The Cooperative Sector: A powerful economic force

As we move cooperation into the 21st Century, the United States is experiencing an explosion in the cooperative sector. Each year millions of people across our nation are choosing to control more of their lives by joining cooperatives.

Our goal at NCBA is to make cooperative enterprises a strong, distinct and unified sector of the economy that is recognized by the U.S. public. Today, in the U.S., most people are aware of only three sectors of the economy: the for-profit sector dominated by investor-owned businesses; the government sector including local, state and federal governments; and the non-profit sector with organizations like the Red Cross, universities and religious institutions. At NCBA, we see a fourth sector of the U.S. economy that is based on a foundation of cooperative principles and values. To accomplish our goal of a strong fourth sector of the economy, NCBA is focused on our mission to develop, advance and protect cooperative enterprises. We know that U.S. cooperatives must be strong businesses that focus on providing new services to members and on developing new cooperative businesses.

Even though cooperative membership includes large numbers of people, we are still only a small part of the U.S. economy. Existing cooperatives are growing rapidly throughout the U.S. by adding value to membership through new services. For example, during the past five years, U.S. credit union membership grew from 60 million to 97 million people. The growth of credit union membership is verified by public opinion surveys showing that 70 percent of consumers believe credit unions provide better service at a lower price than for-profit banks. While existing cooperative membership is growing by expanding services, the growth of new businesses in the U.S. cooperative sector is even more spectacular. One of the most innovative new cooperatives in the U.S. is located in New York City. These members of cooperative housing have expanded the value of membership by organizing 1st Rochdale Cooperative. This new consumer-owned cooperative has partnered with existing electric cooperatives to provide electricity, telecommunications, energy audits and fuel oil.

This explosion of growth in the cooperative sector of the economy has occurred as a reaction to the economic changes in our global economy. The NCBA Board of Directors believes that to be reactive to these economic forces is not in the best interest of our cooperative membership. To achieve our goal of becoming a strong fourth sector of the economy and to organize even more cooperatives, NCBA has proactively joined other cooperative development organizations in the U.S. to institutionalize our programs and create CooperativeWorks. CooperativeWorks is a unified system of cooperative development centers and development partners, cultivating cooperation as a cornerstone of prosperous, sustainable communities.

To become the fourth sector of the economy, we must advance the cooperative form of business enterprise. NCBA programs are designed to give our members the resources to advance their cooperatives to a higher level. For example, the Tucson Cooperative Warehouse (TCW) was the first NCBA member to utilize Co-op 101, a new educational resource designed to educate the employees of cooperatives about the value of cooperatives.

NCBA’s programs are focused on advancing cooperatives in the U.S. and around the world. We are now considering public policy initiatives that would make recommendations on the appropriate role for the federal government in domestic and international cooperative development. NCBA work on Capitol Hill is extremely important in advancing the cooperative sector of the economy. As the fourth sector of the economy, cooperatives need different laws and regulations to help our members achieve their economic and social goals. Over the past several years, NCBA has successfully protected the cooperative sector of the economy by working with our members to fight off attacks on Capitol Hill. But today a new threat to cooperatives is present. The threat of a business and the growth of co-op purchasing organizations has led to an increase in the number of businesses calling themselves cooperatives when in fact they aren’t. NCBA has initiated a program to stop this problem. The cooperative sector will not be successful if there are false cooperatives misleading the American people.

The reason that over 120 million Americans are members of cooperatives is that cooperatives have built over a long history of helping people achieve their economic goals and improve their lives. Cooperatives have empowered millions of people throughout the world to take more control of their lives. And, we have proven economic power to people over the past 150 years, from those first Pioneers of Rochdale, to the newest member of 1st Rochdale Cooperative in New York City.

In the new millennium, we must look for new ways to provide service to our members. By working together, we can achieve our goal of a strong and unified cooperative sector of the economy.

Paul Hazen, President and CEO

Global opportunities for the Cooperative Sector

I believe that one of the greatest benefits that NCBA provides our member cooperatives is to engage more fully in the global economy. NCBA programs are designed to provide our members with new business opportunities in the U.S. and around the world. With over 80 million cooperative members worldwide, the cooperative sector can play an increasingly important role in our global economy.

Globalization is affecting all cooperatives. In any U.S. small town or big city, financial markets around the world can impact the cost of money. Prices cooperatives charge their members can be affected by political strategies in another country, the price of oil in the Middle East or new technology developed by a dot com company located in your neighbor’s garage.

Today it means that half the world is focused on using new technology and modernization to compete in the global economy. The other half is mired in the past — buying and selling the same old products. Cooperatives, also, are on either side of this divide. Some NCBA members, like my own company Nationwide, have a global strategy. A part of our strategy is to form joint ventures with cooperatives in other countries for the distribution of products. Another example is Recreational Equipment, Inc. (REI). With 2 million members worldwide, REI is not only a leader in electronic commerce but also in opening retail stores in new markets such as Japan. But this global focus on modernization and technology is not apparent in all cooperatives.

There are cooperatives fighting with their competitors over shrinking markets and supporting a highly regulated economy that protects the status quo. They are quite confident that by standing still they can be an alternative to other types of businesses. But, in a global economy, our businesses must be innovative or a competitor half way around the world will set our lunch. New York Times reporter Thomas Friedman in his book, The Lexus and Olive Tree makes a compelling case for modernization and technology in order to thrive in the global market. NCBA is well positioned to help our members in the global economy. Every cooperative in the U.S. should be using NCBA in their global strategy. The NCBA international cooperative development program can offer cooperatives access to markets in developing countries. For example, Cooperative Resources International (CRI), a NCBA member, is providing its products and services to farmers in Nicaragua through a NCBA’s development program. CRI’s strategy is to use this activity to expand markets throughout Latin America.

Just as important in NCBA leadership in the International Cooperative Alliance (ICA). Through ICA, NCBA has developed valuable relationships for our members with cooperatives around the world. Without NCBA and ICA, new business opportunities would be much more difficult.

In 1994, NCBA incorporated Cooperative Business International to help our members expand their trade and business opportunities. Through the investment of our NCBA member organizations, CBI has grown rapidly and provides cooperatives with a valuable resource for the future.

In the future, NCBA will continue to focus on our programs that help cooperatives expand their business globally. Join with us as we help cooperatives succeed in this millennium’s global economy.

David Miller

David O. Miller, NCBA Chair

Paul Hazen, NCBA Chair

David Miller
NCBA’s vision is that in the next 20 years cooperatives will be a strong, distant and unified sector recognized by the U.S. public. To achieve this vision, we bring the entire cooperative sector together within our membership.

Our members include cooperatives in the fields of housing, health care, finance, insurance, childcare, agricultural marketing and supply, utilities, consumer goods and services and purchasing for small businesses. During the past year, we have reached out to other areas of the competitive sector — worker cooperatives, new generation agricultural cooperatives and rural utility statewide cooperative associations. By working together, we are making the competitive sector stronger.

NCBA is stronger and our programs successful because of the great diversity represented by our members, who nevertheless have in common the belief in the cooperative idea and unity to develop, advance and protect cooperative enterprise.

Cooperative Business Development

NCBA’s Cooperative Business Development Department works to make the cooperative sector stronger and larger. NCBA and our members recognize that new cooperatives strengthen the cooperative community as a whole and provide new business opportunities for existing cooperatives.

Last year, NCBA documented the case study of a co-op of credit unions in New Hampshire which is jointly purchasing energy and other services. This model is being promoted to other credit unions as a way of further using the cooperative model to benefit members.

To help develop and sustain senior housing cooperatives in rural areas, we obtained a research grant from the U.S. Department of Agriculture’s Rural Business Cooperative Service. In the coming year, the research team will analyze lessons learned about the suitability of the rural environment for senior housing cooperatives. Research on the quality of life and a How-To Manual will be published.

The results of our work in cooperative business development demonstrate a growing community of support across the country and a realization of the importance and success of cooperative development.

Cooperative Education

Early in 1999, NCBA formed a Blue Ribbon Committee on Cooperative Education to generate information about the state of cooperative education and ideas on how NCBA could best contribute to cooperative education efforts. The committee formed several sub-committees to examine what is happening with education of youth, the general public, members and boards of directors as well as in business schools. A report is expected in early 2000.

In the meantime, the Education Department has produced and distributed communications and educational materials and coordinated sponsored educational programs and conferences. In 1999, we focused our efforts on enhancing our Internet reach. Working in partnership with the Cooperative Publishers’ Roundtable, we launched an online Co-op Publications and Gifts Catalog on our website, www.cooperative.org. We established a members-only section of the website and we also inaugurated list serves for our purchasing and worker cooperative members.

We held NCBA’s fifth annual conference for purchasing cooperatives, which focused on e-commerce or ’99 Co-op... Meeting the Challenges of Technology through Cooperation. The fifth annual Cooperative Development Forum used highly participatory workshop sessions to focus on the theme, Why to Co-op... Cooperative Work: Building Prosperous Communities.

Cooperatives undertook an analysis of attacks being made against cooperatives and developed an effective response that can be utilized by all sectors of cooperatives when and if they come under attack. The results of the forum’s efforts will be published and distributed by NCBA in the form of an Attacks package.

Our history of support for the U.S. Department of Agriculture program of grants for cooperative development centers resulted in unprecedented successes. Our ability to gain support for this program from more sources each year enabled us to double funding available for the program to $4 million in the Fiscal Year 2000 appropriations bill. Significantly, the President requested a further increase to $6 million in his FY 2001 proposed budget, a clear signal that our work with USDA is having dividends.

By the end of the year, NCBA’s board had approved creation of a new forum to undertake the development of a vision as to the role of the federal government in supporting cooperatives and cooperative development. The work of this forum will continue throughout 2000 with an eye towards making recommendations to the new Congress and the new Administration in 2001.

Cooperative Public Policy Department staff continued to work within coalitions of like-minded organizations to achieve legislative goals. Working through the Overseas Cooperative Development Council and the Campaign for U.S. Global leadership, funding for international development was maintained. We also achieved successes in maintaining a cooperative staff presence at the U.S. Agency for International Development (USAID) and in ensuring the delivery of funding for cooperative development projects around the globe. Working with our rural electric cooperative friends, the Alliance to Protect Electricity Consumers, we have been able to form a federal electricity restructuring legislation that would harm cooperative interests.

Working together, we saw a year marked by some significant successes.

International Cooperative Development

Through the International Cooperative Development Department, we aim to find ways to alleviate poverty through economic empowerment and focus on creating cooperative development projects, facilitate professional cooperative development and promote cooperative development as an economic development strategy. As a partner in CooperationWorks, NCBA will provide program support for joint ventures and ensure that such ventures stabilize and benefit NCBA members. Joint venture projects include sustainable forestry and housing, and possibly, energy, biomass processing or worker cooperative development.

Representatives from Arthur Andersen gave a presentation about the potential for e-business in cooperatives at NCBA’s fifth annual conference for Purchasing Cooperatives.

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Highlights – Programs and Offerings

- Provided members an opportunity to tell Capitol Hill about the impact of cooperatives through display booths at the annual Festival of America’s Cooperatives held in conjunction with the Cooperative Conference.
- Coordinated the Cooperative Publishers’ Roundtable to facilitate the timely and distribution of cooperative education materials to a wider audience.
- Developed a package to help cooperatives fight attacks consisting of a grid listing myths raised by those making attacks alongside the reality cooperatives face and a justification for why the public policy makes good sense, plus a ten-page summary of federal laws affecting cooperatives and a special brochure called Cooperative.
- Managed 17 long-term overseas cooperative development projects in 14 countries with a total dollar volume in excess of $15 million.
- Sponsored the Cooperative Management Association conference, Cooperative Grocers Information Network website and National Cooperative Grocers Association to help grow successful cooperatives in the food industry.
- Educated 25 individuals in the NCBA Future Co-op Leaders program encouraging the next generation of leaders in the cooperative community.

MEMBERSHIP GROWTH

In 1999, we worked with 1,500 cooperatives and 1 million members to strengthen our membership base.

In the coming year, a focus will be to increase employee participation and encourage the next generation of leaders in the cooperative community.

Finance and Administration

The Finance and Administration Department provides services to support the entire organization. These services include accounting, contract administration, human resources and office management.

A key concern of the department is the financial stability and self-sufficiency of the association. Within this are the objectives of increasing unrestricted reserves, diversifying sources of revenue and increasing financial resources. The department ensures successful programs by providing effective administrative support throughout the entire association.

The department provides help with project proposal submissions, including research of possible proposals and preparation of proposals. Other activities include producing financial reports and budgets, and cost-benefit analysis to help program managers.

In the coming year, a focus will be to increase employee productivity with increased use of and training on technology. The department will also be charged with implementing changes in the association’s office space.
Protecting the Cooperative Sector

NCBA’s mission is to develop, advance and protect cooperative enterprise. Over the past several years NCBA has successfully protected cooperatives by working with our members to fight off attacks on Capitol Hill. Now, we face another fight—businesses calling themselves cooperatives when they are not cooperatives. The problem has become more prevalent with the advent of e-business and group purchasing.

The businesses may be trading on the good will that the public has for cooperative businesses or may be ignorant of cooperative operating principles. NCBA has initiated a new program to address the problem. When a questionable business is identified, NCBA will contact the business to determine if it is operating as a cooperative. To protect the integrity and good name of cooperatives, NCBA will help these businesses adopt cooperative principles and operate as a cooperative, but if they refuse we will take appropriate legal action.

When people hear the word “cooperative” they should be able to rely on it being member owned and controlled. If we have to explain how some cooperatives are “not cooperatives” while others are not, it raises our costs, clouds our message and hurts consumer confidence. It’s unfair for this cost to be assumed by us and the best solution is for us to do whatever is necessary to protect the word “cooperative” from being misused.

Jim Van Houten
President and CEO
Mutual Service Cooperative

Protecting the integrity and reputation of all cooperative enterprise is important to everyone who works for a co-op. Trust has always been the foundation of what we do for our owner members. We need NCBA to take the lead in fighting false co-ops.

Ken Hartung
Vice President, Unified FoodService
Purchasing Cooperative

It’s very important that the cooperative name has an understandable meaning to people who are looking at cooperative businesses, particularly from the outside. They should not be confused about which organizations are true cooperatives providing the benefits of a cooperative enterprise and those that are false.

Gary McDavid
Dorsey and Whitney LLP

The members of the Cooperative Communicators Association (CCA) have dedicated their careers to telling the cooperative story. They communicate that cooperatives providing the benefits of a cooperative enterprise and those that are false.

Gary McDavid
Dorsey and Whitney LLP

NCBA’s effort to protect the cooperative designation by encouraging any company using that name to either act as a true cooperative, meeting all the cooperative principles and traditional structure, or change the company name.

Patricia Reough-Wilson
President, Cooperative Communicators Association

Thanks for being a watch dog over businesses passing as co-ops. I found one of these businesses online and it is clearly using the co-op name to its own advantage. We can not allow them to hijack the co-op name. There is real value in the co-op name. I’m afraid some cooperatives don’t even realize how much their “co-op” name is worth. That’s a shame. What’s even worse is seeing non-cooperative businesses misappropriating the cooperative name and cooperative values. They are doing irreparable harm to every co-op’s reputation. We can not allow others to damage the public’s trust in cooperatives.

John Lowrey
Manager of Information
Association of Illinois Electric Cooperatives

As cooperative educators we need to be vigilant as well as strategic in our mission of educating about the cooperative way of doing business. Vigilant because we know from experience that cooperative education is easily neglected by business leaders, and in this neglect, can be abused. We need to be strategic because situations such as this ‘false co-op’ problem present teachable moments’, and a unique opportunity to make ourselves heard at a critical time.

William Nelson
Executive Administrator
Association of Cooperative Educators

Cooperatives are the businesses people trust. They trust us because we are member owned and controlled. We work for our members, not for outside investors. Survey after survey has shown that people know cooperatives provide quality products and services at reasonable prices. When given a choice, people would rather do business with a cooperative. It is therefore, very disturbing to learn that some for-profit businesses are misusing the co-op name to try to gain false trust from consumers for their own advantage. We must stop this trend before it damages the good name of cooperatives. I applaud NCBA for taking on this bad news.

Dan Kampen
President and CEO
U.S. Central Credit Union

The Members of Our Board of Directors

Kevin Miller, Nationwide Insurance, NCBA Director; Executive Committee
Kay Cargill, Credit Scape; Michael Ansitu, NCBA for Vice (Chair)
Sarah Napolitano, National Cooperative Bank; Vice Chair (Chair)
Kris Bujat, University Center Coop-Supporter, NCBA Committee; Executive Council; Membership Development Committee
Steve Cunningham, Development Committee; Co-op Development Committee
Margaret Lund, Nationwide Mutual Fire Insurance Company; International Development Committee; Internet-Action Council; International Coordinating Council
John Eiben, Mike Lyon; Evans; Federation; Vice Chair; Public Policy Committee; Audit Committee
Ken Hartung, Unified FoodService Purchasing Cooperative, LLC; Member Services Committee; Audit Committee
James Jones, Inter-Cooperative Council at the University of Michigan; Group Development Committee
Mark Ruffo, Boise Credit Union; Associates; Group Development Committee
Bob Treadwell, Oshkosh Logistics, LLC; Executive Director, Audit Committee
Rajeeb Roy, Director of Marketing & Communications, Vice Chair; Co-op Development Committee
Robert Brancato, Development Cooperative, Inc.; International Development Committee; Board of Directors; Credit Union National Association; Credit Union National Association; Public Policy Committee
Bill Kuckla, Rabobank International; International Development Committee
Pat Cartier, International Cooperative Bank; Chair; Audit Committee; Member Services Committee
Alan Edwards, Northwest Rural Electric Cooperative Association; Group Development Committee
Mike Nowak, Fidelity & Co., Inc.; Member Services Committee
Bud Johnson, Cooperative Development Institute; Up & Development Group Committee; Audit Committee
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Bill Treadwell, Rabobank International; International Development Committee
Harvey Sigelbaum, McAlpine, Public Policy Committee
David Bell, Sandhills Council of Cooperatives; Public Policy Committee
Bob Brancato, Brancato Mutual Insurance Company; Member Services Committee
Mike Treadwell, Rabobank International; International Development Committee
Gus Tomlinson, Director of Information; American Society of News; Member Services Committee
A. Darrell "Mike" Williams, Professional Property Services, Inc.; Public Policy Committee

Shelby Rose, University of Wisconsin-Cooperative Finance Group; Group Development Committee
Andrea Strickland, Nationwide Insurance, NCBA; Chair, International Development Committee
Harvey Sigelbaum, McAlpine, Public Policy Committee
David Bell, Sandhills Council of Cooperatives; Public Policy Committee
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