



# The Farmers' Cooperative Yardstick

## Your Roles as a Co-op Member

*Lionel Williamson*

Co-op members are the legal owners of their business. The board of directors or the manager do not have controlling authority over the cooperative; you and other members do. The members usually plan and form a cooperative and then benefit from it. Your actions determine whether or not the cooperative will be profitable.

Members of a cooperative have specific powers under the law and also have powers as outlined in the cooperative's bylaws and articles of incorporation. Further, you also have responsibilities, some moral and others legal, regarding these powers.

### Member's Powers

As a member of a cooperative, your powers will normally include:

- Adopting the constitution, bylaws and agreements and amending them.
- Electing and recalling directors.
- Approving changes in capital structure.
- Approving, increasing or decreasing capitalization; approving loans under special circumstances; adopting marketing contracts; pooling practices and contracts between members and the cooperative.
- Requiring both directors and officers, as well as agents, to run the business legally and according to the constitution, bylaws and marketing contracts.
- Holding directors and officers liable for any damage to the members.
- Electing a competent committee to examine the records and audit the books periodically.
- Examining the annual reports.
- Dissolving or merging the cooperative.

### Member Responsibilities

In all types of cooperatives, the membership has approximately the same set of responsibilities:

- (1) **Providing the Necessary Capital.** Each member must provide a portion of equity capital and pay a portion of interest on borrowed capital.
- (2) **Controlling the Cooperative.** Members elect the co-op board of directors and should make sure that the board's policy decisions are in the best interest of all members.
- (3) **Patronizing the Cooperative.** Members join the cooperative for mutual benefit, which can result only when each member provides maximum patronage. As a co-op member, you should use all cooperative services that fit your farming operation.
- (4) **Assuming Business Risks.** Operating any business, including cooperatives, involves risks. Co-op members bear these risks in proportion to their equity and patronage.
- (5) **Paying the Costs of Operation.** Members share their cooperative's benefits in proportion to the amount of business each does with the cooperative. The actual cost of operating the cooperative must be covered before any patrons receive refunds. Therefore, each member shares in the cost of operating the cooperative in direct proportion to his patronage.
- (6) **Keeping Informed.** Members have a responsibility for keeping informed on the facts about their cooperative. They should understand the nature, purpose, organization and operation of cooperatives to effectively use them as a business tool.
- (7) **Keeping Realistic Expectations.** Members should recognize the cooperative's possibilities and limitations and not expect more than it can deliver.

- (8) Remaining Loyal to the Co-op.** Each member should give the cooperative complete loyalty and support, based on good performance and effective communication. Members should avoid an apathetic attitude, which can cause the selection of an indifferent or inactive board. Such a result could lead to one-person control by the manager.
- (9) Allowing Manager to Manage.** Through the board of directors, members should allow the manager adequate latitude in performing duties and in using his or her judgment and experience.
- (10) Maintaining the Cooperative.** Each member is obligated to maintain the cooperative by:
- Continuing to support it during temporary adverse conditions, such as low market prices and price wars.
  - Bringing new members into the cooperative whenever feasible.
  - Taking suggestions and criticism to the board or to membership meetings, rather than airing them on the street corners.
  - Abiding by majority rule in decisions affecting the cooperative, even when personally disagreeing.
  - Serving on the board of directors or committees when called on to do so.
- They are financially solvent and active in their own business.
  - They know the value of merchandise and are aware of buying and selling practices.
  - They are not looking for something for nothing.
  - They are self-reliant, able and resolute.
  - They understand business competition and do not expect to win each and every battle.
  - They are willing to forego immediate gains in trade for a better future.
  - They are interested in the cooperative, its affairs, its progress, and its success.

## A Final Thought

Unlike profit-making corporations, cooperatives are owned, capitalized and governed by member patrons. Co-ops are started to satisfy a need, to deal with market problems and failures, while other firms are started with the distinctive motive to make a profit. The primary goal for a cooperative is related to long-term economic performance by making more money for its members than they could receive elsewhere in the long run.

Since members control their cooperative, there must be machinery for members to exercise their control. The annual meeting is a part of this machinery. It enables members to set policies for the board, to elect the board of directors and to evaluate the year's operations.

The board may also call special membership meetings at any time. Official action can be taken at such meetings if written notice is sent to all members in advance. Members can call special meetings by petition of a specified percentage of the total membership. Members can remove board members or the co-op manager based on their cooperative's bylaws and articles of incorporation.

Cooperatives traditionally start with a simple organizational structure and perform relatively few functions. With any success, the cooperative will grow both in volume of business handled and in the complexity of its structure and functions. As an effective cooperative member, you will also need to grow and be a positive force in assisting your cooperative in adapting to change.

## Member Qualifications

Membership in a cooperative is not normally automatic. Prospective members apply, are reviewed by the board (or a committee of the board) and are accepted or rejected by a majority vote of the board. Many cooperatives mistakenly assume that a member's patronage is the only valid concern, forgetting that, in a cooperative, the member is both patron and owner. If membership in a cooperative is fairly restricted and its qualifications are high, prospective members will place a higher premium on the cooperative's value. A cooperative with loose membership qualifications is not apt to be respected.

Many co-op experts believe that good co-op members should possess the following qualifications:

- They are efficient in their own business.
- They believe in the cooperative philosophy.

*See your County Extension Office for the entire series of publications on agricultural cooperatives.*