

Preface

Performance Objectives

Key Terms

Teacher Notes

Reference Sources

Concepts

Essential Questions

Day-to-Day Plans

Supplies and Materials

Acknowledgments

## Preface

Just like any other business, a cooperative needs to have a business plan. The business plan starts with an idea of what product or service the business will be selling. Founding members of a cooperative business need to determine how their cooperative will meet the seven guiding principles. In addition, a cooperative needs to analyze the market to ensure there is a demand for their business.

The financial portion of a cooperative business will include projected yearly income and expenses to operate the business. Cooperatives consider a member's financial contribution, patronage, and dividends when planning their budget. Additional expenses needed to meet the seven principles of a cooperative include member education and community contributions.

Cooperatives depend on teams of individuals with specific roles. Owner-members elect a board of directors to make the major decisions for a cooperative. A board of directors consists of officers and committees. One major responsibility of the board of directors is to hire a manager who will handle the day to day business operations.

During this module, students will compile three major components of a cooperative business plan; a business description, a financial planning sheet, and a description of personnel involved in the cooperative. Students will then present their idea for a cooperative at the end of the module.

## Concepts

1. A cooperative starts with a business idea that will economically benefit its members.
2. A cooperative business plan includes financial information that members and lenders need to promote, endorse, or support the cooperative.
3. A cooperative consists of a manager, board of directors, and officers, each with specifically assigned duties.

## Performance Objectives

1. Outline a business plan for a cooperative.
2. Identify the income and expenses for a business that uses the cooperative model.
3. Set criteria for selecting cooperative directors, officers, and managers.
4. Present a cooperative business plan to the class.

## Essential Questions

1. How is a cooperative business plan different than other business plans?
2. What information do you need to start a cooperative business?
3. How does cooperative membership and patronage impact its finances?
4. What items does a cooperative include in its budget to ensure they are following the seven guiding principles?
5. Who are the people involved in a cooperative business?
6. What is the role of a board of directors?
7. What is the role of a cooperative manager?
8. What do individuals want to know before joining a cooperative?
9. What would a bank want to know before lending money to a cooperative?

## Key Terms

**Asset** – Physical or financial property that has value and is owned by a business or individual.

**Budget** – An estimate, often itemized, of expected income and expense for a given period in the future.

**Business plan** – A detailed plan setting out the objectives of a business, the strategy and tactics planned to achieve them, and the expected profits, usually over three to ten years.

**Board of directors** – Made up of representatives from each member entity, creating a situation almost resembling a congressional body. Having a representative from each organization on the board of directors of a cooperative ensures that each company has a voice in strategic decision-making.

**Capital** – Wealth in the form of money or other assets owned by a person or organization or available or contributed for a particular purpose, such as starting a company or investing.

**Cash** – Money in the form of coins or banknotes, especially that issued by a government, or an equivalent, as a check, paid at the time of making a purchase.

**Competition** – Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practical combination of price, quality, and service.

**Dividend** – A distribution that a co-operative pays to its members based on a proportion of profit that the business earns.

**Expense** – Cost or charge.

**Goal** – The result or achievement toward which effort is directed; aim; end.

**Income** – The monetary payment received for goods or services, or from other sources, as rents or investments.

**Income statement** – An accounting of income and expenses that indicates a firm's net profit or loss over a certain period of time, usually one year.

**Investor** – A person who puts money to use, by purchase or expenditure, in something offering potential profitable returns, as interest, income, or appreciation in value.

**Manager** – A person responsible for controlling or administering all or part of a company or similar organization.

**Management** – The human factor within a production process (or a firm) that delimits problems, accumulates information relevant to their solution, analyzes that information, reaches decisions, acts on those decisions, and bears responsibility for the consequences of those actions.

**Market analysis** – The process of determining factors, conditions, and characteristics of a market.

**Noncash** – Of or constituting financial sources other than cash.

**Owner-member** - People who benefit from the products or services of a cooperative business and own the cooperative business.

**Patronage** – The financial support or business provided to a store, hotel, or the like, by customers, clients, or paying guests.

**Service** – An act of helpful activity; an activity that contributes to or supports another business' activity.

## Day-to-Day Plans

### Time: 7 days

#### Days 1 – 2:

- Present **Concepts, Performance Objectives, Essential Questions**, and **Module 3 Glossary** to students to provide a lesson overview.
- Provide a copy of **Task 3.1 Business Brainstorm** and **Task 3.1 Evaluation Rubric** to students.
- Students work in a team of three to complete *Task 3.1 Business Brainstorm*.
- Use *Task 3.1 Evaluation Rubric* to assess *Task 3.1 Business Brainstorm*.

#### Day 3:

- Provide a copy of **Task 3.2 Financial Planning** to students
- Students work in a team of three to complete *Task 3.2 Financial Planning*.

#### Day 4:

- Present PowerPoint® **Cooperative Roles**.
- Students take notes.
- Provide a copy of **Task 3.3 Direct Leadership** to students
- Students work in a team of three to complete *Task 3.3 Direct Leadership*.

#### Days 5 – 6:

- Provide a copy of **Task 3.4 Presenting the Plan** and **Task 3.4 Evaluation Rubric** to students.
- Students work as a team of three to complete *Task 3.4 Presenting the Plan*.
- Use *Task 3.4 Evaluation Rubric* to assess *Task 3.4 Presenting the Plan*.

#### Day 7:

- Distribute **Module 3 Assessment**.
- Students complete *Module 3 Assessment* and submit for grading.
- Use **Module 3 Assessment Key** to grade student assessments.

## Teacher Notes

### Task 3.1 Business Brainstorm

Students work in teams of three to start planning a cooperative business in a scenario where the school district is providing land.

### **Teacher Preparation**

The scenario sets the stage for students to plan a cooperative business using local school resources. You may choose to assign a scenario-based upon resources available at your school. For example, property or available facilities, such as a greenhouse or shop, could be used.

### **Student Performance**

Students have the opportunity to start a cooperative business. They work in teams to brainstorm ideas on what that. Students record their ideas on the *Business Description Outline*. They complete the task by typing a description of the cooperative business that includes the following.

- Name of the business.
- Description of the product or service the cooperative will provide to its members.
- Available school resources
- The goals for the business, including the time students think it will take to bring the plan to an operational business status.
- Explanation of how the cooperative will follow the seven guiding principles of a cooperative.
- Description of who will be interested in purchasing the product or service they plan to offer.
- List of any tools and equipment necessary for the business.
- List of existing businesses in the community with whom they will compete.

### **Results and Evaluation**

Use **Task 3.1 Evaluation Rubric** to assess the student's business description.

### Task 3.2 Financial Planning

Students work in a team of three to develop a budget for their proposed cooperative that shows how the cooperative will follow the seven principles.

### **Teacher Preparation**

Be prepared to review topics such as income, expense, cash, and non-cash with students after they have read the purpose. Refer to their definitions found in **Module 3 Glossary**. Students may have questions on how to set up a patronage refund. Refer them to the **Explanation of How Money Flows Through a Cooperative** example found at <https://www.co-oplaw.org/finances-tax/patronage/>.

### **Student Performance**

Students start the task by identifying all types of expenses that their cooperative will have and estimating what those amounts will be. Next, they estimate the cooperative's income from all possible sources, including membership fees and estimated cooperative patronage. Finally, students calculate their net gain or loss based on their predicted income and expenses.

### **Results and Evaluation**

Students estimate all cooperative income and expenses with a description of each explaining how the income and expenses reflect the guiding principles of a cooperative. Students record all estimates and descriptions on the *Financial Planning Sheet*.

### **Task 3.3 Direct Leadership**

Students work in a team of three to identify the roles of cooperative members, the board of directors, and the manager.

### **Teacher Preparation**

Present **Cooperative Roles** before starting this task. Students have the option to make a concept map showing the structure of their cooperative. The following are suggested options. Alternatively, students may prefer to develop a map on paper using colored pencils or markers.

- [bubbl.us](http://bubbl.us)

- **Lucidchart app** for Google ([https://gsuite.google.com/marketplace/app/lucidchart\\_diagrams/7081045131](https://gsuite.google.com/marketplace/app/lucidchart_diagrams/7081045131)) or **Lucidchart for iOS** (<https://www.lucidchart.com/pages/tour/ios-app>)
- **MindManager 2020** (<https://www.mindjet.com/>)
- **MindMup** ([www.mindmup.com/](http://www.mindmup.com/))

### **Student Performance**

Students begin the task by explaining how members will be actively involved in the cooperative. Then they determine the responsibilities of the board members as both officers and members of committees. Finally, students write a job description for hiring a manager for their cooperative.

### **Results and Evaluation**

Students record all information regarding members, board members, and manager expectations on the *Personnel Planning Guide* and submit their concept map for feedback.

## **Task 3.4 Presenting the Plan**

Students present a cooperative business plan to the class.

### **Teacher Preparation**

Determine the order that teams will present to the class. Invite community members, school board members, and others that may be interested in the cooperative business plans. Encourage those in the audience to ask questions at the end of each presentation.

### **Student Performance**

Students work in their teams to present their idea for a cooperative business. They use the Cooperative Description, Financial Planning Sheet, Personnel Planning Guide, and Structural Concept Map as resources for developing their presentation. Students have 3–5 minutes to present their plan. Allow an additional two minutes for questioning from the class and guests.

### **Results and Evaluation**

Use **Task 3.4 Evaluation Rubric** to assess student presentations. Outside guests may use *Task 3.4 Evaluation Rubric* to provide additional feedback to each team. You may choose to have a classroom vote at the end of all presentations to determine the most viable cooperative business idea.

## **Module 3 Assessment**

Use *Module 3 Assessment* on the final day as a formative assessment tool. The answer key is provided below for evaluation and feedback purposes.

1. What information should be in a business plan?

**A business plan should include a detailed description of the business, financial information, and information on how members make decisions.**

2. Who would want to review a cooperative's business plan?

**Current members, potential new members, and lenders.**

3. What decisions do founding cooperative members make before starting their business?

**Answers will vary. Example answers include the following.**

**Membership cost  
Income and expenses  
Structure for the board of directors  
Expectations for manager**

4. What income and expenses do a cooperative have that are unique to their financial plans?

**Membership fees  
Patronage refund or dividend  
Community service  
Member education**

5. How are the financial goals of a cooperative different from other businesses?

**The financial goal of most businesses is to have more income than expenses. A cooperative wants to have more income than expenses while providing member benefits such as a dividend, community involvement, and educational opportunities.**

6. Match the term to the correct description; you can use letters more than once.

- |                               |  |
|-------------------------------|--|
| <u>d,e</u> Board of Directors | a. Make recommendations on specific cooperative activities to the board of directors |
| <u>a,e</u> Committee members  | b. Hires cooperative employees and oversees daily operations                         |
| <u>c,e</u> Owner-members      | c. Elect the board of directors  |
| <u>b,f</u> Manager            | d. Hire the manager  |
|                               | e. Patronize the cooperative   |
|                               | f. Does not need to be a member of the cooperative                                   |

7. What information should a cooperative provide to prospective members interested in joining a cooperative?

**Answers will vary. Example answers include the following.  
Membership benefits and expectations  
Business plan  
Financial information**

## Supplies and Materials

APP	Qty/ 20	Qty/ 30	Unit	Item Specifications	Vendor
Task 3.1	20	30	Each	Computers with word processing software	Local
Task 3.2	20	30	Each	Calculator	Local
	20	30	Each	Electronic devices with internet access	Local
Task 3.3	7	10	Each	Computers with concept mapping software (optional)	Local
	7	10	Sets	Markers or colored pencils	Local
	7	10	Each	Poster board	Local
Task 3.4	20	30	Each	Computers with presentation and word processing software	Local

## Reference Sources

- Dictionary.com. (2017). *Dictionary.com*. Dictionary.com LLC. Retrieved from [www.dictionary.com](http://www.dictionary.com)
- Herren, R. V., & Donahue, R. L. (2000). *Delmar's agriscience dictionary with searchable CD-ROM*. Albany, NY: Delmar.
- Ingram, David. (n.d.). *What Are the Functions of the Board of Directors in a Cooperative?*. Small Business - Chron.com. Retrieved from <http://smallbusiness.chron.com/functions-board-directors-cooperative-15704.html>

National Cooperative Business Association. (2019). *What is a cooperative?*. Retrieved from <https://ncbaclusa.coop/resources/what-is-a-co-op/>

Wadsworth, J. and Eversull, E. (2016). *Co-ops 101: An introduction to cooperatives*. United States Department of Agriculture.

## Acknowledgments



EDUCATION · COMMUNITY · AGRICULTURE  
[www.mylocalcooperative.org](http://www.mylocalcooperative.org)

a project of



NATIONAL  
FFA ORGANIZATION

sponsored by

