

Community Program Guide



MONTANA COOPERATIVE IMPACT WEEK

Northeastern Montana

May 7- 9, 2018



Welcome to Your Cooperative Impact Week! NORTHEAST MONTANA

The Montana Cooperative Development Center (MCDC) and the Great Northern Development Corporation are pleased to bring to Northeast Montana three days of activities, dialogue and presentations focused on the cooperative business model. We are eager to tell youth and young professionals about co-op careers and the positive impact co-op businesses have on the region’s economy. The public is welcome to attend several of the scheduled events to learn more about the history of local cooperatives and their future role in rural Montana.

Inside this program guide you’ll find information about cooperatives that may surprise you. Did you know that Montana has more than 160 cooperative utilities, retail/farm supply stores, producer co-ops, and financial institutions? There are 25 rural electric co-ops alone that serve rural Montana, including NorVal and Sheridan electric cooperatives. Interestingly, all 51 credit unions in Montana also are cooperatives, and farm supply co-ops have sold agricultural inputs to farmers and ranchers in the state for more than 100 years.

In celebrating co-ops, we remind ourselves that these businesses are locally owned and governed by the people who directly benefit from their services. Co-ops try to hire locally, and they provide good jobs to people we know and can earn our trust. Cooperatives are governed by boards that are democratically elected by the member-owners: one member, one vote. Decisions are made for long-term stability of the enterprise rather than short-term gain. Cooperatively-owned businesses keep their net proceeds (profits) close to home where they can have maximum benefit to the local community.

Finally, this special week is about the future and the next generation. Young people with leadership skills are needed on co-op boards as well as in co-op management positions. Rural cooperatives need new customer service workers, skilled technicians, and financial professionals as baby-boomers retire. Small businesses struggling to survive might consider converting into a worker or consumer co-op in order to keep their doors open.

We are grateful to all of our funding partners — CHS Foundation, Montana Farmers Union, and the Montana Council of Cooperatives — for making this Co-op Impact Week program possible. Please join in the fun!

Janice M. Brown, MCDC Executive Director - www.mcdc.coop



The CHS Foundation has generously awarded MCDC two, \$25,000 Cooperative Education Grants to support Cooperative Impact Weeks throughout Montana over the next several years.

Financial support from Montana Farmers Union, based in Great Falls, has helped to cover special event costs, advance publicity, and logistical expenses for this Cooperative Impact Week. We appreciate their generosity!



The Montana Cooperative Education Fund was created to educate adults and youth about the cooperative business model. This fund is jointly administered by MCDC and the Montana Council of Cooperatives, an 80-member trade organization working to unite, promote and strengthen cooperative businesses across Montana.



SEVEN COOPERATIVE PRINCIPLES

Cooperatives around the world generally operate according to the same core principles and values, adopted by the International Co-operative Alliance in 1995. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844.

1. Voluntary and Open Membership

Volunteer



Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Democratic



Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

3. Members' Economic Participation

Economic



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 capital invested.

4. Autonomy and Independence

Independence



Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5. Education, Training and Information

Education



Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperation



Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Community



While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

COOPERATIVE IMPACTS: TANGIBLE AND INTANGIBLE CONTRIBUTIONS TO MONTANA'S RURAL ECONOMY

George W. Haynes, Ph.D, Professor and Extension Economist, Montana State University

Locally-owned and managed businesses, such as cooperatives and small businesses, are important to the survival and success of rural communities. These businesses impact the local community in many ways, including providing jobs, paying taxes, buying good/services from other local businesses, contributing to social fabric of the community, and other contributions.

Cooperatives make critically important financial contributions to the Montana economy. In 2015, cooperatives had annual revenues of nearly \$2.2 billion, made direct expenditures of \$790 million, and provided nearly 4,500 jobs (Note that the economic impact of Montana's cooperatives is likely underreported because only seven agricultural cooperatives responded to the survey.) These direct expenditures included \$361 million in salaries, worker benefits, and payroll taxes; over \$27 million in occupancy and utility payments; nearly \$38 million in Montana taxes; \$71 million in member dividends, payouts, and stock retirements; and, \$7 million in scholarships, educational funds, and other community contributions. (Montana Cooperative Development Center and Montana Council of Cooperatives, 2016). Based on annual revenues (\$2.2 billion), cooperatives revenue comprised about 4.8% of total state gross product (\$45.8 billion gross state product in 2015) in Montana.

Based on a study entitled Research on the Impact of Cooperatives (University of Wisconsin Center for Cooperatives, 2009), farm supply and marketing cooperatives in Montana generate over 43% of total cooperative revenue followed by utilities (40%) and credit unions (15%) (Chart 1). Utility cooperatives, which include electric, telephone, and water utilities, pay the highest share of total cooperative wages and salaries (38%), followed by credit unions (28%), and farm supply and marketing cooperatives (21%) (Chart 2).

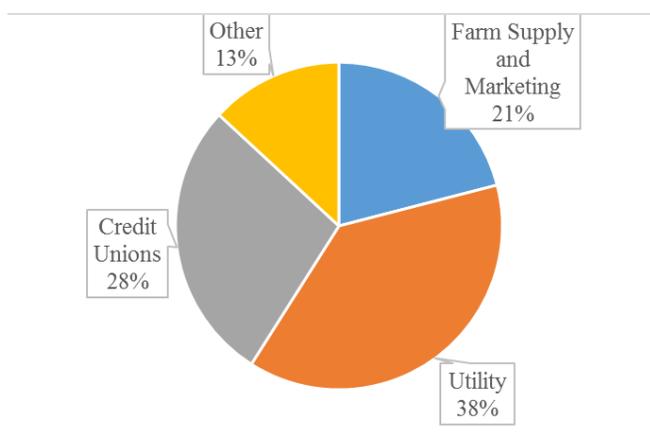


Chart 1. Share of Total Revenue Generated by Cooperatives in MT

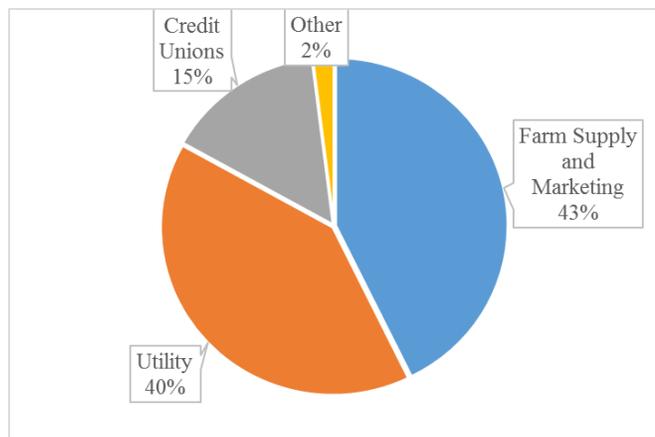


Chart 2. Share of Total Wages and Salaries Paid by Co-ops in MT

The value of the cooperative includes the economic value of the cooperative, value of the cooperatives presence in the marketplace and value of the cooperative to the member-owners (Reynolds). The value of the cooperative is measured by the firm's impact on the marketplace. An example is credit unions, which began offering saving lending services to consumers in the 1920s when many banks didn't offer these services to ordinary working people (Hueth and Reynolds, 2011). Credit unions met the demand for fair consumer loans to ordinary people and have continued to compete in the financial services market by differentiating themselves by price, access, and quality of service.

The value of cooperatives presence in the marketplace is based on their financial metrics, such as total assets, revenue, and profits. These firms face the same financial analyses as investor-owned firms, where they must generate an ac-

ceptable return on investment. The value of the cooperative to member-owners is much more complex. Members are concerned about prices charged and services offered, investments made, annual cash patronage distributions, and the value of their investment. However, the member-owner value extends beyond these financial considerations. Cooperative have significant impacts on communities, where they create jobs, provide leadership, and make expenditures with other local firms. Cooperative profits are returned to the member-owners; and wages and salaries are paid to local residents, who are more likely to spend money in the community. Most importantly, these financial resources churn in the local community enabling the community to survive and succeed (grow). In addition, cooperative often have important spill-over effects to non-members by providing services to the non-members and bringing more competition into the local market.

And finally, cooperatives and cooperative members are often interested in making other contributions to maintain the social fabric of the community through the support of educational organizations and scholarships for youth (local schools, FFA, 4-H and others), senior programs, and assisting charities and other support groups. While the African proverb suggest that it take a village to raise a child, it takes a community to grow a cooperative (or other business). With local support, which is enhanced by the member-owner role in a cooperative, cooperatives, small businesses, and rural communities have a chance to survive and prosper.

References:

Gross State Product (2015) - <https://fred.stlouisfed.org/series/MTNGSP>, Federal Reserve Bank of St. Louis. Downloaded on September 21, 2017.

Hueth, B. and Reynolds, A. (2011). A Life-Cycle Perspective on Governing Cooperative Enterprises in Agriculture, *Choices*, 26(3).

Reynolds, A. (2013). Defining the Value of the Cooperative Business Model: An Introduction, University of Wisconsin Center for Cooperatives. http://www.uwcc.wisc.edu/pdf/Reynolds_WhitePaper_values.pdf. Downloaded on September 26, 2017.

University of Wisconsin Center for Cooperatives (2009), Research on the Impact of Cooperatives, <http://www.uwcc.wisc.edu/pubs/CurrentResearch/state-by-state.aspx>. Downloaded on September 26, 2017.



Riverside Crossing

An Active Adult Cottage Cooperative

More than 1.2 million units of cooperative housing nationwide and none in Montana?
Things are about to change.



After twelve long years, thousands of hours, and many thousands of dollars to make the concept a reality, Montana's first housing cooperative broke ground in the Spring 2018. Ravalli County Council on Aging, the sponsoring agency, and its partners, the Ravalli County Economic Development Authority and the Montana Cooperative Development Center, began the quest to bring a cooperative housing development to the State of Montana back in 2006. Through trials and tribulations, real estate busts, and developer woes, the Council has launched a fifty-cottage community for age 55+ seniors in Hamilton, Montana.

Preserving equity and providing long-term affordability.

Riverside Crossing is a limited-equity cooperative. Yearly equity increases are limited to 1%. This provides predictable growth for members and ensures that cottages remain affordable and marketable for the long term. Selling a cottage is a simple transfer of the member's share and cottage value plus equity to the next buyer. There will be no real estate fees or complicated sales process.



Photo by Ross Chapin Architects

Housing cooperatives offers the advantages of maintenance-free ownership with the sociability of community living.

Members, through the Board of Directors and select committees, control the operation, maintenance, and fiduciary responsibilities of the cooperative. Through a monthly service charge, cooperatives operate on an actual-cost model, which provides savings to members and keeps costs low and fees stable. Staff employed by the cooperative provide day-to-day management and maintenance services. Other benefits include:

- Worry-free living
- Carefree maintenance
- Aesthetic harmony retained throughout the community
- Ability to travel and know your home is cared for and secure
- Retain ability to use standard homeowner tax deductions
- Long-term reserves that eliminate special assessments



Photo by Ross Chapin Architects

Riverside Crossing

An Active Adult Cottage Cooperative

Concept and Design

Riverside Crossing sits nestled between the Sapphire and Bitterroot Mountains in the shadow of the stately Daly Mansion. Because of this, the Council was conscious of design considerations that could affect the mansion's view shed. A three-story apartment structure typically associated with modern-day cooperatives was not conducive to this site. These design considerations are what led the developers of Riverside Crossing to the Pocket Neighborhood concept of architect Ross Chapin, making it not only Montana's first housing cooperative, but a unique 55+ co-op community nationwide.



Photo by Ross Chapin Architects

Ross Chapin's Pocket Neighborhood.

Riverside Crossing consists of six pocket neighborhoods. In Ross's book, *Pocket Neighborhoods, Creating Small Scale Community in a Large Scale World*, he describes the pocket neighborhood as a cluster of six to eight homes gathered around a shared open space. As the neighborhood grows, multiple clusters are formed and each cluster is connected by walkways, paths, and trails. The small scale of each pocket promotes community within, and the inviting paths and walkways beckon a visit to the neighboring cluster.

For more information on Riverside Crossing Cottage Cooperative visit: www.riversidecrossing.org



What Makes Cooperatives Unique?

Cooperatives are owned by their members and not by a single individual, outside corporation or business investors. A co-op is owned and operated by its members to meet needs they share in common.

It is a requirement that every member of a co-op invests in the business. The organizers of the co-op determine the price of the required one share of common stock. Owning a common share in the business means that each member also has an equal voice (one vote) in approving bylaws, electing the board of directors, and in major governing policies.

Once members have purchased their one voting share of stock, the co-op will have initial capital to start the business. The co-op still may have to borrow money from banks or credit unions to expand the business, but the member-owners of the co-op will have the controlling interest in the enterprise.

CO-OP TRIVIA AND FUN FACTS

Guilds of craftsmen in the Middle Ages were a form of cooperative.

Most of the electric power in rural areas of the U.S. is provided by cooperatives.

The largest food stores in Finland and Switzerland are cooperatives.

Buses and taxis in Israel are run by cooperatives.

France, Poland and the Philippines use student supply co-ops in their school systems.

Craft co-ops are common in the Appalachian Mountain region of the U.S.

U.S. co-ops serve more than 120 million members, or 1 in 3 adult Americans.

U.S. cooperatives employ 2.1 million Americans who serve 140 million co-op customers.

More than 50 cooperatives have annual revenues in excess of \$1 billion, including such well-known names as Land O' Lakes, Inc., and ACE Hardware. The top 100 co-ops have a combined \$243.2 billion in revenues.

There is a co-op for nearly every product or service you can imagine, such as radio stations, banking, outdoor gear, even high school credit unions run by kids. Cooperatives range in size from large enterprises, including U.S. Fortune 500 companies, to small storefronts.

More than 6,000 U.S. credit unions have more than 100 million members and more than \$1 trillion in total assets.

More than 900 rural electric cooperatives own and maintain nearly half of the electric distribution lines in the United States, cover 75 percent of the land mass and provide electricity to an estimated 42 million people.

Some 270 telephone co-ops provide service to 2 million households.

More than 7,500 housing cooperatives provide homes for 1.2 million households.

There are 300 purchasing cooperatives that offer group buying and shared services to more than 50,000 independent businesses.