

# What are Cooperatives?

*Expert knowledge means success*

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

## Cooperatives Are Businesses

Cooperatives are businesses that are owned and democratically controlled by their members - the people who buy their goods or use their services. They are not owned by investors. Unlike investor-owned businesses, cooperatives are organised solely to meet the needs of the member-owners, not to accumulate capital for investors. As democratically controlled businesses, many cooperatives practice the principle of "one member, one vote," providing members with equal control over the cooperative.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## Seven Cooperative Principles

Cooperatives follow seven internationally recognised principles:

- **1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

- **2nd Principle: Democratic Member Control**

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

- **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.

Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes:

- developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible;
- benefiting members in proportion to their transactions with the cooperative; and
- supporting other activities approved by the membership.

- **4th Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

- **5th Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

- **6th Principle: Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

- **7th Principle: Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

For more information, go to [www.ica.coop](http://www.ica.coop)



## Cooperative Facts

Cooperatives are a robust form of commerce that operate in virtually every industry. The facts speak for themselves:

- More than 750,000 cooperatives serve some 760 million members in more than 100 countries.
- Cooperatives operate in virtually every industry including agriculture, childcare, energy, financial services, food retailing and distribution, health care, insurance, housing, purchasing and shared services, telecommunications and others.
- Cooperatives range in size from large enterprises to small organisations.

## Why Cooperatives?

Cooperatives are formed by their members when the marketplace fails to provide needed goods or services of acceptable quality or at affordable prices.

Cooperatives empower people to improve their quality of life and enhance their economic opportunities through self help. Throughout the world, cooperatives are providing cooperative members with credit and financial services, energy, consumer goods, affordable housing, telecommunications and other services that would not otherwise be available to them.

## Types of Cooperatives

Cooperatives fall into four general categories:

- consumer
- producer
- worker
- purchasing/shared service

The following is a short list of cooperatives that provides a view into the depth and worldwide breadth of cooperatives.

### Consumer Coops

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- **Oxford, Swindon & Gloucester Cooperative Society (UK):**

The largest retailer in a five county area with over 150,000 members and 3,000 workers.  
<http://www.osg.coop/>

- **Coop Atlantic (Canada):**  
The second largest regional cooperative wholesaler in Canada with a membership of 136 cooperative enterprises and stores that serve over 200,000 member families.  
<http://www.co-opsonline.coop>

- **Credit Cooperatif (France):**  
A leading cooperative bank in France providing financial services to members and clients in France, Africa, Haiti, and Eastern Europe.  
<http://www.credit-cooperatif.coop>

### Producer Coops

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Producer cooperatives are owned by producers of farm commodities or crafts that band together to process and/or market their products. Examples include:

- **Land O'Lakes, CHS Cooperatives, and Florida's Natural (US):**

Farmer-owned cooperatives that have developed strong brand recognition and market power.

<http://www.landolakes.coop>  
<http://www.chs.coop>  
<http://www.floridasnatural.coop>

- **Gujarat Cooperative Milk Marketing Federation (India):**

A federation of 12 milk cooperatives with 2 million farmer members that is India's largest food products marketing organisation.

<http://www.amul.coop>

- **National Agricultural Cooperative Federation (Korea):**

A federation that serves 5 million farmers and accounts for 45% of Korea's agricultural market.

<http://www.nonghyup.coop>

### Worker Coops

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Worker cooperatives owned and governed by the employees. Examples include:

- **Burley Design Cooperative (US):**  
A bicycle products manufacturer owned and governed by its 88 workers, with \$8 million in annual sales.

<http://www.burley.coop>

- **Mondragon (Spain):**  
A major global producer of food and industrial products, owned and governed by some 50,000 worker owners. It is the eighth largest corporation in Spain.

<http://www.mcc.coop>

## Purchasing Coops

Purchasing cooperatives are associations of for profit businesses who band together to enhance their purchasing power and competitiveness. Examples include:

- **IMARK Group (US):**  
A national cooperative of independent electrical distributor outlets that pools purchasing power.  
<http://www.imarkgroup.coop>
- **National Cable Television Cooperative (US):**  
A national cooperative of independent cable television companies that pools purchasing power.  
<http://www.nctc.coop>

## Using the .coop Domain Name

Cooperatives around the world can benefit from using a .coop domain name. Whether you have a web site or not or whether your cooperative is large or small, .coop provides many benefits to cooperatives.

.coop is a new restricted Top Level Domain (TLD) sponsored by DotCooperation LLC (dotCoop) and approved by the Internet Corporation for Assigned Names and Numbers (ICANN) on November 16, 2000 with support from the International Cooperative Alliance (ICA). To ensure the integrity of the cooperative name and to maintain consumer trust, it was proposed that the new .coop be restricted for use by only bona fide cooperatives and cooperative service organisations that ascribe to the Cooperative Principles of the ICA (<http://www.coop.org/ica/info/enprinciples.html>) - such as member ownership and control. The cooperative principles are guidelines by which cooperatives put their values into practice - see page 2 for further details.

## Further Information

This guide is for general interest - it is always essential to take advice on specific issues.

We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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