


The Cooperative Way

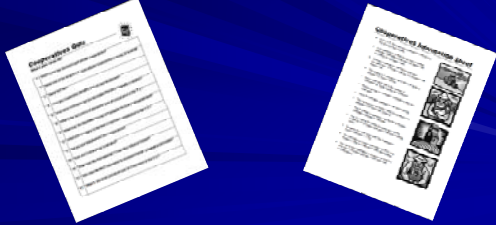
A look at co-op principles through time

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Cooperatives Quiz

Find and fill in the answers on the quiz sheets using the information sheets distributed.



Quiz Aftermath

- Did you work alone? Why?
- Was it possible to complete the task alone?
- What happened as a result?
- Was this exercise fair?
- Did everyone have an equal "endowment"?
- Did you **NEED** to cooperate?



Theory vs. Application

- Theory
 - Recognized cooperative principles have changed over time
 - Rochdale
 - Traditional
 - 20th Century
- Application
 - Adherence to these principles has changed over time
 - New Generation Cooperatives

Principle, Policy, and Practice

- **Principle:** A governing law of conduct, a general or fundamental truth
 - "Law" implies enforcement
 - Laws share a relation with principles
 - Principles transcend human-made laws
 - They are fundamental truths and do not change

Principle, Policy, and Practice

- **Policy:** A wise or expedient rule of conduct or management, or recommended course of action
 - Many so-called principles are really strongly recommended policies
 - Is the following Principle or Policy?

"Directors are limited to serving two consecutive three-year terms."

Principle, Policy, and Practice

- **Practice:** A customary habit, method, action or convention; a frequent or usual action
 - Over time some traditional practices and policies tend to become obsolete (**why?**)
 - Some so-called principles are really obsolete practices
 - Identify the principle, policy, and practice:

A co-op has an annual meeting each October with a meal followed by a speaker.

Early Beginnings of Cooperation

- **Robert Owen, 1771-1858**
 - British industrialist and philanthropist
 - Wanted to eliminate individual profit making
- **American Owenite Experiments**
 - Self sufficient societies with churches, factories, houses...
 - Voluntary membership with democratic control (once established)
- **Charles Fourier, 1772-1837**
 - Wanted to protect producers' rights
 - Established planned communities where everyone had a job to do

Rochdale Society of Equitable Pioneers, Ltd.

- **The first successful modern association of the cooperative movement**
 - Grocery store, flour mill, shoe factory, textile plant
- **Conducted a two-year study of both good and bad co-ops**
- **Established formal business principles and practices**



Function	Rochdale Principles
Benefits	Net income distributed to patrons proportional to patronage
	Limited dividends on equity capital
	Exchange of goods and services at market prices
Control	Democratic voting by members
	Membership is open
Ownership	Equity is provided by patrons
	Equity ownership of individual patrons limited
Other	Duty to educate
	Cash trading only
	No unusual risk assumption
	Political and religious neutrality
	Equality of sexes in membership

Function	Traditional Principles
Benefits	Net income distributed to patrons proportional to patronage
	Limited dividends on equity capital
Control	Democratic voting by members
	Membership is open
Ownership	Equity is provided by patrons
	Ownership stock is limited
Other	Duty to educate

Function	Proportional Principles
Benefits	Net income distributed to patrons proportional to patronage
Control	Voting by members in proportion to patronage
Ownership	Equity is provided by patrons proportional to patronage
Other	

Function	Contemporary Principles
Benefits	Net income distributed to patrons proportional to patronage
Control	Voting is democratic or proportional
Ownership	Equity is provided by patrons
Other	

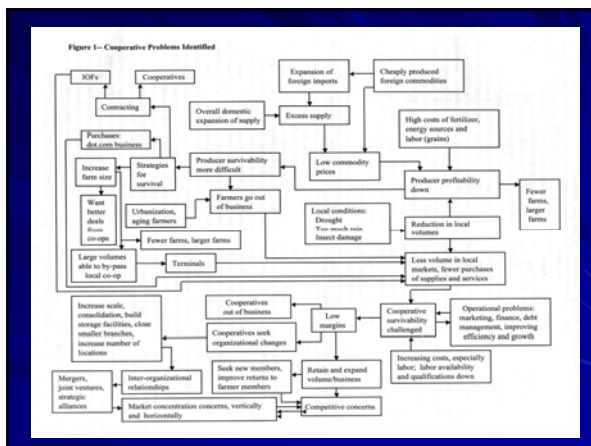
Function	Rochdale Principles
Benefits	Net income distributed to patrons proportional to patronage
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Have principles changed over time?

- Why participate in a co-op?
 - Have farmers' incentives changed over time?
 - Are farmers today more sophisticated?
- Traditional principles for traditional farms
 - Early 1900's: numerous small farms with similar characteristics
 - Today: small farms coexist with extremely large commercial operations
- Property rights perspective
 - The business environment surrounding ownership, benefits, and control has changed
 - Producers have greater access to capital

Changes for the Future

- New Generation Cooperatives
 - Concentrate on value-added activities
 - Members purchase transferable marketing rights or shares
 - Closed membership
- Changes in farm structure
 - Small producers coexist with very large producers
 - Very few middle sized farms, no "average producer"
- Changes in co-op structure
 - 1990's: large cooperatives forming from increased mergers and acquisitions
 - Will pressure be placed on federated cooperatives?



Change is Disruptive

- Creates instability and uncertainty
- Old structures are sometimes destroyed
- Co-ops must have methods to allow them to profit from change

The Cooperative Way

- We have the right to individual freedom and happiness
- There are established reasons and ways for cooperation
- Producers will continually find ways to help one another adjust to the changing business environment

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