments, and how to capitalize the whole works.

The first step is the development of a “feasibility plan” or “feasibility analysis.” AgMRC.org http://www.agmrc.org/business_development/starting_a_business/marketbusiness_assessment/feasibility_analysis.cfm states, “A feasibility analysis is an important tool to help you assess the viability of starting a new value-added business, or re-organizing or expanding an existing business. It provides important information needed to make the critical decision of whether to go forward with a business venture. The analysis often takes the form of a formal study conducted by someone outside of the business (i.e., consultant). However, it is critical that the business venture founders are involved in the study and question its assumptions and conclusions.” AgMRC.org has extensive information on assessing the “propositions” that are at the core of the proposed venture and how they affect the bottom line.

Based on expected member-production volumes, it is especially important to understand the sensitivity of the business to changes in volume or operating costs. For example, what impact will some level of catastrophic loss of sales or product impact the business? Other key factors might include wage rates; operating efficiencies; interest rates, service and payment schedules; labor costs, equipment and similar fixed operating costs; and eventual expansion planning, renovations, etc. A great reality check is to always keep in mind that a cooperative's lowest possible operating costs always result when its members furnish it with the maximum amount of business it can handle. Growth should be careful and controlled.

The formal business plan is the expanded feasibility analysis that covers the same topics in greater detail and with expanded financial (funding) information and projections. AgMRC.org http://www.agmrc.org/business_development/starting_a_business/creating_a_business/business_plans.cfm also discusses the formal business plan. "The business plan is a critical step in the development of a successful value-added business. It is a "blueprint" of how you are going to implement your ideas and create a viable business or business expansion.

Although a business plan may be important for raising capital (or other purposes), the primary value of the business plan is for you, the founder(s) of the business. Writing the business plan will force you to think through issues of how you are going to create a successful business or business expansion." AgMRC has prepared several informational pieces to help you through the business planning process, understanding the planning process and how to proceed. This includes identifying the elements to include in the plan, along with important points to consider. There is a question and answer tool that helps to proof your document, as well as examples and templates for different sections of the document.

Educational Events and Other Momentum Builders

The importance of early educational events and new-member coordination cannot be overstressed. Members' participation in affairs of their cooperative increases their feeling of ownership and responsibility for its success. Communication and education functions need to be a strong emphasis of the management team. This requires the assistance, knowledge, and involvement of cooperative staff and member leadership groups. These programs require financial support and must be backed by specific board and management policies that make sure adequate funding is available for these activities.

It is critical to build a solid informed membership base. For example, from the experience gained through the creation of five forest-product cooperatives in Wisconsin, planning alone doesn't make for a successful organization. They found that in the early creation of the entity, too much emphasis on planning drained energy and promoted frustration among the leadership team and left the membership in the dark with respect to development of the project. Within the first few months of the first leadership-committee meeting, goals and deadlines should be set for the first of several tangible events of high value to the membership.

Start with an educational meeting that can easily be pulled together by the steering committee. This is where the steering committee can get the participants up-to-speed on development of the project and then move on to production, product-handling, finance- or tax-related issues, or anything else of value to the membership. This educates membership to the value of the steering committee and its responsibilities, builds-word-of-mouth publicity between members and potential members and cooperators, and can be used to develop or expand a list of potential new members, cooperators and advisors. It also promotes informal networking that can result in many positive new relationships and opportunities; and perhaps most importantly, encourages participation and enjoyment in the excitement of the venture.

In any meeting of this type is important to remember a few key points about effective communication; and remember, communicating really means listening and learning more than talking. Here are few thoughts that can help from Bernard Franklin's The Work of Leaders (2013):

- Be straightforward and transparent.
- Look at it from the listener's point of view. It needs to make sense to them.
- Monitor people's reactions for (to monitor their) comprehension
- Find the "headline" of your message. You should be able to boil it down to eight words or fewer.
- Create talking points that balance the big picture and the details.
- Refer back to your message repeatedly over time.

Periodic Review of the Business Plan

Once the cooperative is organized and operating, members need to consider how they want it to grow. That takes both short- and long-term strategic planning. Long-term planning, which looks 3-to-5 years ahead, usually gets inadequate attention. But this is becoming more important because of more rapid technological, economic, and social changes. Planning involves developing an encompassing vision and mission statement, appraising the future, assessing the external and internal business environment; then defining desired goals with stated objectives, and developing a course of action to reach them.

The business plan, its goals and strategic framework are a living document that is used to direct management, get the greatest production from the membership and the cooperative, and adapt to an ever-changing business climate. Revision of the business plan should be something undertaken every year or two and the subject of a member meeting with member, management and BOD input. Consider addressing what membership sees as critical issues; for example, if membership is interested in changing a production protocol, address this in the revised business plans under "next steps" and undertake a controlled test to see if the change has merit.

If there are other services the membership wishes the cooperative to provide (frequently the case as cooperatives become successful and grow), these should be addressed, evaluated and acted upon. Economic conditions frequently impact any business. Any major change in the market should prompt a serious look at the business plan with any eye toward revising the marketing strategy with respect to new markets and perhaps new product development or developing cost-saving increased efficiencies. Of course, most obvious of all, all business and marketing plans should be periodically reviewed, revised, and adjusted to reflect the success of the to-date performance. Objectives can be added, removed or adjusted to reflect reality. In extreme cases, management, suppliers or other critical contractors should be critically reviewed, corrective action taken, or replaced.

Considerations for Aquaculture Cooperatives:

Limited initial markets. The individual fish-production components of the cooperative, as well as the cooperative as a whole, are essentially producing fish through some sort of "staggered-batch" production system. This offers both a challenge and an opportunity to design an overarching coordinated-production system whereby product is coming to the market at regular, even intervals. The goal is for the processor/packer/shipper to receive the right amount of product for the market to handle, and in amounts that promote sustainable price-levels and retain the image of a premium-specialty product rather than a commodity product.

Little or no certified processing capacity. This can be a major problem. Processing must be certified by the FDA, rather than the USDA, and the capacity needs to exceed the expected production levels, but not excessively. NOAA has a data on processing, products produced from fish and shellfish and other information at http://www.lib.noaa.gov/retiredsites/china/processing.htm. There also is the sage observation that the major constraints to the sector are: weak infrastructure, lack of funds, backward management, and changing consumer preference. These constraints are equally applicable to an aquaculture-producers cooperative or similar venture.

Efficiency within units. One challenge is how to most effectively create "increased efficiencies" within operating units of the cooperative (within-operation best practices). The cooperative emphasizes operating unit education and communication, as well as the standardization of best-practices operating and reporting procedures.

Efficiency across all units. How to most effectively create "increased efficiencies" throughout the cooperative ("cooperative-level efficiencies"). The old adage, "If it saves everyone money; it makes everyone money." For example, everyone within any given industry eventually turns a blind eye to duplication of administrative, supply, processing, marketing, and personnel services. In other words, are there ways that you can combine services to reduce operating costs?

Production and new-product research. What you break into the market with may be great, but can it get better by some small change in formulation, packaging, marketing, etc. Is there a related product or new product that would fill a buyer's need?

Strategic partnerships. Within the ever-changing business environment, new and changing opportunities continually arise. Alliances with regional cooperatives or other businesses may be valuable sources for supplies, marketing outlets, and related services. Membership in State and national cooperative and relevant business associations (for food processors, distributors or grocery retailers) can keep a new cooperative abreast of the innovations of others around the country, as well as important legislative issues. These associations can be sources of education and training programs, legislative and public relations support activities, and help identify personnel with unique expertise.

An early exercise in starting any cooperative is to investigate the alternative of strategically linking with an existing cooperative or business that will expand exposure to products or services, increase efficiency or expand service territory. In the case of a new aquaculture cooperative, this could take the form of partnering with an established cooperative for custom feed production, transportation, administrative duties or some other shared benefit. It could mean partnering with a business to establish proof-of-concept for a machinery product line or to ensure acquisition or the regular improvement key inputs, by intentionally vesting them in the success of your venture through the performance of their products. If starting a new primarily stand-alone cooperative business is the best course of action, the awareness of the critical benefit of links with other cooperatives or businesses should never be lost by management. A business makes money by making money; it can make money by saving money.

Profiles of Select Model Cooperatives

Florida's Natural Growers is based in Lake Wales, Florida. It is currently owned by over 1,100 grower members. Florida's Natural Growers was founded in 1933 as the Florida Citrus Canners Cooperative and initial operations included canning juice and grapefruit sections for members; in 1938 the venture began extracting juice with automated machines. During World War II, the company produced concentrated orange juice for the military; after the war, 80% of the juice the company produced was in frozen concentrate form to meet consumer demand for the relatively new, convenient and cold-storage-stable product. In the 1960s, consumer demand shifted to fresh-squeezed orange juice, and frozen concentrate sales declined while demand for chilled juices increased. In 1969, the cooperative took the name Citrus World then adopted the current name in 1998. The cooperative currently is composed of 12 growers, many of which are cooperatives.

In 1987, consumers demand for premium juices that are not made from reconstituted concentrate increased, leading to the creation of the Florida's Natural and Donald Duck brands (which would later become the name of the cooperative itself). Florida's Natural consists of freshly squeezed, pasteurized orange and ruby-red grapefruit juice with no additional ingredients. The cooperative also produces fruit snacks, introduced in 2006. Au'some Snack Naturally, Inc., located in New Jersey, produces Florida's Natural Brand fruit snack line under a brand licensing agreement. The company purchased Sun Pac Foods, in 2000 and began shipping premium orange juice to China. Products are currently being packaged in China; with the fruit juice concentrates originating from domestic U.S. sources. The company also first introduced the re-sealable pour spout carton, a design which went on to be used throughout the industry for premium juices and other beverages.

The company's primary marketing strategy is to differentiate itself from its main competitors Simply Orange and Minute-Maid (Coca-Cola) and Tropicana (Pepsi). It does this by emphasizing its cooperative organization, "We own the land, we own the trees, we own the company." It also publicizes that it is the only major national juice maker that only uses American-grown fruit grown by its cooperative members primarily in Polk County, Florida. Nearly all other juice makers use a mix of domestic and imported fruit.

Sunkist Growers, Incorporated is a citrus growers' non-stock membership cooperative composed of 6,000 members from California and Arizona. It is headquartered in Los Angeles and has 31 offices in the U. S. and Canada and four offices outside North America. Sales in 1991 totaled $956 million; sales, in 2011 and 2012 Sunkist's sales passed $1billion. The group is the largest fresh-produce shipper in the United States, the most diversified citrus processing and marketing operation in the world, and one of California's largest land-owners.

In the late 1880s, California citrus growers began organizing themselves into cooperatives with the goal of increasing profits by pooling risk and increasing collective-bargaining with jobbers and packers. The 1893 economic depression worsened the farmers' situation and intensified their desire for beneficial self-organization.

In 1893, P.J. Dreher and his son, the "father of the California citrus industry" E. L. Dreher (1877-1964), formed the Southern California Fruit Exchange in Claremont, a small college town near Los Angeles. This group originally represented only orange growers; in 1896 lemon growers joined the group. By 1905, the group represented 5,000 members, 45% of the California citrus industry, and renamed itself the California Fruit Growers Exchange. In 1908, it changed its name to Sunkist Growers, Inc.

Sunkist has three levels of organizational hierarchy: local, district and central associations. Individual growers belong to a local organization; local organizations belong to a district organization, and district organizations belong to a central organization. The main purpose of the cooperative is to create systems enabling fruit from multiple growers to be efficiently harvested, sorted into various sizes and grades, and packed and shipped across the United States, in response to shifting demand. Since inception, the organization significantly expanded its activities. In 1906, the CFGE launched a lobbying arm. In 1907, it formed a supply company to supply growers with materials such as radios, tires, shooks for fruit crates, insecticides, fertilizers and similar inputs at wholesale prices. Later, the Sunkist's Exchange By-Products Company was formed to develop markets for refined value-added products and lesser-value processing co-products (citric acid, sodium citrate, lemon oil, pectin, orange oil, pulp, etc.).

How did the Sunkist brand evolve? In its early years, the primary problem facing the California citrus industry was an oversupply of fruit. By 1907, California was producing five times the quantity of oranges it had fifteen years before, and orange production was continuing to increase as newly-planted groves began to bear. In 1907 the CFGE approved the first-ever large-scale advertising campaign aimed at advertising a perishable commodity. The March 1907 campaign marketed oranges to a single targeted state, Iowa. The message to Iowans was that citrus was "healthy" and "summery," and resulted in a 50% increase of orange sales in the state. This campaign also launched the Sunkist brand with the assistance of the Lord & Thomas advertising agency. The agency originally proposed using the adjective "sun-kissed" to describe the CFGE oranges; the word eventually used in the campaign was Sunkist, made up by the agency so it would be easier to defend afterwards as a trademark.

In an effort to distinguish Sunkist oranges from others, the CFGE wrapped its oranges in paper stamped with the Sunkist brand. In 1909, after Sunkist learned that merchants were selling non-Sunkist oranges as Sunkist, it began to offer consumers a free Sunkist-branded spoon promotional item in exchange for mailing in twelve Sunkist wrappers. One million spoons were claimed in the first year of the promotion, further establishing the brand in consumers' minds and giving merchants a reason to want to display Sunkist oranges in their original wrappers. By 1910, the promotion had resulted in Sunkist becoming the world's largest purchaser of cutlery!

By 1914, Americans were consuming about forty oranges per person every year, up 80% from 1885. In 1915, in response to competition from imported Italian lemons, which at that time had nearly half the American market, Sunkist aggressively marketed the benefits of Sunkist lemons, promoting other “value-added benefits,” for example, hair rinse, with tea, in baked goods and food garnishes. By 1924, California lemons had 90% of the American lemon market. From my research it is unclear the impact WWI had on Italian exports.

The success of early campaigns prompted Sunkist to invest heavily in advertising. In coming decades the brand was advertised in magazines and on radio, on billboards, streetcars and railroad cars, on the sides of speedboats, in school curricula and essay contests, and in pamphlets distributed in doctors' offices. Its messaging aimed to reposition oranges in the minds of consumers. Rather than being seen as a luxury to be enjoyed only at Christmas, Sunkist wanted people to see oranges as essential for good health, and to eat one every day.

Sunkist also invested in marketing fresh-squeezed orange juice and lemonade as superior alternatives to "artificial" beverages such as Coca-Cola. By the mid-1930s, one Sunkist orange in five was being consumed in juice form, often at soda fountains making Sunkist juice the second-most-popular soda fountain drink, after the ascendance of Coca-Cola.

Sunkist currently markets fresh oranges, lemons, limes, grapefruits, tangerines and strawberries to 12 states and three Canadian provinces, from 6,000 growers in California and Arizona. It is headquartered in Sherman Oaks, California. Through licensing agreements, Sunkist has rented its trademark to other firms that included General Mills and Snapple, marketing more than 600 mostly citrus-flavored drink, vitamin, jelly and candy products to more than 50 countries. It also owns two citrus-processing plants which produce juice, oil products, pulp and peels that capture value from these co-products for their application in specialty industrial-oil, feed, and other markets. Sunkist's has various trademarked subsidiaries for marketing and international sales and fruit purchasing.

Land O'Lakes cooperative is a member-owned dairy-industry agricultural cooperative based in Arden Hills, Minnesota. The co-op has about 3200 producer-members, 1000 member-`cooperatives, and about 9000 employees who process and distribute products for about 300,000 agricultural producers between the producer-members and the membership of the member-cooperatives. Land O'Lakes annually processes and ships to distributors about 12-billion pounds of milk and is one of the largest butter and cheese producers in the world. It is third ranked on the National Cooperative bank “Co-op 100 List” of “mutuals” and cooperatives.

The venture was founded on July 8, 1921 in Saint Paul, Minnesota as the Minnesota Cooperative Creameries Association by representatives from 320 cooperative creameries. This organization aimed to improve the quality and marketing of butter to increase the profitability of dairying.

The Association developed and implemented the systematic inspection, grading and certification of butter from member creameries, resulting in greater uniformity of product, improving the entire industry. The improved quality and uniformity, and the reliability of its grading system, were made-to-order marketing and advertising materials that spoke to a range of end-users from commercial bakers and other ingredient users to individual consumers.

In 1924, the uniformly graded sweet cream butter was given the name "Land O'Lakes" after a contest, and the certificate forms used by the Association included the "Land O’Lakes" marketing name Minnesota’s "Land of 10,000 Lakes" nickname. The name became so popular that the organization's public identity was often confused with its product name that in 1926, the organization adopted the name "Land O'Lakes Creameries, Inc." that became synonymous with the product.

In its early years, the cooperative was often accused of unfair competition and false advertising, and was compelled to defend its inspection and certification processes. Eventually, however, the sweet-butter marketing strategy drove competitors either to match the quality of butter produced under the Land O'Lakes name or see their sales decline. Due to stringent standard-operating procedures and a quality assurance program, Land O'Lakes continues to glean numerous quality awards from chef groups and industry organizations. Many competitors in the dairy products business have by necessity adopted or directly copied the Land O'Lakes approach; certification of quality is now a proven marketing technique for various product lines in related markets.

Land O'Lakes offers services to new and developing cooperatives in the form of customized cooperative training on the local level. For example, Land O’Lakes has been instrumental to the growth of North Central Farmers Elevator (NCFE). NCFE is a full-service, farmer-owned cooperative headquartered in Ipswich, South Dakota. NCFE’s 20 locations serve more than 2,500 producer-members in north central South Dakota and south central North Dakota providing grain services, agronomy products and services, energy and feed. Land O'Lakes provided board and employee training aimed at giving each level of employees the tools, resources and ability to go out and do their best with respect to selling products to customers. The training was geared specifically toward co-ops and includes a sales development program for expert selling solutions that takes place onsite at NCFE’s corporate office. The session was facilitated by Land O’Lakes and presented to salesmen and managers. The goal of the program was to help improve relationship building abilities and problem solving skills for the sellers and growers. The customized cooperative training makes both producers and the cooperative more profitable, while helping Land O’Lakes be more successful as a whole. Taking part in the personalized training allows the participants to learn about themselves and assist in helping producers and growers improve their operations. The unique team building and development plan process gets people on track to build toward common goals.

With respect to talent recruiting, Land O'Lakes has a "growing leaders" program. Land O'Lakes, a Fortune 200 leader in agribusiness focuses on talent recruitment and development. The company sees itself as a company comprised of talent of all ages, experience and backgrounds; employees committed to strong performance and continued growth. From the senior leadership positions to younger interns, everyone is recognized as playing a vital role in the cooperative's success.

The company sets aggressive growth goals, and high standards are set for employees always with the focus of delivering the highest quality products and service to the cooperative's member-owners. To do this, the company uses development programs to create valuable on-the-job experiences and uses a team of recruiters to strategically hire individuals that reinforce company culture, develop them to become leaders in their business and service units. The company employment policy motto is "Attract, Engage and Retain."

Welch Foods Inc. (Welch's) (National Grape Cooperative Association) is headquartered in Concord, Massachusetts, and
was founded in Vineland, New Jersey, in 1869 by Thomas Bramwell Welch. Since 1952 it has been owned by the National Grape Cooperative Association. Welch's is the food processing and marketing arm of the grape-producers' cooperative, which comprises 1,300 grape growers located in Michigan, New York, Ohio, Pennsylvania, Washington and Ontario, Canada.

Welch's is particularly known for its grape juices, jams and jellies made from dark Concord and white Niagara grapes. The company also manufactures and markets an array of other products, including refrigerated juices, frozen and shelf-stable concentrates, organic grape juice and dried fruit. Since 1974, Welch's has also licensed its name for a line of carbonated grape- and strawberry-flavored soft drinks that currently are licensed to the Dr. Pepper Snapple Group of companies. Other popular products that use the Welch's name are a line of fruit snacks manufactured by The Promotion In Motion Companies, Inc.

The company's history goes back to the pioneering the pasteurization of fruit juice to halt fermentation. This is attributed to the British physician and dentist, Thomas Bramwell Welch (1825–1903) in 1869. Welch, due to religious conviction, was strongly opposed "manufacturing, buying, selling, or using intoxicating liquors" and advocated the use of unfermented grape juice instead of wine for administering the sacrament of the Eucharist, or communion, during the church service. In 1861, Welch relocated toVineland, New Jersey to a untopian alcohol-free society that founded there to be based on agriculture and progressive thinking. A first product marketed there was called "Dr. Welch's Unfermented Wine," and became "Welch's Grape Juice" in 1893.

West Liberty Foods, LLC. (Iowa Turkey Growers Cooperative), is a meat-processing company owned by a cooperative; in this case, the Iowa Turkey Growers Cooperative. The company's mission statement is, "To be a leading food manufacturer by converting needs, ideas, and expertise into value for our members, business partners, and consumers."

The venture was formed in 1996 by Iowa turkey growers. West Liberty Foods, L.L.C. now owns four meat processing plants that produce products sold under their customer's brand names. In 2006, West liberty Foods was the 12th largest turkey company in the United States. When it was formed, the venture was probably the last thing that the growers were interested in doing. Due to industry consolidations and other factors, the Louis Rich processing facility in West Liberty, Iowa, (Oscar Mayer/General Foods/Phillip Morris) became a subsidiary of Kraft Foods (Phillip Morris). Kraft decided, to increase efficiency, to close the Iowa plant and increase production at another under-performing operation in South Carolina. Additionally, the Iowa plant received turkeys from a number of smaller growers; the South Carolina facility from several large consolidated operations. Kraft viewed the diverse Iowa producer base as a potential liability. The decision to close the Iowa operation came within six months of Kraft purchasing Louis Rich.

The Iowa growers were now faced with the loss of their largest and best market, additionally the Ellsworth, Iowa, feed plant that supplied most of the growers was owned by Kraft and also would cease operation. Furthermore, the West Liberty plant processed about half of the seven-million turkeys produced in the state, the closure meant that the two remaining smaller processors would be overwhelmed and the lack of processing capacity would create catastrophic value-chain disruptions.

With both the input and output ends of the supply chain disastrously interrupted, the growers were forced to consolidate and boldly look for ways to stay in business, and if possible, stabilize production and marketing. An immediate solution to continuing in business was to purchase the plant. This was not without problems; some forward thinking producers had tried this in 1975 with a processing plant in Storm Lake, Iowa; the venture failed and resulted in a multi-million-dollar loss.

The grower's did, however, do their due diligence, and decided to form a New Generation (501) Value-Added Cooperative. According to new guidelines in the Iowa code, this new cooperative structure allowed the cooperating producers to "own their processing facilities to add value to farm-produced commodities." The intent of the cooperative was to purchase and run both the feed mill in Ellsworth and the processing plant in West Liberty with an eye toward vertically integrating traditionally critically weak areas within the value chain.

The negotiations to form the cooperative, fund the deal, and purchase the facilities were a daunting and highly complex dance. Assistance from cooperators was crucial, this included outstanding technical assistance from Farmland Cooperative, USDA Rural Development and Hamilton County Economic Development Agency. An independent highly detailed feasibility study was undertaken under contract by a Cedar Rapids consulting firm. A prominent group of the growers worked closely with communication professionals and media outlets to develop transparent communications and working relationships with the interested producers, media, government cooperators and potential lenders and investors.

Within three weeks of steering committee formation, a funding package was in place that included state, federal and private funds, as well as the cash investment of the producers. This amounted to roughly 16.2 million in authroized capital, divided among more thatn 16-million shares held by 45 individuals representing 47 enterprises. Each share gave the cooperative members the right and obligation , known as “delivery-right” agreements, to deliver a certain number of birds to the processing facility. In any venture of this kind, these agreements are critical to demonstrate to lenders and investors the commitment of producers to the concept and sustainability of the business model.

Eventual outside support came from several sources. These included funds from two separate Iowa Department of Economic Development (IDED) programs, Iowa Farm Bureau Federation, Iowa Turkey Federation, Norwest Agricultural Credit with 70% support from a USDA-Rural Development loan guarantee.

The cooperative took ownership of the plants on December 27, 1996 and West Liberty Foods, L.L.C., began operations on January 13, 1997. Today, the venture has processing plants in West Liberty, Mount Pleasant and Sigourney, Iowa; and Tremonton, Utah. Each has processing aspects that reflect the focus on the specific product needs of specific clients, as well as maximized efficiency across the processing plants. For example the West Liberty plant participates in slaughter through finished processing of the meat into packaged products; the Sigourney plant focused on the further processing for value-added specialty products or client needs (this plant was sold in 2012); the Mount Pleasant plant only packages finished products. The company primarily provides 90% of its product for customers under other brand names, selling10% under the West Liberty Foods brand name. The company does some limited beef, chicken, pork, and turkey products under arrangement for select clients.

Much of the company's sales come from large nationwide foodservice customers. In 2006, West Liberty Foods, L.L.C. became Subway’s largest supplier of sliced sandwich meat, (over 1-million pounds per week). West Liberty Foods, L.L.C. has rapidly grown from $65 million in sales (1997) to $442 million (2006).

The producer cooperative and West Liberty Foods strive for quality of service and product. By doing so, management continually looks to improve quality-control, environmental, community, social and worker-health standards. In 2002, the USDA-inspected Research and Development Center was opened in West Liberty. In 2003, the Mount Pleasant facility was opened and then expanded in 2004. By 2005, the company opened a state-of-the-art Quality Assurance Laboratory in West Liberty. In 2007 West Liberty Foods expanded to meet the needs of its customer by expanding in the western United States by building and opening a facility in Tremonton, Utah.

West Liberty Foods is a Landfill Free Company. All three facilities were independently verified by NSF International Strategic Registrations in which West Liberty Foods demonstrated that less than 1% of all waste is being sent to a landfill. The company’s annual combined total in saved waste is 7.5 million pounds; one of the first companies in the United States to have this third-party-verified standing.

West Liberty Foods believes that its most valuable asset is the people who make up the company and produce its products. The organization strongly believes that the recipe to generate growth and continued opportunity for the company is to have the highest-quality performance from its nearly 2000 workers; this will assure the finest products at competitive marketplace prices. The company stresses that this vision results from the rich Iowa farm heritage that has been carried down through the generations of the farm families that are the cooperative's owner members.

Ethical production values are carried over to producing fine products. This is reflected in the animal-welfare goals, standards and production-procedures of the owner-growers. To have the cooperative continually deliver superior-quality birds that exceed industry standards, grower operations are annually audited against standard operating procedures and animal welfare goals. This also is viewed as an important marketable commitment to West Liberty Food's distributors and retailers and their end-user consumer customers.

Early on in the operation of the business, there were some labor issues. These strongly contrasted with the company's stated core values (family-oriented, entrepreneurial, relationship-oriented, promoting leadership, tenacity in the marketplace, social responsibility, being results driven, innovative, and having integrity). A result of this friction was that the company placed an emphasis on human resources, noting that improving teams and team members was critical for achieving the organization's vision and goals: great business performance starts with a great workplace, and a great workplace comes from the company's culture. West Liberty Foods now offers benefits and recognition to teams and team members through a company wellness program, a noontime mental- and physical-health Lunch and Learn program, company-wide leadership competency training for individuals and teams, educational assistance to further education and complete degrees. These programs include the Behavioral Based Safety Program, and the Voluntary Protection Program, also known as the OSHA Challenge.

Additionally, the company has programs to develop volunteer opportunities in communities and schools, honor retirees and distribute service awards. For example, this resulted in the Tremonton, Utah, community project, the 2008 establishment of the Hearts & Hands Children's Academy. West Liberty Foods has formed partnerships with Junior Achievement, Big Brothers Big Sisters, Department of Homeland Security (IMAGE), Area Chamber of Commerce Offices, various economic-development committees, Rotary International, Kiwanis, and local food pantries.

Ocean Spray is a cranberry- and grapefruit-grower cooperative headquartered in Lakeville/Middleborough, Massachusetts. It currently has over 600 grower members in Massachusetts, Wisconsin, Minnesota, the Pacific Northwest, and British Columbia, Canada. The cooperative has over 700 member growers (2014) and employs about 2,000 people; in fiscal year 2005 sales were $1.4 billion. The cooperative produces and markets high-quality value-added processed products that include juices, snacks, sauces and dried fruit.

Ocean Spray was formed in 1930, in Hanson, Massachusetts, by three cranberry growers looking to expand their markets. Led by grower Marcus L. Urann, who had created a cranberry sauce, the cooperative soon developed more cranberry-based products including Cranberry Juice Cocktail a very successful juice drink. The co-op was the first to develop commercially viable juice blends. In 1964 the company brought out Cranapple juice that created more year-round demand and produced greater exposure for other cranberry product offerings. Another important early founding member was the A.D. Makepeace Company. A.D. Makepeace has been in continual operation since the late 19th century and is currently the world's largest grower of cranberries. In 1976, the cooperative expanded its membership to grapefruit growers in Florida which led to greater leverage with distributors, other product lines, entry into other value chains, and more diversified income streams. Besides the first juice blends, the co-op also pioneered the first juice boxes and Craisins (sweetened dried cranberries).

Pacific Aquaculture Cooperative (PAC International) is a global aquaculture business enterprise whose primary mission is to provide strategically engineered aquaculture solutions to a specific sector of the world aquaculture industry. PAC International was established in 2005 and is an NGO affiliate with Consultive Status Accreditation to the United Nations Economic and Social Council. PAC promotes economic and environmentally sustainable assistance to SIDS (Small Island Developing States) and developing countries with an emphasis on economic development, environmental sustainability, and bottom -up sustainability of the global food chain.

The cooperatives aquaculture development focuses on technology and systems for the sustainable production of sea cucumber. Sea cucumber is widely consumed for food and as a traditional nutraceutical throughout Asian and Middle Eastern communities. It is highly prized in many cultures for its ability to fight arthritis pain and degeneration, for its anti-viral properties, as an aphrodisiac, and for regular consumption as a culinary component or in supplement form to promote overall good health.

The cooperative has programs for training local workers, ongoing infrastructure-development with local governments, industry and scientific agencies. PAC works to empower resident communities to efficiently manage and utilize their natural marine resources. By maintaining a major equity position in each employee-owned cooperative PAC insures that the proper implementation and management of its business solutions (to safeguard and promote environmental sustainability, proprietary methodology, maintaining the integrity of the coral reefs); as well as to promote economic development and democratic-governance education through jointly-owned and managed enterprise. Cooperative action has been demonstrated to raise local standards of living, increase access to quality health care and affordable education. To enhance community involvement, the cooperative also has begun initial public offerings for each corporate cooperative project. PAC’s strategic business solutions are consistent with the United Nations Millennium Development Goals.

The products that these corporate cooperatives will farm, harvest, and market are an abundant and diverse group of worm-like and usually soft-bodied echinoderms. Sea cucumbers are widely consumed for food and as a traditional nutraceutical throughout Asian and Middle Eastern communities. They also are highly prized for product’s attributes that seem to fight arthritis pain and degeneration, for its anti-viral properties, as an aphrodisiac, and for regular consumption as a culinary component or in supplement form to promote overall good health. They are found in nearly every marine environment, but are most diverse on tropical shallow-water coral reefs. They range from the intertidal, where they may be exposed briefly at low tide, to the floor of the deepest oceanic trenches. Some species can swim and there are even forms that live their entire lives as plankton, floating with the ocean currents.

Overall, seafood trade is one of the world's largest and fastest growing international commodity industries. Worth more than $60 billion a year, it exceeds the world trade in all grains combined and represents more than twice the combined world trade in all tea, coffee and cocoa. Almost 200 countries supply fish and seafood products to the global marketplace, consisting of more than 800 commercially important species of fish, crustaceans and mollusks, including 30 species of shrimp. The global sea cucumber market is reported at approximately $4.6-billion (Food and Agriculture Organization of the United Nations , FAO, Summit in Rome of 2004). The production capacity of sea cucumbers for commercial purposes has been approximately 1.6-billion sea cucumbers from hatcheries around the world. This brings the conservative median-average market value of sea cucumbers sold at $23/kg (US$11.50/lb) to $4.6-billion. Despite these enormous figures, the traditional demand for dried sea cucumber is far from being met and commercial fishing pressure of wild sea cucumber populations have already driven many species into local extinction and continue to endanger these creatures throughout their global range. Lack of supply is stifling growth of sea-cucumber products in many viable markets.

PAC has a patent pending proprietary farming methodology capable of exponentially increasing existing sea cucumber populations. This revolutionary farming method will give PAC the ability to continuously generate sustainable harvests and provide a steady supply of sea cucumbers to the large demands of existing buyers, and expand sea cucumbers' viability in emerging markets. The global sea cucumber market is poised for tremendous growth in the pharmaceutical industry. Scientific studies are defining the healing properties of sea cucumbers, finding the high proportions of sulphated polysaccharides, glycoproteins, fucans, and lectins found in their body walls all show significant potential for development into marketable drugs for arthritis, cancer treatments, HIV therapy, and other new medical treatments.

Brief Overviews of Various Cooperatives from Iowa and Across the United States

Affiliated Foods Midwest is a retailer cooperative that serves northern and south-central Midwestern states headquartered in Norfolk, Nebraska and Elwood, Kansas. The venture was founded in 1931 in Plainview, Nebraska, and adopted the names General Wholesale in 1936, and Affiliated Foods in 1977. In 2009, the company created a large distribution center in Kenosha, Wisconsin, mostly for distribution of its Surfine brand of products. Affiliated Foods Midwest is closely associated with IGA supermarkets. It is associated with the Retail Owned Food Distributors & Associates and is one of the key 50 member-owners of Topco Associates L.L.C., a packaging, marketing, management and "retail solutions" powerhouse in the grocery industry.

Blue Diamond Growers is a California cooperative founded in 1910 specialized in almond production and marketing. Originally called the California Almond Grower's Exchange, the organization claims to be the world's largest "tree nut processing and marketing company." The cooperative serves 3,500 almond growers, and helps make the $1-billion almond crop California's largest food export. The cooperative, headquartered in Sacramento, is privately held and does not disclose sales figures, although the press has estimated it to have annual sales of about $709-million in 2009. From 2004 to 2008 it resisted attempts by organized labor to organize its processing workers at plant, and was in legal conflict with the AFL-CIO. To date, votes to organize the workforce have failed.

Blue Water Harvesters Cooperative in Port Oxford, Oregon, harvests sea urchins. Members depended on several private firms to extract, and clear-package roe (eggs) for export to Japan. In recent years, all of these firms ceased operations. The watermen were left without a processing facility. The cooperative is an interesting case study, similar to that of the Iowa Turkey Growers and West Liberty Foods model. Together, the Blue Waters Harvesters producers purchased a processing facility which enabled members to continue their livelihood through cooperative action, pooled resources and collective governance.

The California Canning Peach Association is a cooperative bargaining association based in Lafayette, California. Peach growers contract their production to processors. The grower-owned cooperative bargains with the largest processors for price and delivery schedule. Members realize significant additional money per ton for their peaches than growers who market on an individual basis. The cooperative also keeps growers advised on projected market volume and other conditions that may effect their operations.

Certified Grocers Midwest is a northern Midwestern independent supermarket cooperative founded in 1940 and headquartered in Hodgkins, Illinois. The cooperative originally spun off from the Retailer Owned Food Distributors & Associates group. Many of its stores originally served Hispanic communities. It distributes the Country's Delight brand. The business merged with Central Grocers Cooperative in 2008.

CHS Inc. is a “cooperative’s cooperative” in that it is a cooperative business owned by cooperatives and (prefered and common) stock holders. The venture is a powerful Fortune-100 business based in St. Paul, Minnesota, that owns and operates financial services, food processing, wholesale, farm supply, fuel and other inputs (Cenex brand), and various retail businesses (the 25th largest convenience store chain in the United States). It is a co-owner of Ventura Foods, a vegetable oil processor. The business was founded in 1931 as the Farmers Union Central Exchange; the core business eventually becoming Cenex, a conjunction of “Central Exchange.” Based on 2012 revenue, CHS is ranked 1st on the National Cooperative Bank’s Co-op 100 list of mutuals and cooperatives; and 69th in the Fortune 500 2013 list of United States corporations.

CoBank, ACB, a part of the United States Farm Credit System that serves agricultural cooperatives. Headquartered in Greenwood Village, Colorado, it lends money to the farm credit associations, agricultural businesses, and rural utilities, who collectively own the venture. CoBank owns 100% of Farm Credit Leasing Services Corporation. The company provides international banking services for U.S. agribusinesses, exclusive among banks of the Farm Credit System. It was previously known as CoBank-National Bank for Cooperatives, and was the product of the merger in 1989 of 11 of 13 Banks for Cooperatives created by federal act in 1933. The other two Banks for Cooperatives joined in 1995 (with the merger of CoBank and the Farm Credit Bank of Springfield (Mass.) and the Springfield Bank for Cooperatives) and 1999 (with the merger of CoBank and St. Paul Bank for Cooperatives).

Cooperative Development Foundation (CDF), Arlington, Virginia. The Cooperative Development Foundation (CDF) is a 501(c)(3) charitable organization engaged in cooperative development in the United States, founded in 1944. CDF administers revolving loan funds, provides grants, and fosters economic development through the formation of cooperatives. CDF is partnered with the National Cooperative Business Association. The Cooperative Development Foundation was founded in 1944 as The Freedom Fund.

The organization initially assisted in the development and reconstruction of cooperatives in Europe after World War II. CDF wrote the check that created the Cooperative for American Remittances to Europe which provided economic relief for Europe. The Freedom Fund changed its name to the Cooperative Development Foundation in the 1980s and turned its focus to domestic cooperative development, though it still supports international efforts.

United Co-op Appeal, CDF's workplace giving program, raises funds for 18 organizations promoting cooperative development with the support of the Nationwide Foundation. CDF administers the Kagawa Fund, that funds gap financing to housing cooperatives, as well as the Jacob Kaplan Fund for the development of senior housing cooperatives. Another project, the Howard Bowers Fund, provides scholarships for training the staff and boards of food cooperatives.

Organizations that benefit from the fund include ACDI/VOCA, CHF International, the CDF Fund, Cooperative Development Institute, Cooperative Developmetn Services, the Cooperative Emergency Fund, the Cooperative Fund of New England, the Federation of Southern Cooperatives/Land Assistance Fund, Cooperation Works! Scholarship Fund, ICA Group, MSC Fund, Jim Jones Fund, NCBA Fund, National Network of Forest Practitioners, NRECA International Fund, Northwest Cooperative Development Center, Shirley K. Sullivan Fund, and the Women's Action to Gain Economic Security. CDF played a key role in organizing relief efforts by cooperatives following the 9/11attacks. In the aftermath of the Asian Tsunami event and Hurricane Katrina, CDF raised close to $200,000 for economic recovery. CDF also administers the annual Cooperative Hall of Fame that recognizes individuals who have made outstanding contributions to cooperatives.

Dairy Farmers of America, Inc. (DFA) is a national milk marketing cooperative headquartered in Kansas City, Kansas, that is owned by and serves nearly 16,000 dairy farmer members representing more than 9,000 dairy farms in 48 states. DFA buys raw milk from its members and sells milk and other dairy products, derivative processed co-products, and consumer-ready products to wholesale buyers. Net sales in 2010 were $9.8 billion, representing about 30 percent of the raw milk production of the United States. The cooperative is divided into seven geographical areas; each area elects farmer members to serve on organization's governing Board of Directors.

Farmers Cooperative Company (FC); 2321 North Loop Dr., STE 220; Ames, IA 50010; 515-817-2100. FC is the largest farmer-owned agriculture cooperative in Iowa. FC serves over 5,300 active members throughout its trade territory of over 3,000,000 acres. Members are served from over 60 locations by more than 450 full-time employees. The cooperative is owned by the farmers served and governed by a board of directors. The company is founded on the premise that if a group of people with similar goals get together, they can achieve more than any one of them could on their own. As an agricultural cooperative, the member resources offer FC the economic size and scope to compete in the global marketplace.

FC truly is a company that thinks globally while still acting locally, keeping in mind the goals of the members. The cooperative is driven by results-oriented “Together We Can” philosophy. This puts people first with an emphasis on integrity and professional and business discipline. The cooperative focuses on the end user – the farmer members who own the company. Members and management are continually reminded to abide by these core values; and employees and business partners are continually reminded of the cooperative’s mission, core values and to continue to strive to adapt and remain relevant in ever-changing times. FC stresses that it is a progressive, forward thinking, and strong venture that is determined to lead the way when it comes to agriculture in Iowa and across the country.

Frontier Cooperative in Norway, Iowa, had its beginnings in a van in 1976. Its mission was to provide low-cost organic herbs and spices to its members. Today, with 5,400 members, Frontier is a solidly managed cooperative that's become the Nation's premier distributor of organic seasonings. Developing new products rates high on the cooperative's list, such as Frontier Pure Lager, an organic beer, as well as encapsulated herb products.

Glasgow Cooperative, Inc., was organized in 1923 as a farm supply purchasing association. It serves farmers in a 15-mile radius of Glasgow, Missouri. In its 70-year history, it has returned nearly 8 percent of gross sales in patronage back to the members. The cooperative also has an excellent history of revolving member equities. Both activities work to reduce the cost of providing farm supplies to the members.

Growmark, Inc. (FS), is a regional agricultural supply cooperative operating primarily in the Midwest and Northeast United States, and Ontario, Canada. Growmark, Inc., ranks 75th on the ICA Global 300 2008 list of mutuals and cooperatives (ranked by revenue). Its local member cooperatives commonly use the name FS. The organization now known as Growmark, Inc., started in 1927 when nine local agricultural cooperatives in Illinois (that started in the early 1920s), formed Illinois Farm Supply Company. In 1955, the company adopted the FS trademark, which has remained in use by its member cooperatives. In the 1960s, the company moved from Chicago to Bloomington, Illinois, and merged with Farm Bureau Service Company of Iowa to form FS Services, Inc., then merged Wisconsin Farmco Service Cooperative and Producers Seed Company. FS Services and Illinois Grain Corporation merged in 1980 to form Growmark, Inc. Growmark, Inc., entered the northeastern U.S. market in 2002 by purchasing Agway (seed and agronomy businesses) including Seedway. Growmark has several popular retail brands, among them AgriVisor, Archer Lubricants, Fast Stop, the FS System, Green Yard, Home Grown Values, Mid-Co, Seedway, STAR Energy, and United Lubricants.

Iowa Association of Electric Cooperatives; 8525 Douglas, Suite 48; Des Moines, Iowa 50322-2992; (515) 276.5350. The Iowa Association of Electric Cooperatives is the Des Moines-based service organization, essentially a cooperative, representing the state’s rural electric cooperatives. This organization is part of national network of 1,000 electric cooperatives that serve 25-million Americans in 46 states, and work together through the National Rural Electric

Cooperative Association, Washington, D.C., formed in 1942. Iowa member cooperatives distinguish themselves through seven guiding cooperative principles. (These principles serve as the guiding business philosophies for many other cooperatives across the country.) The Iowa Association of Electric Cooperatives represents 34 distribution cooperatives in Iowa and seven generation and transmission cooperatives providing electricity to approximately 650,000 Iowans in each of the state's 99 counties. Farmers began forming rural electric cooperatives in the 1930s when large electric companies bypassed rural Iowa due to the sparse population.

These pioneers borrowed start-up money from the New Deal (1935) Federal Rural Electrification Administration. Today the rural electric cooperatives offer more than reliable electric service. They work to improve rural living through the cooperative-supported Iowa Area Development Group which closely works with the Iowa State University Value-Added Agriculture Program, Farm Bureau and others to bring new industry and new jobs to rural Iowa. For this reason, Iowa's electric cooperatives are leaders in rural development. Working with their partners, they promote value-added agricultural enterprises, new venture start-ups, business attraction and the expansion of existing business and industry.

The electric cooperative's overarching mission is to deliver power that is safe, reliable, affordable and environmentally responsible. Member cooperatives also offer state-of-the-art satellite television equipment and programs to rural homes outside the reach of many cable TV companies, lease emergency pagers, are involved in unique programs to improve rural housing, help home buyers with low-interest loans and similar programs. They also work to provide legislative representation at the state and national levels; electrical and mechanical safety programs, demonstrations and campaigns; programs encouraging the wider and more intelligent use of electricity, efficient electric appliances and equipment; education and training programs; communication resources and services; support youth activities; participate in and help coordinate a statewide disaster plan to help restore power quickly and safely during emergencies; and review and monitoring of utility regulations.

NEW Cooperative, Inc. Fort Dodge, Iowa, is a member-owned cooperative with 23 operating locations in Iowa, with a membership area of 14 counties; and employs 250 full-time professional-staff positions. In addition to strong grain-marketing and storage services, NEW also offers quality feed, fertilizer, crop-protection and seed resources. Further agronomic services in soil mapping, site-specific field management and precision technology services are offered through their MAPS department.

The story of agriculture cooperatives began in the early 1900s, and now, into this century, the foundational concept of cooperation among neighboring farmers to add strength to their business remains the basis of NEW Cooperative's current success and growth of its members. By remaining farmer focused and member driven, NEW Cooperative continues to be a leading agriculture service provider for today's producer. NEW's goal is to see that its farmers find confidence through access to the marketing, products, and services they need to add value to their farming operations. As the largest tax-payer in many of the counties and towns that are home to cooperative operations, NEW makes community support a high-priority agenda item. Through donations and employee involvement, the cooperative makes through programs for area youth, agriculture, emergency services and community organizations.

St. Mary's General Hospital in Lewiston, Maine, a 230-bed rural health care facility, is a member of Synernet, a cooperative that serves 20 hospitals. In one year, St. Mary's saved more than $479,000 by purchasing fuel oil, medical supplies, laboratory products, food, film, pharmaceutical, and services through the cooperative. These savings helped health care providers stretch limited resources.

Tillamook County Creamery Association was organized in 1909 as a quality control organization for 25 cheese factories operating in Tillamook County, Oregon, an area 30 miles wide and 60 miles long between the Pacific Ocean and the Coastal Range Mountains. In time, the original 25 cooperatives consolidated into a single cooperative. Tillamook produces and sells more than 45-million pounds of cheese a year. Sales are mainly in the Pacific Coast States of Oregon, Washington, and California, with an ever-growing volume going to all parts of the United States. Due to the emphasis the cooperative places on family farm operations, young dairy producers have been encouraged to stay on the farm and continue to build on the foundation laid by earlier generations.

Universal Cooperatives (CO-OP), based in Eagan Minnesota, is a cooperative controlled by 17 regional agricultural marketing and supply cooperatives. Of these, 14 regional agricultural cooperatives collectively represent more than $30 billion in sales, over $11 billion in assets, and provide support to over 8,000 retail outlets and over two million worldwide customers. The company was formed 1972 by a merger of United Cooperatives, Inc., Alliance Ohio, and National Cooperatives, Inc., Albert Lea, Minnesota. The companies had inter-mixed ownership and board representation, leading to merger discussion, and eventual merger.

Collectively, the distribution system includes 110 regional feed mills, 26 warehouses, 7 research farms, and over 900 field representatives. As the source-point for many of the products distributed through this network, Universal is able to offer manufacturers the benefits of one-point purchasing and single-source distribution. For the regional co-ops we served, Universal negotiates fair pricing by pooling purchasing power, assures maintenance of quality control, and arranges efficient distribution. As a cooperative, Universal returns any "profits" to its members in the form of patronage refunds. The cooperative members pay similar refunds to member cooperatives, which pass their "profits" back to the people who own and use this cooperative network. By using the products and services of their local co-op, customers become owners simply by being customers.

References & Resources:

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http://www.agmrc.org/commodities__products/aquaculture/aquaculture_products.cfm

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Business Plans at AgMRC.org. http://www.agmrc.org/business_development/starting_a_business/creating_a_business/business_plans.cfm

CHS Foundation Cooperative Development Assistance Programs. The CHS Foundation supports education and leadership programs that invest in the future of agriculture, cooperative business and rural America. CHS Foundation, 5500 Cenex Drive, Inver Grove Heights, MN 55077; (800) 814-0506; (651) 355-5073 fax; info@chsfoundation.org; http://www.chsfoundation.org/coopedu.html

Cooperative Bulletins. Answers to some of the frequently asked questions may be found in an array of cooperative bulletins published by USDA's Rural Business-Cooperative Service (Appendix VII, Helpful References):

1. What is a cooperative and how is it different from other business?
2. Who controls a cooperative?
3. What is the risk investment (equity) and why is it needed?
4. How much is my initial investment (equity capital)?
5. Will my investment (equity) requirement be determined by volume or by number of members?
6. Can we simply cosign a bank note instead of raising a cash investment (equity)? What risks are involved in cosigning?
7. How much money can I lose if the cooperative falls?
8. Can I sell my stock and other investments (equities) and get out of the cooperative whenever I want? Can I sell it to whomever I want?
9. What are marketing or purchasing agreements and why are they needed? How long do they last? If I can't meet the terms of the agreement, do I have to pay a penalty?
10. What are net margins and net earnings?
11. What are patronage refunds and retained patronage refunds?
12. Why can't the cooperative pay 100 percent cash patronage refunds?

13. Why do we have to pay income taxes on our patronage refunds, particularly the retained portion, if we don't actually receive money?
14. What are per-unit capital retains and what's their purpose?
15. When will the cooperative refund my retained allocations and per-unit retain? Will I be able to get this money when I retire? Will my estate be able to get it after I die?
16. Can we restrict cooperative membership?
17. If a cooperative is supposed to help its members, why are prices at the cooperative no better and sometimes worse than prices elsewhere?

Cooperative Network: The United Voice for Cooperatives. 145 University Ave. W., Suite 450 St. Paul, MN 55103-2044, (651) 228-0213; or 1 South Pinckney Street, Suite 810 Madison, WI 53703-2869, (608) 258-4400. http://www.cooperativenetwork.coop/index.html

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Feasibility Plan (Feasibility Analysis) at AgMRC.org. http://www.agmrc.org/business_development/starting_a_business/marketbusiness_assessment/feasibility_analysis.cfm

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How to Start An Aquaculture Cooperative. Northeast regional aquaculture center. NRAC Publication No. 207-2010; University of Maryland, 2113 Animal Science Building College Park, Maryland 20742-2317; Telephone: 301-405-6085, FAX: 301-314-9412; http://www.nrac.umd.eduhttp://nrac.umd.edu/files/Factsheets/NRAC%20207-2010.pdf

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National Cooperative Business Association (NCBA). Founded in 1916 as the Cooperative League of the United States of America, NCBA works on behalf of jointly-owned and democratically-controlled cooperative businesses. In its first few decades, it focused on consumer cooperation and publishes a monthly magazine, *Co-operation*. http://www.ncba.coop/.

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NOAC Aquaculture Cooperative. http://noankcooperative.com/

Professional human resources (publically-paid consultants). Contact your county Extension Service offices or land-grant universities, State cooperative councils, Centers for Cooperatives, National Cooperative Bank, area offices of CoBank, St. Paul Bank of Cooperatives, or an established cooperative in your area. USDA's Rural Business-Cooperative Service in Washington, DC, also assists cooperative-forming groups

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USDA Rural Development, Rural Cooperative Development Grant Program. USDA Rural Development Business-Cooperative Service, National Office: USDA Rural Development, Room 5045-S; Mail Stop 3201, 1400 Independence Avenue SW, Washington, DC 20250-3201; (202) 690-4730; Fax: (202) 690-4737 http://www.rurdev.usda.gov/BCP_RCDG.html

Robert's Rules of Order & Parliamentary procedure is appropriate for orderly decision making by any democratic group. Robert's Rules of Order is the most accepted and widely used system. http://robertsrules.com .

Small Business Development Centers http://www.sba.gov/category/navigation-structure/starting-managing-business

Steps in Forming a Cooperative University of Wisconsin Center for Cooperatives, 427 Lorch Street, Madison, WI 53706; info @uwcc.wisc.edu; http://www.uwcc.wisc.edu/info/i_pages/startc.html.

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