



Montana Cooperative Development Center and Montana Council of Cooperatives

By Tracy McIntyre, Executive Director

[tracy@mcdc.coop](mailto:tracy@mcdc.coop)

[mcdc.coop](http://mcdc.coop)

[montanacouncil.coop](http://montanacouncil.coop)

Unite, Sustain, and Promote Cooperative Businesses across and utilizing the Cooperative Business Model to address community and economic needs across Montana and beyond

1

## Introductions



Tracy McIntyre  
Executive Director  
25 years in Co-op and  
Eco. Development



- Cooperative Education
- Co-op Development Services



- Co-op Advocacy
- Co-op Connections

2

## Let's Start with What is a Cooperative.

International Co-op Alliance: "An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise."

It is, in simple terms, an enterprise created by a group of people who join forces and work together to solve a problem or reach a goal they all share.

### Benefits of a Cooperative:

- Access to quality supplies and services
- Increased buying power and leverage
- Share in earnings
- Effective Political Action
- Greater Impact on the local economy
- Democratic Control

***A Cooperative is owned and democratically controlled by the members who use it.  
Members can accomplish more collectively than they could individually.***

Montana Cooperative Development Center | Montana Council of Cooperatives

05

3

## How are Cooperatives Different from Other Business Models?

- Benjamin Franklin
- 1844 Rochdale Pioneers
- Global Form of Business
- State and Federal Regulations
  - State by State
- Cooperatives are not chartable entities
  - Some are "not-for-profit" or have Tax Exemptions
- Two Forms of stock
  - Common (ownership)
  - Preferred (investment)
- Focus is on the need and members, not stockholders and profits
- Is not chartable by nature
- Owned by the members



### Business Model Comparisons



| MODEL                                                                  | OWNERSHIP & CONTROL                                                                                                                                                                                                     | BENEFITS                                                                                                                                        | CONSIDERATIONS                                                                                                                             |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cooperative</b><br>Create wealth, provide services, benefit members | <b>Members:</b> ownership based on holding share of common stock. Financed by sale of shares to members. Limited legal liability. Members democratically set policy and elect board of directors. One member, one vote. | Social business founded to provide services for members and community. Legally considered a corporation. Earnings from business are taxed once. | Profits are allocated to members based on level of use (patronage). Each member has equal voting power. Guided by 7 Cooperative Principles |
| <b>Sole Proprietor</b><br>Generate wealth for owner                    | <b>Individual owner:</b> Financed by owner. Full legal liability. Owner sets policy and manages business.                                                                                                               | Simple and inexpensive to start. Owner reports on personal tax return.                                                                          | Owner personally liable for business debts.                                                                                                |
| <b>General Partnership</b><br>Generate wealth for partners             | <b>Partner owners:</b> Financed by partners. Full legal liability. Partners vote in proportion to investment. Partners set policy and manage business.                                                                  | Partners report on personal tax returns.                                                                                                        | Partners personally liable for business debts. Profits distributed in proportion to investment.                                            |

Montana Cooperative Development Center | Montana Council of Cooperatives

06

4

## The Seven Guiding Cooperative Principles

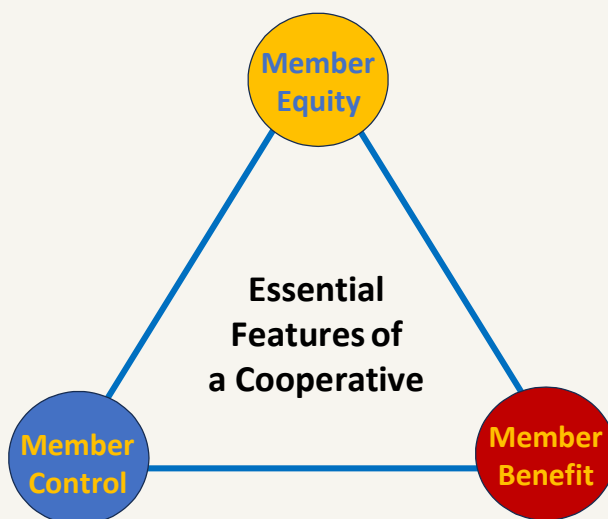
Montana Cooperative Development Center | Montana Council of Cooperatives

07



5

## A Cooperative Is:



### Member Equity

*Members have a financial stake*

### Member Control

*Members contribute to decision-making*

### Member Benefit

*Co-op meets members' needs*

Montana Cooperative Development Center | Montana Council of Cooperatives

05

6

## Montana Co-op Structures



**CO-OPS  
START HERE**

## MONTANA COOPERATIVE STATUTES

MONTANA CODE ANNOTATED (MCA) SECTION 35

**CHAPTER 15**  
**COOPERATIVE ASSOCIATIONS**



**Growth area:**

- Real estate and community investment
- Childcare
- Housing
- Worker ownership
- Purchasing
- Multi-stakeholder



**CHAPTER 16**  
**AGRICULTURAL COOPERATIVE**



- Not used in Montana any longer.
- Has restrictions around land and development.
- Development is processed locally at the courthouse.
- No examples to share.



**CHAPTER 17**  
**AGRICULTURAL MARKETING CO-OPS**



- Also experiencing some growth.
- Must be a producer or in the value-added ag chain to utilize.
- Examples include meat processing co-ops, ag supply and marketing co-ops.



**CHAPTER 18**  
**UTILITY COOPERATIVES**



- Most of these are dated back to the 1930's.
- Not seeing any newer growth, yet.
- Examples include Lincoln Electric Cooperative and Mid-Rivers Communications.



**ADDITIONAL CODES**  
**CREDIT UNIONS & OUT-OF-STATE CO-OPS**



- There are additional codes here in Montana for credit unions and out-of-state cooperatives.



Montana Cooperative Development Center | Montana Council of Cooperatives

10

7

## Why Cooperatives? Local Solutions By Local People

- **Control:** Management is controlled by elected members of a board of directors. One vote per member, regardless of the amount of equity the member has in the cooperative
- **Capital:** Equity comes from the members rather than outside investors. Can offer investment stock but investors do not have additional ownership. The members' liability is limited to the amount invested.
  - Cooperatives can apply for loans, grants, etc. like other corporations
- **Taxes:** Earnings are taxed once, either as the cooperative's income when earned or as income of the members when allocated.
- **Earnings** are allocated to the members based on the cooperative's net margin of the year, not the equity held. The allocation may be distributed in cash or retained as additional equity (but not ownership).
  - Caveat 1: There are different types of cooperatives (utilities, ag, credit unions) that earnings may look different capital credits for example.
  - Caveat 2: For most new cooperative formed in Montana the MCA's layout specific steps on how earnings are shared with investors, reserves and patronages

Montana Cooperative Development Center | Montana Council of Cooperatives

10

8

### 3. Cooperative Impact on Montana



Montana Cooperative Development Center | Montana Council of Cooperatives

08

9

### The Ecosystem of Montana's Cooperatives

180 different cooperatives in the State Agriculture

4 co-op associations – The Council, Montana Electric Co-op Association, Broadband MT, and Montana Credit Unions.



Montana Cooperative Development Center | Montana Council of Cooperatives

08

10

## Housing Cooperatives

A housing cooperative is a form of homeownership in which the residents collectively own and control the developments in which they live. Residents buy membership stock in a cooperative, which owns the land, building and common areas. Residents obtain exclusive rights to occupy a specific unit.

Benefits of a housing cooperative:

- More than 1.2 million people live in cooperative housing in the US.
- Cooperatives have a higher rate of owner occupancy than condominiums.
- Multiple types of housing cooperatives: Market rate, Limited equity, Senior Housing, Resident-owned communities, Co-housing, Community investment
- Provides a pathway to homeownership for the "missing middle" in affordable housing



11

## Community Development Cooperatives

Also known as Opportunity Development Cooperatives, or investment co-ops, are for-profit co-ops made up of local community members who identify a business, projects, or causes into which they choose to invest cooperatively

Benefits of a Community Development Cooperative:

- Directed by local leadership and use community-based financing
- Members decide how their funds will be used to have the greatest impact on their community
- Spark economic development, create jobs, aid in business succession, support young entrepreneurs
- Ensure local communities thrive by growing local leadership, empowering members, and building community pride

12

## Consumer Cooperatives

Consumer Cooperatives are owned by the people who do business there. By combining member demand, a co-op can provide better availability, selection, pricing, service or delivery of products or services to individual customers.

### Benefits of a consumer cooperative:

- Credit unions, electrical co-ops, and telecommunications are types of consumer cooperatives
- Retail stores, restaurants, breweries, grocery stores and shared services such as printing, marketing, or wholesale purchasing can be organized as or converted to co-op models
- Provide increased purchasing power, supply essential services, more access to goods and services
- Members share in the profits based on annual patronage or use of cooperative

13

## Agricultural Cooperatives

Agricultural Cooperatives are owned by farmers or ranchers. Individual producers work together to buy necessary supplies and services, as well as to distribute, market and sell their products. Farmers save costs and access goods and services otherwise unavailable to them.

### Benefits of an Agricultural Cooperative:

- Ag supply cooperatives produce or supply goods or materials to their members
- Ag marketing cooperatives provide sales outlets for the products supplied to them by their members and patrons
- Members share in profits through patronage
- Provide lower cost and better access to necessary goods and services needed to run an ag business

14

# Childcare Cooperatives

Childcare Cooperatives are one alternative in the childcare mix. A group of stakeholders organize a childcare cooperative to develop, build, run, and invest in childcare services in their community. Childcare co-ops can take on a variety of forms to fill the specific needs of their own community

Benefits of a childcare cooperative:

- Members share in the capitalization and ownership of the co-op to make the best decisions for their needs and situations
- Multiple types of cooperative childcare are possible: parent, worker, employer, shared services, multi-stakeholder, and community investment
- Childcare co-ops can work cooperatively with other organizations, providers, and businesses
- Often acts as a bridge to fill in gaps in the existing childcare landscape



15

## Building a Cooperative – The Road Map



Montana Cooperative Development Center | Montana Council of Cooperatives

11

16



 **CO-OPS**  
**START HERE**

*Call us when you want to*  
**EXPLORE A COOPERATIVE SOLUTION.**

 **406-727-1517**

 **[mcdc@mcdc.coop](mailto:mcdc@mcdc.coop)**

 **[mcdc.coop](http://mcdc.coop)**

 **[montanacouncil.coop](http://montanacouncil.coop)**

Montana Cooperative Development Center | Montana Council of Cooperatives

11