

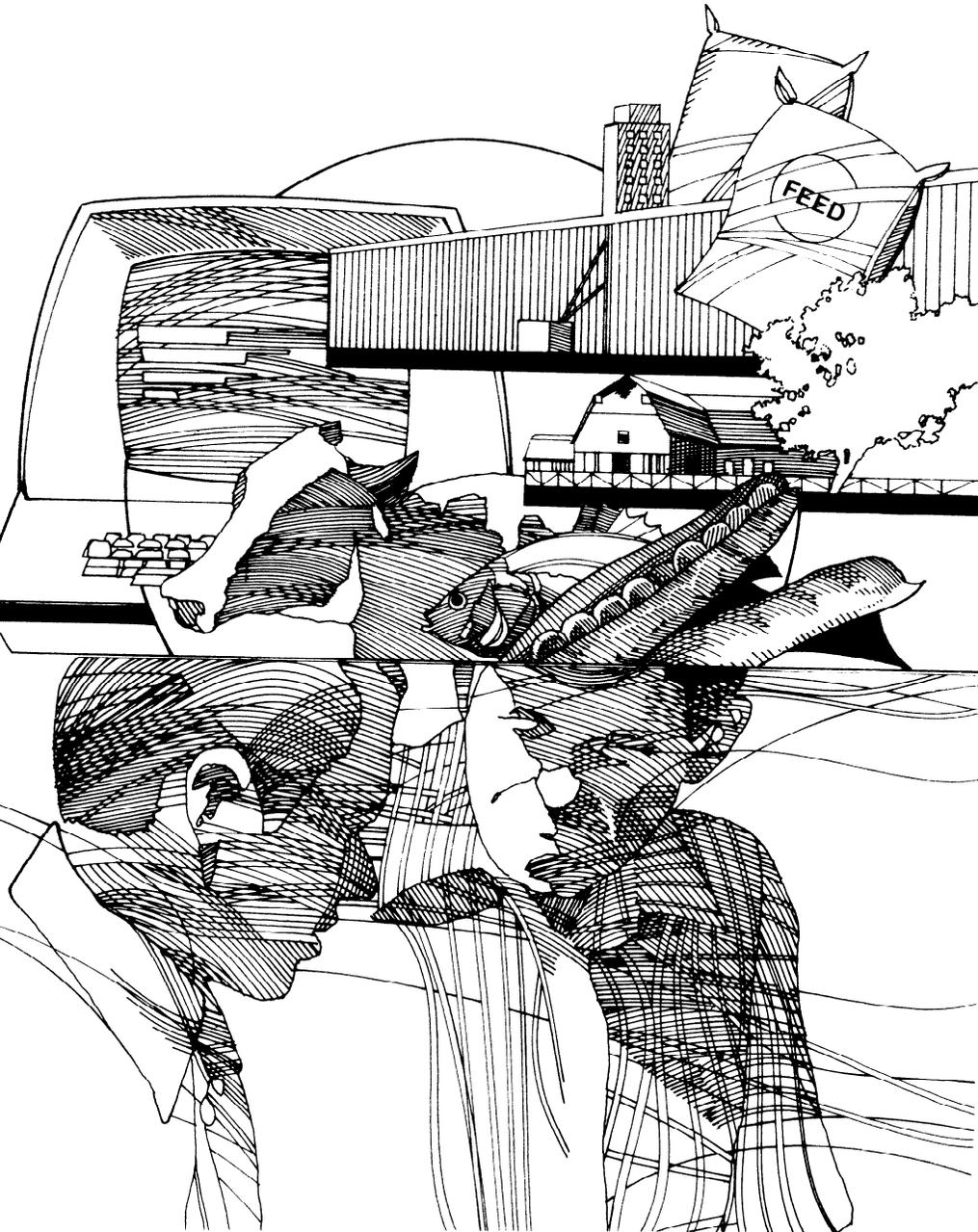


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Advising People About Cooperatives



Advising People About Cooperatives
Cooperative Information Report 29

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Preface

A few individuals or a larger group of people may believe that forming a cooperative is the answer to their problems or needs. They expect you to appraise their problem objectively, make practical suggestions, and give professional assistance. Their interest may be in the more common agricultural marketing, purchasing, or service cooperatives or in special cooperatives such as buying clubs, child care, crafts, credit unions, fishing, food purchasing, forestry, housing, health, recreation, sewer, student, water, etc.

Much has been written about cooperatives, but it would be unrealistic to expect anyone to have all the information available. This publication is intended to provide background and references for educational programs on cooperatives. A list of organizations and their bulletins, books, visuals, and periodicals is given at the end of this publication. These will provide ready reference for developing, organizing, financing, and operating cooperatives. This publication is not intended to duplicate material or references available in other forms. It will be brief in some areas of major concern. And it is not a substitute for professional assistance from Agricultural Cooperative Service, Cooperative State Extension Services, State cooperative councils, State departments of agriculture, Farm Credit Banks, regional cooperatives, and other professional groups and organizations working with cooperatives. Periodicals and news releases, including those on new publications, provide new and additional material.

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Advising People About Cooperatives

COOPERATIVES

A cooperative is a user-owned and user-controlled business from which benefits are derived and distributed equitably on the basis of use. Each year, income received from providing goods and services to members, less expenses and reasonable reserve, is returned to members on the basis of the value or quantity of business transacted with the cooperative.

People form cooperatives to obtain services that they cannot get as economically, efficiently, or effectively as individuals. The cooperative provides a structure within which people can voluntarily act or operate by joining **resources**—physical or mental, man-made or natural, and material, including financial—to achieve an end. This grassroots concept enables people to work together in collective efforts to solve problems or obtain a variety of services; to manufacture and purchase supplies; to produce, process, and market products; and to generate sufficient volumes of business to improve bargaining power and competitive position relative to other businesses.

COOPERATIVES ARE BUSINESS CORPORATIONS

Three basic types of business organizations comprise our American business system: Individually owned business firms, partnerships, and corporate forms. Corporate forms may be either for profit or nonprofit and investor owned or, like cooperatives, member-user owned. **(1,7,8*)** In certain

. Numbers refer to alphabetical list of organizations, their publications, and other books and comprise the last three sections of this report.

respects, cooperatives resemble other businesses. They have similar physical facilities and must follow sound business practices. They usually incorporate under State laws. They are governed by bylaws and other necessary legal papers. Members elect a board of directors. The board sets policy and hires a manager to run the day-to-day operations.

In other ways, cooperatives are distinctively different from other businesses. These differences are found in the cooperative's purpose, its ownership and control, and how its benefits are distributed. (1,3,7,8)

COOPERATIVE PRINCIPLES

Cooperatives operate according to principles that define or identify their distinctive characteristics. Three fundamental principles for the cooperative enterprise are:

1. The User-Owner Principle -The people who own and finance the cooperative are those who use the cooperative.
2. The User-Control Principle-The people who control the cooperative are those who use the cooperative.
3. The User-Benefits Principle-The cooperative's sole purpose is to provide and distribute benefits to its users on the basis of use.

AN IMPORTANT PRACTICE

In addition to operating under these distinctive principles, an important practice for all cooperatives is to conduct continuing member education. Keeping owners educated on what's happening is important for any business, but it is vital in a cooperative for at least three reasons:

1. Democratic control, exercised through majority rule, requires that the entire ownership be informed and involved to ensure enlightened decisionmaking.

2. The cooperative can be responsive to members' needs only if members express those needs and recognize they must bear the financial burden to fulfill those needs.

3. The rarity of the cooperative form of business in this country means that our education system doesn't give much instruction about cooperatives in business and economic courses and, therefore, the cooperative must be the educational institution for itself.

TYPES OF COOPERATIVES

Historically, cooperatives perform one or more of three functions: marketing products, purchasing production supplies, and providing services.

Brief descriptions of the more common types of cooperatives operating in the United States follow.

Agricultural Cooperatives

Marketing

The need to meet consumer demands and expand markets for products presents an increasing problem for farmers acting independently. Few farmers produce in quantities needed to deal directly with large wholesalers or retailers. The marketing cooperatives as quantity assemblers provide an increasing variety of off-farm processing and marketing services for about one-fourth of all products that farmers produce.

Marketing cooperatives help farmers produce and process quality products to market specification. Early cooperative marketing included the operation of grain elevators, milk plants, wool pools, cotton gins, livestock markets, vegetable markets, and fruit packing plants. Modern marketing includes the coordination of processing, canning, drying, blending, concentrating, extracting, freezing, or consumer packaging of animal and animal products, such as dairy, fish, meat, and

poultry and the same for fruit, nut, and vegetable products, and many other products in integrated organizations.

Marketing cooperatives enable farmer members to extend control of their products as long as the cooperative retains physical or legal title to a commodity handled through processing, distribution, and sale. (1,3,7,8,18,19)

Bargaining

Bargaining cooperatives are a variation of marketing cooperatives. Producers join to gain strength in negotiating terms for such items as price, quality, quantity, and delivery with processors and other buyers. Producers delegate authority to their bargaining associations to establish common quality, common price, and rules on marketing their product.

Bargaining cooperatives do not take possession of products or assemble, process, or distribute them. They also differ from usual marketing cooperatives in that their facilities are limited generally to an office and perhaps a testing laboratory

Some cooperatives perform both bargaining and marketing functions. One example is dairy cooperatives that start as bargaining organizations but subsequently add processing facilities. (1,3,8,18)

Purchasing

Farmers first turned to cooperatives as economic tools to gain advantage of quality and quantity in supply purchases such as feed, fertilizer, and seed. These early efforts often became corporations having full-time managers and warehouses, to handle other production supplies and services such as petroleum products, farm chemicals, animal health products, fencing, building supplies, construction contracting, automotive accessories, etc.

Most cooperatives have affiliated with other cooperatives, often through regional and interregional cooperatives.

These efforts reduce farmer costs and strengthen purchasing power through owning large-scale facilities such as petroleum refineries; phosphate, potash, and nitrogen manufacturing plants; feed mills; research farms; and laboratories.

Purchasing cooperatives' objectives include savings for members through quantity purchasing, manufacturing, and distributing, procuring quality products, and providing related services as needed. Distribution to producer members is a major concern at the local level because added services are needed.

Many cooperatives now perform both marketing and purchasing functions, although they started as single-function organizations. **(1,3,7,8,18,19)**

Service

Agricultural service cooperatives provide services related to the production and marketing of farm commodities, or they may provide general services.

Related service cooperatives offer unlimited possibilities and are used in ever-widening circles to solve mutual problems and provide specialized services that affect the location, form, or quality of farm products or supplies for members. Services may be part of the operation, or they may be performed by separate cooperatives. Examples of services related to handling farm supplies are applying fertilizer, lime, or pesticides; feed grinding or mixing; and harvesting. General service cooperatives provide a number of specialized services assisting farmers in their business. **(1,3,7,8,18)**

Other examples of general agricultural service cooperatives include agronomy, artificial breeding, dairy herd improvement, farm machinery, grazing, grove management, irrigation, livestock feeding and production, pest management, and research. **(1,3,5,6,8,18,19)**

Farm Credit System

Agricultural credit is provided through the Farm Credit System at the local level through Production Credit Associations and Federal Land Bank Associations. In some parts of the country, Federal Land Bank Associations and Production Credit Associations have merged their associations into Agricultural Credit Associations. Rural electric and telephone cooperatives provide utility services. The Farm Credit System is a **\$60-billion** nationwide network of borrower-owned banks and associations that provide credit and financially related services to U.S. farmers, ranchers, **aquaculturalists**, cooperatives, rural utilities, rural home buyers, and other **eligible** borrowers. The System is composed of the following:

1. Farm Credit Banks-These district banks provide loan funds and services to System associations. The Farm Credit Banks are located in Springfield, MA, Baltimore, MD, Columbia, SC, Louisville, KY, St. Louis, MO, St. Paul, MN, Omaha, NE, Wichita, KS, Austin, TX, Sacramento, CA, and Spokane, WA.

2. Federal Land Bank Associations-These institutions act as agents of the Farm Credit Banks and make long-term loans primarily for the purchase of farm real estate and rural homes. They also provide refinancing of existing mortgages and other debts.

3. Federal Land Credit Associations-These associations were formerly Federal Land Bank Associations that have received a transfer of direct long-term real estate lending authority from the district Farm Credit Banks.

4. Production Credit Associations-These institutions make short- and intermediate-term loans for a variety of purposes, including loans for operating expenses, farm equipment, livestock, farm buildings, and other capital improvements that normally have maturities of less than 7 years.

5. Agricultural Credit Associations-In some part of the country, Federal Land Bank Associations' and Production

Credit Associations' stockholders have voted to merge their associations into Agricultural Credit Associations. These associations provide a full range of financing options and are authorized by the Farm Credit Bank to make and participate in long-term real estate mortgage loans.

6. National Bank for Cooperatives (COBank)—

Headquartered in Denver, CO, COBank is a part of the Farm Credit System. COBank was formed on January 1, 1989, as the result of consolidation of eleven of the Nation's thirteen Banks for Cooperatives. The Banks had been in business for 55 years when the customer-owners voted to merge and form COBank. COBank's customers are local, regional, and national agricultural cooperatives and rural utility systems. The agricultural cooperatives process; market, transport, and export products as diverse as fruits, vegetables, legumes, grains, and fish. Others specialize in farm supply products such as feed, seed, fertilizer, and petroleum-based products. COBank's rural utility customers include electric, telecommunications, water, and other utility systems.

COBank has banking centers in twelve U.S.

cities—Atlanta, GA, Austin, TX, Baltimore, MD, Columbia, SC, Jackson, MS, Louisville, KY, Omaha, NE, Sacramento, CA, St. Louis, MO, Salt Lake City, UT, Spokane, WA, Wichita, KS, as well as a national office and banking center in Denver, CO. Banks for Cooperatives at Springfield, MA, and St. Paul, MN, chose not to participate in the consolidation. COBank serves as a bank of participation for these two locations.

7. Farm Credit Leasing Services Corporation—

Headquartered in Minneapolis, MN, the Leasing Corporation has offices around the country that provide leasing for vehicles, agricultural field equipment and structures, computers, and other equipment. (5)

8. Federal Farm Credit Banks Funding Corporation—

Based in New York City, this entity manages the marketing and sale of System securities, which are the primary sources of loan funds for System banks and associations. The Funding

Corporation also provides financial and advisory services and supports System banks in the management of interest-rate risk.

The regulatory agency of the system is the Farm Credit Administration (**FCA**), an independent agency of the executive branch of the U.S. Government. Primary functions of FCA are the regulation, examination, and supervision of Farm Credit institutions and their service organizations. (4)

9. The Farm Credit Council - This Washington-based federated trade association represents the System and its borrowers before Congress, the Administration, and others. (8)

Rural Electric and Telephone Cooperative Associations

Rural Electric and Telephone Cooperative Associations exist for the sole purpose of providing services for their **members-owners** in their respective operating territories. Both electric and telephone cooperatives have the exclusive right to serve specified rural territories in most States. Anyone living in those areas must become a member of the cooperative to obtain electric or telephone service. These cooperatives differ from others in that they use Government financing.

Rural Electrification Administration (**REA**), an agency of USDA, makes loans to electric and telephone systems in rural areas. In 1936, the Rural Electrification Act provided statutory authority to establish REA as a lending agency for developing a rural electrification program. A 1949 amendment authorized REA to make loans to improve and extend telephone service in rural areas.

In addition to providing loans for electric and telephone service, REA provides technical assistance in engineering, accounting, and management improvement.

Today, 990 electric borrowers and 1004 telephone borrowers serve 18.3 million people in 2,600 of the Nation's 3,110 counties. Almost 100 percent of farms now have electricity, and 96 percent have modern telephone service. REA-financed

electric systems serve 11 percent of the Nation's consumers and operate nearly half the distribution lines. (10,11,14)

Rural Telephone Bank, a USDA agency, provides supplemental financing for telephone systems. Bank loans bear interest at a rate consistent with the cost of money. As a condition for obtaining a loan cooperatives and companies must purchase stock in the bank. The bank is operated by REA and other USDA agencies at no cost to the bank. The bank is capitalized by the U.S. Government through purchases of stock, in amounts not exceeding \$30 million annually, until purchases equal \$600 million. The Government's investment is to be retired as soon as practicable after September 30, 1995. The bank has made loans of \$2.2 billion to 470 commercial telephone companies and 121 cooperatives. (15)

The National Rural Utilities Cooperative Finance Corporation (CFC) was established in 1969. It is a nonprofit cooperative whose primary function is to provide member systems with an independent source of funds for loans as a supplement to loans made by the REA. CFC loan programs include long-term secured loans (usually concurrent with REA loans), intermediate-term loans, line-of-credit loans, and letter-of-credit loans.

The principal source of long-term debt capital is the sale of Collateral Trust Bonds to the public. CFC is owned by the 968 cooperatives it serves. (10,11,12,13,14)

Fishing

The two major business activities are marketing and providing supplies and services. Marketing cooperatives receive and market the catch, or perform some other functions such as locating buyers and negotiating terms of trade. Supply and service cooperatives may provide ice, fuel, and fishing gear, or offer services such as boat repair, insurance, and representational functions. The supply and service cooperatives do not

perform a marketing function. Marketing cooperatives outnumber supply and service cooperatives.

In 1934, Congress passed the Fishery Cooperative Marketing Act authorizing associations of persons engaged in the fishery industry, as fishermen, catching, collecting, or cultivating aquatic products or as planters of aquatic products on public or private beds. They may act together in associations, corporate or otherwise, with or without capital stock, in collectively catching, producing, preparing for market, processing, handling, and marketing such products in interstate and foreign commerce. (1,6,18)

Forestry

Forestry cooperatives offer certain potential advantages to their membership. Many woodland owners do not have the expertise necessary to select merchantable timber for harvest or to obtain favorable stumpage prices. Often, effective harvesting and marketing of timber require professional guidance and business practices. However, some woodland owners find it difficult, on an individual basis, to regularly utilize the services of forestry consultants and professional forest managers.

Cooperative organization may allow owners of small tracts easier access to professional management and marketing services. In addition, management of woodlots through cooperatives may prove to be more gainful over the timber-cutting cycle. Implementation of management plans can result in small woodland owners' assembling a uniform and high-quality volume of lumber, thus attracting more favorable prices. A cooperative structure allows members to pool equipment purchases and such capital requirements as compensation for managers and foresters and expenditures for office needs. Cooperation among woodland owners can also give rise to volume discounts on purchases of forestry supplies. (1,6,18)

Production

Cooperatives are particularly suited for certain labor-intensive crops where potential exists for a group effort to be more than the sum of its parts. Several persons or families of limited means unite to individually farm small parcels of larger acreages that are either owned or rented by the group. The human labor each member-family can perform is often the only resource they can pool in forming a cooperative. They expect to be more productive as member-owners than as hired laborers. With the whole family working, there are more direct incentives to produce. They aspire to control the land on which they work. (7,16,17,18)

Consumer Cooperatives

Increasing numbers of rural and urban consumer cooperatives have developed. They include buying clubs and consumer stores, computer services, day care/nursery, credit, furniture, health maintenance organizations (HMOs), housing, hospitals, legal services, memorial, migrant labor, mutual insurance, optical clinics, pharmacies, preschools, recreation, retirement centers, service stations, sewer, travel agencies, water, and many others. Consumer cooperatives are corporate businesses, generally incorporated under State statutes or the District of Columbia cooperative law. Members, often active in consumer groups, are concerned with the quality and quantity of all merchandise, health, child care, and nutrition in food.

A host of other cooperatives, many national in scope, are jointly owned and operated by business organizations to provide service at cost. These include the Florist Telegraph Delivery Association; the Associated Press (a news-gathering service); the American Automobile Association; and food, drug, or hardware retailer-owned wholesale cooperatives. (7,9,17,18)

Credit for consumer cooperatives is provided through two major cooperative systems-credit unions and the

National Cooperative Bank (NCB). Federal programs providing credit to business organizations change rapidly, so the most recent issue of the Catalog of Federal Domestic Assistance should be reviewed. (2,9,18)

Credit Unions

Credit unions are financial corporations chartered and supervised by either State or Federal Government through the National Credit Union Administration. They are formed by people with common bonds through business employment, association, or other organizations within a well-defined neighborhood, community, or rural district. Business organizations whose employees form credit unions often provide office space on the premises. Persons become members by applying and paying small membership fees. Credit unions encourage family money management and wise credit use.

Credit unions make loans to members from funds saved by other members. Credit committees are chosen from the membership itself. The committees review loan applications for approval. Repayments are made on mutually agreed schedules and interest is charged on outstanding loan balances. Many credit unions refund part of the interest paid by borrowers each year, thus operating on a cost-of-doing-business basis. Normally, credit unions do not require outside financial support.

Most credit unions belong to State credit union leagues that are affiliates of the Credit Union National Association (CUNA), a national trade association of credit unions. (2,9)

National Cooperative Bank (NCB)

The National Cooperative Bank is a private, cooperatively owned financial institution providing financial services nationwide for rural and urban-based cooperatives and their subsidiaries. NCB offers a full line of loan, leasing, and credit

services to a diversified cooperative business community involved in joint- purchasing, housing, healthcare, retirement communities, mobile home parks, childcare, consumer goods, finance, shared services, economic development, employee ownership, and franchising. The services of NCB and its subsidiaries include: (1) matching funds for feasibility and organizational costs of new cooperatives and (2) market rate loans to existing and start-up cooperatives and user- owned businesses operating on a cooperative basis.

NCB has commercial loan offices in Washington, DC, Atlanta, GA, Minneapolis, MN, and Seattle, WA. (18)

Buying Clubs

The increased cost of living has stimulated interest in a simple form of consumer cooperative called the buying club.

Generally, buying clubs order merchandise for members on a preorder and prepaid basis. They are operated by volunteer labor, with members agreeing on basic commodities needed. Sufficient markup is required to justify substantial investment of member time and effort. Often, the club's existence is limited, either because basic needs cease to exist or because the clubs subsequently develop into consumer co-op stores. (7,17,18)

Crafts

Craft producers have found cooperatives to be advantageous in such areas as marketing, production assistance, and obtaining technical assistance.

Marketing activities might include: identifying potential customers and target markets; evaluating customers' needs; giving craftsmen feedback on the latest trends in color, design, and competition; setting uniform quality standards, developing coordinated lines, and guaranteeing delivery to attract wholesale buyers; providing retail and wholesale services

such as operating craft shops, selling at wholesale or gift craft shows, sponsoring craft shows, publishing catalogs, providing sales representatives, or acting as a wholesale merchant.

Production assistance can be obtained in the areas of bulk purchase of materials at a reasonable cost and with uniform quality; joint purchase and use of machinery or equipment; continuous review of equipment, supplies, and technology; training; and help in product design and color selection.

Technical assistance can be provided in the areas of design; production and business skills; government regulations; assistance in securing loans or needed services for members; and information about new books, seminars, periodicals, and exhibitions that contribute to members' professional growth. (1,3,7,18)

Health

Members of health co-ops prepay medical costs through monthly premiums to consumer-sponsored health plans. This spreads costs and helps members prepare for the possibility of serious illness. Physicians practicing in multi-specialty groups emphasize keeping patient members well through preventive medicine and outpatient care. Some health plans employ doctors or establish clinics or hospitals. (7,18)

Housing

"Cooperative" applied to housing means joint operation of a housing development by those who live in it. Members own membership certificates or stock in the corporation, carrying exclusive right to occupy a dwelling unit and participate in corporation operations. Cooperative housing corporations own the total property.

Cooperative ownership permits individual dwelling unit ownership within a total property estate, with undivided interest in the common estate.

A common purpose of cooperative housing projects is to obtain adequate housing at savings on mortgage rates. Members may reduce building costs through self-help approaches to home ownership. (7,18)

Labor

Migrant workers form labor cooperatives to sell their services to agricultural producers. Their manager contracts with farmers for services, and provides them transportation and supervision. Indications are that these workers work more days than agricultural workers who are not organized. (3,7,17,18)

Legal Services

Concerns about drawing wills, settling estates, and other normal legal needs stimulate development of legal services cooperatives. They are organized like health service cooperatives and help spread costs over many members. (7)

Memorial Associations

There are three types of memorial associations: those that only recommend mortuaries to members, those that contract with mortuaries for member services, and cooperative-operated mortuaries supported by prepaid burial costs. (7)

Recreation

Public demand for outdoor recreation increases annually as more leisure time becomes available. Forming recreation cooperatives on private rural land shows potential for meeting future needs and increasing landowner use.

Recreation cooperatives are classified as user controlled and resource controlled.

User-controlled cooperatives are those where resources, such as land or facilities, are controlled by users through lease or purchase to provide co-op members and their families with services or facilities for outdoor recreation. Examples include camps, golf, flying, playgrounds, skiing, swimming, tennis, trap shooting, or other facilities operated on a nonprofit basis.

In resource-controlled cooperatives, owners organize the cooperative to develop and market recreational facilities and services, or jointly purchase services and supplies used to produce recreation income. Resource-controlled cooperatives provide opportunity for adjacent landowners on a lake or stream to develop a single unit for boating, swimming, fishing, camping, or hunting under one management. Economies of scale are attained in capital investment, promotion, and advertisement. (1,7,18)

Student

Housing, meal concerns, book needs, and other problems bring students together in cooperatives. They pool funds and labor and agree on methods of operation to fulfill their needs as they study. (7)

PROFESSIONAL WORKERS' APPROACH TO ORGANIZING COOPERATIVES

It takes only a few people wanting to solve mutual problems to generate interest in forming a cooperative business. These people are usually leaders in specified areas working to get others with similar interests involved in business solutions. They call on professional workers, in whom they place confidence, for help in the cooperative-forming process, i.e., planning, organizing, financing, and managing. (1,3,7,18)

Reacting to Requests

Cooperatives won't solve all the problems that their members face; nor will they correct specific problems in all situations.

The cooperative approach should be used only when it can be demonstrated that a cooperative can provide a needed economic service not presently available, or that, by providing a service, it can increase net returns to prospective members. A cooperative should not be suggested if the service is readily available from existing firms, at a reasonable cost, and particularly if one of those firms is a cooperative.

Here are some other prerequisites to consider before suggesting development of a new cooperative:

1. Producers in the area must feel an economic need for the proposed cooperative's services and be able to identify a mutual objective. It is not enough for a third party to identify an economic need.

2. A core of local producer leadership must carry on the development effort.

3. Producers must be willing to work together and follow the basic principles of cooperation.

4. Producers must be willing and able to support a cooperative by making the required capital investment, and then patronize and participate in its affairs.

Examples of questions to ask when groups request assistance to determine prerequisites are:

1. Why is a cooperative needed?

2. What type of cooperative is needed?

3. Who is urging the development of a cooperative and why?

4. How many people are interested in this proposal?

How has this interest been determined?

5. How many have visited existing cooperatives?

6. What educational or discussion group meetings have been held? Who conducted the meetings? Did the same people attend each time?

7. Has outside help or advice been requested? If so, from whom?

8. Where do people now get the products or services that the proposed cooperative would supply?

9. What competition would the proposed cooperative have?

10. What is the capital requirement? How much capital are organizing members able and willing to invest? Where will cooperators obtain credit?

11. How much business volume is expected the first year? Second year? Third year? Is this seasonal volume?

12. If the cooperative were organized and started in business, what are the prospects of getting a qualified manager?

13. What existing cooperatives are interested in opening a branch or taking in members as an alternative to forming a new cooperative?

14. What are the greatest problems in organizing this cooperative?

15. What are the greatest assets in getting a cooperative started?

16. What long-range factors or trends should be considered to ensure the cooperative's success?

Obviously, all these questions and others will not be answered when first raised. But what is important is to determine the presence or absence of these prerequisites. If they are present, it must still be determined if a cooperative would be economically feasible before pursuing development.

Steps to Organize

The following sequence of events for organizing a new cooperative should be suggested by the professional to the interested groups:

1. Hold a meeting of leading participants to discuss the economic need that formation of a cooperative might fulfill.
2. Hold an exploratory meeting. Vote whether to continue. If affirmative, select a steering committee.
3. Conduct a survey as a basis for determining cooperative feasibility.
4. Hold a second general meeting to discuss results of the survey. Vote on whether to proceed.

The following events in the sequence will require additional expertise and reference available from such individuals as State extension specialists at land-grant universities, district Banks for Cooperatives, regional cooperatives, State Cooperative councils, established local cooperatives, and, when requested, the USDA Agricultural Cooperative Service:

1. Conduct a market or supply-and-cost analysis.
2. Hold a third general meeting to discuss the results of the market or supply-and-cost analysis. Vote whether to proceed this time by secret ballot.
3. Conduct a financial analysis and develop a business plan.
4. Hold a fourth general meeting to hear results of the financial analysis. Vote again on whether to proceed. If affirmative, vote a second time on whether the steering committee should remain intact or changes should be made.
5. Draw up necessary legal papers and incorporate.
6. Call a meeting of charter members to adopt the bylaws. (It's a good idea to invite all potential membership to ratify the bylaws.) Elect a board of directors.
7. Call the first meeting of the board of directors and elect officers. Assign responsibilities to implement the business plan.
8. Conduct a membership drive.

9. Acquire capital, and include the development of a loan application package.
10. Hire the manager.
11. Acquire facilities.
12. Start up operations.

Leadership and Advisers

The types of specialized help needed and their functions are:

Organization and Legal Counsel

Each State has one or more statutes under which corporations are incorporated. Agricultural and nonagricultural cooperative corporation statutes may be specified. In some States, only agricultural cooperatives may organize. In some cases, incorporation may be more feasible under nonprofit or general business incorporation laws of the State, and the cooperative then establishes bylaws for operation. An attorney familiar with State cooperative statutes is needed to draw up the articles of incorporation, bylaws, and membership agreements, to draw up or review contracts for purchase of property or construction, loan agreements, capitalization plans, or any other legal instrument needed to start the cooperative. Not all attorneys are familiar with cooperative law. References for finding qualified individuals may be obtained from the district Bank for Cooperatives, State cooperative council, existing local or regional cooperatives, and State extension specialists who work with cooperatives.

A continuous qualified legal counsel is important to ensure compliance with laws applying to cooperative business.

Additional information on organizing, including sample legal documents, can be obtained from “How To Start a Cooperative,” Cooperative Information Report (CIR) 7; “Sample Legal Documents/ CIR 40; and “State Incorporation

Statutes for Farmer Cooperatives,” CIR 30, published by the Agricultural Cooperative Service.

Financial Planning And Counsel

Feasibility studies, membership capitalization, methods for establishing and repaying long-term and operating capital are important planning steps. The design and installation of an accurate bookkeeping system, tax records, and support accounts are necessary for the cooperative's success. Resource people for these areas included an accountant or auditing firm familiar with cooperative accounting, the district Bank for Cooperatives, agents of the lending institution, State extension specialists who work with cooperatives, the State cooperative council, and local and regional cooperatives. Accurate records and an ongoing program of financial planning help ensure the success of the business for the benefit of its member owners.

Technical Advice

Specialists in the area of operations and marketing must be involved in the early stages of the cooperative's planning and formation. Resource persons from equipment and machinery suppliers, commodity handlers, State Extension specialists in marketing, as well as those listed as resource persons in legal and financial areas, could supply information and ideas for the cooperative's success.

Financing

Capital needs depend on the type and size of operations. All standard methods, and some designed for cooperatives, are used by members in financing. **(1,2,6,7,9,15,18)**

Sufficient member investment is needed to demonstrate a commitment to provide capital to operate the business and to persuade credit sources to lend additional funds to the cooperative. Member investment is attained through fees, dues, or

assessments, or by issuing stock at the outset and using revolving funds after operation starts. Stock is usually not sold outside the membership because cooperative investment does not offer growth possibilities or returns like other investments.

ANSWERING QUESTIONS

Facts and figures useful in preparing talks, news releases, and reports concerning cooperative business operations constantly change. The most recent available statistics can be obtained from various organizations listed at the end of this publication. For example, the Agricultural Cooperative Service updates and publishes "Cooperative Facts," CIR 2. The Capper-Volstead Act, giving producers of agricultural products the right to join in cooperatives to market their products without violating antitrust laws, is reproduced in "Managing Cooperative Antitrust Risk," CIR 38, and "Understanding Capper-Volstead," CIR 35. Films from the Education Division of the National Council of Farmer Cooperatives (formerly the American Institute of Cooperation, AIC) also cover the topic.

The questions and answers that follow are not a complete list or substitute for information from cooperative specialists. Many answers to semitechnical questions are in layman's language and may not be complete. The answer may vary with State laws. Consult State extension services, State cooperative councils, the State department of agriculture that has specialists on cooperatives, cooperative associations, or legal counsel familiar with State cooperative statutes for specific answers to local questions. "State Incorporation Statutes for Farmer Cooperatives," CIR 30, contains State statutes that may be used to form farmer cooperatives.

Q: Can nonmembers use the services of cooperatives?

A: To maintain its status as a farmer cooperative under the Capper-Volstead Act, a cooperative cannot transact more business with nonmembers than with members. Special restrictions affect the cooperative's tax status. Many service cooperatives, such as farm credit, electric, telephone, and credit union, require membership to obtain service. However, in most agricultural cooperatives, a certain amount of nonmember business is conducted. Consumer cooperatives generally serve members and nonmembers.

Q: Do members pay annual dues?

A: Dues are not required in most cooperatives. However, a one-time membership fee is required generally by cooperatives organized on a membership basis. If the cooperative is authorized to issue capital stock, a member may have to buy a share of voting stock.

Q: What financial liability does a person assume when joining a cooperative?

A: Incorporated cooperatives normally limit financial liability on any individual to the amount of money invested in the cooperative in subscriptions to capital stock or membership.

Q: Do cooperatives require contracts with members?

A: Many agricultural marketing cooperatives do require members to sign marketing agreements. This is the one way that members can be sure their packing or processing plant will have enough volume to operate efficiently. Various service cooperatives may require members to sign contracts. This is not generally true with purchasing cooperatives, although short-term contracts may often be required. Most consumer cooperatives do not require contracts.

Q: How are cooperatives financed?

A: At least part of the capital comes from members. Sources for borrowed capital were discussed earlier. Capital also comes from members after the cooperative is operating. Members provide capital by agreeing that net income may be retained by the cooperative as capital. However, by Federal law, 20 percent must be paid in cash. This capital is allocated and returned to members on a revolving fund basis. Members may also provide loan capital. More detail is found in "Cooperative Finance and Taxation," CIR 1, Sec. 9; and "Cooperatives in Agribusiness," CIR 5.

Q: Will farmers earn dividends on investments in cooperatives?

A: Cooperatives may pay dividends on stock, but this is usually limited by law to the legal rate of interest in the State of incorporation, or 8 percent, whichever is greater.

Q: Can members withdraw investments in cooperatives?

A: Many cooperatives permit members to redeem investments under certain conditions, such as retiring from farming, leaving the cooperative trade area, or settlement of an estate. In addition, many cooperatives systematically revolve members' investments at stated intervals.

Q: Who is responsible for management of the cooperative?

A: The responsibility of cooperative management is three tiered: members, board of directors, and hired professional management. Each plays a different role in the management function.

In many cases, members must approve certain issues, such as merging with another organization or liquidating the cooperative. For operating purposes, the management function is performed by the board of directors. The board is elected by the membership. It is the board's responsibility to employ a manager and delegate day-to-day management of business operations. The board of directors is responsible for sound financial cooperative business operations and for long-range **growth**-and-development planning according to stated objectives.

Q: Why can't cooperatives price products purchased for members at cost?

A: Cooperatives must have income to pay fixed costs, such as insurance premiums or the purchase price of land, buildings, or equipment, and operating costs, many of which aren't known exactly until the year's end.

Q: Do cooperatives fail?

A: Just as many other businesses fail, cooperatives can fail because of insufficient capital, failure of members to support the business with needed volume, poor management, or operation under other unsound business practices.

Q: What taxes do cooperatives pay?

A: Cooperatives pay all taxes required by law. These include those property taxes usually imposed on all properties by States, counties, and school districts. They pay excise, unemployment, social security, and transportation taxes, various license fees, and many more as levied on investor-owned corporations.

Contrary to popular belief, cooperative organizations are not exempt from Federal income taxes. However, they can deduct from taxable income qualified net income allocated to

patrons. Farmer cooperatives meeting requirements of section 521 of the Internal Revenue Code can also deduct amounts paid as dividends on stock and earnings **from** nonpatronage income distributed to patrons. Agricultural cooperatives must apply for section 521 tax status. Tax matters can become quite technical. If asked about them, contact an accountant, attorney, or other qualified expert in tax matters.

Q: Can farmer cooperatives and other types of cooperatives be organized under the same State statutes?

A: Many States have separate statutes for farmer cooperatives and other cooperative business operations. Legal counsel familiar with State cooperative statutes is needed to ensure correct cooperative chartering under State statutes.

SOURCES OF ADDITIONAL INFORMATION

Cooperative Organizations

Credit Union National Association (CUNA)

This is a confederation of the 52 credit union leagues (associations) serving every State, the District of Columbia, and Puerto Rico. More than 90 percent of credit unions in the United States are affiliated with CUNA through membership in their leagues.

In cooperation with the State leagues, CUNA provides national leadership, liaison with Congress and the various Federal agencies, newsletters and magazines, market and demographic research, economic analysis, public relations, education, training, and other services to credit unions.

United with CUNA through a combined management and leadership structure is CUNA Service Group (**CSG**), Inc., the association's financial services affiliate. CSG develops and markets consumer financial services to credit unions on a

national level. CSG'S programs allow credit unions to provide members products like credit cards, automatic teller machine access, share drafts, money orders, IRA's, travelers checks, etc., at a reasonable cost.

Another CUNA affiliate, U.S. Central Credit Union in Overland Park, KS, provides investment, liquidity, and correspondent financial services to credit unions through a network of State or regional "corporate" credit unions—essentially credit unions for credit unions. U.S. Central is one of the largest and strongest financial institutions in the nation, with billions of dollars in deposits and assets. (2)

Farm Credit Leasing Services Corporation (FCL)

FCL specializes in equipment leasing to the agricultural industry. As a part of the Farm Credit System, FCL provides leasing and related services to eligible borrowers of the System, including producers and cooperatives, rural electric and telephone organizations, and Farm Credit System entities.

FCL provides lease services for virtually all types of equipment, such as automobiles and trucks, agricultural production and processing equipment, material handling equipment, storage facilities, office equipment and computers, and communication systems. FCL is also actively involved in the syndication of large, multimillion-dollar lease projects. (5)

Federation Of Southern Cooperatives (FSC)

FSC provides technical services and a variety of support programs to its member cooperatives. Member cooperatives in the rural South are agricultural, consumer, handicraft, and credit unions organized by low-income people.

FSC, with the Tennessee-Tombigbee Construction Project, founded the Rural Training and Research Institute to provide a cooperative management training program, demonstration farm, development and production materials, and job training and experience. (17)

National Cooperative Business Association (NCBA)

Founded in 1916 as the Cooperative League of the USA (CLUSA), NCBA is a national membership and trade association, representing the cooperative business community, that focuses on the unique and mutual needs of various industries. NCBA is the only national cross-sector trade association representing cooperatives. Through NCBA, cooperatives gain strength by working together to form powerful coalitions. NCBA uses the strength of the entire cooperative community to promote and defend the cooperative way of doing business. The program of the NCBA includes:

- supporting the development and expansion of cooperative businesses in the United States;
- representing the cooperative business community before Congress, the Administration, government agencies, and other national and world organizations;
- providing or facilitating communications, education, and information about and for cooperatives and those interested in cooperatives;
- developing, building, and providing technical assistance to cooperatives in the lesser developed countries;
- representing American cooperatives to the world's cooperative business community through membership and leadership in the International Cooperative Alliance (ICA), a worldwide organization for cooperatives, headquartered in Geneva, Switzerland, that promotes and develops international commerce, banking, insurance, trade, joint ventures, and other business inter connections by, and among, the world's cooperatives.

Members of NCBA include cooperatives of farm supply, agricultural marketing, insurance, banking, housing, health care, consumer goods and services, students, credit unions, workers, fisheries, and rural **electrics** and telephone associations. (7)

National Council Of Farmer Cooperatives (NCFC)

NCFC is a national association of cooperative businesses owned and controlled by farmers. Its members market food or fiber, provide credit services, or purchase production supplies for farmers. Most member organizations are federated associations serving as central agencies for numerous local cooperatives. Thus, **through** affiliations, NCFC represents about 90 percent of the total annual business volume of farmer cooperatives throughout the Nation. State councils of cooperatives also are NCFC members, helping to form another link of unity as cooperatives carry out legislative and regulatory activities.

In 1939, several regional grain-marketing cooperatives organized the National Federation of Grain Cooperatives. It became a division of the council in 1973. Farm Credit Council was formed in 1983 as an affiliate to serve the legislative interests of the cooperative Farm Credit System. Agricultural Cooperative Development International affiliated with NCFC in 1984. The American Institute of Cooperation (**AIC**) became an affiliate in 1984 and merged with NCFC in 1991, becoming its educational division.

NCFC objectives are to promote actively and persistently the interest of farmer cooperatives; impress on various Government and other agencies the importance and potential of cooperatives in agriculture; provide an avenue through which cooperatives may be advised quickly of current developments significant to them; and serve as a forum to promote better understanding. NCFC strives to meet these objectives by representing farmer cooperatives before Congress and Federal Government agencies. (8)

AIC, now the education division of the National Council of Farmer Cooperatives, has served the Nation's agricultural cooperatives and their farmer members since 1925. Its goal is to promote better understanding of the cooperative way of doing business. To meet its goals, **NCFC's** educational division conducts educational workshops, conferences, seminars, and institutes; produces and distributes educational materials;

provides special educational services to member cooperatives; and maintains liaison with other national cooperative, agricultural, and educational organizations.

The highlight of NCFC's educational activities is the annual National Institute on Cooperative Education (NICE). The summer institute is actually several meetings interwoven into a week-long educational conference. In addition to a general program, special interest seminars and workshops are conducted for youth, young farmer couples, university staff, new cooperative employees, extension agents, agriculture teachers, and others.

NCFC sponsors annual professional development seminars or workshops in several subject areas. They include workshops in personnel and human resources management and cooperative relations, and a leadership training seminar for regional cooperative directors.

The institute produces and distributes a wide range of educational resources materials for the general public for cooperative members and employees and for elementary, junior high, and high school classes.

NCFC's materials help give its members and employees a better understanding of how the cooperative system operates. NCFC has three series of publications for classroom use. Each is for a different educational level, ranging from the upper primary grades to high school students. The publications discuss business structure in America and point out the unique role of cooperatives. Films and slide shows are a vital part of many educational programs. (8)

National Milk Producers Federation (NMPF)

The NMPF, organized in 1919, represents dairy marketing cooperatives throughout the United States. It the "granddad" of commodity organizations. Soon after formation, NMPF formalized and focused efforts of several dairy leaders to secure passage of legislation to be known as the Capper-Volstead Act, the "Magna [REDACTED] of farmer cooperatives. NMPF [REDACTED]

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tinues to provide the forum for dairy farmer involvement in the formation of national public policy.

The federation provides an organization through which dairy farmers and their cooperatives can develop policy positions and long-range objectives. These positions are represented to Congress, executive agencies, and regulatory bodies affecting the dairy industry. NMPF tries to maintain and improve the economic well-being of dairy farmers and their cooperatives and to assure consumers an adequate supply of wholesome milk and dairy products.

A majority of **NMPF's** voting delegates, board of directors, and executive committee members are active dairy farmers.

Federation activities focus on legislative and regulatory actions concerning Federal milk marketing orders, dairy price support program, product standards and quality programs, international trade, child nutrition programs, animal health, and food safety. **(19)**

National Rural Electric Cooperative Association (NRECA)

NRECA represents most of the Nation's rural electric and generating and transmission cooperatives and statewide associations of rural electric cooperatives. It provides members a voice in national legislative and regulatory matters, numerous management services, director and employee training programs, public relations and advertising activities, insurance programs, and research effort.

Each year, NRECA conducts dozens of conferences, seminars, and workshops throughout the Nation. Individual sessions held in various regions deal with member services, data processing, affirmative action, legal matters, director training, right-of-way activities, insurance programs, and research efforts.

NRECA maintains liaison with Congress and various executive and regulatory agencies on the generation, **trans-**

mission, and utilization of electric power and environmental matters. (10,12)

National Telephone Cooperative Association (NTCA)

“The voice of rural telephony,” NTCA serves more than 450 small rural cooperative and commercial telephone systems.

NTCA represents its member’s interests in Washington, DC, and with regulatory and legal agencies of the Federal Government. It also joins other telecommunications associations on joint initiatives and shared concerns. NTCA offers member services such as its annual meeting, annual legislative conference, and extensive educational development through dozens of seminars and workshops for employees and directors.

NTCA’s Services Management Corporation provides member systems’ employees and directors with a wide array of benefit plans, including medical, savings, and retirement. A captive insurance company, National Telcom Corporation, provides insurance for members’ equipment and plant. (11,13)

Government Agencies

Agricultural Cooperative Service (ACS)

ACS, an agency of USDA, is authorized by the Cooperative Marketing Act of 1926 to help develop sound and efficient cooperatives. It provides knowledge to improve the effectiveness and performance of farmers’ cooperative business in several ways.

The mission of ACS is to promote understanding and use of the cooperative form of business as a viable option for agricultural producers and other rural residents.

Research is conducted to acquire and maintain the base of information necessary for the agency to give farmers relevant and expert assistance on their cooperatives.

Technical assistance is given on business organization, operating efficiency, member control and responsibilities, merger, feasibility of farmers building a cooperative processing or manufacturing plant, etc. Requests may come directly from a few farmers wanting to organize a cooperative or from a farmers' elected board of directors of a cooperative or federation of cooperatives.

History and statistics are collected to detect growth trends and changes in structure and operations. Data help identify and support research and technical assistance activities.

Education and information are considered a distinct mission. ACS is assigned the responsibility "to promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others...." Research reports and educational publications are disseminated and cover basic principles of cooperation, key organizational and management elements, and findings of research and technical assistance studies. A monthly magazine, *Farmer Cooperatives*, reports cooperative achievement, leaders' thinking, highlights of agency research, technical assistance, and educational activities. (1)

Cooperative Extension System (CES)

USDA's Extension Service is part of a three-way **partnership**—Federal, State, and county-known as the Cooperative Extension System (CES). CES is USDA's educational arm; it has offices in most of the 3,138 counties in the Nation. State specialists assist groups of farmers interested in forming cooperatives and participate in State and national conferences and seminars for cooperative leaders.

County Extension agents provide education, information, and advice on major agricultural production and marketing, particularly stressing profitability instead of maximum yields

as sound financial management. It often uses factsheets and publications. (3)

Farm Credit Administration (FCA)

The regulatory agency of the Farm Credit System, FCA is an independent agency of the Executive Branch of the Federal Government. FCA's primary functions are regulation, examination, and supervision of the Farm Credit institutions and their service organizations. Even though it is a Federal agency, FCA is financed not by the Government but by the banks and associations of the system. The Farm Credit System obtains its loan funds through the sale of securities.

The system is discussed under agricultural credit cooperatives. (4)

Farmers Home Administration (FmHA)

The FmHA is a rural credit service of the U.S. Department of Agriculture. It serves all rural areas of the country through 46 State offices, 300 district offices, and more than 1,900 county offices. The agency provides financial assistance for farm purchase and operation, rural housing, community facilities, and business/industrial development.

Loans for farm purposes, including disaster emergency loans, are available to cooperatives primarily engaged in family-sized farming operations. In addition, applicants must be unable to obtain credit from other sources to qualify for FmHA financial assistance. Housing assistance is available to cooperatives under the multi-family housing program. The apartments financed through FmHA must be inhabited by families meeting the agency's low to moderate-income eligibility criteria. Community facility financing, including water and waste disposal systems, also is available to cooperative groups. The business and industry program and the "other" community facilities program were added in 1972. (6)

The National Credit Union Administration (NCUA)

NCUA is the Federal financial regulatory agency responsible for chartering, supervising, and insuring member accounts at the Nation's nearly 10,000 Federal credit unions. The Agency also insures member accounts in about 5,000 State-chartered credit unions. NCUA is supported by the credit unions it regulates and insures and receives no Federal tax dollars. (9)

Rural Electrification Administration (REA)

REA is an agency of USDA. It makes loans to rural electric and telephone systems and provides technical assistance in engineering, accounting, and management improvement.

Generation and transmission cooperatives funded by the agency generate about 38 percent of the power required by rural electric distribution cooperatives. A growing number of these systems are beginning to share the cost of constructing large-scale projects with neighboring utilities. The combined efforts are helping assure adequate supplies of power for both rural and urban people. About 90 percent of subscribers of REA-financed telephone systems enjoy one-party service, and 95 percent of all new telephone lines are placed underground. (12,14)

Rural Telephone Bank (RTB)

RTB is an agency of the U.S. Government. It provides supplemental financing for telephone systems. The Bank's management is vested in a governor (administrator of the Rural Electrification Administration) and a six-member board of directors elected by the Bank's stockholders—three from among directors, managers, and employees of cooperative stockholders and three from among managers, directors, and employees of noncooperative stockholders.

RTB makes loans for the same purposes as REA, but RTB loans bear interest at a rate consistent with the Bank's cost of

money. Purchasing stock in the Bank is required as a condition for obtaining a loan. (15)

STATE-LEVEL ASSISTANCE

Most States have one or more Extension specialists assigned to cooperative work. This assistance can be requested through local Extension Service offices. (3)

Cooperative trade associations called councils, associations, institutes, or committees are organized in about 40 States. The executive office may be contacted through local cooperative organizations or local Extension Service offices. (1,3)

General farm organizations-American Farm Bureau Federation, Farmers Union, and National Grange-have sponsored and organized farmer cooperatives. State offices of these farm organizations continue as potent sources of assistance. These offices can be contacted through their local affiliates.

Statewide rural electric offices are organized in about 35 States. These may be contacted through local rural electric and telephone associations of the REA. (10,14)

Credit union leagues operate in most States. These offices may be contacted through local credit unions or the Credit Union National Association. (2)

State departments of agriculture in some instances have cooperative specialists working on cooperative organization. Availability can be determined through the State department of agriculture.

The Agricultural Cooperative Service provides assistance from three state field offices-Hawaii, Ohio, and North Carolina. (1)

Other cooperatives operating on a statewide or regional basis have staffs that may assist.

COOPERATIVE EDUCATION AND TRAINING

Cooperative opportunities exist in broad fields of business that may never occur to counselors. There are opportunities in processing, marketing, sales, distribution, research, advertising, accounting, computer programming, housing, insurance, electric service, public relations, law, specialized fields, etc.

Elementary teachers help youth discover cooperatives using the multimedia presentation "Business in My Town." "Business in Our Community" is an illustrated publication written for junior and senior high school. "How We Organized To Do Business in America," a brochure recommended for high school and junior college students, is written on a more sophisticated level and is an excellent supplement to the film "How People Do Business in Our Democracy." These materials are available from the National Council of Farmer Cooperatives.

Extension Service, farm organizations, and regional cooperatives sponsoring programs for older youth could use "Opportunities in Cooperatives" (ACS CIR 25) as a leaders guide. Cooperative Educational agencies in many states use "Cooperatives in Agribusiness" (ACS CIR 5) in youth programs, including camps, institutes, speaking contests, illustrated lectures, and club or chapter contests.

High school and postsecondary teachers use "Understanding Cooperatives" (ACS CIR 6), which provides a description of the self-contained teaching package and order form. The basic teaching package contains an instructor's guide with 10 lesson plan units, all teacher and student references, and 2 separate software programs. The enhanced program includes all components of the basic package plus a five-unit video series. Colored slides of the viewgraphs in the lesson plans are available.

Young Farm Couples conferences on cooperatives sponsored by State cooperative councils, regional cooperatives, and State extension services have proved informative and are highly respected.

A number of land-grant universities conduct cooperative courses or include cooperative information in other course work.

Training for professional workers is offered by the State cooperative councils in most States. Some of these training opportunities are joint efforts among several State councils and/or the State extension service. The National Institute on Cooperative Education, held each summer and sponsored by the National Council of Farmer Cooperatives (formerly AIC) and regional cooperatives, provides additional training opportunities.

The University Center for Cooperatives, University of Wisconsin, provides a variety of continuing education programs and correspondence courses on all types of cooperatives appealing to national and international groups. **The Graduate Institute of Cooperative Leadership (GICL), sponsored by the University of Missouri, provides an educational forum designed to reestablish cooperative philosophy through a unique program of leadership development.**

GETTING INFORMATION ABOUT COOPERATIVES

Organizations with pertinent publications, periodicals, **16-mm films, slides, and videos are now listed. Periodically, additional materials are produced.**

1. Agricultural Cooperative Service
14 & Independence Ave., S.W.
P.O. Box 96576
Washington, DC 200906576

- Publications:

Cooperative Principles and Legal Foundations, **CIR 1* (Sec. 1), reprinted 1983.26 pp.**

Agricultural Cooperatives: Pioneer to Modern,” CIR 1 (Sec. 2), revised 1983.42 pp.

* Cooperative Information Report

Cooperative Benefits and *Limitations*, CIR 1 (Sec. 3), reprinted 1983.22 pp.

Organizations Serving Cooperatives, CIR 1 (Sec. 5), revised 1989.26 pp.

Cooperative Member Responsibilities and Control, CIR 1 (Sec. 7), reprinted 1983.26 pp.

Cooperative Management, CIR 1 (Sec. 8), reprinted 1987. 30 PP.

Cooperative Finance and Taxation, CIR 1 (Sec. 9), 1991. 30 PP.

Cooperative Education and Training, CIR 1 (Sec. 10), 1983. 26 PP.

Cooperative Facts, CIR 2, revised 1989.23 pp.

Cooperative-Distinctive Business Corporations, CIR 3, reprinted 1983.24 pp.

Farmer Cooperative Publications, CIR 4, revised 1990. 54 PP.

Cooperatives in Agribusiness, CIR 5, revised 1989. 64 pp.

Understanding Cooperatives. CIR 6, revised 1990.4 pp. (This brochure describes a self-contained teaching program.)

How To Start a Cooperative, CIR 7, revised 1987.43 pp.

What *Are patronage Refunds?*, CIR 9, revised 1984.
20 **PP**.

Is a Co-op in Your Future ?, CIR 10, reprinted 1987.
32 **PP**.

Members make Co-ops Go, CIR 12, reprinted 1987.
11 **pp**.(Also in Spanish.)

Measuring Co-op Directors CIR 15, reprinted 1981.
11 pp. (Also in Spanish.)

Manager Holds Important Key to Co-op Success, CIR 16,
reprinted 1987.11 pp. (Also in Spanish.)

Employees Help Co-op Serve, CIR 17, reprinted 1987.
15 **PP**.

Guidelines Co-op Employees Need, CIR 18, revised 1982.
18 **PP**.

Bookkeeping Forms Your Co-op Needs, CIR 19, revised
1978.11 pp.

Guides to Co-op Bookkeeping, CIR 20, reprinted 1987.
15 **PP**.

*Organizing and Conducting Cooperatives' Annual
Meetings*, CIR 21, reprinted 1991.60 pp.

Opportunities in Cooperatives, CIR 25, revised 1983.
52 **PP**.

Agricultural Cooperative Service-What We Do, How We Work, CIR 28, revised 1990.6 pp.

Cooperative Approach to Crafts, CIR 33, revised 1985.
34 pp.

Sample Policies of Cooperatives, CIR 39, 1990. 46 pp.

Sample Legal Documents for Cooperatives, CIR 40, 1990.
65 pp.

State Incorporation Statutes of Farmer Cooperatives,
CIR 30, reprinted 1987.715 pp.

Cooperative Brands, SR 27, 1990. 92 pp.

Positioning Farmer Cooperatives for the Future-A Report to the Senate Agricultural Appropriations Subcommittee,
October, 1987.68 pp.

- *Periodical:*

Farmer Cooperatives, Published monthly. (For cooperatives, public institutions, and persons primarily concerned with helping farmers obtain a better living through cooperatives.)

- *Slide Scripts:*

Understanding Cooperatives, CIR 6.

● **Personal Computer:**

Financial **Management Tutor for Cooperatives**. (Diskette and manual \$40). Order from Ms. Patt Edwards, Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907.

AGRIBIZ/FINPLAN. (A Financial Planning Tool. Diskettes and manual \$595.) Order from Dr. David Barton, Department of Agricultural Economics, Kansas State University, Manhattan, Kansas 66506.

COOP ED. (An Educational Expert System for Teaching about Farmer Cooperatives. Diskette. \$25.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 20090-6576.

COOP ED. Financial. (A macro-driven Lotus Templet for Teaching Budgeting and Cash Flow. Diskette. \$25.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 200906576.

CoopSim. (A Decision Support System to Assist Grain Marketing and Farm Supply Cooperatives. \$25.) Order from Cooperative Extension Service, Oklahoma State University, Stillwater, OK 74078.

The Cooperative Restructuring Simulator. (Designed to assists managers and consultants assess possible restructuring alternatives. \$25.) Order from Department of Agricultural Economics, Virginia Polytechnic Institute & State University, Blacksburg, VA 24061.

Cost_AI (A Lotus templet designed for “what-if” analysis of allocation of expenses.) Order from Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907.

FPG-Facility *Planning* Guide. (Planning tool for emerging or expanding small vegetable marketing cooperatives. \$30.) Order from Department of Agricultural Economics, Virginia Polytechnic Institute & State University, Blacksburg, VA 24061.

Vegmarc ZZ (A system for small, fresh vegetable marketing cooperatives to record deliveries of vegetables grown by producer members and recording the cooperative’s sales of produce to buyers. \$30.) Order from Department of Agricultural Economics, Virginia Polytechnic Institute & State University, Blacksburg, VA 24061.

NSAC Electric Tax Libra y. (\$250.) Order from National Society of Accountants for Cooperatives, 6320 Augusta Drive, Suite 802-C, Springfield, VA 22150.

Sample Legal Documents. (Diskette \$25.) Order from: Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 20090-6576.

Sample Policies. (Diskette \$25.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 20090-6576, Diskette.

- *Video:*

Cooperatives: Partners In Trade. (A presentation to encourage foreign buyers to consider products processed or marketed by U. S. farmer-owned **coopera-**

tives. Color/sound, 10-1/2 min., 1/2-inch VHS. 1987. \$15.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 200906576.

How to Start a Cooperative. (An electronic media version of the popular publication "How to Start a Cooperative," CIR 7. The video moves step-by-step through the organizational procedures by experienced two groups of producers considering the organization of a farmer cooperative. Color/sound, 28-1/2 min., 1/2-inch VHS. 1991. \$25.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 20090- 6576.

ACS- Whut We Aye and What We Do. (A description of the organizational and functional facets of the Agricultural Cooperative Service and the types of programs and services it offers to producer cooperatives. Color/sound. 17-1/2 min., 1/2-inch VHS. 1991. \$25.) Order from Agricultural Cooperative Service, P.O. Box 96576, Washington, DC 200906576.

2. Credit Union National Association
P.O. Box 431
Madison, WI 53701

- **Publications:**

Credit: Use *It* to Your Advantage. 31 pp. (\$2.42)

Credit Unions- What They Aye, How They Operate, How To Join, How To Start One. 7 pp.

A Brief History of the Credit Union Movement. 14 pp.

- **Periodical:**

Credit Union Magazine . monthly. (\$15.00 per year.)

3. **USDA Extension Service**
14 & Independence Ave., S.W.
Washington, DC 20250

- **Publication/Factsheets:**

The Extension Service has resources materials such as publications and factsheets at the State level. Contact the Extension Editor of the Extension Service at the State office of the State where information is desired, or at the county Extension office in the county where information about cooperatives is desired. State offices are located at land- grant universities, and county offices are listed under county government in the yellow pages of the telephone book.

4. **Farm Credit Administration**
1501 Farm Credit Drive
McLean, VA 22102

- **Leaflet/Brochure:**

The *Farm* Credit System. (Brochure, 1985.)

The *Farm* Credit System. (Leaflet, 1985.)

**5. Farm Credit Leasing Services Corporation
10 Second Street NE, Suite 300
Minneapolis, MN 55413**

● **Publication:**

1991 Vehicle Selection Guide . (Compares specifications and operating costs for 1990 model automobiles, vans, and light duty trucks.)

● **Newsletters:**

FCL Intercom, Published quarterly. (For FCL customers and marketing contacts.)

Lease Lines, Published quarterly. (For FCL contacts within the Farm Credit System.)

● **Brochures:**

Farm Credit Leasing - Specialists in Equipment Leasing to Agriculture. (Contains information about leasing concepts and benefits, and outlines Farm Credit Leasing Services.)

Farm Finance Lease for 1987 - the Tax Opportunity of the Year for Agriculture. (Answers questions commonly asked about the guidelines and benefits of the Farm Finance Lease.)

Fleet Maintenance - As Easy as Z-2-3. (Explains how to use Farm Credit Leasing's national accounts to buy maintenance and repair services at fleet discount prices.)

6. **Farmers Home Administration**
14 & Independence Ave., S.W.
Washington, DC 20250

- **Publication:**

Business and Industrial Loans. Program Aid 1101, 1983. 3 pp.

7. **National Cooperative Business Association**
1401 New York Avenue, N.W. Suite 1100
Washington, DC 20005

- **Publications:**

Publications and Gifts on Cooperatives. (A 30-page catalog providing descriptions and ordering information on the materials available for purchase and/or rental.)

Cooperative Business Journal. (A monthly newspaper for and about cooperatives of all types.)

8. **National Council of Farmer Cooperatives**
50 "F" Street, N.W. Suite 900
Washington, DC 20001

- **Publications:**

Cooperatives: What They Are. 10 pp. (\$0.75.)

Cooperative Laws in the USA . 50 pp. (\$1.00.)

- **Study Guides:**

Business in Our Community, 1982. 24 pp. (\$1.00.)

Business in My Town: Everybody's Business (includes video, teacher's guide, and activity master), 1981.25 pp. (25.00.)

Handbook on Cooperative Basics. (Especially for teachers and agents.) 38 pp. (\$2.00.)

How We Organize To Do Business in America, 1973.29 pp. (\$1 .00; ask for quantity prices on all NCFC publications.)

• **Video:**

The Cooperative Story. (Five topics on one tape. Topics are: The Cooperative Story, Cooperatives: Working for All of Us, Cooperative Business, Why Cooperatives? Cooperatives Today, Color/Sound 1/2 inch VHS. 1987-88. \$35)

Windows on the World (Increases an awareness and understanding of the developing world. Color/Sound 1/2 inch VHS. \$24)

People Helping People (Emphasizes the importance of cooperative education. Color/Sound 1/2 inch VHS. **\$20**)

Capper-Volstead (Explains the historic role of the Capper- Volstead Act. Color/Sound 1/2 inch VHS. \$20) *Making Things Happen* (Highlights the evolution of cooperative businesses. Color/Sound 1/2 inch VHS. **\$20**)

9. National Credit Union Administration Office of Administration
1776 "G" Street, N.W.
Washington, DC 20456

• **Publications:**

Volunteer Organizers' Guide. 31 pp.

Chartering and Organizing Manual for Federal Credit Unions, July 1985. (In packages of 10 for \$2.25.)

10. National Rural Electric Cooperative Association
1800 Massachusetts Avenue, N.W.
Washington, DC 20036

• **Pamphlets/Brochures:**

Rural Electric Financing Today, 1982. 10 pp. \$30.00 per 100.

Lanterns to Lightbulbs-The Rural Electric Coloring Book, 1981. 22 pp. \$75.00 per 100.

Facts About America's Rural Electric System, 2-fold pamphlet, December 1981. \$12.00 per 100.

People-Their Power, The Rural Electric Fact Book, 1980. 196 pp. \$3.75.

Yesterday Today and Tomorrow — The Farmer Takes a Hand, (Marquis Childs, copyright 1952). 1980. 178 pp. \$2.25.

- **Periodicals and Newsletters:**

Rural Electrification Magazine, published monthly.
(\$14.00 per year.)

Rural Electric *Newsletter*, published weekly, except biweekly in October, November, December, and January. (4 pp., \$11.00 per year.)

- **16-mm Film:**

Quiet Resolution. (Color/sound, 28-1/2 min., 1975.
\$75.00 per copy; no charge for rental.)

- **Slide/Sound Presentation:**

Rural Electric Financing Today. (Color, 8 min., 1982.
\$20.00.)

- **Video:**

Rural electric Financing Today. (Color/sound, 8 mm.,
1982. 3/4 -or 1/2-inch VHS. 1975. \$75.00.)

Quiet Revolution. (Color/sound, 12 mm., 3/4 - or 1/2-
inch VHS. 1975. \$75.00.)

11. **National Rural Telecommunications Cooperative**
P.O. Box 9994
Washington, DC 20016

- **Publication:**

Uplink, available on request, monthly newsletter.

**12. National Rural Utilities Cooperative Finance Corporation
Woodland Park
2201 Cooperative Way
Herndon, VA 22071-3025**

● **Publications:**

CFC Report. (Monthly, available on request, 8-12 pp.)

CFC Power *Review*. (A review of electric power issues for rural utilities, quarterly, 8-12 pp.)

CFC Annual Report. (Available on request, published September of each year.)

CFC Overview Brochure. (Available on request.)

CFC Financial Terms and Definitions. (Reference book.)

CFC Financing for Rural Electrification

● **Videos:**

Various general interest videos on CFC's operations and people.

**13. National Telephone Cooperative Association
2626 Pennsylvania Avenue, N.W.
Washington, DC 20037**

● **Periodicals:**

Washington Report, weekly. (\$50.00 per year.)

Rural Telecommunications, quarterly. (\$20.00 per year.)

Compensation & Benefits in the Independent Telephone Industry, annually. (\$80.00.)

Rural Telephone Job Descriptions, published 1986.
(\$25.00.)

- *Video:*

Video Connection, quarterly. (30-40 min. \$350 per year.)

14. **Rural Electrification Administration**
14th & Independence Ave., S.W.
Washington, DC 20250

- *Publications:*

Rural Lines-USA: The Story of Cooperative Rural Electrification. Miscellaneous Publication 821. (Revised 1981, 44 pp.)

REA Loans and Loan Guarantees for Rural Electric and Telephone Service, 1983.10 pp.

15. **Rural Telephone Bank**
14th & Independence Ave., S.W.
Washington, DC 20250

- *Publication:*

The Rural Telephone Bank, 1987.10 pp.

15th Annual Report of the Board of Directors Rural Telephone Bank, 1987.18 pp.

OTHER ADDRESSES TO WRITE FOR INFORMATION

16. Agricultural Cooperative Development International
50 F Street N.W.
Suite 900
Washington, DC 20001
17. Federation of Southern Cooperatives
P.O. Box 95
Epes, AL 35460
18. National Cooperative Bank
1630 Connecticut Ave., N.W.
Washington, DC 20009

- **Publications:**

How to organize a cooperative (Content similar to ACS publication *How to Start a Cooperative* with material revised for non farm cooperatives.)

**Newsletters-Bunk Notes (of NCB), and *Cooperative Enterprise* (NCB Development Corporation).
Factsheets on financing for different types of cooperatives.**

19. National Milk Producers Federation
1840 Wilson Boulevard
Arlington, VA 22201

BOOKS

***American Institute of Cooperation Yearbook*, published annually since 1925. (Usually 400 to 500 pp.)**

The AIC Yearbook is a comprehensive book on American agricultural cooperatives and cooperative

organizations. Each edition incorporates the results of a year's worth of research on action by cooperatives. The main objective of this book is to provide a **well-**rounded picture of the current status of cooperatives.

The books are not directed to one specific group but have value to management, members, and directors; to educators and students; to educational institutions; to libraries; and to anyone else who needs information about U.S. agricultural cooperatives operations. Contact NCFC for current year contents and price.

The Advance of American Cooperative Enterprise. Joseph G. Knapp. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, IL. 61832.1973. (646 pp. \$9.95.) Tells how cooperative organizations made great steps forward under the unique conditions that prevailed in the United States from 1920 to 1975.

Cooperative Business Enterprise. Martin A. Abrahamsen. McGraw Hill book Co. 1976. (491 pp. \$15.00.) This is a discussion of cooperatives in textbook format. It is all inclusive in content, but oriented to the American experience.

Cooperatives: Development, Principles, and Management. E.P. Roy. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, IL 61832.1981. (611 pp. \$19.95) Covers all types of cooperatives. Traces historical development; outlines principles, issues, and daily operating policies.

The Rise of American Cooperative Enterprise., Joseph G. Knapp. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, IL 61832.1969. (523 pp. \$8.95) Reveals how cooperative organizations in the United States gradually took form in distinctive

way as the Nation progressed from frontier conditions to a strong national economy.

Cooperatives in Agriculture. David W. Cobia. Prentice Hall, Englewood Cliffs, NJ 07632.1989. (447 pp. \$35) Many cooperatives are struggling through a wrenching adjustment. Traditional organizational linkages have been destroyed and cooperative principles challenged. A new generation of participants is shaping the role of cooperatives. It is hoped that the book will help the reader understand, and even assist in, the adjustment process.

Cooperative/Credit Union Dictionary and Reference. Jack and Connie **McLanahan**. The Cooperative Alumni Association, Inc., 250 Rainbow Lane, Richmond, KY, 40475.1990. (410 pp. \$30) An encyclopedia of the cooperative world: credit unions, banks for farmers and consumer cooperatives, cooperative insurance, farm supply and marketing, business, electric power, consumer goods and services, housing, child care, and memorial societies.

The Fall of the Farm Credit Empire. **Ben Sunbury**, Iowa State University Press, Ames, Iowa, 1990. (264 pp. \$34.95) Tells the story of how America's farmers built and gained complete ownership and control of the Nation's largest agricultural credit resource and then lost it, having to return to the U.S. Government for financial assistance.