

# Organize a Cooperative

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# Organize A Cooperative

## Purpose:

To organize a cooperative within the classroom while teaching the principles and the values of a cooperative. The students will learn the different types of cooperatives, how to operate a cooperative, and understand how a cooperative works.

## Materials:

Pencils, paper, white board or chalk board and writing tool, art supplies for advertising work (markers, glue, crayons, construction paper, tag board, etc.) small sheets of paper for ballots and supplies for cooperative at school (i.e. candy, pop, money box, coins for change in a money box, etc. -whatever it is the students decide to do).

## Pre-lesson Discussion:

- Ask if students have heard of the word cooperative and if so, what does it do?
- Where can they be found? (Cities, rural, only some states, all over the world)?
- What is the definition of a cooperative? Gear them towards the word **cooperate** to reach the answer.
- After sufficient discussion, continue with the background information to make sure students understand the main idea of a cooperative. They can search the Internet or library for more about cooperatives.
- Give examples of cooperatives: credit unions, farmers' cooperatives, telephone and electrical cooperatives, daycares, housing, etc.



# Cooperative Background

The story of cooperation is very important to our society today. Because there are many cooperatives in towns all over North Dakota, studying co-ops will help us understand our state better.

People who do business at the cooperative (or co-op) are called patrons or members. A co-op is owned by the people it serves -each person owns shares in the cooperative.

Today, there are four types of co-ops: **supply** - provide goods and services to members; **marketing** - market members goods (i.e., milk, grain, sugar beets); **service** - provide services (i.e., electric power, credit, insurance, telephone); and **processing** - using a raw commodity and turning it into a product (i.e. North American Bison Cooperative, North Dakota Farmers Union).

<http://www.nabison.com/> • North American Bison Cooperative

<http://www.ndfu.org/> • North Dakota Farmers Union

Regional co-ops were started to supply products to local co-ops.

The first co-op was organized in Rochdale, England in 1844. A group of textile weavers in Rochdale, England needed to make rules or principles for the cooperative they founded. They understood that a co-op is a business owned by the people it serves. Their co-op was set up over 150 years ago. That co-op was special because the principles those pioneers set up are still followed by most co-ops today.

1. **Open membership** - Anyone can join.
2. **One member, one vote** - All members of a co-op have an equal say in the business, regardless of the number of shares purchased.
3. **Sell for cash at market price** - Customers want quality products, not cheap materials.
4. **Patronage refund** - After all expenses are paid, the money left over is refunded to the patrons by the proportion of their purchases/shares.
5. **Continuing education** - For your business to grow and gain membership, you need to tell people about it.
6. **Political and religious neutrality** - Co-op members do not want to take stands that would hurt their members' political or religious feelings, but they need to stand up for co-ops!
7. **Constant expansion** - Constantly looking for additional ways to serve members' needs.
8. **Limited interest paid on invested capital** - Co-ops don't pay a high rate of interest to members. Members who invest money in the co-op should do it to help the business grow or expand services.

## Cooperative Background, Continued...

The Rochdale co-op principles set up an educational fund. This fund supports programs for people using the services and benefits of a co-op. The co-ops are asked to provide five percent to this fund to educate the members/patrons that they may better use and understand the principles of a co-op.

A co-op gets capital to begin by selling shares. The method used to pay patronage refund is sometimes referred to as dividends.

Members need to be willing to do all their business at the co-op. A member should defend the co-op and understand how and why it works.

Co-op members elect a board of directors who make sure the business runs smoothly. Co-op directors need to be willing to take time to attend board meetings and other special meetings. Other responsibilities include: advertising and making the cooperative productive, letting members know the principles of the co-op and what makes it special, and hiring of the manager/president.

The board of directors must understand the principles and defend their co-op. A co-op is as good as its members make it. Co-op members should elect responsible directors who believe in co-ops.

The manager/president 's responsibilities include: managing funds, reporting to the board on stability of funds, helping to develop advertisements, hiring employees, and daily management responsibilities.

Who could imagine that the principles set up over 150 years ago in England would still be used by many modern cooperatives today!



## Lesson Plan

1. Start formulating ideas on the board for a co-op that could be **run** within the school.
  - a. An easy one is an after-school candy store. This lesson may be modified for other types of co-ops.
  - b. Ask whether the students see a need for a co-op at school.
  - c. Have students vote if they want a co-op, then pick the name, and start an "official first meeting of the co-op."
    1. Do we need a co-op candy and/or pop store here at school?
    2. All those in favor say Aye, all opposed say Nye.
    3. Do the same for the name.
    4. At the end of the plan is a formal guideline you may use for the "rules of order" for the first meeting of your co-op.

## Cooperative Background, Continued...

### 1. Discussion of raising start-up capital.

Define capital – selling shares of stock.

- a. One share gives you the ability to vote on the issues of your co-op.
- b. Records of raised capital are very important when shares are redeemed.
- c. Give examples of capital/shares.  
Everyone puts a nickel toward the funds necessary to buy the supplies for the store.
- d. Define liquidating assets – redeeming of shares.
  - i. Getting money back for each share you put into the co-op.
  - ii. This is when the records of raised capital are very important.
- e. Define profit – left over dollars after all shares have been paid back.
- f. Have them decide on the cost per share. From five cents to about 25 cents is reasonable. Or, tell them the costs associated with the different items. Then they will know how much capital they need to raise to stock the store.
- g. Ask for donations from local stores. You would be surprised at what they will give to students in need! It is best if you have a few parents and community co-op leaders available to help "watch over" the students when the store is up and running. At this point in the lesson, it is a good time to contact those parents and community co-op leaders.

### 2. Educational Fund.

All co-ops donate five percent of profits to this fund to encourage education to all co-op members so that they are able to understand how a co-op works. Your five percent could go to your school.

### 3. Directors – must be an odd number to overrule a tie.

(Five to seven is a good choice, or you may choose to have the whole class be the board.)

- a. Remind students of director's duties. Nominations will be taken at the formal meeting (or now if you choose not to use the formal meeting).
- b. Each nominee will be asked to tell the class why he or she wants to be on the co-op's board of directors.
- c. Voting is done by secret ballot.
- d. Announce when you will meet with the board members (or class).

### 4. Hiring of a manager.

a. Anyone who is interested in being the co-op's manager must apply by answering the following questions:

- i. Why would you make a good manager?
- ii. Do you understand and believe in the philosophy of a co-op? Why?
- iii. Will you make sure that the employees use the co-op time wisely and that everyone will be treated fairly?

b. Board of Directors (or class) must interview the candidates and then vote by secret ballot.



## Cooperative Background, Continued...

### 6. After the Board of Directors has been selected, they will:

- a. Meet at a convenient time to organize the positions within the board – president, vice-president, treasurer, secretary.
- b. Vote by secret ballot as to who would like to be president (runs the formal meetings), then vice-president (takes the place of the president in their absence and assists the president), then treasurer (makes an accurate and neat record of all raised capital), and secretary (records minutes at all meetings).
- c. Give a share to the co-op since they have shown interest in serving on the board (i.e., must become a member to be on the board).
- d. Main discussion topics of the first meeting should be:
  - r. Times the store will be open –before or after school?
  - ri. When will our co-op be open -one day a week for a month, two months, etc?
  - rii. What will be sold? Give suggestions if you have supplies already.
  - riii. Whether to set limits on purchases made by students of the school.
  - riv. The main focus should now be advertising and ideas to spread the word of your co- op.
  - rii. Next meeting date, time, and place.
  - riii. Understanding that the advisor has the final say in the decisions of the co-op.

### 7. Hiring employees.

- a. The manager needs to interview the possible employees with the help of the board and the advisor.
- b. What will the payment, if any, be for working at the store?  
Will you ask the employees to donate their time, or give them a free candy bar, etc. for their time?
- c. Remind employees of their responsibility. In real life co-ops, the employees are well trained and monitored so that they are responsible for any loss they cause (lost money, errors in making change, etc.)

### 8. Raising the capital.

- a. Decide if only the class will be asked to be part of raising the capital or if outside sources will be used (i.e., a loan, other students, etc.).
- b. The treasurer and secretary are the officials of the recorded sold shares.
- c. Have an official list (that will be kept with the advisor), listing the name and amount of share's bought.
- d. The advisor is the safe keeper of the funds raised and will purchase the supplies for the co-op.



## Cooperative Background, Continued...

### 9. Information for meetings of the board of directors for the co-op.

- a. The president conducts the meetings.
- b. The secretary reads the minutes of the previous meeting.
- c. The manager reads the amount of goods sold since the last meeting and then overall.
- d. The treasurer reads the amount of money made since the last meeting and then overall. The treasurer also reports if any other shares were sold.
- e. Advertising is addressed by the president and if any changes, additions, or deletions should be made for the advertising of the co-op.
- f. The next meeting date, place, and time are decided upon.

### 10. Information for the final shareholders' meeting.

- a. At the last scheduled meeting of the board, the president, treasurer, secretary, and the manager give reports on the business of the co-op. The vice-president may assist the president. The format is at the end of this lesson.
- b. The president conducts the meeting.
- c. The secretary reads the minutes of the previous meeting.
- d. The manager reports how many goods were sold since the last meeting, and a final count is given as to how much was sold overall.
- e. The treasurer reads the amount of money made (profit) since the last meeting and overall. The treasurer also reports how many total shares have been sold since the beginning of the co-op.
- f. The president asks from the shareholders (not just the board) for a vote if they wish to donate five percent of profit to the "Educational Fund".
- g. The treasurer then reports the total amount of money available for distribution to the shareholders.
- h. The president asks the shareholders for a vote if they wish to give back their shares or if they wish to donate the rest of the profits to a charity. Highly suggest this! Make the point clear that dividends or refunds would be only a few pennies (in most cases) so that donating the funds would be more advantageous. In regular co-ops, earnings are divided among the members/ share holders according to the amount of business or shares each one has given the co-op.
1. Remind the students of the philosophy of the co-op - helping everyone reach a common goal.



# Suggested Rules of Order for the First Co-op Meeting

Advisor acts as the presiding authority.

Ask students to vote on whether there is a need for a co-op at our school.

"All in favor say 'aye'."

"All opposed same sign."

Ask students to vote on the type of co-op.

Place the top three suggestions on the board and then vote.

"All in favor of a \_\_\_\_\_ type of co-op, say 'aye.'"

"All opposed, same sign."

Majority wins.

Ask students to vote on a name for the cooperative by secret ballot.

Place the top three suggestions on the board and then vote.

Ask students to come forward if they are interested in being a part of the board of directors.

Vote by secret ballot (if using five or seven students instead of whole class).

Majority wins.

Ask newly elected board of directors (or class) to vote by secret ballot for the positions of the board.

President, vice president, treasurer, and secretary.

Ask president to take over as presiding authority.

President asks for board to vote on the dollar amount of the shares (five cents, 25 cents, etc.)

Give suggestions based on the cost of supplies for the store.

President suggests next meeting date, time, and place.

President adjourns meeting.

# Order of Following Meetings

President called the meeting to order.

Secretary reads the minutes of the previous shareholders' meeting.

President asks for a motion and a second to approve the minutes.

Shareholders make a motion by stating their name, then the motion by saying,  
"I move that the secretary's minutes be approved."

Shareholders second a motion by stating their name, and by saying, "I second that motion."

Manager reads report.

Number of supplies sold since last meeting by category (pop, candy bars, gum, etc.)  
Number of times co-op was open since last meeting.

President asks for a motion and a second to approve the manager's report.

Same procedures as above.

Treasurer reads report.

Amount spent on supplies since last meeting.  
Amount of cash taken in since last meeting.  
Number of shares sold since last meeting.  
Amount of profit made by the co-op since last meeting.

President asks for a motion and a second to approve the treasurer's report.

Same procedures as above.

President brings forward any old business, if any, and the new business.

At this time, the advisor may intervene and give suggestions for running  
the co-op, etc.

President asks the board and the rest of the shareholders at the meeting if anyone has  
any new business.

If so, discussion continues.

If motions are brought forth, they need to be voted on using the  
procedures above.

President, manager, and board collaborate to set the next meeting date, time, and place.

President asks for a motion and a second to adjourn the meeting.

The president adjourns the meeting.

## Order of Liquidation Meeting (To End the Co-op)

President calls the liquidation meeting of the co-op to order.

Secretary reads the minutes of the last meeting.

President asks for a motion and a second, then a vote to approve the secretary's minutes.

Manager reads report.

Number of supplies sold since the last meeting.

Total number of supplies sold since the beginning of the co-op.

Number of times the co-op was open since the last meeting.

Total number of times the co-op was open since the co-op was started.

President asks for a motion and a second then a vote to approve the manager's report.

Treasurer reads report.

Amount spent on supplies since the last meeting.

Total amount spent on supplies since the beginning of the co-op.

Amount of cash taken in since the last meeting.

Total amount of cash taken in since the beginning of the co-op.

Number of shares sold since the last meeting.

Total number of shares sold since the beginning of the co-op.

Amount of profit made by the co-op since the last meeting.

Total amount of profit made by the co-op since the co-op was started.

President asks shareholders if they wish to donate five percent of profit to the Educational **Fund** (your school).

A motion is necessary to discuss.

The president asks for a motion and a second, then a vote.

President asks the treasurer for the net profit after donating five percent (if voted yes) to the Educational Fund.

President asks the shareholders if they wish to divide the profits among the shareholders or donate to a charity or some other cause.

A motion is necessary to discuss.

The president asks for a motion and a second, then a vote.

Advisor or president lists ideas on the board and shareholders vote.

Majority wins.

President asks for a motion and a second, then a vote to liquidate (spend the earnings) of the co-op.

President asks for a motion and a second, then a vote to adjourn the final meeting of the cooperative.

# Own a Multi-Million Dollar Company

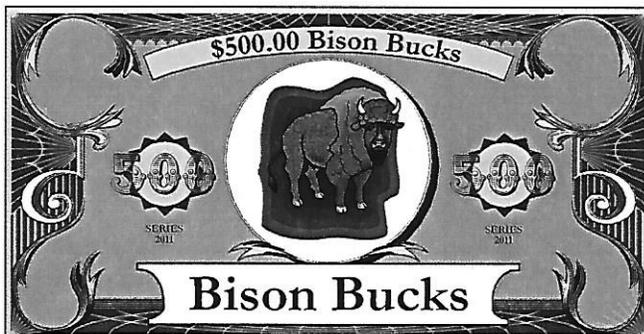
You may know people in North Dakota and Minnesota who have become owners of multi-million dollar companies. They may not fit your stereotype of an entrepreneur, for they may not choose to wear dark suits, carry brief cases and drive real expensive cars, but if you look at their investments, you would find they are owners of:

- North Dakota Rural Electric Cooperatives.
- Sugar factories in Moorhead, Wahpeton, Hillsboro, Drayton, or Renville.
- A bison business that supplies meat in Europe and New York City.
- North Dakota Rural Telephone Cooperatives.

These are called "New Generation Co-ops." They limit the number of people allowed to invest in their company and if you invest, you also have to play an active role in the business by bringing in the crops or livestock needed to make the final product. Together, those people own the company which is called a cooperative or co-op. They decide how the company is run and who will be in charge. When their company does well, their stock rises in value. For example, stock bought for \$100 may be worth \$400 years later. There are many kinds of co-ops: grain, electricity, bison, sugar, soybeans, hardware, credit unions, insurance, finance, recreation, housing, grocery stores, dental supplies, computer software, and even babysitting co-ops.

Invest your "Bison Bucks" in a make-believe co-op to see how working and investing together, you can afford to own a multi-million dollar company! Invest \$500, \$1,000, or \$5,000 in the co-op(s) of your choice:

- Computer software company (like National Information Systems Cooperative).
- Snack food company (you raise the soybeans and wheat).
- Internet company (like Red River Communications in Abercrombie).
- Adventure vacation company and sport shop (like REI in Minneapolis which has a high climbing wall and much more).
- Pro football team (the Green Bay Packers are a co-op).
- A television news organization supplying video internationally (together ABC, CBS, and Fox Networks have for a media co-op).
- Bison processing plant (you raise the bison for meat).
- Ice cream factory (you provide the milk from your cows).
- Hardware supply co-op (that will sell you hammers, etc. for less).
- Dental supply co-op (so you can be a dentist or salesperson).



If you would like to schedule a speaker from the ND Coordinating Council for Cooperatives to come into your classroom to talk about cooperatives, please contact the Marketplace for Kids office at 855-4344-5437 [Robert.heitkamp@marketplacend.org](mailto:Robert.heitkamp@marketplacend.org)