



Mid America Cooperative Council

2003-2013

"A Decade of Cooperative Education"

MACC VOICE

July 2013 Newsletter

2013 MAC-ED PROGRAM CALENDAR

Co-ops 101

July 23	Trupointe Co-op	Xenia, OH
July 25	Beacon Credit Union	Wabash, IN
Aug. 1	Agland Co-op	New Philadelphia, OH
Aug. 20	Scheurer Prof. Building	Pigeon, MI
Sept. 20	Farm Credit Mid-America	Louisville, KY
Nov. 8	Farm Credit Mid-America	Louisville, KY

Co-op Credit Conference

Oct. 17-18 Holiday Inn North Indianapolis, IN

CFO Essentials Conference

Nov. 20-21 Embassy Suites North Indianapolis, IN

CFO/Controller Conference

Nov. 21-22 Embassy Suites North Indianapolis, IN

Co-op Board Chairmen's Roundtable

Dec. 12-13 AIEC Springfield, IL

MACC's core purpose is Cooperative Education. We also wish to alert you about the following federal cooperative issues:

- Credit Union Tax Exemption
- Credit Union Regulatory Relief
- Electricity Transmission issues
- Dairy Amendment/House Ag Committee
- 2012 Farm Bill
- Immigration Reform
- Sugar Bill Amendment/Senate

Many MACC members are very interested in the Immigration Reform Bill, as it relates to guesswork or policies. MACC members may find more information at:

www.agworkforcecoalition.org

(NOTE - This is not an endorsement of this bill, it is for informational purposes only)

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The Values of Cooperatives - Beyond the 7 Cooperative Principles (Part 3 of a 3 Part Series)

MEMBER BENEFITS

A cooperative ("co-op") is an autonomous association of persons who voluntarily cooperate for their **mutual, social, economic, and cultural benefit**. Cooperation dates back as far as human beings have been organizing for **mutual benefit**. Tribes were organized as cooperative structures, allocating jobs and resources among each other, only trading with the external communities.

Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. **Economic benefits** are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases; or by the reduction of product costs, etc.; rather than according to capital invested.

Business and employment cooperatives (BECs) are a subset of worker cooperatives that represent a new approach to providing support to the creation of new businesses. Like other business creation support schemes, BECs enable budding entrepreneurs to experiment with their business idea while **benefiting from a secure income**. The innovation BECs introduce is that once the business is established, the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the cooperative. The micro-enterprises then combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other.

Agricultural cooperatives or farmers' cooperatives are cooperatives where farmers **pool their resources for mutual economic benefit**. Agricultural cooperatives are broadly divided into agricultural service cooperatives, which provide various services to their individual farming members, and agricultural production cooperatives, where production resources such as land or machinery are pooled and members farm jointly.

In summation, cooperative members contribute equally to, and democratically control, the capital of the cooperative. **This benefits members in proportion to the business they conduct** with the cooperative rather than on the capital invested. (*excerpts from <http://en.wikipedia.org/wiki/Cooperative>*)

(continued on Page 2)

The Values of Cooperatives (cont'd.)

Saluting the Value of American Agriculture

by Randy Barbee/Farm Credit Mid-America

Similar to the Mid America Cooperative Council's mission of advocating cooperative principles, Farm Credit Mid-America strongly believes in supporting our rural communities for the long-term viability of agriculture. Here are just a few of the ways we provide **benefits to those communities**:

- Providing an exceptional customer experience – That value is demonstrated through ensuring the farm community has access to products and services that protect farmers against volatility in agriculture. This includes competitive, long-term fixed rates and crop insurance as well as services that allow customers to “convert” or reduce their interest rate when conditions in the marketplace allow.
- Supporting youth – There is probably no one area that generates as much enthusiasm and passion from our staff than engagement with youth in agriculture. Through scholarships and support of programs such as the FFA and 4-H, Farm Credit staff is excited to see tomorrow's agriculture leaders succeed.
- Connecting farm with community - Farm Credit advocates bridging the agriculture and urban gap through support of local food initiatives and groups who deliver positive agriculture messages to both farming communities and metropolitan areas.

Farm Credit Mid-America is a \$20 billion lender to agriculture and offers farm real estate, operating, equipment and home loans, as well as services such as leasing and crop insurance, to almost 100,000 customers throughout Indiana, Ohio, Kentucky and Tennessee.

Thanks to our MAC-Ed Sponsors & Scholarship Providers!



Rod's Thoughts

As MACC continues its' series on “**Members Receives the Benefits**” of their cooperative, I will pass along the classic cooperative benefits from a presentation by Dr. Chris Peterson of Michigan State University. Dr. Peterson has enlightened many over the years, on how cooperatives benefit their membership. I am taking the liberty to use the phrase “member/owner” or “owner” in reference to the cooperative's membership.

- The services or products the cooperative provides to its' member/owners is the core reason the cooperative was founded. We find that every cooperative is as unique in the needs of their membership as the individual personalities of those member/owners. Also, we can assume that the founding members were also unique in identifying the needs for creating their cooperative.
- The member's share of the profits is commonly delivered in three distinctly different methods: Voluntarily lowering rates or costs of services is the common practice for credit unions, most service cooperatives and the MACC Member, Farm Credit of Mid America.
- Returning a portion of the cash profits back to the member after all expenses are paid and an adequate reserve is identified. The balance is returned to the member based on their use of the cooperative, in the form of cash. *NOTE: this is not the same as dividends for investor owned companies that are based on ownership, or other rebates.*
- Returning a portion of the cash profits back to the member/owners as equity or common stock in their cooperative. This is also referred to as paper stock that the cooperative hopes to revolve into cash in a few years. *NOTE: The elected board of directors for the cooperative establishes the method, timing, and amount of the member's share of the profits that is returned.*
- The service difference that cooperative member/owner receives is thought to be better for owners of cooperatives than for customers of investor owned businesses. The other classic side benefit of this difference is the relationship established between the employee of the cooperative and the member/owner. This is largely established on the cultural differences many employees experience while working for a cooperative where customers are owners, rather than an investor owned company where the owner is detached and may live thousands of miles away from the business.
- The value of existence, which stabilizes the market where the cooperative exists. When cooperative businesses are operating in the marketplace, they moderate prices and services for all businesses that compete in that marketplace. Some scholars have written that cooperatives generally form when a marketplace is broken or dysfunctional, and goods and services are not available.
- The value of risk reduction exists for individual member/owners. When individuals combine with others for mutual benefit they are able to establish greater market power. Bargaining for all members of the cooperative lowers the market risk for each individual owner, rather than bargaining for themselves. Every cooperative has stories of individual members that get a better deal outside the co-op for a year or two, only to have the market change and then come back to the mutual security of the cooperative.
- The price difference of the product or services. This benefit is commonly overlooked, as one of the creeds of our cooperative culture is to price products and services at a “cost plus” basis. The cost is the sum of the product cost + service cost + operating risk cost. One of the benefits of the value of existence and the value of risk reduction, is a lower cost for products or services to its' member/owners. Additionally, the cooperative is free of investor owners that are looking for a profit from their invested ownership in the business.

The next time you speak with your member/owners about the benefits of their cooperative, just remind them that it is much more than the fair price or prospective cash patronage. **Our cooperative business has many benefits for its' member/owners.**