

# What is a Cooperative?

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A cooperative is a business. In many ways, it is like any other business; but in several important ways, it is unique and different. A cooperative business belongs to the people who use it - people who have organized to provide themselves with the goods and services they need. A cooperative operates for the benefit of its members.

These member-owners share equally in the control of their cooperative. They meet at regular intervals, review detailed reports and elect directors from among themselves. The directors in turn hire general managers and CEOs to manage the daily affairs of the cooperative in a way that serves the members' interests.

Members invest in the cooperative business to provide capital for a strong and efficient operation. All net savings left after the co-op's bills are paid and money is set aside for operations and improvements are returned to co-op members.

Cooperatives may be organized to provide just about any good or service such as: business services, child care, credit and personal financial services, employment, equipment, hardware, farm supplies, utilities, food, funeral planning, health care, housing, insurance, legal and professional services, etc.

More than 120 million people are members of 48,000 U.S. cooperatives. These people have organized to provide themselves with goods and services in nearly every sector of our economy. Their cooperatives may be organized in a number of ways for many purposes.

## Cooperative Principles

In 1966, the International Cooperative Alliance adopted six principles as guidelines for cooperatives.

### ***Voluntary and Open 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.

***Democratic Member Control:*** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.

***Member Economic Participation:*** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership.

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

### ***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 cooperatives.

### ***Cooperation among Cooperatives:***

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

### ***Concern for Community:***

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

## The Cooperative Concept

Cooperatives actively serve their consumers, their communities, and the nation. There are many kinds of cooperatives, but common to all of them are the concepts of member benefit, member control and member involvement.

Cooperatives are created out of a need that is best met the cooperative way. Throughout our history, when there did not seem to be big profits in supplying the products or services essential to a thriving community, co-ops have often stepped in. When urban housing was prohibitively expensive and when electricity was not available in rural areas, people formed co-ops to get the job done. Cooperatives are the locally oriented member controlled way to serve the needs of a community.

If you are unfamiliar with cooperatives, just look around you. Chances are, you begin every day with the products and services of cooperative businesses. From the morning news to your fruit juice to the butter on your toast, cooperatives are everywhere (the news service, Associated Press is a co-op and so are Sunkist Growers, Ocean Spray and Land O'Lakes, just to note a few familiar names). If your day's activities take you to your credit union, you are doing business with another co-op. The daycare center in your neighborhood may also be a co-op, not to mention your health care system or your insurance company. Most of the dairy products and produce at your grocery come from co-ops as might your electric and telephone service.

Any business can be organized as a cooperative. Setting up and using co-ops is one method of meeting basic needs that might not otherwise be met. Co-ops provide a great way to have a vote in how we live and how we can be involved in building our community.



**United Electric  
Cooperative, Inc**

## Short History of Cooperatives

Scholars find that the cooperative way of resources and risks is as old as our civilization and it has a remarkable history and evolution. Some of the earliest forms of cooperation probably occurred in group animal hunts, in united efforts to achieve mutual protection and in community farming.

In North America, the cooperative way is said to date back to the Mayflower Compact in 1620 when the Pilgrims banded together on a cooperative basis.

In 1752 the first successful cooperative was organized in the United States when Benjamin Franklin formed the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire - the oldest continuing cooperative in the U.S.

In 1844 the Rochdale Equitable Pioneers Society was established in Rochdale, England. These pioneers wrote down a set of principles to operate their food cooperative, which contributed to their success and spread to other cooperatives around the world. The successful establishment of the cooperative in Rochdale marks the beginning of the modern cooperative era.

## The Cooperative Difference

The only reason a not-for-profit member-owned cooperative exists is to provide benefits to its members. This mission makes the cooperative different from other forms of business.

In contrast to a cooperative, a for-profit investor-owned business exists to make the maximum profit for its stockholders. Stockholders primarily invest for a profit or return on their investment. Whether the product or service is one that should be provided, or whether it benefits a particular community, is a secondary consideration. For-profit businesses are essential components of the U.S. economy and they make significant contributions to the American way of life. However, many needs are often best met through a cooperative enterprise.

The cooperative form of business brings into the American free enterprise system people from every walk of life and every economic condition. They enrich our communities, large and small.

## Member Control & Involvement

Member control is another distinguishing characteristic of cooperatives. As democratically governed organizations, co-ops are led by the voices of their members.

Co-op members influence the way in which a cooperative is governed and operated by electing a board of directors to act on their behalf. Only co-op members are eligible to serve as co-op directors and directors are committed to represent the views of all the members.

The co-op board of directors sets the overall direction for the cooperative. The co-op's CEO and staff are responsible for the day-to-day operation of the co-op. The views of the membership are

communicated to the co-op staff because the co-op board supervises the co-op CEO.

Member control has its responsibilities. An early newsletter of a Virginia electric distribution cooperative expressed it this way: "If you do your share in making your cooperative succeed, you will be part owner of a going business that will yield constantly increasing benefits to you and your neighbors. Attend the annual meeting, help elect your board of directors, have a voice in the success of your cooperative."

Certainly the early co-op members and boards of directors had a great responsibility to get their co-ops off to promising starts. Today, member involvement in co-op governance and direction is even more important as new generations of co-op members become responsible for keeping the co-op focused on providing benefits.

Member involvement also includes speaking up on behalf of the cooperative regarding public policy, legislation and regulation. At both the state and federal levels, new laws and regulations are proposed each year that could affect the member's ability to run their own co-op or the ability of the co-op to provide beneficial service.

In the best American tradition of civic duty, co-op members are called upon to write and call their elected representatives and state their views.

## Electric Cooperative Facts

### Electric Cooperative are:

- Private independent electric utility businesses;
- Owned by the consumers they serve;
- Incorporated under the laws of the states in which they operate;
- Established to provide at-cost electric service;
- Governed by a board of directors elected from the membership, which sets policies and procedures that are implemented by the cooperatives professional staff.

### 864 distribution co-ops and 66 G & T co-ops serve:

- 40 million people in 47 states;
- 17.5 million businesses, home, schools, churches, farms, and other establishments in 2,500 of 3,141 counties in the United States.

### To perform their mission, electric cooperatives:

- Own assets worth \$100 billion;
- Own and maintain 2.5 million miles, or 42% of the nations electric distribution lines;
- Deliver 10% of the total kilowatt/hours sold in the U.S. each year;
- Generate 5% of the total electricity produced in the U.S. each year;
- Employ nearly 67,000 people in the U.S.



## **Our Energy, Our Future**

A Dialogue With America

America is headed for what could be the biggest electricity crisis in history. The Energy Information Administration estimates electricity will expand 26 percent over the next twenty years. With this constant demand for electricity, new generation facilities are needed in order to avoid what could become one of America's biggest catastrophes.

For more information on the Our Energy, Our Future Campaign you can visit the following websites:

[www.ueci.coop](http://www.ueci.coop)

[www.amec.org](http://www.amec.org)

[www.touchstoneenergy.coop](http://www.touchstoneenergy.coop)

[www.nreca.org](http://www.nreca.org)

[www.ourenergy.coop](http://www.ourenergy.coop)

[www.youthtour.coop](http://www.youthtour.coop)