



Unit 3 - The Structure of Cooperatives

Objective

The objective of this unit is to teach the student the various cooperative structures based on the five classified areas.

After completion, the student should:

1. Understand the five areas that classify cooperative structure.
2. Know the two types of financial structures for cooperatives.
3. Be able to match the correct structural classifications for each of the categories of geographic region, control, and functions performed.
4. Be able to match the definition of other structural arrangements with the proper classification.

Instructor Directions

1. Become familiar with the information provided as well as listed reference materials.
2. Lead the discussion using PowerPoint slides and/or selected references provided. The instructor discussion guide serves as an outline.
3. Have each student identify a cooperative in the area, and research the structural organization by interviewing the local manager and others. Then each student should give a report detailing her/his findings.

Unit 3 - Index and References

Teaching Tools

Instructor Discussion Guide

Quiz 3

Quiz 3 Answers

Unit 3 PowerPoint Slides

S 3.1 Cooperative Structure Types

S 3.2 Financial Structures – Stock

S 3.3 Financial Structures – Nonstock

S 3.4 Geographic Territory Served Structures – Local, Super Local, Regional

S 3.5 Geographic Territory Served Structures – Interegional and International

S 3.6 Governance or Control Structures – Centralized

S 3.7 Governance or Control Structures – Federated

S 3.8 Governance or Control Structures– Mixed

S 3.9 Cooperative Functions

S 3.10 Marketing Cooperatives

S 3.11 Purchasing (Supply) Cooperative Functions

S 3.12 Rural Service Cooperative Functions

S 3.13 Other Structural Arrangements

S 3.14 Other Structural Arrangements (cont.)

S 3.15 Other Structural Arrangements (cont.)

S 3.16 New Generation Cooperatives

Teacher References

CIR 55: Co-ops 101

CIR 5: Cooperatives in Agribusiness

CIR 11: Cooperatives: What They Are and the Roles of Directors, Members, Management, and Employees (chapter 1)

CIR 11 Chapter 1 PowerPoint

CIR 45, Section 3: The American System of Business

Student References

CIR 5: Cooperatives in Agribusiness

CIR 11: Cooperatives: What They Are and the Roles of Directors, Members, Management, and Employees (chapter 1)

CIR 45, Section 3: The American System of Business

Unit 3 - Instructor Discussion Guide

Corresponding slides are in parenthesis with associated discussion points, denoted "S" for slide and by number.

I. Cooperatives exist in nearly every business sector, and are organized in a variety of ways. Like other businesses in our economy, they range in size from organizations with only a few member owners to massive and complex organizations involving thousands of member owners. The way a cooperative is organized determines how it is operated, managed, and controlled by its members.

II. Structure can be classified into five areas. (S 3.1)

- a) Financial structure
- b) Geographic area served
- c) Governance or control structure
- d) Functions performed
- e) Other structural arrangements

III. Financial Structures. (S 3.2 & S 3.3)

- a) Stock cooperatives
- b) Nonstock cooperatives

IV. Geographic or Territory Served Structures. (S 3.4 & S 3.5)

- a) Local cooperatives
- b) Regional cooperatives
- c) Interregional or national cooperatives
- d) International cooperatives

V. Governance or Control Structure. (S 3.6, S 3.7, & S 3.8)

- a) Centralized
- b) Federated
- c) Mixed (combination)

VI. Functions performed by cooperatives also designate their structure. Those three classifications and subgroups

are: (S 3.9, S 3.10, S 3.11, & S 3.12)

- a) Marketing
 - 1) Bargain
 - 2) Process or assemble
 - 3) Sell products

Unit 3 – Instructor Discussion Guide (continued)

b) Purchasing (also supply)

- 1) Purchase in volume
- 2) Manufacture
- 3) Process or formulate
- 4) Distribute

c) Selected service

VII. Other structural arrangements include: (S 3.13, S 3.14, & S 3.15)

- a) Subsidiary corporation
- b) Marketing agency-in-common
- c) Joint venture
- d) Contract agent
- e) Private dealers

VIII. New Generation Cooperative – contemporary cooperative structure with the mission to add value to a raw product and market that end product for increased membership benefit (S 3.16).

- a) Finite (closed) membership
- b) Membership shares tied to delivery (of raw product) rights
- c) Membership shares can appreciate/depreciate and be traded

Have students take Quiz 3 and then discuss answers.

Quiz 3

1. List three of the five areas that classify cooperative structure.
 - a)
 - b)
 - c)
2. List the two types of financial structures for cooperatives.
 - a)
 - b)
3. From the list on the right, place the proper letter under the correct heading that identifies the structural classification for each category.

1) Geographic area	a) Regional
	b) Centralized
	c) Marketing
2) Governance or control	d) Interregional or national
	e) Supply
	f) Local
3) Functions performed	g) Combination
	h) Selected service
	i) International
	j) Federated

Quiz 3 (continued)

4. Match the definition below (letters) with the correct structural arrangement listed.

_____ Subsidiary

_____ Contract agent

_____ Joint venture

_____ Private dealers

_____ Marketing agency in common

_____ Holding company

a) Corporation organized, owned, and controlled either directly or through trustees by a parent cooperative.

b) Association of two or more participants, persons, partnerships, corporations, or cooperatives to carry on a specific economic operation, enterprise, or venture.

c) A corporate entity with a controlling ownership in one or more operating companies.

d) As a franchise, this person keeps the records. If the franchise makes money, and pays patronage refunds, these go to the patrons, and the individual is paid a commission on sales.

e) A county or community cooperative may organize, owning nothing but contracts, and pays money to hire an agent to handle the goods and keep records. Patronage refunds are paid on the basis of records turned over.

f) Organized by two or more marketing cooperatives to market the output of member cooperatives.

5. Characteristics of new generation cooperatives: (fill in the blanks)

a) A new generation cooperative _____ to raw products.

b) Membership in a new generation cooperative is _____.

c) Membership shares can _____ or _____ and can be _____.

Quiz 3 Answers

- List three of the five areas that classify cooperative structure.
Students should include three of the following:
 - Financial structure
 - Geographic area served
 - Governance or control structure
 - Functions performed
 - Other structural arrangements
- List the two types of financial structures for cooperatives.
 - Stock cooperatives
 - Nonstock cooperatives
- From the list on the right, place the proper letter under the correct heading that identifies the structural classification for each category.
 - Geographic area: a, d, f, i
 - Regional
 - Centralized
 - Marketing
 - Interregional or national
 - Supply
 - Local
 - Combination
 - Selected service
 - International
 - Federated
 - Governance or control: b, g, j
 - Functions performed: c, e, h
- Match the definition below (letters) with the correct structural arrangement listed.

__a__ Subsidiary	__e__ Contract agent
__b__ Joint venture	__d__ Private dealers
__f__ Marketing agency in common	__c__ Holding company

 - Corporation organized, owned, and controlled either directly or through trustees by a parent cooperative.
 - Association of two or more participants, persons, partnerships, corporations, or cooperatives to carry on a specific economic operation, enterprise, or venture.
 - A corporate entity with a controlling ownership in one or more operating companies.
 - As a franchise, this person keeps the records. If the franchise makes money, and pays patronage refunds, these go to the patrons, and the individual is paid a commission on sales.
 - A county or community cooperative may organize, owning nothing but contracts, and pays money to hire an agent to handle the goods and keep records. Patronage refunds are paid on the basis of records turned over.

Quiz 3 Answers (continued)

- f) Organized by two or more marketing cooperatives to market the output of member cooperatives.
5. Characteristics of new generation cooperatives: (fill in the blanks)
- a) A new generation cooperative adds value to raw products.
 - b) Membership in a new generation cooperative is closed or finite.
 - c) Membership shares can appreciate or depreciate and can be traded.