

Cooperatives and Rural Development

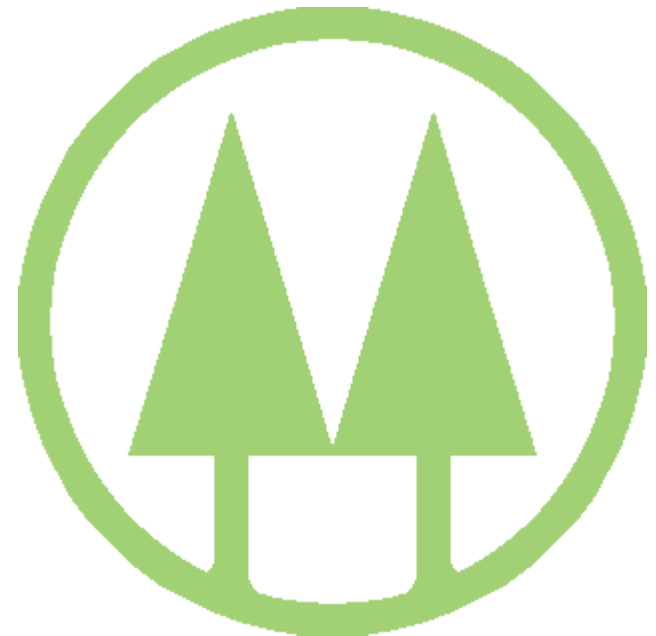


**HUD Rural Gateway
Conference Call**
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What is a Co-op?

- **A cooperative is a business owned and democratically controlled by the people who use its services.**
 - *Member - owner*
 - *Member - control*
 - *Member - benefits*



*Achieve together what you can't
accomplish individually*



Various types of co-ops

Defined by who owns the organization



Consumer Co-ops



Producer Co-ops



Shared Services Co-ops



Worker Co-ops

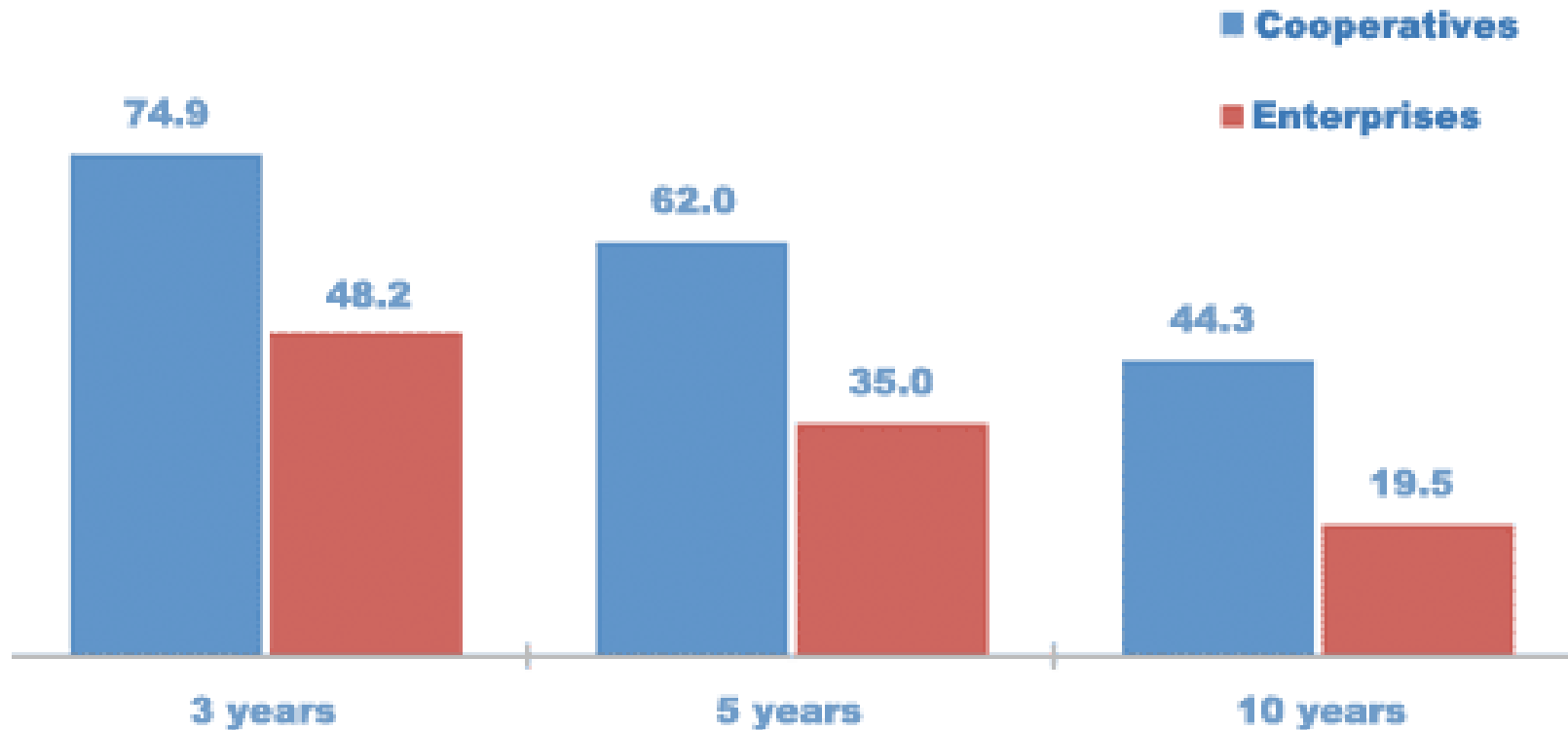
Economic Development

- **Shared entrepreneurship**
 - Spread the risk
 - Share the rewards
- **Create wealth**
 - More than creating jobs
 - It's about ownership
 - Patronage refunds
- **Sustainability**



*Walter Vicente, a worker-owner at
Opportunity Threads Cooperative
Morganton, North Carolina*

Survival Rate of Co-ops in Quebec



Source: 2008 data from the Quebec Ministry of Economic Development, Innovation and Export; data tracked since 1990

Community Economic Development



- **Local ownership**
- **Keep decision making local**
- **Local investment**
 - Pooled resources
 - Patient capital
- **Creating community**



*Social enterprise of people with disabilities (and their coaches)
operating five bakery co-ops in Toronto, Canada*

Leadership Development

- **Understand financials**
- **Policy development**
 - Priority setting
 - Balancing personal needs with the common good
- **Democratic process**
 - Meeting techniques
 - Communication
 - Wearing multiple hats
- **Serve on committees**
- **Run for office**



*Lois Clark and Donna Tompkins
Cooperative Care board meeting circa 2001*

Since 1926...

- **1867 - USDA's first activity with co-ops**
- **1926 – Cooperative Marketing Act – Congress mandated USDA to assist with rural co-ops**
 - **Original focus on agriculture**
 - **As rural areas diversify, so too their co-ops**



USDA- Support for Co-ops

- **Education**
 - Free publications
- **Research and statistics**
 - agriculture
- **New co-op development**
 - Fund co-op development centers to provide technical assistance (\$5.8 million in 2016)
 - Since 1993, about 35 centers funded by \$100 million in Rural Cooperative Development Grants (RCDG)
- **Loans and grants to existing co-ops**



Co-op Development Centers

- **Offer generalized services**
- **Many have industry specialties**
 - **Farmers co-ops**
 - **Retail food co-ops**
 - **Worker, ownership conversions**
 - **Housing (resident owned communities)**
- **Most utilize a “one-off” or SBDC approach**
 - **Client contacts center with an idea**
 - **Center helps recipient develop new co-op business “from scratch”**



Rural Electric Co-ops in the US (1935-1945)

*Co-ops - a practical way to
efficiently achieve a major goal*

Why Do Electric Co-ops Matter?



- **Within a decade, rural America got electricity**
 - At-cost, reliable
 - Member-owned
- **Urban corporations refused to run electric lines in rural areas**
 - Not enough profit
- **Because of infrastructure costs, needed government**
 - 1935 Rural Electrification Administration

A Once in a Generation Opportunity

*To build ownership, wealth, and
local control across the country...*



The Silver Tsunami



Over the next two decades, 70% of privately held businesses will change hands

- Retiring baby boomer business owners**
- Will touch rural America first**

What will happen to those rural businesses?

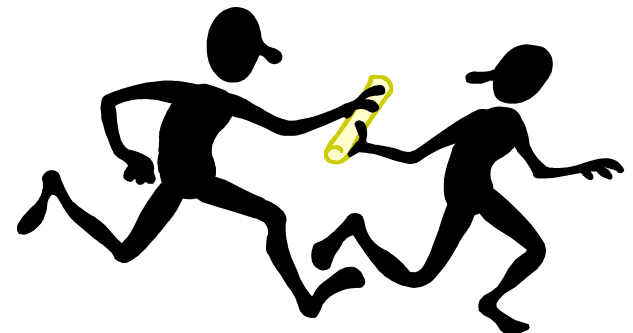
- **Family members not interested**
 - 15% conversion to second generation
 - 5% conversion to third generation
- **Sell to third party (competitor or private equity firm)**
 - Glean customer list
 - Remove equipment
 - Close business



Why not sell business - over time - to employees?

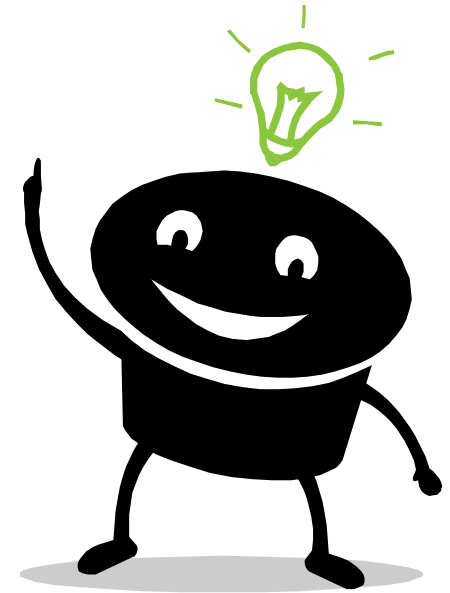
Worker co-op or democratic ESOP (pension plan)

- **For employees**
 - Retain jobs
 - Active role in governance
 - Create long term wealth
- **For community**
 - Ownership and decision making remain local
- **For owner**
 - Equitable price
 - Legacy after lifetime of work



Where to focus our efforts?

- **Types of businesses**
 - **Viable companies**
 - **Financially stable**
 - **In an industry with a future**
 - **Owner nearing retirement age**
 - **Firms with 1-100 employees**
 - **“middle skill” jobs**
- **Spread the word**
 - **to accountants, attorneys**
 - **to lenders**
 - **to economic development professionals**



For More Information

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