Orientation to Co-ops and to Wheatsville Co-op for Co-op Employees

by Karen Zimbelman
National Cooperative Grocers Association
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by Karen Zimbelman
National Cooperative Grocers Association

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Introduction

A. About the Co-op Orientation Program

The cooperative way of doing business is a fascinating one—one that tries to mix visionary social ideals with the economic realities of running a business. By almost any measurement, co-ops have been important to economic development in the United States as well as throughout the world.

As a co-op employee, you join millions of people working to put this visionary idea into practice every day. In this orientation and training program, you will learn about:

- Co-op structure and how co-ops differ from other businesses
- Different types of co-ops locally and around the world, and
- Your co-op's history and how its membership system works

This program covers co-op structure, philosophy, types, scope, and activities, as well as your co-op’s membership systems. It is designed to provide you with some basic ideas and information. It is also designed to encourage you to think about the way co-ops do business. Please feel free to discuss the ideas here with other co-op employees.

As an employee, you play an important role in co-op member relations. Many members will form a general impression of the co-op from their daily and ongoing interactions with you and other co-op staff. The purpose of this program is to make sure you understand co-ops and your co-op's structure and can clearly explain them to customers, members, and other employees. Your role in helping build a strong co-op, starting with members who understand the unique co-op structure, is vital to your co-op's future.
B. Objectives

When you've finished this manual, you will be able to:

CHAPTER 1
1. Explain the philosophy of cooperation as it applies to the co-op business structure.
2. Describe the features that distinguish co-ops from other forms of business.
3. Distinguish the co-op principles from lists of good business practices and explain the significance of these principles.

CHAPTER 2
4. Describe the social and economic conditions that led to the emergence of co-ops.
5. List the significant accomplishments of early American co-ops and describe the primary types of co-ops in the early United States.

CHAPTER 3
6. Name and give examples of the three primary types of co-ops by membership class.
7. Describe consumer co-op development patterns and milestones.
8. Explain the factors leading to the emergence of new co-ops in the 1960s and 1970s and describe how these factors contributed to the development of your co-op.

CHAPTER 4
9. Understand the history and growth of your co-op.
10. Have a good overview of your co-op's current operations.

CHAPTER 5
11. Explain your co-op's membership system and the investment required of members.
12. List the benefits of being a member of your co-op.

CHAPTER 6
13. List the rights and responsibilities of co-op members.
14. Describe how co-ops are governed and how members can participate in their co-op.
15. Identify the major responsibilities of a co-op board of directors.
C. How to Use This Manual

This manual is divided into seven chapters. Each chapter describes different aspects of co-op structure and how this structure works at most food co-ops.

1. Begin by reviewing the objectives of this manual. They will give you an idea of the material to come.

2. Read through each chapter of the manual.

3. When you are satisfied that you have mastered the material covered, you are ready to take the competency test. Follow the instructions that accompany the test.
CHAPTER 1

Cooperation: The Idea and the Practice

A. The Idea of Cooperation—Working Together

Cooperation—it starts out as a very simple idea. Two or more people join forces to accomplish something they probably couldn't do by themselves. People naturally work together for their mutual benefit in small ways every day and have since before recorded time. Many historians believe that cooperation was essential to the survival of early human societies.

More recently, in the 19th century, farmers helped one another with barn raisings and at harvest time. Today, just as they have for many years, parents take turns watching each other's children so they can do errands, work, or have some time alone. By combining their efforts, people are able to achieve things they could not do as well (or at all) alone.
B. Cooperatives—The Economic Application

Cooperatives apply the same principle—that we can achieve greater results by working together than we can alone—to the economic sphere. A cooperative is a business voluntarily owned and controlled by the people who use it—its members. It is operated solely for the benefit of its members.

Co-ops bring people together to own and control their enterprises and to meet their mutual needs. Regardless of the goods and services provided, the management structure, or other details, all co-ops aim to meet their members’ mutual needs.

Although definitions of co-ops vary, they all contain the following elements:

- Co-ops are owned and controlled by those who use their services (the members).
- Co-ops are democratically governed.
- Co-ops are businesses, not clubs or associations.
- Co-ops adhere to internationally recognized principles.

A simple definition of a co-op: “A co-op is a member-owned, member-controlled business that operates for the mutual benefit of all members and according to common principles established for cooperatives.”
FOR YOUR INFORMATION
Co-op Symbols

The Twin Pines

The twin pines emblem was created for use in the United States by Dr. James Peter Warbasse, who wrote about the implications of cooperation and believed strongly in the co-op movement. In describing the significance of this symbol, he said:

The pine tree is the ancient symbol of endurance and fecundity. More than one pine is used to signify cooperation. The trunks of the trees are continued into roots which form the circle, the ancient symbol of eternal life, typifying that which has no end. The circle represents the all-embracing cosmos which depends on cooperation for its existence. The two pines and the circle are dark green, the chlorophyll color of human's life principle in nature. The background within the circle is gold, typifying the sun, giver of light and life.

The twin pines symbol isn’t as common in the United States as it once was, since many co-ops have replaced it with their own logos. However, this symbol is still frequently used by co-ops in other countries, especially throughout Central America, in India, and in other developing regions.

The Infinity Symbol

The infinity symbol, used to designate the unlimited possibilities of people working together on human problems, is the official logo of the consumer cooperative movement in Sweden. The symbol is used in all Swedish co-op stores and cooperative processing units. It is also used on the Swedish co-ops’ private label and is seen on hundreds of products throughout the country.

The Rainbow Flag

The rainbow flag is the international symbol of cooperatives. To help celebrate International Cooperative Day (now observed around the world on the first Saturday in July), the International Co-operative Alliance adopted the rainbow flag as a universal symbol for cooperatives in 1924. The flag represents unity in diversity, with each of the seven colors of the spectrum incorporated into the whole symbol.

In approving the rainbow flag, the ICA called it a “demonstration to the world of the solidarity of cooperators, and the efficacy of their organizations as a means of economic emancipation and a guarantee of world peace.” American co-op leader Dr. James Peter Warbasse called the rainbow flag a symbol of “the fading away of political states and the taking of their place by a union of peoples.” In the United States, the rainbow flag is not commonly associated with co-ops, perhaps because it has been adopted for use by other groups, such as the gay community and the Rainbow People’s Party.
C. Cooperative Identity and Values

Co-ops worldwide share a common creed. By nature, all co-ops share a fundamental respect for all human beings and a belief in their capacity to improve themselves economically and socially through mutual help. This basic philosophy has been developed into a list of seven principles that serve as guidelines for how cooperatives do business.

The principles shared by all co-ops were originally developed in the mid-1800s by groups struggling to provide unadulterated, quality food at a fair price when the market offered very few options. As times have changed, these principles have been modified slightly, but the basic concepts they describe have remained the same over more than 150 years.

In 1995 the International Co-operative Alliance (ICA) reviewed the cooperative principles and reformulated them into the following statement of values and new list of principles. This “Statement on the Cooperative Identity” defines the standards by which all co-ops should operate. The statement begins with a values statement that describes the beliefs common to all cooperatives:

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.
D. Co-op Principles

In addition to their common values, all co-ops share seven basic principles. These co-op principles are guidelines for how to put ideals and values into practice. They help all co-ops maintain both the spirit and structure of cooperation and distinguish co-ops from other types of organizations and businesses. Co-ops are one of very few types of businesses that adhere to a set of principles.

These principles are significant because they outline a democratic structure that can be adapted to businesses providing many different kinds of services and products. Two of the seven principles describe who owns a co-op, two describe how decisions are made, and three list specific ways that co-ops put their beliefs into action. The seven co-op principles are:

Ownership
1. Open and voluntary membership
2. Member economic participation

Decision making
3. Democratic member control
4. Autonomy and independence

Special practices
5. Education, training, and information
6. Concern for community
7. Cooperation among cooperatives
D. Co-op Principles (continued)

OWNERSHIP

1. Open and voluntary membership: Co-ops do not limit who may join and become a co-owner of the co-op for any social, political, or religious reasons. They are open to all who can make use of the co-op’s services and are willing to accept the responsibilities involved. In a co-op, members may join or withdraw whenever they wish, and cooperatives do not force people to join or be members against their will. Nonetheless, co-ops can and do have membership requirements—such as fees, an investment, or an application process.

2. Member economic participation: This principle has many distinct aspects, all based on the basic idea that co-ops—and their money—are owned and controlled by their members. Specifically:

- Members, as the owners, provide the money needed to start and operate the business. But regardless of the amount invested by a member, decisions are made democratically.

- To encourage members to invest in the co-op and to compensate them for the use of their money, co-ops can pay dividends (like interest) to their members. However, when co-ops do so, the dividend rate must be limited. This restriction prevents people from investing in co-ops just for the speculative purpose of earning a financial return and keeps the co-op in the hands of those who really want to use its services. Most state laws fix the rate of return on members’ investments at a relatively low level, such as 6 to 8 percent.

- Surplus, or profit, resulting from the operations of the co-op belongs to the members (the owners), and they control how it will be distributed. Members may allocate surplus to reserves (to replace equipment or expand product line), may choose to use it to support other activities, or may allocate it to members.

- Surplus allocated to members is distributed in proportion to the amount of business each member has conducted with the cooperative. In this way, any return of surplus to members is handled equitably—to avoid one member gaining at the expense of others. Distributions are called patronage refunds. For example, REI (Recreational Equipment, Inc.) is a co-op that makes patronage refunds to its members, typically about 9 percent per year. So a member of REI who purchases $1,000 worth of goods in a year will receive a patronage refund of $90, while a member whose purchases total $100 will receive a patronage refund of $9.

Co-ops apply this principle in a wide variety of ways to fit their own circumstances and operations. But in all cases, the board of directors has the authority to set specific policies (such as to determine the amount of capital required or the amount of patronage refund to distribute) that are in the best interests of both the co-op and its members. In total, this principle describes unique ways that co-ops handle money and reinforces the idea that it is a co-op’s purpose to provide mutual benefit and to distribute the proceeds of the business equitably to its members. After all, the members are the owners!
D. Co-op Principles (continued)

DECISION MAKING

3. Democratic member control: All members of a co-op are equal co-owners in the cooperative business. Each member has equal voting and decision-making power in the governance of the business on the basis of one vote per member. In contrast, owners of more traditional corporations have one vote per share (so that the number of votes stockholders have depends on the amount of money they have invested). Co-ops offer a more democratically based system.

At most food co-ops, members consist of individuals or households. Consistent with the principle of democratic control, each member gets just one vote in co-op matters (but not each individual in a household membership). Most importantly, each member gets one vote, regardless of the level of his or her investment at the co-op.

4. Autonomy and independence: Cooperatives are independent, self-help organizations controlled by their members. If they enter into agreements with other organizations (such as government agencies) or raise money from outside sources (such as banks), to maintain the co-op’s continued independence, they do so only on terms that ensure democratic control by their members. This principle protects co-ops from being controlled by government or development agencies—however well-intentioned they may be. Members must clearly retain decision-making control of their cooperatives so that co-ops can follow members’ wishes.
**D. Co-op Principles (continued)**

**SPECIAL PRACTICES**

5. **Education, training, and information:** The role of a co-op member is quite different from the role of a customer at a traditional business. A co-op member is simultaneously the co-op’s customer, owner, and decision maker. Educating members and leaders about the principles, practices, and structure of the cooperative business is vital. There can be no cooperation without cooperators, and cooperators need to know how to use and lead cooperatives effectively. Co-op education programs provide members with information about co-ops and being a co-op owner (voting, membership rights, governance systems, etc.), as well as about the products and services of the co-op (nutrition, food production, consumer value, etc.). Finally, co-ops must also educate the general public, young people, and opinion leaders so they understand the nature and benefits of cooperation.

6. **Concern for community:** Every co-op operates in a community that extends beyond its own sphere of operation and in which its members live; the co-op’s actions affect that larger community. While member needs are their primary concern, cooperatives also work for the sustainable development of their communities in positive ways. Co-ops have an obligation to contribute to developing strong and sustainable economic solutions for community needs, not just to provide charitable contributions to local groups.

7. **Cooperation among cooperatives:** To bring the theory of working together full circle, co-ops recognize the vital importance of working together with other co-ops—locally, regionally, nationally, and even with international co-op groups. Through these efforts, co-ops try to help each other—to strengthen their economic positions and to contribute to the co-op movement. This principle of “cooperation among co-ops” extends the idea of working together to the organizational level. When co-ops work together, either regionally (such as when all Northwest-area co-ops promote Co-op Month) or within an industry (such as when all natural foods co-ops work for labeling standards on products), they can often accomplish more for the benefit of their members.
FOR YOUR INFORMATION
“Statement of Cooperative Identity”

In September 1995, the International Co-operative Alliance met in Manchester, England. After almost a decade of discussion and study, the assembled delegates were asked to approve revised cooperative principles. The newly approved “Statement on the Cooperative Identity” now includes a definition of co-ops, a values statement to clarify core values common to all co-ops, and the latest version of the co-op principles.

Definition
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.

Values
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.

Principles
1. OPEN AND VOLUNTARY MEMBERSHIP Cooperatives are voluntary organizations, 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.
2. DEMOCRATIC MEMBER CONTROL Cooperatives are democratic organizations controlled by their members who actively participate in setting policy 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 organized in a democratic manner.
3. MEMBER ECONOMIC PARTICIPATION Members contribute equitably to and democratically control the capital of the 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 the cooperative (possibly by setting up reserves, part of which at least would be indivisible); distributing to members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4. AUTONOMY AND INDEPENDENCE Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with or raise capital from other organizations, including governments or external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. 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.
6. COOPERATION AMONG COOPERATIVES Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
7. CONCERN FOR THE COMMUNITY While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

For more information, see http://www.ica.coop/ica/info/enprinciples.html
E. Unique Features of Co-op Businesses

A cooperative is a business. It is a business owned and controlled voluntarily by the people who use it—its members. A co-op is operated for the benefit of its member-owners, who have rights from and responsibilities to their cooperative. To distinguish a co-op from other organizations, ask the following questions:

- **Is the organization a business?** A co-op is a business, usually incorporated, that sells goods and services. It is not a charitable organization or a social service agency.

- **Who benefits from the co-op's existence?** A co-op exists primarily for the benefit of its members.

- **Who controls the business?** In a cooperative, members democratically control the direction of the business. In most co-ops each member gets one vote. Members elect a board of directors to monitor the business, set goals, and hire management to operate their business. Ultimately, the board is accountable to the members for its decisions.

- **What motivates the business owners?** In private or stockholder-owned businesses, individuals invest to earn a financial return. In a co-op, individuals are motivated by a shared need for certain products or services. By joining together, members gain access to benefits not available through individual effort. In other words, in a co-op, members are motivated to become co-owners of the business primarily so that their mutual needs can be met.

Like any business, a co-op provides goods and services to its customers. From its physical appearance and operations, a co-op may seem no different from any other business. However, the differences between co-ops and other businesses go beyond appearance. The real differences lie in who owns, controls, and uses the business—and in who benefits from the business's services and accomplishments.
E. Unique Features of Co-op Businesses (continued)
If we look at three different business forms in this simple fashion—analyzing who owns, controls, and uses the services of each—we will find large differences.

**SOLE PROPRIETORSHIP/PARTNERSHIP**
A business owned by one or more people, usually to provide employment and a return on investment to the owners. Local examples include restaurants, bakeries, and bookstores.

**INVESTOR-OWNED CORPORATION**
A business whose stock is traded publicly by any number of investors. Examples include Safeway, Whole Foods, Starbucks, Microsoft, and General Motors.

**COOPERATIVE**
A member-owned and member-controlled business that operates for the mutual benefit of all members. Examples include your local food co-op, a local housing or child care co-op, Group Health Cooperative, and any credit union. The cooperative form of business is one that brings the owners, controllers, and users of a business together into one group.
F. Special Tax Handling for Co-ops

As we have seen, co-ops have unique ways of handling their net surplus, or profit—they give it back to their members in proportion to use. In some food co-ops, members get a rebate from the co-op based on how much they spend on groceries each year. In other cases, members get a discount on their purchases or member-only prices.

Since most businesses, as corporations, pay federal and state taxes based on their profits, special tax laws apply to cooperatives. When a co-op pays its profits back to its members in the form of a patronage refund, that profit is not considered taxable income to the co-op. The co-op is simply giving a rebate to members; the surplus is never considered taxable income to the co-op. A co-op can always elect not to pay a patronage refund to members—to retain all or some of the profit for the co-op's own financial needs. In that case, the co-op pays taxes just like any other business. Co-ops pay all other taxes paid by other businesses, such as unemployment, Social Security, and disability taxes.
CHAPTER 2

The Origins of Co-ops

A. Early Co-op Origins

In early human societies, people learned to cooperate and work together to increase their success in hunting, fishing, gathering foods, building shelter, and meeting other individual and group needs. Historians have found evidence of cooperation among peoples in early Greece, Egypt, Rome, and Babylon, among Native American and African tribes, and between many other groups.

Early agriculture would have been impossible without mutual aid among farmers. They relied on one another to defend land, harvest crops, build barns and storage buildings, and share equipment. These examples of informal cooperation—of working together—were the precursors to the cooperative form of business.
B. The First Cooperatives

The earliest cooperatives appeared in Europe in the late 18th and early 19th centuries, during the Industrial Revolution. As people moved from farms into the growing cities, they had to rely on stores to feed their families because they could no longer grow their own food. Working people had very little control over the quality of their food or living conditions. Those with money gained more and more power over those without. Early co-ops were set up as a way to protect the interests of the less powerful members of society—workers, consumers, farmers, and producers.

In England consumers were frustrated by the abuses of store owners, many of whom adulterated products to increase their profits. In many cases, workers’ wages were paid in company chits—credit that could be used only at the company’s stores. The average consumer had very few choices and little control.

Groups of people began experimenting with various methods of providing for their needs themselves. They decided to pool their money and purchase groceries together. When they purchased goods from a wholesale dealer and then divided them equally among themselves, they were surprised at the savings and higher quality of products they were able to obtain.
C. The Rochdale Equitable Pioneers Society

In 1843 workers in the textile mills of Rochdale, England, went on strike. When the strike failed, the millworkers began to look for other ways to improve their lives. Instead of calling for another strike or asking charitable groups for help, workers decided to take control of one of the most immediate and pressing areas of their lives. They believed they needed their own food store as an alternative to the company store. Twenty-eight people founded the Rochdale Equitable Pioneers Society.

After saving money for more than a year, these pioneers opened their co-op store at 31 Toad Lane on a cold December evening in 1844. Although the founders agreed to sell just butter, sugar, flour, and oatmeal, they also offered tallow candles for sale that night. They were forced to buy candles because the gas company refused to supply gas for the new group’s lights. The founders bought candles in bulk and sold what they didn’t use to their members.

The Rochdale Pioneers weren’t the first group to try forming a co-op, but they were the first to make their co-op succeed and endure. To avoid the mistakes made by earlier co-op societies and to help others, they developed a list of operating principles governing their organization. This list formed the basis for what are now known as the cooperative principles. Rochdale is considered the birthplace of the modern cooperative movement.
FOR YOUR INFORMATION

Some Facts about Toad Lane

The Rochdale Equitable Pioneers Society held its first meeting in August 1844. The founders incorporated the co-op on October 24, 1844, and opened their store on December 21, 1844.

Nineteen-year-old Samuel Ashworth had the honor of selling the first item. Ashworth was appointed sales clerk, and Thomas Cooper was named cashier. If the store did not show a profit in the first three months, Ashworth and Cooper agreed to take nothing for their services. However, if the store profited, they were to receive three pennies per hour for a total payment of nine pennies per night.

The co-op's first store was located at 31 Toad Lane in Rochdale, England. Rochdale is located 12 miles north of Manchester in northern England. The store's location measured 23 feet wide by 50 feet deep—or about 1,150 square feet. However, the retail space was 23 feet by 17 feet, or 391 square feet. The rear section was used for inventory and meetings.

The first floor at 31 Toad Lane rented for 10 pounds per year, and the lease required that the rent be paid three months in advance. Mr. Dunlap, the owner of the building, would not accept the co-op as the tenant. One of the original co-op members, Charles Howarth, stepped forward and offered to personally guarantee the lease. He also paid the first quarter's rent.

Before opening the store, the Pioneers collected 28 pounds in capital, one pound from each of the 28 founding members. The money was collected at the rate of two pennies a week; a few members were appointed to go from house to house on Sunday mornings to collect members' weekly capital payments. The money was turned over to a committee, which met every Sunday afternoon. Each member pledged to invest a total of 10 weeks' wages to form the capital needed to start the co-op.

At first, the co-op was open only two nights per week from 8 to 10 p.m. By March 1845, the co-op was open every night except Sunday and Tuesday. In April 1851, the co-op began operating during the day. The co-op moved to a larger location in 1868.

After one year of operations, the co-op had 74 member households and 1,100 pounds in sales. The store was profitable from the beginning. When the store was profitable, members were paid a 3.5 percent dividend (later increased to 5 percent) on the money they had invested in the co-op. The co-op also paid a quarterly patronage refund on purchases. At the end of the first quarter of operation, the co-op paid a rebate of three pennies per pound spent (240 pennies in a pound). Soon the co-op's rebate varied between 24 and 30 pennies per pound spent. All dividends and patronage rebates were paid into the members' share accounts until they reached four pounds. After that, members received the dividends and rebates directly in cash.

When the co-op opened, a day school and chapel occupied the second and third stories of the building. The co-op took over this space in 1848. Initially, the co-op operated a library and classroom on the second floor and a drapery and shoe repair service on the third floor.

The building at 31 Toad Lane was originally built in 1790 and is in the center of a small historical district in Rochdale. It was purchased by the Co-operative Union of Great Britain in the 1930s to preserve the original co-op shop once rented by the Rochdale Pioneers. In the 1970s it was remodeled and now houses a museum about the history of the cooperative movement.

—from Weavers of Dreams, by David J. Thompson, University of California Center for Cooperatives, 1994.
D. Cooperation Grows in the United States

In the United States, cooperatives of one sort or another have roots going back to colonial times. Like their counterparts in England, these early groups experimented with ways to band together and gain economic clout. One of the earliest co-ops—the Philadelphia Contributorship for the Insurance of Homes from Loss by Fire—was established in 1752 by Benjamin Franklin and is in operation to this day. It is the oldest continuing co-op in the United States and predates the historical Rochdale group, but its place in co-op history is less well known.

From colonial times on, most early American co-ops were formed primarily for the benefit of farmers. Some co-ops helped farmers keep their costs low through joint purchases of supplies, such as feed, equipment, tools, or seed. Some marketing co-ops helped farmers obtain the best prices for their goods by combining their crops and selling in large quantities. Others, such as grain elevators or cheese-making co-ops, provided storage or processing services.

Consumer groups in the United States began taking note of the early British consumer co-ops and the success of American farmers who worked together. They began forming consumer protection associations. In 1845 one group started a store in Boston, founded on the same principles the Rochdale Pioneers had applied a year earlier. These “protective unions” eventually became divided over political and social issues of the time and were all out of business by the end of the Civil War.

Most early American co-ops failed due to insufficient capital (money invested by the owners), poor management, and a lack of understanding of the cooperative principles by their members. It wasn’t until the early 1900s that co-ops began to have true, long-lasting success in the United States.
E. Consumer Co-ops Make Waves

In rural and urban areas alike, consumer co-ops were first organized to provide consumers with control and to fight the unfair practices of private and company stores. Over the years, consumer co-ops have experienced waves of growth and development, followed by periods of decline.

The first of these waves began in the early 1900s with what was called the Rochdale plan. Under this plan, consumers organized buying groups to purchase from a cooperatively owned wholesaler. The wholesaler would then gradually help these buying clubs convert their operations into retail outlets by supplying management, inventory, and capital. In 1920 there were 2,600 consumer co-ops in the United States—all but 11 were general stores—and 80 percent were in towns with populations of less than 2,500. Combined sales volume for these stores was about $260 million. Unfortunately, when the wholesalers began having problems due to rapid growth, the whole system crumbled, and most co-ops were closed within the decade.

The Great Depression of the 1930s triggered another great wave of co-op organizing in cities and rural areas. In California, the End Poverty in California (EPIC) campaign established and promoted “self-help” cooperatives and worked unsuccessfully to elect the reformer Upton Sinclair as governor. Several national “consumers’ unions” were formed to promote consumer education and protection. In 1936 Toyohiko Kagawa, a Japanese clergyman with a social gospel, inspired the development of many co-ops in the United States by preaching “brotherhood economics,” his term for cooperation. “Cooperatives,” he said, “are the foundation of world peace. They are the love principle in action. Whether we like it or not there is no other way but cooperatives.”

Such efforts, bolstered by Franklin Roosevelt’s New Deal, supported the growth of urban co-ops. Some leading consumer co-ops were launched in this period—in Berkeley, Palo Alto, Eau Claire (Wisconsin), Hanover (New Hampshire), Hyde Park (a Chicago neighborhood), and Greenbelt (Maryland—a suburb of Washington, D.C.). All of these stores survived to their 50th anniversaries. But in the 1980s, the co-ops in Berkeley and Greenbelt closed. The Palo Alto Co-op closed in 2001. The co-ops in Hanover, Eau Claire, and Hyde Park continue to operate to this day.
E. Consumer Co-ops Make Waves (continued)

In the late 1960s and 1970s, the “new wave” of consumer co-ops began. Born out of the ideas and philosophies of the 1960s counterculture, these stores were opened by young and idealistic members. They set up co-ops to fit their beliefs in equality, not to follow their co-op predecessors. Most of the new co-ops sold only whole, unrefined, and bulk foods. Their operating practices were diverse and experimental. Some stores had limited store hours, others were open seven days a week. Some were run by volunteers, others by fully paid staff. Some had various forms of worker self-management, others had more traditional management structures. Some paid year-end patronage refunds, others gave members a discount at the cash register.

These co-ops were pioneers in what came to be known as the natural foods industry. But not all were successful. Some failed because of their experimental structures and operating systems. Most were unable to escape the same problems that had troubled older, earlier co-ops—insufficient capital, inadequate membership support, an inability to improve operations as the natural foods industry developed, a stronger commitment to idealism than to economic success, the lack of adequate support from their wholesalers, and resistance to consolidation. But the “new wave” co-ops that survived are strong and well established.

The consumer co-op movement in the United States has had mixed success—especially in contrast to consumer co-ops in Europe and Asia. But each wave of cooperative growth produces renewed enthusiasm for a time-tested idea and innovations that prove successful in the consumer marketplace—at least for a time.
CHAPTER 3

Co-ops Today

A. Different Co-op Types

There are many different types of co-ops. But their general form and purpose are always the same. Different kinds of co-ops are defined by who the members are and why they are using the co-op.

Who the Members Are

In primary co-ops, members are individuals and sometimes households. Primary co-ops usually operate stores or provide goods and services directly to individuals and families. Examples are food co-ops, housing co-ops, credit unions, and child care co-ops.

In secondary co-ops, the members are other co-ops, businesses, or organizations. Most often, secondary co-ops are wholesalers or suppliers. Retailer-owned co-ops such as Associated Grocers and Frontier Natural Products Co-op are secondary co-ops whose members are businesses.

Why Members Use the Co-op

Another way we classify co-ops is by their function. Since the co-op structure can be adapted to almost any type of business, a co-op might serve the needs of members as producers, as workers, or as consumers. Thus, we distinguish three types of co-ops—producer co-ops, worker co-ops, and consumer co-ops.
B. Producer Co-ops—In Agriculture and Beyond

Producer co-ops are those that provide goods or services to members who produce a product, such as farmers. There are two types of producer co-ops:

1. Supply co-ops supply producers with the materials they need. Most supply co-ops are found in the agricultural area. They supply farmers with feed, seed, equipment, fertilizer, tools, and related items.

2. Marketing co-ops store, process, and market products for producers. For example, marketing co-ops help farmers by storing and marketing grain, processing milk into butter and cheese, refining sugar, milling flour, packaging nuts, etc. These co-ops often sell their members' products under a brand name. Examples of brand names owned by marketing co-ops are Land O'Lakes (dairy products), Sunkist (citrus fruits), Ocean Spray (cranberries), Welch's (grapes), Tree Top (apples), and many others.

Today’s agricultural producer co-ops are varied. They range from small groups of farmers who own a grain silo to Fortune 500 companies. In agriculture alone, approximately 3,400 co-ops market about 30 percent of farm products in the United States, and agricultural co-ops own more than 1,000 brand names. As a result of the growing interest in organic foods, organic marketing co-ops are being formed to sell crops raised by their organic grower-members.

Producer co-ops aren’t found solely in agriculture. For instance, when a group of artists rents and operates a gallery together, they are operating a marketing co-op. Fish marketing and processing co-ops are common on both North American coasts.
C. Where the Employees Are the Members: Worker Co-ops

Worker co-ops are businesses that are owned and controlled on a democratic basis by their employees. Any business with employees can be structured as a worker co-op. However, worker co-ops are most commonly found in industrial or labor-intensive enterprises (such as manufacturing or service businesses).

Worker-owned co-ops use the same principles regarding membership, control, and distribution of surplus that all co-ops use. But unlike other co-ops, worker co-ops are owned entirely and only by their employees. Collectives, businesses that are managed by all or a group of employees, are sometimes confused with worker co-ops. However, collectively managed businesses aren’t necessarily owned by the workers, as worker co-ops are.

Worker co-ops operate a variety of businesses such as plywood and appliance factories, taxi cab services, health and home care services, restaurants and bakeries, cleaning services, and many others. Examples include Alvarado Street Bakery (in Rohnert Park, California), Union Cab (Madison), Rainbow Grocery (San Francisco), and The Cheese Board (Berkeley). According to the Industrial Cooperative Association, a worker co-op trade association, there are approximately 500 worker cooperatives in the United States. Overall, worker co-ops have enjoyed only sporadic and mixed success in the United States.

Recently, worker ownership has gained popularity through the growth of businesses with employee stock ownership plans, or ESOPs. While ESOPs represent a form of employee ownership, they are usually set up with one vote per share—an important difference from a worker co-op, where each member has an equal vote, no matter how much he or she has invested. While a few ESOPs are structured as cooperatives, most are not.
D. Consumer Co-ops

Consumer co-ops are those that provide goods or services used primarily for personal consumption. Some people believe that the consumer co-op is the purest form of co-op, because it provides ownership and control to people when they are least likely to have it—when they are receiving goods and services.

While almost any business could be structured as a consumer co-op, consumer co-ops are most common in the following industries:

- banking and financing (credit unions)
- food retailing
- housing
- child care
- insurance (mutual insurance companies)
- health care (usually health maintenance organizations, or HMOs)
- utilities (telephone, heating oil, and rural electric co-ops)

In addition, consumer co-ops have been organized to provide hardware, books, and office supplies (especially on college campuses), bicycle and car repair services, funeral and memorial services, cable television service, clothing, and many other products and services.

Consumer co-ops in the United States do not dominate any particular industry as they do in some other countries. However, consumer co-ops have consistently been innovators and have introduced services and practices that have made their industries more responsive to consumer needs.
D. Consumer Co-ops (continued)

For instance, in the early 1900s, working and poor people had problems obtaining credit and banking services. Established banks were not interested in serving the “little people,” many of whom were recent immigrants. Often they were forced to borrow from pawnbrokers, loan companies, and unscrupulous moneylenders. So people took action and formed credit unions, or “people's banks.” In 1934 President Roosevelt signed the Federal Credit Union Act into law. It standardized credit union procedures and regulated their activities. Eventually, the National Credit Union Administration (www.ncua.gov) was established. Today it regulates about 10,000 credit unions and supervises their deposit insurance fund.

The positive impact of cooperatives is nowhere more evident than in the credit union movement. As cooperatively run banks for members only, most credit unions offer all traditional banking services, as well as other services. Credit unions are the largest type of consumer co-op in the United States, with 86 million members and more than $668 billion in assets.

Consumer co-ops are growing in response to special, new needs. Child care co-ops are popular because they can be more responsive to parents' and children's needs than private businesses. Child care co-ops often require some amount of parent-volunteer participation to keep costs low and to get parents involved, but they also employ trained educators to provide programs for members’ children.

By nature, the cooperative form of business is a flexible one and can fit a wide variety of members’ needs. While most co-ops fit into the basic forms of producer, worker, or consumer owned, some co-ops are a combination of two or more types, such as a worker/consumer co-op.
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As the Internet age has encompassed the business world, co-ops have kept pace with online purchasing, marketing, sales, education, and communications. In January 2002, co-ops got a new tool to enhance their online presence. That tool was the top-level .coop domain.

To increase public awareness of co-ops, the National Cooperative Business Association (NCBA) proposed the .coop domain to the Internet Corporation for Assigned Names and Numbers. The domain is designed to allow co-ops to identify themselves on the Internet as member-owned businesses and to help consumers find the businesses they trust online. Approved in November 2000 and publicly launched in 2002, .coop is available only to co-ops and co-op support organizations.

Since .coop addresses became available, thousands of co-ops around the world have taken them. Co-ops on all continents and all types of co-ops and support organizations use the domain.

DotCooperation LLC is a wholly owned subsidiary of the NCBA and is governed by representatives from cooperatives and credit unions around the world. For more information about .coop, visit www.coop/.

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one member. one vote. one domain.
E. Food Co-ops: Old and New Waves

Clearly, consumers are interested in control of their food supply. Many of the earliest co-ops started as retail food outlets. In many ways, consumer co-ops have been at the forefront of the grocery industry. During the past century, food co-ops have introduced one innovation after another to the food retailing system. In fact, cooperatives are dominant market forces in Britain, Scandinavia, Japan, and other places, where they set the standard for food quality and responsible grocery retailing.

Those consumer food co-ops that were started in the first half of this century are known as the old wave co-ops. They introduced such innovations as unit pricing (signage that helps consumers compare prices on similar products), consumer-oriented product labeling, in-store child care, express lanes, and detailed nutrition information. Most of these co-ops were supermarkets. A number of these co-ops still operate alongside farm supply operations in rural areas.

A “new wave” of co-ops started in the late 1960s and early 1970s and once again brought innovation to food retailing. Many of these stores were born out of members’ interest in pure, unadulterated food, and these co-ops eventually became the pioneers of the natural foods industry. In addition to providing markets for natural and organically grown foods, the new wave co-ops also revolutionized food retailing by introducing bulk foods and putting more emphasis on fresh and perishable food.
E. Food Co-ops: Old and New Waves (continued)

In their early days, new wave co-ops experimented with all aspects of their operations, including membership, labor, and management systems. Those co-ops that survived and have now passed their 30th and 35th anniversaries have generally come to recognize that sound business practices are essential to success and can be consistent with environmental concerns and an interest in employee welfare.

Many of the larger and more successful new wave co-ops are located in college towns or near campuses. Most of these stores have experienced strong growth in sales and membership and are healthy, viable businesses. All have adapted to changes in the demographics of their memberships in the past 30 years and provide a valuable sense of community to their members.

The following consumer co-ops sell mostly natural foods, were started after 1960, and reported annual sales of more than $8 million as of 2004.

- Ashland Food Co-op .................................................. Ashland, Oregon
- Bloomingtonfoods Market .............................................. Bloomington, Indiana
- Boise Co-op .................................................................. Boise, Idaho
- Brattleboro Food Co-op .................................................. Brattleboro, Vermont
- City Market .................................................................... Burlington, Vermont
- Community Food Co-op .............................................. Bellingham, Washington
- Community Food Co-op .............................................. Bozeman, Montana
- Co-opportunity Consumers Co-op ................................. Santa Monica, California
- Davis Food Co-op ............................................................ Davis, California
- First Alternative Co-op .................................................. Corvallis, Oregon
- GreenStar Cooperative Market ....................................... Ithaca, New York
- Harvest Cooperative Supermarket ................................. Boston and Cambridge, Massachusetts
- Hunger Mountain Cooperative ....................................... Montpelier, Vermont
- La Montañita Food Co-op .............................................. Albuquerque, Santa Fe, and Gallup, New Mexico
- Lakewinds Natural Foods ............................................. Minnetonka and Anoka, Minnesota
- Madison Market ............................................................. Seattle, Washington
- Mississippi Market .......................................................... St. Paul, Minnesota
- New Pioneer Co-op ....................................................... Iowa City and Coralville, Iowa
- North Coast Co-op .......................................................... Arcata and Eureka, California
- Ocean Beach People’s Food Co-op ................................. San Diego, California
- Outpost Natural Foods Co-op ......................................... Milwaukee and Wauwatosa, Wisconsin
- Park Slope Food Co-op .................................................. Brooklyn, New York
- Puget Consumers Co-op ................................................. Seattle and area, Washington
- Sacramento Natural Foods Co-op .................................... Sacramento, California
- Weaver Street Market .................................................... Carrboro and Chapel Hill, North Carolina
- Wedge Community Food ............................................... Minneapolis, Minnesota
- Willy Street Co-op ........................................................... Madison, Wisconsin
F. A Network of Support

Consistent with the principle of “cooperation among cooperatives,” a number of national organizations bring co-ops together. Co-ops have a national trade association, the National Cooperative Business Association (www.ncba.coop), based in Washington, D.C., and founded in 1916. The NCBA’s membership includes all types of co-ops, from small buying clubs and child care co-ops to agricultural co-ops on the Fortune 500 list.

The NCBA’s mission is to represent, strengthen, and expand the cooperative form of business and to link NCBA’s members with cooperative organizations in the United States and around the world. The association’s activities include lobbying on behalf of co-ops, providing information, a publications program, a monthly newspaper, meetings, and networking.

In the late 1970s, in response to its members’ need for access to financing, the NCBA lobbied for and helped create the National Cooperative Bank (www.ncb.coop). The NCB opened and began making loans to co-ops in 1980. Today it has total assets of more than $1 billion and makes loans to co-ops of all types throughout the country. The NCB provides commercial financing, mortgage banking, deposit services, corporate financing, and leasing. Since 1980 it has originated more than $6 billion in transactions and has provided financing to thousands of cooperative businesses and housing co-ops. The NCB also has a development branch, NCB Capital Impact (www.ncbdc.org). It has total assets of $87 million and provides money for start-up and growing co-ops, as well as other kinds of financial and technical support.
G. The International Co-operative Alliance

Formed in 1895, the International Co-operative Alliance (www.ica.coop) is the oldest voluntary international organization in the world. In the late 1800s, co-ops provided ordinary people with a means of battling poverty and safeguarding their livelihoods. As cooperative societies grew and formed into national organizations, the need for an international association was identified. This organization became a reality at the first International Cooperative Congress in London in 1895. Since 1918, the National Cooperative Business Association has formally represented the United States at the ICA.

Today, the ICA represents cooperatives of all types—consumer, worker, and producer. Agricultural co-ops make up approximately 35 percent of the ICA’s members, and credit unions account for 29 percent. Consumer, housing, and worker co-ops each total about 8 percent of the association’s membership.

The ICA is the largest representational, nongovernmental organization in the world. It has approximately 235 member organizations from 85 countries. The purpose of the ICA is to promote the cooperative principles, economic relations between co-op organizations, and the progress of workers of all countries. The ICA also campaigns actively for lasting worldwide peace.
**H. Co-ops in the United States: Some Facts and Figures**

All in all, co-ops have a big impact in the United States. For instance:

- About 30 percent of farmers’ products are marketed through co-ops.
- The 39 top agricultural co-ops generated $52.8 billion in revenues in 2003.
- Five retailer-owned co-ops—Wakefern Foods, TOPCO Associates, Associated Wholesale Grocers, Unified Western Grocers, and Associated Food Stores—are among the nation’s top food wholesalers.
- Almost 10,000 credit unions provide financial services to approximately 86 million members.
- Nearly 1,000 rural electric co-ops operate almost half of the nation’s electric distribution lines and provide electricity to more than 37 million people.
- More than 50 million people are served by insurance companies owned by or closely affiliated with co-ops.
- Food co-ops have been innovators in the areas of unit pricing, consumer protection, organic and bulk foods, and nutritional labeling.
- More than 7,500 housing co-ops provide homes for more than 1.2 million households.
- In total, 40,000 co-ops in the United States serve 130.5 million people—more than 40 percent of the U.S. population.

The spirit of cooperation has been alive in human societies and groups for many years. Cooperative businesses have developed over the last 150 years in response to increasingly complex economic systems, industrialization, and consumer protection efforts. Most importantly, cooperatives have always been organized, whether in 1844 or in 2005, in response to human needs. This response is the essence of the cooperative movement even today.
CHAPTER 4

Wheatsville Co-op Growth and Development

A. Many Co-ops Become One Wheatsville

The first cooperative food store in Austin, called Milo Minderbinder (after the procurement officer in the book *Catch 22*), began in 1969. At Milo Minderbinder, they did away with accounting and placed a basket by the front door—you dropped what you thought you owed for the food you took and called it even. After only a year, the city closed the store over issues like zoning and parking.

Still, the need for good food continued, and in the early 1970s a new effort started: the Austin Community Project (ACP). By January 1973, ACP included the Woody Hills Food Co-op, two buying clubs, three organic farms, a worker-owned co-op bakery, four restaurants, and 11 housing co-ops. Soon after, a second food co-op, the Avenues, was opened.

The food co-ops carried products that you couldn't find anywhere else: whole-wheat flour, organic rice, and tofu. But many Austin co-op activists felt that the two stores were too small, too narrow in their product selections, and too far out of the mainstream to serve the whole community. They began talking about a new store that could bring in new ideas.

In 1975 the group found a place to rent on Lamar and 29th Street and set out to raise $15,000 in capital. The University of Texas student government loaned them $5,000. The College Houses student housing co-ops also loaned $5,000. Finally, Frank Cook, owner of Freewheeling Bikes, gave a loan of $3,000. The organizers were still short of their $15,000 goal, but they decided to start anyway.

The new store was called Wheatsville. (It took its name from Wheatville, an Austin-area “freedom town,” home to thousands of freed blacks after the Civil War.) It opened its doors on March 16, 1976. The store had a small staff assisted by “turnups,” co-opers who “turned up” to work. They stocked the plank and cinderblock shelves, unloaded trucks, did construction work, cleaned floors, counted money, and locked up at night. To help the under-capitalized store break even, the first employees “accrued” their salaries, essentially loaning Wheatsville their paychecks until the situation improved.
B. Wheatsville Moves to Guadalupe

In 1980 the store got an opportunity to move into a larger space—the Kash/Karry grocery store on Guadalupe—and thus to expand its selection and service. Wheatsville volunteers gutted and completely remodeled the new store. But financially, times were rough. The co-op didn’t have enough money to build a kitchen at the new store. For a while, the deli depended on one hot plate. Staff members even cooked some deli items in their homes and brought them back to the store to sell. Debt from the remodel nearly put the co-op under.

The 1980s were challenging due to the debt burden of relocation, but that decade also spelled a new era in the history of Wheatsville. New staff and management led Wheatsville in a more professional manner. But labor costs weighed heavy on the budget. Sales were static as payroll costs rose. Staff members were united and dedicated. They worked hard to keep the store afloat, regularly volunteering hours. They even endured an 18-month raise freeze in the mid-1980s, an attempt to hold down costs during a particularly rough patch. Throughout the decade, management scrutinized every penny.

In 1988 Danny Poe replaced an incompetent general manager who had tried to run off the hippies. He helped the co-op grow its sales through the early 1990s. Sales reached $3.8 million in 1994. The store was profitable enough to give patronage rebates to members for two years in the early 1990s.

In 1995 Wheatsville faced a formidable external challenge: HEB opened a 60,000-square-foot gourmet store, Central Market, just one mile from the co-op. Sales dropped by more than 10 percent that year, and the co-op sustained a substantial loss.

Danny Poe, who had left the store, returned for a second term as general manager and helped Wheatsville begin to recover. He sent out an SOS to the membership, imploring them to patronize their local co-op and reminding them that Wheatsville was an important piece of Austin history. Members responded to that appeal, and sales began to climb back up. Poe left after three years, and the board hired Dan Gillotte as general manager.
C. Recovery and Stable Success

In 1999, sales returned to their pre–Central Market level and continued to grow steadily, reaching $4.4 million in 2002. At the end of 2002, as part of expansion planning, the board and management set a goal of $5 million in sales by 2005. This goal was part of a larger plan that would allow Wheatsville to open a second store while maintaining the health of the first location. At last, Wheatsville was stable enough to begin planning for the future.

At the end of fiscal year 2004, the co-op attained sales of over $5 million—one year earlier than planned. In 2005 sales grew faster than ever before, reaching $5.8 million. The store performed well in all financial areas and attained the largest net income in its history.

In 2006, Wheatsville turned 30 and came within $5,000 of its goal of $7 million in sales. More than 1,500 members attended the co-op’s 30th birthday party. They enjoyed food, music, dancing, and a silent auction. But the food lines were long, as organizers had been expecting fewer than 500 people.

In 2007, despite financial success, the co-op faces many difficulties. Facilities are inadequate. Inventory back stock spans two “temporary” external buildings: one with stairs, the other downhill from the store. Staff members unload deliveries without cover—during rain, sleet, snow, and 110-degree heat. The deli’s kitchen is one of the smallest co-op kitchens in the nation. The cramped office staff works in a trailer without a restroom or heat; many people share desks dotting the hallways. Shoppers also experience frustrations. It is difficult to navigate the store’s tight corners and steer carts around other shoppers.
D. The Future of Wheatsville: Expansion and a Second Store

To make the store more inviting to shoppers and easier to work in, and to increase sales capacity, the board and management decided that the co-op must expand. The location on Guadalupe is so good and so well known that co-op leaders decided to renovate it instead of building a new store.

In the fall of 2005, the board authorized the sale of investor shares to members to help finance the project. It raised $715,000 in member investments. These investments will enable the co-op to get a bank loan to fund the renovation. The expansion will hopefully bring many new shoppers to Wheatsville. More Austinites patronizing Wheatsville means more money staying in the local economy.

A large number of members live in South Austin. They beg the co-op to open a store there, and the co-op would love to do just that. The renovation and expansion of the Guadalupe store should allow the co-op to increase sales to around $11 million per year. That increase will generate the capital to build a second store, probably in South Austin.
E. Current Operations and Statistics

Wheatsville boasts more than 9,000 members. Staff members focus on making Wheatsville the friendliest store in town and providing member-owners and other shoppers with the food and other items they need. The co-op sees itself as the hub of a vibrant Austin community. That community loves good food and enjoys being part of a cooperative that works for the betterment of society.

Here are some statistics about Wheatsville’s operations. These figures are current as of April 2007:

- Annual sales: $7,500,000
- Number of employees: 80; 51 full-time equivalent
- Average number of customers per day: 1,185
- Average customer transaction: $19.50
- Total number of members: 9,105
- Number of members voting in last election: 435
- Total member capital invested: $385,000
- Additional equity in investor shares: $715,000
- Sales to members: 80 percent
- Store size: 11,000 square feet
- Sales space: 5,100 square feet
- Sales per square foot: $1,470 per year
- Total inventory: $237,000
- Inventory turnover: 20 times per year
CHAPTER 5

Wheatsville Co-op Membership

A. The Basics: The Need for Member Investment

All businesses need capital, and a co-op is no different. Capital is the financial foundation upon which any business is built—giving the company money to purchase inventory, buy equipment, finance operations, and minimize outside debt. In any business, the base capital is provided by the owners, so in a co-op that foundation must be provided by members.

Wheatsville Co-op members provide capital by making membership investments. The co-op uses these investments to buy equipment, expand inventory, make improvements and renovations to facilities, and research new services and business opportunities. Wheatsville currently has $385,000 in capital investments from members.

When an organization has insufficient member capital, it must borrow capital from outside sources, such as banks and other creditors. Bank financing is expensive and almost always comes with some restrictions. When a co-op has adequate capital invested by its members, banks are more likely to make loans at a reasonable cost and without imposing limits on the co-op’s operations or goals.
B. Invested and Annual Memberships

At Wheatsville Co-op, the individual investment requirement is $55. This money provides the co-op with needed capital and gives each invested member the rights and responsibilities of ownership. Members also pay a $15 joining fee. This fee covers administrative costs and helps pay for publishing and mailing the co-op's newsletter, the *Breeze*. If a couple joins together, each person pays $55, but the couple pays only one joining fee. (Their dependants are also co-op members, but only the couple can vote.) The $55 investment is refundable to members who choose to end their co-op membership.

Wheatsville gives members two ways to fulfill the investment requirement. A new member can pay the entire $70 ($55 plus the $15 joining fee) when joining. Paying in full earns a member a Gold Card. A member can also pay in installments and get a Green Card. When applying for a Green Card, the member must pay the joining fee and a minimum of $10 toward investment (for a total of $25). After joining, the member pays $10 per month until the investment is paid in full.

Wheatsville also offers an annual Orange Card membership for $15. This type of membership, originally created for students, allows a person to be a co-op member without investing capital. Orange Card members receive member benefits, except eligibility to receive patronage rebates, for one year.
C. Member Benefits and Services

Being a Wheatsville member delivers many benefits. The most obvious benefit is getting member prices. Shelf prices are member prices. Nonmembers pay a 7 percent surcharge on their purchases. This extra 7 percent is listed on the bottom of sales receipts. If they want to join the co-op, nonmembers can submit receipts and apply any previously paid surcharges toward the cost of membership.

Member prices are great, but these other benefits are even better:

- Voting rights in all co-op elections
- An opportunity to run for the board of directors
- A 10 percent discount on Member Appreciation Days (one Saturday per quarter)
- A free co-op newsletter mailed seven times per year
- Eligibility to join the University Federal Credit Union
- Co-op Advantage coupon books mailed twice per year
- Patronage rebates for invested members when the board of directors declares such rebates
- Member coupons (rotated monthly and available at the front of the store)
- Free member business listings in the Breeze

But perhaps more important than the specific benefits listed above is that co-op members join their friends and neighbors in building a locally owned and democratically controlled organization that serves their own needs. Joining the co-op gives each member a chance to help build an ethical and honest business, a company that is responsive to its customers and operates with consumers’ interests at heart, and one that is controlled by its member-owners.
D. Membership Administration

Record keeping is extremely important for co-ops, since their members are investors. Co-ops have a legal and ethical obligation to keep accurate and complete records of their members’ share purchases, addresses, and correspondence. Co-ops and their leadership can be subject to heavy penalties if they take members’ money as share investments without keeping proper records.

To join Wheatsville Co-op, a new member fills out a membership application at the cash register. The new member chooses either an annual (Orange Card) or invested (Gold Card or Green Card) membership. Gold Card members pay the investment and joining fee in full ($70 for an individual; $125 for a couple). Green Card members pay in installments with a $25 minimum first payment. Green Card members can make future payments at the cash register or mail in checks.

New members receive a Co-op Owners’ Manual and a copy of their membership application, which serves as a temporary membership card. The permanent membership card arrives in the mail within two weeks of purchase.

At the cash register, members give cashiers their membership numbers. In this way, member purchases are tracked and recorded. Green Card members can see their investment balance due at the register as well.

Members need to make sure that the co-op has their current address. The co-op maintains a complete list of all members. This list is highly confidential, since it includes not only names but also addresses and phone numbers. This list can be used only by co-op personnel for co-op business.
CHAPTER 6

We Own It: The Role of Members in a Co-op

A. Benefits of Co-op Membership

All co-ops operate for the benefit of their member-owners. But the returns are not just monetary. Members make sure that their co-op provides them with the quality of products and services they want at a fair market price. They control the business through their elected board of directors and through participation in their co-op. In this way, they extend democratic practices into their economic lives.

Each co-op offers its members different benefits—designed to meet the unique and mutual needs of those members. At most food co-ops, these benefits include special discounts, newsletters, voting rights, and other special services. Some co-ops offer their members services such as tax preparation assistance, discounts on long-distance phone calls, special insurance coverage, and other benefits.

Co-ops also provide members with the chance to learn about business and to participate in various levels of corporate governance. Many people report that their lives have been greatly improved by their involvement with co-ops.
B. Member Rights and Responsibilities

Becoming a member of a co-op is not the same as joining a club, neighborhood association, or other social group. Becoming a member of a co-op means accepting the rights and responsibilities of a business owner. For co-ops to succeed, members need to understand this fact and take their rights and responsibilities seriously.

**MEMBER RIGHTS**

- Elect directors
- Vote in membership referenda
- Adopt or change bylaws
- Require that the co-op follows its bylaws
- Require accurate, timely reports on the co-op's operations and financial performance
- Review general financial records for information on the co-op's financial status
- Hold the co-op accountable for legal and fiscal actions

**MEMBER RESPONSIBILITIES**

- Patronize the business—use the co-op's services
- Provide capital by investing in the co-op
- Promote the co-op to others
- Understand the needs of businesses and those of their co-op
- Keep informed; know what is going on at the co-op
- Participate in co-op activities
- Understand co-op principles and objectives
- Attend co-op meetings; raise concerns
- Vote and participate in decision-making processes
FOR YOUR INFORMATION

The Freedom Quilting Bee: Turning Craft into Income

In the 1940s, former plantations in the rural South were broken up into small farms and sold to individual farmers. In Gee’s Bend, Alabama, located in Wilcox County, the poorest county in the state, black residents found that the farms where they had worked no longer needed their labor, and they had few opportunities for income. Some black farmers were able to purchase a few acres, but they struggled to make a living out of their small farms.

In the early 1960s, an Episcopal minister from Tuscaloosa saw colorful quilts on clotheslines in Gee’s Bend. He convinced a few local women to let him try to sell their quilts on consignment. He had no problem selling these fine quilts. The women soon realized that by selling quilts they could supplement their incomes and help provide for their families.

And so the Freedom Quilting Bee was born. Initially, the group set up a co-op to market the quilts. Eventually, the co-op began supplying members with materials, providing design assistance, and overseeing quality control. Before long, the co-op’s members built a sewing plant.

The co-op’s traditionally designed quilts have been distributed nationally to stores such as Macy’s and Bloomingdale’s. The co-op maintains high quality standards. Several members have been honored by the Smithsonian Institution for their handiwork.

The success of the co-op spawned several other co-ops. As members were more successful in turning their sewing skills into income, the need for child care became apparent. From 1970 to 1996, the group ran a child care co-op in a section of its sewing plant.

In 1967 several of the co-op’s members helped form the Federation of Southern Cooperatives (FSC), a group that works throughout the South to address the critical problems facing black farmers and the urban and rural poor. The FSC is committed to community-based economic development as a means to ensure that poor people and minorities share in the ownership of resources and the distribution of the benefits in our society. FSC finds that co-ops are flexible, democratic development tools that help poor people build economic power, political influence, and social stability through mutual aid. Today the FSC serves 12,000 families in 35 agricultural co-ops and 10,000 savers in 19 credit unions.
C. The Many Faces of Member Participation

Co-ops are about more than just member-ownership. They also put members in control of a business they use. Participation by members in the decisions of a co-op is vital to its success.

Members can participate in many different ways. To begin with, it's important for members to use the co-op—it doesn't make any sense for someone to join a food co-op and then shop primarily at another store. It's also important for members to communicate their needs and wishes to the co-op, so that the co-op can be responsive to them.

Member participation can include working on co-op committees, which consider and develop proposals for the board. In some co-ops, members assist co-op staff with special events and community service projects, bringing people together.

It's also important for the ongoing health and survival of a co-op that members exercise control of their business by voting in co-op elections. In many co-ops, only a very small percentage of members vote or attend membership meetings. It's important for co-ops to creatively search for ways to get members involved. Member ownership and control are valuable aspects of a cooperative business that help distinguish co-ops from their competitors.
D. Co-op Governance Systems and Roles

The method used by members to control and shape their co-ops’ destinies is called the governance system. While specific governance features vary from co-op to co-op, most follow the same general pattern. For example, most co-ops strive to keep members well informed by reporting on their operations and activities through a regular member newsletter. More and more, co-ops are also using electronic newsletters or web pages to inform, educate, and communicate with their members. By far the most significant aspect of any co-op governance system is the election of the board of directors. Using a democratic system, members elect directors to oversee the business on their behalf and to make sure it is well managed. Members also vote to change a co-op’s bylaws or to make a major change in the business (for instance, to stop selling food and begin building housing units). Any qualified member may run for the co-op's board of directors.
E. Responsibilities of the Board of Directors

When a co-op incorporates (is established as a legal entity with the state), it takes on certain legal responsibilities and agrees to act according to the laws and regulations governing corporations. At that time, the state requires the co-op to designate individuals to act on behalf of that corporation—individuals who can be responsible for the corporation’s actions and its compliance with regulations. These individuals are typically called directors and as a group are called the board of directors.

The primary responsibility of a board of directors is to protect the best interests of the corporation and its owners (members). Legally, a director is expected to act “in good faith, in a manner he (or she) reasonably believes to be in the best interests of the corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.” All directors are responsible for meeting this standard.
E. Responsibilities of a Board of Directors (continued)

A board of directors has three main responsibilities:

1. TO SET LONG-RANGE GOALS AND PLAN FOR THE CO-OP’S FUTURE. A board is involved in planning the co-op’s future direction and strategies. This involvement ensures that the goals and plans set by co-op management incorporate members’ needs and perspectives and that management is accountable to members. Directors also approve operating plans and performance goals for management.

2. TO ENSURE SOUND MANAGEMENT OF THE CO-OP’S RESOURCES. It is a board’s responsibility to make sure that the co-op’s human and financial resources are managed properly and prudently. To do this, the board reviews key indicators of the co-op’s operations (such as inventory turnover, the current ratio, and sales per labor hour) and other reports. The board is also responsible for evaluating management’s performance.

3. TO ACT AS TRUSTEES ON BEHALF OF THE MEMBERS. A board has the responsibility of making sure that the member-owners’ investment is managed prudently and effectively. To accomplish this task, directors monitor the co-op’s financial status and set acceptable standards of performance. A board may hire an outside auditor to review the co-op’s financial records, and all boards report to members on the co-op’s financial health once a year at an annual meeting. Finally, boards must make sure that the co-op follows its bylaws, policies, and other regulations.

A board of directors fulfills these responsibilities with four key activities:

- Hiring, supervising, and evaluating the co-op’s manager
- Planning for the co-op’s future and approving plans presented by management
- Approving capital and operating budgets, and
- Recruiting new directors to ensure a well-qualified and effective board

Other decisions about the mechanics of the co-op’s governance system, policies to guide management, member benefits, and related matters also fall within the job of a co-op board of directors. Most co-op boards of directors meet every month or every other month to make sure that they fulfill these responsibilities.
CHAPTER 7

It’s Not a One-Person Thing

A. Role of Staff in Member Relations

For most co-op members, employees are the face of the co-op. Members’ satisfaction with their co-op and interest in learning more about their co-op can be influenced dramatically by their interactions with employees.

In addition to assisting members with their purchases from the co-op, employees can help members understand more about their co-op by:

- Encouraging nonmembers to join the co-op
- Explaining how a co-op works and why membership is important
- Understanding the co-op’s membership system and being able to explain it well
- Encouraging members to make comments and suggestions about the co-op
- Reminding members that they are the co-op’s owners
- Explaining how the co-op’s governance system works
- Encouraging members to attend meetings and get involved in co-op activities
- Urging all members to vote in co-op elections
- Staying informed about co-op events and activities in order to answer members’ questions

Employees are like ambassadors for their co-ops. Their actions, interest in the co-op, and daily interactions with members can create goodwill for the co-op. A co-op cannot survive and thrive—either as a business or as a cooperative—without a strong and committed workforce. A strong co-op must have a well-informed staff that can help create a well-informed membership.
B. Looking Ahead for Food Co-ops

Today’s consumer food co-ops operate in highly competitive markets. While many co-ops have introduced tremendous innovations to the market—bulk foods, organic products, and a focus on healthy foods, to name a few—large chains have taken over markets that were developed by co-ops. Most co-ops operate independently, with each store running its own purchasing, marketing, and accounting systems. While this independence gives co-ops some advantages, it also presents disadvantages.

Not surprisingly, many retail co-ops are finding that working together helps them overcome many problems. In the mid-1990s, retail co-ops around the country began forming regional co-op grocer associations (CGAs) to share resources and strengthen all facets of their operations. In 2004 eight regional CGAs merged together as the National Cooperative Grocers Association (NCGA). NCGA offers services to its member co-ops, including supply agreements, discounted group rates for business services, the Co-op Advantage Program (CAP) for monthly in-store specials, marketing programs, and others. In addition, all NCGA members are members of a regional “corridor”—east, central, or west. Regional corridors provide peer support; assistance with expansions, new services, and crisis situations; store audits; training sessions; and other services. Perhaps most importantly, this approach allows co-ops to continue operating with local ownership while gaining some of the advantages of a unified system.

Food co-ops have also found ways to share information and resources electronically through CGIN—the Cooperative Grocers’ Information Network. CGIN is a tax-exempt, nonprofit association formed by food co-ops to provide a secure way for co-ops to exchange materials such as job descriptions, employee training programs, newsletter articles, planning documents, and membership materials. CGIN also offers an online manual on how to start a food co-op, as well as a model livable wage program for food co-ops.

An equally critical challenge facing today’s consumer co-ops is to maintain membership support. Through more than 150 years of co-op successes and failures, it’s been proven without a doubt that membership understanding of a co-op is critical to its success and survival. It’s vital that members recognize the distinct difference between their co-op and a nearby store or supermarket. After 20 to 30 years of operation, many co-ops face a decline in membership loyalty when members move or a new generation of members joins. Today’s food co-ops will make a great contribution to the co-op movement if they can bridge this generation gap—making the co-op as important to tomorrow’s members as it was to yesterday’s.
FOR YOUR INFORMATION

The C in Care Is for “Cooperative”

CARE was organized as the Cooperative for American Remittances to Europe in November 1945, when 22 non-profit organizations formed a cooperative to send food packages to war-torn areas of Europe. A few years later, “CARE packages” got bigger—plows and farm tools were included to help poor farmers grow more food. Instead of closing down when Europe’s reconstruction was completed, CARE’s members decided to continue providing assistance and relief elsewhere. CARE’s name was changed, eventually becoming Cooperative for Assistance and Relief Everywhere.

Today CARE no longer operates as a co-op. It no longer sends packages to individuals overseas. But the CARE package has been replaced by programs that benefit entire communities—feeding millions of people a year and helping them build schools, health clinics, roads, water systems, small businesses, and agricultural systems. While providing emergency food aid is one of CARE’s more visible efforts, its work extends far beyond that. CARE’s projects continue to focus on helping people overcome problems of poverty and become more self-sufficient. For example:

In Afghanistan: CARE is building and repairing schools, training teachers, and providing teaching and learning materials to school staff and students.

In Haiti: CARE is strengthening women’s reproductive health through family-planning services, pre- and postnatal visits, and treatment of sexually transmitted diseases.

In Southeast Asia: CARE’s emergency response team is delivering lifesaving aid, including food, clean water, temporary shelter, and medicine, to survivors of the 2004 earthquake and tsunami.

In Sudan: CARE is assisting 45,000 internally displaced people by increasing access to safe drinking water and improving sanitation facilities.

In Tajikistan: CARE is assisting farmers with the building, maintenance, and repair of irrigation systems.

Since CARE’s beginning, cooperatives have played a major role in its growth and success. To this day, CARE has a number of cooperatives among its member organizations. Former president Wally Campbell emphasizes the significance of cooperatives in CARE’s future:

The cooperative nature of CARE will be even more important in CARE’s future than it has been in its past because CARE’s great task is self-help and development. To help people help themselves is of great importance, but even more important is to help people help themselves by helping each other. This is the essence of cooperation and for the cooperative movement around the world.
C. Co-ops Poised to Meet Future Needs

Worldwide, approximately 725 million people belong to 750,000 co-ops. In the United States, you’re likely to find co-ops in almost every community if you know where to look and how to recognize them. In urban areas, suburbs, small towns, and rural communities, 130.5 million people belong to 40,000 co-ops. These co-ops are as different as possible in many ways—in terms of operations, industry, focus, and size. They range from co-ops made up of independent businesses (such as United Grocers) to co-ops owned by agricultural producers (such as Sunkist or Land O’Lakes) to co-ops run by parents who exchange babysitting or child care.

Whatever their products or services, co-ops worldwide have many common elements. All are owned and operated by their members. They are interested in the long-range health and welfare of the communities in which they operate. In summary, co-ops are:

- Businesses
- Organized on seven international principles
- For their members’ benefit
- Not a new idea
- Having a big impact on the lives of their members and their local communities
- Serving many diverse needs
- Working together in a united fashion
- Building communities

In 1994 co-ops celebrated the 150th anniversary of the birth of the co-op movement in Rochdale, England. The ideas and systems championed by the Rochdale Equitable Pioneers Society have endured. They have been successfully used to meet a wide range of human needs and have stood the test of time. Without a doubt, co-ops hold great potential for the future.
D. Toward a Co-op Future: Co-ops in the Year 2000—And Beyond!

The cooperative method of doing business is clearly a successful one—both economically and in terms of building community. Over the years it has been adapted to meet the needs of people in many different circumstances and times. Now it is up to today’s cooperative leaders to adapt this model in new and innovative ways to address more complex economic, social, and environmental needs, to meet needs locally, regionally, and even globally.

In 1980 the International Co-operative Alliance commissioned a study on the future prospects of cooperatives around the world. The report, called *Co-operatives in the Year 2000*, was written by Canadian co-op leader Dr. Alexander Laidlaw, who challenged the priorities of co-ops as they moved into the twenty-first century. In the words of Dr. Laidlaw:

> From the perspective of 1980, we see humanity at as dangerous a point as it has ever been in all recorded history. Of one thing we can be quite certain: co-operatives will be obliged to operate in a world that is largely not of their own making. But this is not to say that people working through co-operatives cannot help to make the future, for indeed this is the central purpose of the co-operative movement: to help make a different and a better kind of world. The history of the future has not been written, and co-operators must be determined to have a hand in writing it. In short, co-operators can be active participants in the planning, and indeed creators, of the future, if they only have a mind and a will for it.

While this reference is dated, the words still reflect a true and current challenge for co-ops and cooperators. The cooperative model has the capacity for creating communities where each aspect of daily life is improved by collaborative efforts. Cooperatives provide a system of “economics as if people mattered”—where people can build businesses based on local ownership and control, businesses that empower them rather than create dependence. Meeting mutual needs has always been the goal of co-ops. The challenge for co-ops is to keep looking for new ways to use this successful idea to address members’ current and future social and economic needs.
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GLOSSARY

capital: money used in a business, whether supplied by owners or borrowed. The term usually refers to money contributed to a business by the owners or stockholders. In accounting, capital refers to the remaining assets of a business after all debts and amounts owed to others have been deducted.

corporation: a legal entity created under state corporate laws. Once established, a corporation has its own legal powers, rights, and liabilities, distinct from those of its owners or managers.

dividend: amounts paid to business owners based on their investment. Typically, dividends represent a share of profits paid to shareholders in proportion to the number of shares held. Cooperatives sometimes pay dividends as a means to encourage member investment.

equity: the ownership interest in a business. Equity is most typically calculated by subtracting all liabilities (amounts owed) from all assets (amounts and property owned). Equity is made up of investments by owners (members) and the cumulative profit of the business.

incorporate: to establish a business as a legal entity. Incorporation usually requires filing articles of incorporation and bylaws with the state to conform to a corporate statute.

net savings: total income (sales) less total expenses; profit

shares; membership shares: investment units sold to co-op members. Shares are like stock in traditional businesses, but because of special rules, membership shares are not subject to the same regulations that govern trading stock. For that reason, most co-ops prefer to use the term share in reference to member investments.

patronage refund; patronage rebate: distribution of profits made by co-ops to members, in proportion to members’ use of or purchases from the co-op. Also called patronage dividends.

CREDITS

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The co-op logo with the building blocks used in Chapter 2 is the property of the Hanover Consumer Cooperative Society and is used with permission.