

Types of Cooperatives, by John R. Whitman

Learning objectives

1. To learn the key types of cooperatives.
2. To be able to give specific, real-life examples of each type of cooperative.
3. To be able to explain why cooperatives are more suitable in some industries and more challenging in others.

Types of cooperatives

Cooperatives as a form of organization can appear in any of the three principal sectors of the economy: the government, or public sector; the corporate, or private sector; and the nonprofit, or civil sector. While cooperatives as legal entities must first be registered at the state level in the United States, and different states have different laws affecting cooperatives, there are commonalities across cooperatives that qualify them as cooperatives, regardless of sector or legal structure.

Thus the many ways in which cooperation can be threaded into the social fabric make it difficult to envision a simple taxonomy of types of cooperatives. Shaffer, in his historical dictionary (Shaffer, 1999), describes the following typology of cooperatives: Agriculture; Communal settlements/farming; Consumer; Financial; Cooperative banks; Savings and credit; Credit unions; Fisheries; Forestry; Housing; Industrial; Handicraft; Cooperatives of disabled persons; Insurance; Multipurpose; School and youth; Service (Electricity; Telephone; Irrigation; Petroleum; Transport; Health care; Pharmacy; Cooperative nurseries/preschools; and Cooperative memorial societies.

An alternative typology, with implied hybrids, is based on the central function of cooperatives and their unit of membership, as suggested by Andrew McLeod of the National Cooperative Business Association:

Table 1: Types of Cooperatives (based on NCBA typology)

Function: Unit of membership:	Production	Service	Consumption
Individual	Worker cooperative	Worker cooperative	Consumer cooperative
Organization	Producer cooperative	Marketing; Shared service; Distribution cooperative	Purchasing cooperative

The following table of cooperative types is from the report, “Research on the Economic Impact of Cooperatives” conducted by the University of Wisconsin (Deller, Hoyt, Hueth, & Sundaram-Stukel, 2009), which takes a very broad and inclusive look at cooperatives:

Table 2: Types of Cooperatives (Deller et al, University of Wisconsin)

Cooperative Type	Assets	Revenue	Wages	Firms	% of Firms	Employees ²	Memberships ¹
	(million dollars)				(thousands)		
Worker ³	128.02	219.24	55.41	223	1	2.38	55.14
Producer	23,632	65,426	2,970	1,494	5	72.93	714.65
Purchasing	1,126,848	157,892	2,902	724	2	130.35	6,133
Consumer	1,975,805	291,086	19,085	26,844	92	650.65	343,969
Total	3,126,414	514,624	25,013	29,285	100	856.31	350,872

¹One member can belong to multiple cooperatives, so does not necessarily represent a unique individual. ²Employment is reported in terms of full-time employees. Two part-time workers are reported as one (full-time) employee. ³Member numbers are higher than employment figures because a) member numbers include part-time workers, but employment figures represent the number of full-time positions b) some cooperatives reported their membership but not their employment figures.

Tiers

The above types of cooperatives refer to what are called first-tier cooperatives, those organizations that represent the most fundamental unit of operation. Cooperatives can, however, join together in order to achieve a common purpose, such as a buyer's cooperative. Such an arrangement is called a second-tier form of cooperative. Yet a third-tier arrangement would be an organization of second-tier cooperatives, such as a federated organization.

Sectors

The term "sector" typically denotes a distinct part of the economy and generally applies to the government sector, the private sector, and the nonprofit, or third sector. The National Cooperative Business Association, however, uses the term to delineate the following industries within which cooperatives operate:

- Agriculture
- Child care and preschool
- Credit unions
- Financial services
- Food co-ops
- Funeral and memorial societies
- Healthcare
- Housing
- Insurance
- Marketing
- Manufacturing

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- Technology
- Utility

In reference to Puerto Rico, José González-Torres, Executive President of the Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (COSSEC)

notes:

In Puerto Rico, we have cooperatives of different kinds. We have credit unions, housing cooperatives, consumer cooperatives, agricultural cooperatives, building cooperatives and associated labor cooperatives, among others. In the associated labor cooperatives, many graduated professionals have adopted the cooperative model as an alternative [model] of work, including doctors, lawyers, cinematography specialists, broadcasting specialists and professionals in the educational area. Besides, we have cooperatives of young students which can include undergraduates and a cooperative of prisoners. These two models are particularly special and some professionals may decide to implement them in other countries. (Personal communication, 1 July 2010).

Innovation

As new forms of organization can often emerge in the context of changing social needs, we can expect new type of cooperatives also to be invented. Among recent types is the New Generation Cooperative. Also of novel interest is the Multi-Stakeholder Cooperative. Yet another type of cooperative that may find increasing demand is the Service Cooperative, which provides support and overhead services to other types of cooperatives (and to other types of organizations).

Background reading

Shaffer, *Historical Dictionary of the Cooperative Movement* (Shaffer, 1999).

Göler von Ravensburg, *Economic and other benefits of shared services cooperatives as a specific form of enterprise cluster* (Göler von Ravensburg, 2007).

Required reading

Zeuli and Cropp, Chapter 4.

Nadeau and Thompson, Chapter 2.

Optional reading

Chaddad and Cook, “Understanding New Cooperative Models: An Ownership-Control Rights Typology” (Chaddad & Cook, 2004).

CLARITY, *Enabling cooperative Development: Principles for Legal Reform* (CLARITY, 2006).

CLARITY, *Creating Clarity: Assessment, analysis and outreach for cooperative legal reform* (CLARITY, 2009).

Mellor, *Measuring Cooperative Success* (Mellor, 2009).

Exercises

Explore the Map of Worker Cooperatives in the United States (see: <http://www.american.coop/map>), note the geographic distribution of such cooperatives, and itemize the different types of cooperative within this category. Do similar cooperatives tend to cluster in the same regions? Is there any relationship between the purpose of a cooperative and its geographic location?