

Thinking of Organizing a Cooperative?

POINTS TO CONSIDER

✓ Member Support
✓ Need & Demand
✓ Adequate Capital
✓ Able Management
✓ More Details

See the County Agent



TEXAS AGRICULTURAL EXTENSION SERVICE

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MEMBER SUPPORT



Cooperatives in themselves neither succeed nor fail, but people often do.

Are the producers who expressed an interest in organizing a cooperative willing to:



- Invest adequate capital?
- Assume the risks involved?
- Provide necessary leadership?
- Cooperate with other producers?
- Give up some individualism?
- Assume the business responsibility?

Do the producers understand:

- Participation responsibilities?
- Cooperative principles and practices?
- Details of proposed operation?
- The meaning of loyalty and tolerance?

Will there be a volume of business sufficient to:

- Operate efficiently?
- Attract volume buyers of quality?
- Make available better sources of production supplies?

Has the overall experience of cooperatives in the area been encouraging?



ECONOMIC



NEED AND DEMAND

There must be a dollar and cents reason for the cooperative and it must

be initiated by the farmers it is to serve.

Organizing a Cooperative? . . . POINTS TO

Will the members:

- Get more for what they sell?
- Be able to sell more?
- Get better buys on their purchases?
- Get services not now well provided?

Is the proposed cooperative vital enough to the farm business of the area to warrant the risks involved?

To justify the organization of a cooperative, the economic need and the farmers' demands must go hand-in-hand. It must be an integral part of the farm business.

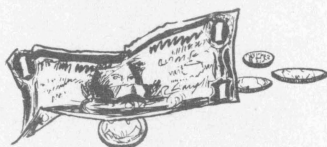
Where and how did the demand for the cooperative originate?

- From the farmers themselves?
- From owners of a business interested in selling out?
- From equipment or supply salesmen?
- From persons interested in a job?

ADEQUATE CAPITAL



Farmers-members must be willing to provide the financial support necessary to a business.



Have the capital requirements been determined accurately?

- How much fixed capital is needed?
- How much operating capital is needed?
- From whom will the capital be obtained?
- How much from patron-members?
- How much from nonmember-nonpatrons?
- How much from the banks?

Farmers interested in organizing a cooperative should plan on investing a minimum of 55 percent of the fixed capital and half the operating capital requirements necessary.

Large investments from member-patrons secure patronage; patronage makes investments more secure.

CONSIDER

What type of capital structure is needed to meet the capital requirements?

An association having one type of stock?

An association having two or more types of stock?

Have adequate provisions been made for patronage capital to:

Retire debt?

Fully capitalize the cooperative?

Revolve capital equities?



ABLE MANAGEMENT

Inexperienced management causes many farmers' cooperatives to fail.

The selection and support of a competent manager is the primary responsibility of the board of directors.

The working force must include:

An experienced manager

Effective working personnel

Is there an understanding of the functions and responsibilities of:

The board of directors?

The management?

The membership?

Has a sound finance program and operating plan been discussed?

Is it understood by:

The board of directors?

The management?

The members?

Is it understood that appropriate bylaws must be adopted to guide the functioning of the association and that an adequate system of records and accounting must be set up to provide for the business needs of the association and its members?



FOR MORE DETAILS



The Texas Agricultural Extension Service, through its county agricultural agents, provides advisory help and information to farmers interested in organizing a cooperative.

The basic essentials for the success of farmer cooperatives are listed in this leaflet. Questions are raised to highlight the overall considerations involved. Answers, based on factual information and sound judgment, must be found to meet the particular situation.

If answers to the questions in this leaflet indicate a need for a cooperative, additional information can be obtained from the following publications from your county agent:

- B-152 Farmers' Cooperative Handbook
- B-170 Handbook for Directors of Farmers' Cooperatives

