

Task 1.2 Coop Detectives

Purpose

A business is an organization supplying products or services in exchange for other products, services, or money. Businesses have five basic organizational structures. The structure depends on considerations related to decision-making, management, and leadership of the business. To identify the business structure, one must determine who owns and benefits from the business, how the business is managed, and who uses the business.

Sole proprietorships and partnerships are the two simplest business structures. These structures allow owners the most freedom in decision-making. A sole proprietorship has one single owner, while a partnership includes multiple owners who each share collective resources and are responsible for all management decisions. Owners of a sole proprietorship or partnership expose themselves to financial risk, or loss if the business fails. Formation of a limited liability company (LLC) instead of a sole proprietorship or partnership can limit financial risk, meaning personal resources are not at risk in times of financial issues.

The corporate structure is more complex and expensive than most other business structures. Prospective shareholders exchange capital for shares when forming a corporation. Outside investors benefit from generated profits based upon the number of shares they own. Corporations make decisions to increase the value of the business, which in turn increases the value of the shares owned by investors. Shareholders are not directly involved with corporate decisions but have the voting rights proportional to the number of owned shares to elect decision-makers.

Cooperatives operate like a corporation. The distinct difference between corporations and cooperatives is the involvement of the business' users. Business users are those that consume goods or purchase services from the business. The financial support provided by the customers is called patronage. Users of a cooperative business are members and patrons of the business. Patrons, also called members, organize cooperative businesses to decrease costs by collectively buying or selling products or services they already buy or sell outside of the cooperative structure. Members have ownership in the business, and democratically participate in determining operations. Each member has a single vote for making decisions or electing those that will make decisions for the cooperative. Cooperatives distribute profits to the members based upon the amount of business the member conducts with the cooperative.

How will you identify cooperatives in your area?

Materials

Per class:

- Five sheets of poster paper

Per group of four students:

- Computer with internet access
- Three sticky notes

Per student:

- Pencil

Procedure

Work in pairs to determine the business structure for five scenarios. Then work in a group to compare three local businesses and identify which is the cooperative.

Part One – Business Scenarios

1. Individually, read the first business scenario in Table 1 on the student worksheet.
2. Work with your partner to highlight phrases in the description that answer the following questions.
 - Who owns the business?
 - Who receives business profits?
 - How are profits distributed?
 - How are decision making and voting power determined?
3. Identify and record the business structure for the first scenario in Table 1.
4. Repeat Steps 2 – 4 for each business scenario.
5. Share your answers with your teacher once you have identified all businesses.

Part Two – Find My Local Coop

1. Work with your group to write a list of five investigative yes/no questions that you could ask a business to determine if it is a cooperative. Record the questions in Table 2.
 - Write the question so cooperatives would answer the question with yes.
2. In Table 3 on the student worksheet, record three local businesses assigned to your group. Each business will be assigned a number.
3. Research business number one and answer your five questions about the business. Mark the answers as Y for yes or N for no in Table 2.
4. Repeat Step 3 for business numbers two and three.
5. Use the answers to the questions to determine the business structure. Record the business structure in Table 3.
6. Write each business name on a separate sticky note.
7. When your teacher instructs your team to do so, place each sticky note on the poster corresponding to the business structure. While placing each note on the poster, explain the characteristics of the business that determine whether or not the business is a cooperative.

Conclusion

1. What characteristics make a cooperative business structure unique from other business structures?
2. Why would a business decide to use a cooperative business structure?
3. What cooperatives are in your community?

Task 1.2 Student Worksheet

Table 1. Business Scenarios

| Scenario | Business Scenario | Business Structure |
|----------|---|--------------------|
| 1 | <p>Ten vegetable farmers learned they could get lower prices and discounts if they pool their orders for fertilizer and seed. They can also sell their produce for higher prices if they fill larger orders from customers.</p> <p>The group elected two individuals to make decisions. Each farmer has one vote. The elected individuals hired a business manager and agronomist. The business manager purchased fertilizer and seed and marketed the produce. The agronomist split her time between the various farms. At the end of the year, the business distributed profits to all ten farmers according to how much business they did with the organization.</p> | |
| 2 | <p>Four neighbors own dairy farms of their own. They decided to build a dairy processing facility to process and sell milk and other dairy products. Each neighbor invested a different amount of money to pay for the facility. To protect their farms from financial risks in the dairy processing business, they set up a legal agreement according to state laws.</p> <p>The processing facility buys raw milk from the four neighbors, as well as from other farmers in the area. The business distributed profits to the four neighbors based upon the amount of money invested.</p> | |
| 3 | <p>You recently purchased a breeding buck and doe with your money. You decide to breed them and sell the offspring.</p> <p>The money you make from the sale of the offspring will pay for feed and other expenses. This breeding enterprise is completely under your control.</p> | |
| 4 | <p>Livestock farmers in your community need feed for their animals. Three farmers decide to purchase feed in bulk amounts and resell it to other farmers at higher prices. Over time, the small feed store grows into a complex web of buying and selling feed and other animal equipment for profit.</p> <p>The business becomes more than the three farmers can handle alone. The farmers organize and sell shares in the business. Shareholders elect a board of directors, organize the business to protect the personal assets, and hire additional employees who do not own any shares in the business. Profits are distributed among shareholders based upon the number of shares.</p> | |
| 5 | <p>Two students in your class rent five acres of land for the upcoming growing season. They work together, make joint decisions, contribute equal payments for inputs, and work an equal number of hours for the enterprise.</p> <p>At the end of the season, the business results in a profit that the two students split equally.</p> | |

Table 2. Find My Local Coop

| Cooperative Questions | Answers Y/N | | |
|-----------------------|-------------|----|----|
| | #1 | #2 | #3 |
| Q1 | | | |
| Q2 | | | |
| Q3 | | | |
| Q4 | | | |
| Q5 | | | |

Table 3. Local Businesses

| Business Number | Business Name | Business Structure |
|-----------------|---------------|--------------------|
| #1 | | |
| #2 | | |
| #3 | | |