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Preface

Five basic business structures exist for organizing a business. Each structure has advantages and disadvantages regarding decision making, risk, and profit distribution. A sole proprietorship is the simplest structure allowing individual decision-making while exposing the owner to the most risk. Corporate structures lower individual risk but can reduce an individual's voice about business operations. The cooperative structure is a type of corporation that allows individuals with similar business goals who want an equal say to form a business with democratic control.

All cooperatives follow a set of principles making them different from other types of businesses. People joining a cooperative become both members and owners of the cooperative. Each member can voice their opinion on how the cooperative should operate through an election process. The more a member patronizes the cooperative, the more they benefit in the form of business earnings returned to them. The cooperative membership principle makes it different from any other type of business. Cooperative members are committed to using the cooperative business. In return for their patronage, they receive returns based upon how much they use the cooperative. Unlike a corporation, all members have equal shares and voting rights for making decisions.

People create cooperative businesses for the purposes of buying, selling, and marketing products and services. Marketing cooperatives help producers compete with larger businesses and sell their products. People who want to lower their costs of buying products may join a purchasing cooperative to increase their buying power. Services include financial, housing, utility, and agricultural. Service cooperatives vary in size and type of services provided. Many agricultural cooperatives provide marketing, purchasing, and service benefits for members.

During this module, students identify local cooperatives in their community. Next, they compare how cooperatives follow the seven guiding cooperative principles. Then students determine how they can form a cooperative to solve a business problem. Finally, students analyze the benefits and responsibilities of cooperative membership by interviewing a local cooperative member.

Concepts

1. A business is structured to meet the needs of its owners and users.
2. Seven principles guide cooperative business operations and decisions.
3. Producers and consumers of related products can form a cooperative to increase their buying and selling power in the marketplace.
4. Agricultural producers form cooperative businesses in response to their need for purchasing and selling power.
5. Cooperative members receive benefits from and take responsibility for their cooperative.

Performance Objectives

1. Classify businesses as one of five types of businesses. (Task 1.1)
2. Analyze an agricultural cooperative and determine how it meets the seven guiding principles. (Task 1.2)
3. Explain how a cooperative could be formed to solve an individual business problem. (Task 1.3)
4. Develop a list of questions to ask a current cooperative member about joining. (Task 1.4)
5. Interview an agricultural cooperative member to determine the value of membership. (Task 1.4)
6. Summarize the benefits and responsibilities of being a cooperative member. (Task 1.4)

Essential Questions

1. What are the options for structuring a business?
2. What is the purpose of a cooperative?
3. How does business structure affect who makes decisions?
4. How does a cooperative benefit those using it?
5. What is an example of a cooperative in your area?
6. What are the seven guiding principles of a cooperative?
7. What makes a cooperative a democratic business?
8. How do cooperatives give back to its members and community?
9. What are the types of cooperative structures?
10. How are service cooperatives utilized in rural communities?
11. What are the benefits of becoming a cooperative member?
12. Why do members need to be actively involved in their cooperative?

Key Terms

Business	A person, partnership, or corporation engaged in commerce, manufacturing, or a service; profit-seeking enterprise or concern.
Capital	Money invested in a business to generate income.
Cooperative	A form of business organization in which profits are distributed as patronage refunds and all members have a single vote.
Corporation	A form of business organization in which the owners have shares in a separate legal entity that itself can own assets and borrow money.
Democratic	Pertaining to or characterized by the principle of political or social equality for all.
Financial risk	The probability that an actual return on an investment will be lower than the expected return.
Inputs	Items purchased to carry on a farm's operation. Such items include fertilizers, pesticides, seed, fuel, and animal feed.
Limited liability company (LLC)	A form of business organization similar to a partnership but offering its owners the advantage of limited financial liability.
Margin	Difference between the cost price and selling price of a product.
Marketing cooperative	Cooperative structured to maximize the return members receive for goods they produce.
Partnership	An association of two or more persons as co-owners of a profit-making business. Chief criteria of a partnership are participation in management, sharing profits, sharing losses, ownership of assets together, and having a firm name, a single joint bank account, and a single set of farm records. No one factor is controlling.

Patron	A person who is a customer, client, or paying guest, especially a regular one, of a store, hotel, or the like.
Patronage	The financial support or business provided to a store, hotel, or the like, by customers, clients, or paying guests.
Patron refund	A portion of cooperative profits returned to members based upon patronage.
Profit	The surplus remaining after total costs are deducted from total revenue.
Purchasing cooperative	Cooperatives structured for members to gain access to affordable, quality goods.
Risk	A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.
Share	A unit of ownership that represents an equal proportion of a company's capital.
Shareholder	An individual, group, or organization that own one or more shares in a company.
Service cooperative	Cooperatives structured to provide services, such as agronomic, financial, and utility, to its members.
Sole proprietorship	Simplest, oldest, and most common form of business ownership in which only one individual acquires all the benefits and risks of running an enterprise. In a sole proprietorship, there is no legal distinction between the assets and liabilities of a business and those of its owner.
Utility	A public service, as a telephone, electric system, transportation, or the like.

Day-to-Day Plans

Time: 10 days

Day 1:

- Present **Concepts**, **Performance Objectives**, **Essential Questions**, and **Key Terms** to students in order to provide a lesson overview.
- Provide a copy of **Task 1.1 Coop Detective** to students.
- Students complete Part One of *Task 1.1 Coop Detective*.

Day 2:

- Students complete Part Two of *Task 1.1 Coop Detective* and answer conclusion questions.

Day 3:

- Play the **Cooperative History** video for students. Use the following discussion questions to assess student understanding, see example answers to questions in the **Teacher Notes**.
 - When did the cooperative movement begin?
 - Why did people start the Rochdale Pioneers cooperative?
 - What cooperative values do the Rochdale Pioneers follow?
 - What are the benefits of being a cooperative member?
- Provide a copy of **Task 1.2 Guiding Principles** and **Task 1.2 Evaluation Rubric** to students.
- Students complete Part One and begin researching a cooperative.

Day 4:

- Students prepare their cooperative presentations.

Day 5:

- Students complete *Task 1.2 Guiding Principles* and present to the class.
- Use *Task 1.2 Evaluation Rubric* to assess student presentations.

Day 6 – 7:

- Present **Cooperative Structure** to the class while students take notes.
- Play the **CHS Member** video for students. Use the following discussion questions to assess student understanding, see example answers to questions in the **Teacher Notes**.

- How does the member benefit from the cooperative?
- Can a cooperative have more than one structure? Explain.
- How did the cooperative show a sense of community?
- Provide a copy of **Task 1.3 Buying and Selling** to students.
- Students complete *Task 1.3 Buying and Selling*.

Day 8:

- Provide a copy of **Task 1.4 Benefits = Responsibilities** and **Task 1.4 Evaluation Rubric** to students.
- Students complete Part One and Two of *Task 1.4 Benefits = Responsibilities*.

Day 9:

- Students interview a cooperative member.
- Students Complete Part Three of *Task 1.4 Benefits = Responsibilities*.

Day 10:

- Students write a summary of the interview and complete *Task 1.4 Benefits = Responsibilities*.
- Distribute **Module 1 Assessment**.
- Students complete *Module 1 Assessment* and submit for grading.
- Use **Module 1 Assessment Key** to grade student assessments.

Teacher Notes

Task 1.1 Coop Detectives

Students work in pairs to identify the structure of various businesses and in groups to identify cooperatives in their local community.

Teacher Preparation

In Table 1, list businesses located in your area and determine the structure for each. Use the cooperative locator tool at <https://cooperativesforabetterworld.coop/learn-about-co-ops/co-op-locator/> to help find cooperatives in your area. Consider asking advisory committee members or other program supporters to share their business structures with you. Brainstorm a list of agricultural stores, suppliers, processors, warehouses, cooperatives, and farms or ranches that operate within the community. Businesses may be related to any of the agricultural systems listed below. Five of the fifteen businesses will need to be cooperatives.

- **Agribusiness** (lenders, accountants, marketing, law firms)
- **Animal** (feed suppliers, veterinarians, seedstock production)
- **Biotechnology** (laboratories, genetics, biofuels)
- **Environmental services** (meteorology, ecology, waste management)
- **Food products and processing** (processors, storage, grocery)
- **Natural resources** (hunting guides, conservation, soil science, forestry, minerals)
- **Plant** (seed suppliers, crop input suppliers, agronomists, community supported agriculture)
- **Power, structural, and technical** (construction, engineering, repair, maintenance, electricity)

When the list is complete, prepare a list of three unique businesses for each group of four students. Each list will need to have one cooperative.

Table 1. Local Businesses

Business	Owner(s), Decision-Maker(s) and Profit	Likely Business Structure
1.		

2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		

Gather five sheets of poster paper and a marker. Write each business structure on one sheet of poster paper with a marker. Hang the five sheets around the classroom.

Student Performance

Part One

Students individually read each scenario on the student worksheet and highlight key phrases that answer questions about the business. After the highlighting key phrases, the pair decides what type of business structure the scenario represents and record the structure on *Task 1 Student Worksheet*. Review the correct answers with the class to ensure student mastery of the concept.

Part Two

Students work as a group to develop a list of five questions they could ask the business to determine if it is a cooperative. Students must answer the questions as yes or no. Students research each business, answer the questions, and identify the structure of the business. Students write the questions so a cooperative would answer yes. Assign each group of students a list of three businesses, prepared before class in the table above.

Students write the name of each business on a separate sticky note, then place the sticky notes on the corresponding poster with the name of the business structure. Groups share their findings and explain why each business is or is not a cooperative. Facilitate a discussion using the following questions.

- How did you determine the business structure for each business?
- What are the unique characteristic(s) of each business structure?
- Which business structures are most common in our community?

Results and Evaluation

The business scenarios and structures for Part One are listed in Table 2. Phrases describing the business structure are highlighted. Table 3 has example questions students could ask to determine if a business has a cooperative structure. Use the questions to assist students who are having difficulty developing their own.

Table 2. Business Scenarios

Scenario Number	Business Scenario	Business Structure
1	<p>Ten vegetable farmers learned they could get bulk prices and discounts if they <i>pool their orders for fertilizer and seed</i>. They can also sell their produce for higher prices if they <i>fill larger orders from customers</i>.</p> <p>The group <i>elected two individuals to make decisions</i>. Each <i>farmer has one vote</i>. The elected individuals hired a business manager and agronomist. The business manager purchased fertilizer and seed and marketed the produce. The agronomist split her time between the various farms. At the end of the year, <i>the business distributed profits to all ten farmers</i> according to how much <i>business they did with the organization</i>.</p>	Cooperative
2	<p>Four neighbors own <i>dairy farms of their own</i>. They decided to build a dairy processing facility to process and sell milk and other dairy products. <i>Each neighbor invested a different amount of money to pay for the facility</i>. To <i>protect their farms in case of financial shortfalls</i> in the dairy processing business, they set up a <i>legal agreement according to state laws</i>.</p> <p>The processing facility buys raw milk from the four neighbors, as well as from other farmers in the area. The business distributed profits to the four neighbors based upon the amount of money invested.</p>	Limited liability company (LLC)
3	<p><i>You</i> recently purchased a breeding buck and doe with your money. <i>You</i> decide to breed them and sell the offspring.</p> <p><i>The money you make</i> from the sale of the offspring will pay for feed and other expenses. This breeding enterprise is <i>completely under your control</i>.</p>	Sole proprietorship
4	<p>Livestock farmers in your community need feed for their animals. Three farmers decide to <i>purchase feed in bulk amounts</i> and resell it to other farmers at higher prices. Over time, the small feed store grows into a <i>complex web of buying and selling feed and other animal equipment for profit</i>.</p> <p>The business becomes more than the three farmers can handle alone. The farmers organize and <i>sell shares in the business</i>. Shareholders <i>elect a board of directors, organize the business to protect the personal assets</i>, and hire additional employees who do not own any shares in the business. <i>Profits are distributed among shareholders based upon the number of shares</i>.</p>	Corporation
5	<p>Two students in your class rent five acres of land for the upcoming growing season. They <i>work together, make joint decisions, contribute equal payments for inputs</i>, and <i>work an equal number of hours</i> for the enterprise.</p> <p>At the end of the season, the enterprise results in a <i>profit that the two students split equally</i>.</p>	Partnership

Table 3. Example Yes/No Questions and Business Answers

Question	Example Corporation (John Deere)	Example Cooperative (CHS)
1. Does the business return profits to shareholders?	Yes	Yes
2. Does each shareholder receive the same number of votes?	No	Yes
3. Can users of the business be owners of the business?	Yes	Yes
4. Do users receive refunds based upon their patronage?	No	Yes
5. Do users of the business have input on how to operate the business?	No	Yes

Task 1.2 Guiding Principles

Students research the guiding principles for a cooperative and explain how a cooperative follows them in teams of three.

Teacher Preparation

Play the [Cooperative History](#) video for students before starting the task. Use the following discussion questions to assess student understanding, see example answers to questions in the table below.

Table 4. Discussion Questions and Potential Responses

1. When did the cooperative movement begin?	<i>1844 in England</i>
2. Why did people start the Rochdale Pioneers cooperative?	<i>People wanted to buy reason food at reasonable prices.</i>
3. What cooperative values do the Rochdale Pioneers follow?	<i>Anyone can join for a fee, each person had one vote, and the business distributes profits to its members.</i>
4. What are the benefits of being a cooperative member?	<i>Benefits include educational resources and democratic voting rights.</i>

Students need a computer with internet access to research principles and their assigned cooperative. Prepare teams of three students for part two. Assign one of the following cooperatives for each team to research. You may choose to assign cooperatives based upon student experiences.

- CHS www.chsinc.com
- Dairy Farmers of America www.dfamilk.com
- Sunkist Growers Inc. www.sunkist.com
- Touchstone Energy Cooperative www.touchstoneenergy.com
- 4th Street Food Cooperative www.4thstreetfoodcoop.org
- National Telecommunications Cooperative Association www.ntca.org
- Farm Credit Union www.farmcredit.com

Student Performance

Part One

Students individually explain what they believe each of the seven guiding principles means. Then they visit the [International Cooperative Alliance](#) website to find a detailed description. Students compare their descriptions to those found on the ICA website. Lead the student discussion as they compare descriptions.

Part Two

Assign teams of three students to research a specific cooperative. Students develop a presentation that meets the following criteria.

- Provides evidence on how the cooperative meets each principle
- Describes the products and/or services provided to its members
- Explains how a person can become a member
- The process for making business decisions is explained
- Includes examples of how the cooperative gives back to its community

Students present the information on their assigned cooperative to the class. Students listening to the presentation record answers to questions about the cooperative on the student worksheet.

Results and Evaluation

Use **Task 1.2 Evaluation Rubric** to assess student presentations. Table 5 contains example information about the CHS and DFA cooperatives. Student answers will vary based upon their research.

Table 5. Coop Analysis

Coop Name: CHS

What does the cooperative buy or sell? CHS provides agricultural services, including marketing of products, financial services, insurance, and crop consulting. CHS also sells products, such as fuel and fertilizer.
How does the cooperative benefit its members? Members receive dividends based upon their patronage of the cooperative.
How do members of the cooperative make decisions? Members have rights to elect a board of directors who are active farmers and ranchers.
How does the cooperative benefit local communities? CHS donates money back to the community to support health and safety on farms.
Coop Name: Dairy Farmers of America
What does the cooperative buy or sell? The cooperative markets and sells processed dairy products. They also provide management services to farmers to help increase production efficiencies.
How does the cooperative benefit its members? Farmers receive competitive prices for their milk and a return from cooperative profits.
How do members of the cooperative make decisions? Each member can influence discussions about business operations.
How does the cooperative benefit local communities? DFA provides disaster relief to local communities and supports education through student scholarships.

Task 1.3 Buying and Selling

Students identify the structure of cooperative businesses. Then they work in groups to plan how they could start a cooperative to solve financial problems for purchasing and selling products.

Teacher Preparation

Present **Cooperative Structure** to the class before starting the activity. Then play the **CHS Member** video for students. Use discussion questions to assess student understanding, example answers to questions are available in Table 6.

Table 6. Discussion Questions and Potential Responses

1. How does the member benefit from the cooperative?	<i>The member received marketing advice and agronomy services.</i>
2. Can a cooperative have more than one structure? Explain.	<i>Yes. A cooperative can sell products and provide services to its members.</i>
3. How did the cooperative show a sense of community?	<i>The cooperative asked the farmer about his family.</i>

Student Performance

Students start the activity by identifying the cooperative structure of the seven cooperatives students researched during *Task 1.2 Guiding Principles*. Then they work in groups to determine how forming a cooperative could solve a problem. The first scenario involves the development of a purchasing cooperative to reduce costs through bulk buying. The second scenario leads students to start a marketing cooperative for selling vegetable produce. Students explain the actions their cooperative would take to follow the seven principles of a cooperative.

Results and Evaluation

Table 7 shows the type of structure for each cooperative presented during the last activity. The actions students take for their cooperative to follow the principles will vary. An example of actions is shown in Table 8.

Table 7. Coop Structure

Cooperative	Structure
CHS	Marketing, purchasing, and service
Dairy Farmers of America	Marketing, service
Sunkist Growers Inc.	Marketing, service
Touchstone Energy Cooperative	Service
4th Street Food Cooperative	Purchasing
National Telecommunications Cooperative	Service
Farm Credit Union	Service

Table 8. Example Coop Actions

Coop Name: Vege Coop	Coop Structure: Marketing
Principle	Action
Voluntary and open membership	<i>All people with vegetable produce to sell are welcome to join.</i>
Democratic member control	<i>Each member has a single vote on making decisions for the cooperative.</i>
Member economic participation	<i>Each member will purchase vegetable products from the cooperative and sell all vegetable products through the cooperative.</i>
Autonomy and Independence	<i>The cooperative shall work independently using decision made by its members.</i>
Education, Training, and Information	<i>The cooperative shall seek out and provide training and education for its members about growing vegetables.</i>
Cooperation among cooperatives	<i>The cooperative will work with other local coops to provide inputs from growing produce.</i>
Concern for community	<i>Produce not sold will be donated to local food shelves.</i>

Task 1.4 Benefits = Responsibilities

Students prepare questions for a cooperative member, then interview the cooperative member using the questions developed as a class.

Teacher Preparation

Present **Active Membership** to students before starting the task. After the presentation, students should have a sound understanding of becoming a cooperative member and the responsibilities associated with it.

Work with a local agricultural cooperative to identify a member that would be able to speak to the class. Arrange for the member to attend the class. Before the interview, provide the member with the list of questions the students will be asking so the member can prepare. Encourage the member to prepare a short introduction between two and five minutes before the students ask questions. Note the presentation should not include answers to questions the students will be asking.

Student Performance

Students write questions they would like to ask a cooperative member. The class uses those questions to develop questions to ask a cooperative member visiting the class.

Part One

Students write questions they have about a cooperative member’s benefits and responsibilities.

Part Two

Group the students. The students will start a poster paper with five sections for recording questions in five different categories; general information, patronage, decision making, evaluation, and community and policy. Each group assigns a recorder, reporter, and facilitator for the group. The facilitator will facilitate the discussion of student questions recorded during Part One. After students have shared their questions, students decide upon two questions for each category. The recorder writes the questions on the poster paper, and the reporter reports the questions to the class. After the reporter completes their report, he or she displays the poster on the wall.

Part Three

Assign each group one of the five categories. Each group decides upon two questions they want to ask for the assigned category. They should consider the questions provided by the other groups before deciding on the two final questions to ask. Groups share their questions with the class, and individual students record the questions on the student worksheet.

Part Four

Introduce the cooperative member to the class. After the member has made a short introduction, call upon each group's interviewer to ask their questions. Students record the member's responses on the student worksheet. After students ask all assigned questions, allow them to ask additional questions. Students complete the activity by writing a summary of the interview. The summary should include the following.

- An introduction explaining the purpose of the cooperative
- Body including membership benefits and responsibilities
- Conclusion explaining if the student would become a member and why

Results and Evaluation

Assess student summaries using **Task 1.4 Evaluation Rubric**. Write a short thank you to send to the member for attending the class and have all students sign before mailing. An extension of the task could be for students to write a thank you to the member explaining what they learned from his or her visit.

Module 1 Assessment

Use *Module 1 Assessment* on the final day as a formative assessment tool. The answer key is provided below for evaluation and feedback purposes. For some questions, answers may vary based upon students' experiences in the classroom.

1. Describe how each of the following business structures is different than a cooperative.

Sole proprietorship **One individual who owns and makes all decisions for the business.**

Corporation **Shares are purchased and those with more shares have more influence on decisions.**

2. What is the advantage of being a cooperative member versus a corporation shareholder?

All cooperative members have equal votes and a voice in the business. Members of cooperative who use the business receive returns.

3. List the seven principles of a cooperative.

**Voluntary and open membership
Democratic member control
Member economic participation
Autonomy and Independence
Education, Training, and Information
Cooperation among cooperatives
Concern for community**

4. Explain which cooperative principle you believe to be the most important.

Answers will vary based upon student opinion.

Example answer: Democratic control is the most important principle. Without democratic control and equal voting, the cooperative would be controlled by a limited number of members.

5. Why do farmers join cooperatives?

To increase their ability to sell their products to a larger market while having a democratic voice.

6. How do members participate in and benefit from their cooperative?

The participate by using the businesses products and services and actively participating in decisions made. They benefit by receiving returns base upon how much they use it.

7. What would happen if cooperative members did not take responsibility for their membership?

The cooperative may not be able to provide its member's products and services needed, causing the cooperative not to be used and eventually fail.

Supplies and Materials

Task	Qty/ 20	Qty/ 30	Unit	Item Specifications
Task 1.1	5	5	Sheets	Poster paper
	15	24	Each	Sticky notes
Task 1.2	20	30	Each	Computers with internet and presentation software
Task 1.4	5	5	Sheets	Poster paper
	1	1	Roll	Tape
	5	5	Each	Permanent marker
	20	30	Each	Computer with word processing software

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