



# Working Together



Co-operatives, Co-operation  
and the Agri-Food Industry



*Working Together* is a celebration of the co-operative lifestyle - co-operative learning techniques and co-operative organizations. The development of this document has been a co-operative venture which has involved many people and many organizations.

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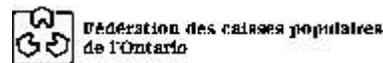
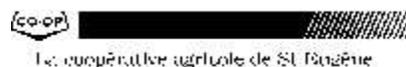
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GROWMARK



# WORKING TOGETHER

## Co-operatives, Co-operation and the Agri-Food Industry



### Introduction

**Two of the goals of education are:**

- to allow students to socialize and interact with one another
- to encourage students to work and learn towards common purposes.

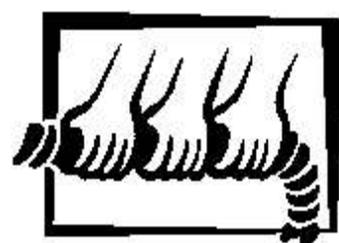
Teaching co-operation and exploring successful co-operative enterprises can have several beneficial effects. Most importantly, these activities teach students that great things have been accomplished in the past - and can be accomplished by them - through working together. Businesses like Gay Lea Foods Co-operative, Mountain Equipment Co-op, Sunkist and The Co-operators Group are all organized using a co-operative model. A co-operative may be formed to:

- provide a service that is not otherwise available;
- give the members control over part of the marketplace which provides them with some basic service or product;
- operate a business where the profits of the business remain in the community.

Co-operatives continue to thrive today in an increasingly complex economy. They are innovative in their approach to business and provide an excellent vehicle to meet the needs of the public in terms of jobs, services and supplies.

This resource guide offers a sequence of activities outlining the concepts of co-operation and introducing students to the purposes of the development of co-operatives as an organizational structure for business enterprise. The activities have been developed for students at the secondary school level, but could be adapted for students in earlier grades. The activities are directly related to the expectations outlined in The Ontario Curriculum developed by the Ministry of Education. Teachers may find the document, *Better Together: The Essence of Co-operatives*, designed for grades four to ten as an excellent resource dealing with the basics of both the concept of co-operation and the nature of co-operatives.

Teachers may extend the activities by using related resources available through the Canadian Co-operative Association listed in the resources section of this document.

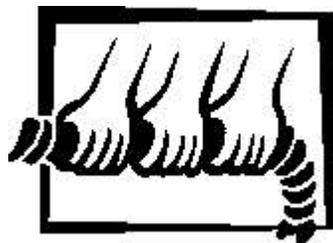


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## Curriculum Links

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### **Expectations:**

The following list of Grade 9 or 10, Grade 11, and Grade 12 Business Studies overall and specific expectations are suggested curriculum connections for the activities that are provided in the resource, *Working Together*.

### **Curriculum Connections:**

#### **Business Studies:**

#### **Introduction to Business: The Role and Impact of Business**

##### **Grade 9 or 10**

##### **Students will:**

##### *Types of Business*

- compare the features of sole proprietorship, partnership, corporations and co-operatives;
- explain why a person or group of people may choose to establish one type of business rather than another.

##### *Impact on Community*

- distinguish the various ways in which business activity can affect the quality of life.

#### **Business Studies:**

#### **Introduction to Entrepreneurial Studies, Grade 11, College Preparation**

#### **Enterprising People and Entrepreneurs**

##### **Students will:**

##### *The Contributions of Entrepreneurs*

- explain the connection between entrepreneurial activities and job and wealth creation;
- describe the impact that local entrepreneurs have had on their community.

##### **Ideas and Opportunities**

##### **Students will:**

- explain the process of market research; [OE]
- identify a specific opportunity that can become the basis for a venture plan. [OE]

##### **The Venture Plan**

##### **Students will:**

- assess the importance of having a business plan; [OE]
- analyse the components of a venture plan; [OE]
- develop a venture plan; [OE]
- explain how to evaluate and revise a venture plan. [OE]

##### *Components of the Plan*

- outline the key steps in preparing a venture plan.

##### *Development of the Plan*

- describe the research required to develop the venture plan;
- prepare a plan for a new venture.

##### *Evaluation and Revision of the Plan*

- describe why it is important for a venture plan to be flexible and adaptable.

#### **The Enterprising Person, Grade 11, Open**

#### **The Entrepreneurial Experience**

##### **Students will:**

- specify the process through which entrepreneurs identify opportunities to create new ventures; [OE]
- analyse the creative-thinking, problem-solving, and decision-making processes that help entrepreneurs find opportunity to create new ventures; [OE]
- demonstrate entrepreneurial skills by creating a venture plan. [OE]



## Curriculum Links

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### **Entrepreneurial Studies: Venture Planning, Grade 12, College Preparation**

#### **Challenges of a Venture Start-up**

##### **Students will:**

- analyse the challenges and opportunities of the start-up phase of a business life cycle; [OE]
- compare the advantages enjoyed by young entrepreneurs with the challenges they face. [OE]

#### ***Start-up Challenges and Opportunities***

- explain the stages in the live cycle of a business;
- summarize the factors that contribute to the success or failure of a new venture;
- analyse the conditions facing ventures starting up in various markets.

#### ***The Venture Plan***

- identify and describe the components of a venture plan.

#### **Venture Conception**

##### **Students will:**

- summarize entrepreneurial opportunities in their community; [OE]
- assess the probability of the new venture's success on the basis of a revised and final venture plan. [OE]

#### ***The Venture Concept***

- compare the various forms of business ownership.

#### **Preparing for Start-up**

##### **Students will:**

- organize the information and sources of information needed for the successful start-up of a new venture. [OE]

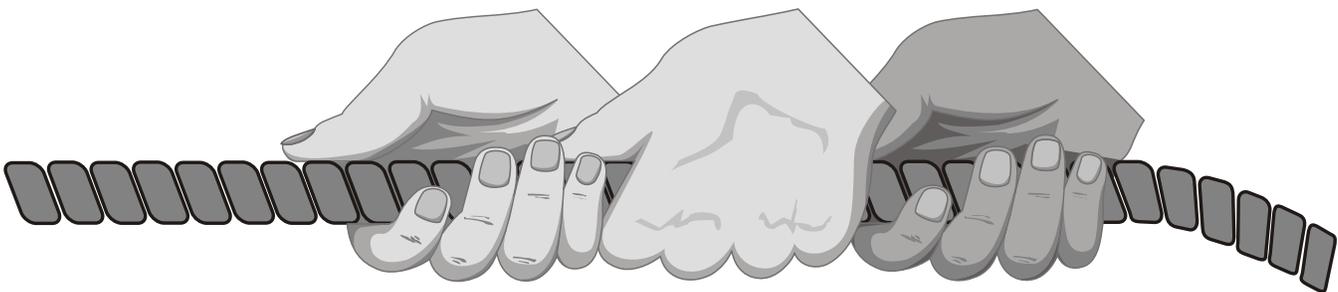
#### **Developing a Venture Plan**

##### **Students will:**

- produce the production plan, marketing plan, human resources plan, management plan, and financial plan that are most appropriate for a proposed venture; [OE]
- incorporate the proposed production plan, marketing plan, human resources plan, management plan, and financial plan in an overall venture plan, using appropriate computer software; [OE]
- -assess the probability of the new venture's success on the basis of a revised and final venture plan. [OE]

#### ***Developing the Plan***

- determine the components of their venture plan;



# Co-operation and Co-operatives

Co-operation is working together for a common goal or purpose.

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A co-operative is a group of people who work together to achieve a common purpose or goal. It is also a business owned and democratically controlled by the people who use its services and whose benefits are derived and distributed equitably on the basis of use.

## **The Principles of Co-operatives**

Seven international principles were adopted by the International Co-operative Alliance (ICA). These guidelines focus on how co-operatives function, how decisions are made, and who makes these decisions.

The seven principles...

### **1. Voluntary and open membership.**

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### **2. Democratic member control.**

Co-operatives are democratic organizations controlled by the members, who actively participate in setting policies for the organization and making decisions about its direction. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote); co-operatives at other levels are also organized in a democratic manner.

### **3. Member economic participation**

Members contribute equitably to, and democratically control, the capital of the co-operative. At least part of the capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed, as a condition of membership. Members allocate surpluses for specific purposes including:

- developing the co-operative (possibly by establishing reserves, part of which may be indivisible);
- benefitting members in proportion to their transactions with the co-operative;
- supporting other activities approved by the membership.

### **4. Autonomy and independence**

Co-operatives are autonomous, self-help organizations, controlled by the members. If the co-operative enters into an agreement with other organizations they do so on terms that ensure democratic control by the members and maintain the co-operative's autonomy. This is particularly important when dealing with government or raising capital from external sources.

### **5. Education, training and information**

Co-operatives provide education and training for their members, elected officials, managers and employees so that they can contribute effectively to the co-operative's development. Co-operatives also have a mandate to inform the general public - particularly young people and community leaders - about the nature and benefits of co-operative ventures.

### **6. Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, regional, national and even international structures.

### **7. Concern for the community**

Co-operatives work for the sustainable development of the local community through actions based on policies approved by the members.

# Types of Co-operatives

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Co-operatives are diverse organizations. They exist in almost every business or social sector in society. Their sizes vary greatly from small local co-operatives to those serving the whole community or specific groups within a larger community. Co-operatives offer different services or products and can be grouped according to their purposes. The most common types are:

- marketing or producer
- consumer/retail
- housing
- financial
- worker or employment
- new forms such as multi-stakeholder and new generation

These new forms of co-operative - multi-stakeholder and new generation (agri-food value added production) co-ops are now being used to meet emerging needs.



## Marketing or producer

These co-operatives are owned by producers and may be involved in supply, marketing or services. Supply co-operatives offer members essential equipment or supplies for purchase. Marketing co-operatives are organized to process, distribute or market members' products. For example, Gay Lea Foods Co-operative, Limited, is a marketing co-operative. It is owned primarily by dairy producers and processes milk into a variety of products including butter, yogurt, cottage cheese, and sour cream. Service co-operatives are organized to provide members with specific services (e.g. technical assistance). These include many fishery, craft and agricultural co-operatives such as the Wheat Pools. Service co-operatives offer a wide range of services, from health and dental care to day care and rural electrification. Examples include Bette Hyde Co-operative Nursery School, Les Grès Health Services Co-operative, and the Outaouais Funeral Services Co-operative.

## Financial

This group of co-operatives is often seen as a sub-group of the marketing co-operatives; they provide financial services to their members. These include credit unions, caisses populaires, but also The Co-operators Group Limited (an insurance and financial services company), Co-operative Trust Company of Canada and The CUMIS Group (insurance company). As with other business organizations, co-operatives often evolve in their functions. A good example is The Co-operators Group which started by working with farmers and was created and owned by farmers who lost their belongings, savings and their life insurance during the Great Depression. Today, their (34) members are a variety of agri-food co-operatives, the Ontario Federation of Agriculture and other similarly structured organizations such as Credit Union Central of Ontario and Co-operative Housing Federation of Canada. This represents a combined membership of close to five million Canadians. Their mission remains as it was over fifty years ago - to co-operatively meet Canadians' needs for insurance and financial security products and services.

## Housing

Housing co-operatives offer a unique form of collective home ownership. Their purpose is to provide affordable, quality housing for members; they are most often operated on a "not-for-profit" basis. Some housing co-operatives are organized to meet the needs of specific groups in society, including seniors, students, ethnic and special language groups. Members participate in the operation of the co-operative through involvement with the board and committees. Decisions are made by an elected board of directors who are accountable to the members.

## Consumer/Retail

This is the most common type of co-operative. These co-operatives provide members with various types of goods and/or services. The basic premise behind the formation of this type of co-operative is to organize consumers to purchase goods that would not otherwise be available, or to provide goods at lower cost. Mountain Equipment Co-operative was formed when a group of young people wanted to buy high quality outdoor clothing and equipment at affordable prices. Today, this co-operative has over 1.2 million members (the vast majority of whom live in Canada), and operates a mail-order service as well as retail store services in four Canadian cities - Vancouver, Calgary, Ottawa and Toronto.

## Worker or employment

The purpose of these co-operatives is to provide the members (workers) with employment. The members work in, manage and own the co-operative. Examples include the Canadian Travel Co-operative, which is owned by 7 worker/members and offers travel services to other co-operatives as well as non-co-operative clients. The Big Carrot in Toronto is a natural food supermarket which is a very successful worker co-operative.

## Multi-Stakeholder

A multi-stakeholder co-operative brings together and organizes the involvement of a number of groups, interests or organizations whose presence is critical in the decision-making process related to an issue or problem. The variety of stakeholders are the “co-producers” of the results, and must represent the various constituencies in a balanced manner. For example, a community health clinic may be structured as a multi-stakeholder co-operative by including on its board of directors individuals from a variety of areas such as clients/users, clinic employees, community representatives and medical suppliers. This form of co-operative is relatively new in the structure of the co-operative movement, having been made legal by amendments to the Ontario Co-operatives Act in 1994. The model maintains the democratic control by members (users), and emphasizes member/user control rather than shareholder/investor control. In a multi-stakeholder co-op, two or more stakeholder groups share control of the co-op; these stakeholder groups are established on a geographical or “common need/interest” basis. Bill 160 (1994) gives multi-stakeholder co-ops more flexibility in determining how many directors a stakeholder group may elect and provides a statutory framework for stakeholder groups. Although new, this multi-stakeholder model is a form which will probably emerge as significant in the coming years.



## Student Activities

### For the Teacher....

Form groups of three or four students and give each group one copy of Activity #1 - Sorting and Categorizing. Students will cut apart the words and group them into categories that “go together” for various reasons. There is no one correct way to categorize the words, but students will be able to group...and then explain their reasons for their choices.

Provide each group with a copy of Activity #2 - Definition Matching. Students will match the definitions with the appropriate words from Activity #1. When complete, groups should share their definition matches with another group, and explain the reasons for their choices. As a class, groups should work towards a consensus for all the definition matches.





## Activity #2 Definition Matching

As a group, match the correct definition with the appropriate word or phrase from Activity #1 - Sorting and Categorizing. All members of the group should agree with the matches.

<p>A business owned and democratically controlled by the people who use its services and whose benefits are derived and distributed equitably on the basis of use.</p>	<p>Persons elected by the members to represent them; a group given responsibility to set guidelines for the functioning of a co-operative, hiring and supervising staff.</p>
<p>A common effort; the action of working with others for mutual benefit, for a common goal</p>	<p>Earnings, over and above expenses and reserves, that are distributed to members or reinvested into the co-operative.</p>
<p>When two or more people try to achieve the same goals through different means; the outcome provides for only one person to achieve success.</p>	<p>A co-owner of a co-operative; any person who meets the co-operative's requirements, has been approved by the board of directors and has bought required shares.</p>
<p>Advocating decisions made by the people; representative of the group's opinions.</p>	<p>Process by which individuals form a co-operative which provides legal status for the organization.</p>
<p>Bound to be held responsible to people for actions or things said.</p>	<p>Money needed to start up and operate a co-operative.</p>
<p>A financial co-operative whereby members of a community or common interest group pool their financial resources to meet their needs effectively.</p>	<div style="display: flex; justify-content: space-around; align-items: center;">    </div>

# Co-operatives -

## An Historical Perspective of Co-operatives in Ontario

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The co-operative movement has a long and fascinating history in Ontario. There is a common thread that runs throughout this history - a desire by everyday people to care for each other and work together and improve the life of their communities.

The co-operative movements started as a response to changing social conditions. These changes included a shift in the population from a rural to urban areas, the rapid expansion of industry, improvements in agricultural technology and the growing belief in political democracy. As the pace of change increased, an awareness of political, social and economic injustices in society emerged.

The co-operative method of doing business was seen as one answer to the plight of the urban worker and the small farmer. A group of people would get together and form a business to sell or buy products jointly, rather than individually. They would own and control this business in a democratic manner and gain an element of control over their position in the marketplace.



### Case Studies

#### To the teacher...

This activity can be conducted using a co-operative learning strategy - the jigsaw method - to promote the learning of co-operative skills.

Establish home groups of 6 students. Each member of the group will be responsible for the review and assimilation of one of the following case studies. Reorganize the groups using “expert groups” containing all members who are responsible for an individual case study. These expert groups will become the class experts on an individual case study by using the accompanying Activity Sheet #3 - The History of Co-operatives.

Then, individuals will return to their home groups and report and teach what they have learned to the other members of the home group. This strategy encourages individual accountability within the group as other members are dependent on each other to share their findings. The strategy also encourages group accountability. Students can reflect on their personal co-operation skills and how well the group (either home or expert) worked together.

Adaptations can be made to the size of the groups to accommodate class sizes which do not fall into groups of six; alternatively, teachers may feel that a group of six is too large for a home group. Students can be placed in smaller groups, dividing up the case studies between two groups.

Using the case studies, students will investigate the specific events related to co-operative development in Ontario. They will organize their information using *Activity #3 - The History of Co-operatives* which outlines the various categories of information to be obtained. Later, students will complete the chart provided in *Activity #4 - A History of Co-operatives*, noting similarities and differences among the six case studies.

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## Activity #3 - The History of Co-operatives

Independently, respond to the following questions. Then share your responses with a partner.

1. What are the main reasons for the development of co-operatives?
2. Which forces still exist today that may encourage the further development of co-operatives in business?
3. Create a time-line to illustrate the historical development of co-operatives/credit unions.
4. Identify three co-operatives (other than those identified in this document) and place these co-operatives on your timeline.
5. Using one of the three co-operatives identified above, apply the main ideas behind the first two questions - reasons for development and the forces encouraging development - to this co-operative organization.
6. What are the advantages of a co-operative as a form of business, especially when starting up a new venture?

## Rochdale Pioneers

The first formal co-operative, structured as we know most co-operatives today, was incorporated in Rochdale, England in 1844 by a group of weavers. At that time, most workers were living and working under terrible conditions. Almost every facet of a worker's life - location of housing, shopping, schooling and even religion in some cases - was controlled by the factory owners. The "company store" - owned by the factory owner or employers was often the only place that workers could shop.



The weavers in Rochdale were tired of paying high prices for poor quality food. They decided to start a store of their own. Individually, the weavers did not have enough money, but they pooled their resources, following the teachings of Robert Owen. At age twenty-nine, Owens was the manager and director of New Lanark Mills. He rehoused the workers, reduced working hours and established co-op stores to replace the company store. This store returned all the profits to the workers. The profits were used to build the first nursery schools in Great Britain. Robert Owens' success was instrumental in making the government re-examine legislation around the operation of factories. At Rochdale, all interested people contributed a small amount of money to the initial capital fund. When the fund was big enough, the Rochdale Pioneers (as they came to be called), were able to rent a building, buy supplies and open up shop; the shop doors opened on December 21, 1844 with candles, tea, fuel and basic food supplies. The co-operative tracked each member's purchases and distributed profits in proportion to how much each member purchased. This first "consumer co-operative" was so successful that the members were soon able to rent additional space above the store; this was used for a library and educational lectures. People in Rochdale valued the ability to buy high quality goods at a fair price; they discovered the value of co-operation as a powerful tool for economic reform.

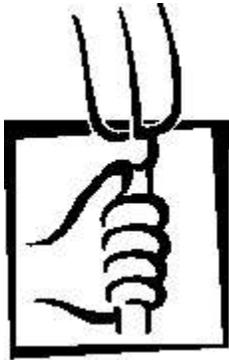
## The Grange



The Grange was an organization of farmers, considered the foundation of later farm movements in Canada; it was brought to Ontario in 1872 by an American - Eban Thompson. The Grange offered alternatives to high profits, the growth of middlemen, and the monopolistic conditions in industry. Its program of economic and social improvements was based on education, mutual understanding, co-operation and political action. The Grange grew rapidly in Canada with 17 500 members within two years of its founding, and growing to over 30 000 members by 1877. Most of the members were in Ontario.

The Grange was popular and successful for about 10 years; most important among its activities were the numerous co-operative buying schemes whereby members in an area would pool their orders for supplies and equipment and purchase directly from a manufacturer rather than through a dealer. Prices were substantially lower. To make such a system work, prices had to be kept secret; but with such a large membership, secrecy was not possible. When local merchants and dealers became aware of the co-operative's prices, they were forced to offer similar terms. With this economic incentive removed, many members left the Grange, hurting its ability to deal directly with manufacturers and keep prices low. The Grange started to lose the support of its members by the late 1880's. Difficulties arose due to lack of education regarding the underlying principles and practices of the co-operative movement; organization suffered at the local level.





## United Farmers Co-operative Company (UFCC)

In 1914, farm leaders met and developed the concept of uniting Ontario farmers into one organization. In reality, two similar organizations emerged. The United Farmers Co-operative Company (UFCC) and the United Farmers of Ontario (UFO). The UFO was to provide a voice for rural people in national affairs, and the UFCC was to provide better business opportunities for the members. The UFCC quickly became the accepted trading medium and its first commercial venture as a co-operative was to purchase twine from Ireland. This effort managed to break a monopoly of Canadian twine manufacturers who had previously controlled the supply of twine to farmers.

Later, the UFCC bought coal, fencing materials and fertilizer in a co-operative mode. In 1927, it established a grain marketing pool based on the model of the prairie wheat pools. During the 1930's, extension educational programs were developed and leadership provided for the formation of the Ontario Chamber of Agriculture, later renamed the Ontario Federation of Agriculture (OFA). Agnes Macphail, Canada's first female member of parliament was a director of the UFCC. As business increased, so did the complexity of the organization's structure. A new structure was accepted in 1948 whereby ownership was converted from membership control of individual farmers to membership control by member co-operatives. With this change, the United Co-operatives of Ontario (UCO) was formed. This organization, working as a focus for co-operatives throughout Ontario, has contributed much to the growth and development of the co-operative movement in this province. In 1994, its assets were purchased by another co-operative, GROWMARK, Inc. Members of UCO chose to become shareholder owners of GROWMARK and create a co-operative system serving farmers and other people in both Canada and the United States.



## Credit Unions in Ontario

In the early 1900's, many people experienced difficulty in obtaining credit to make purchases. Banks were not in the business of lending money to consumers. Individuals who wanted to borrow money had to resort to private lenders who charged exorbitant rates of interest. Credit Unions developed as a unique alternative to this situation; they were created for the people and by the people. As financial co-operatives, credit unions are run locally by a group of people to provide themselves with financial services.

In 1908, the first financial co-operative - The Civil Service Savings and Loan Society - was formed. It was later incorporated under the Ontario Credit Unions Act, and renamed the Civil Service Co-operative Credit Society. In 1928, the Plymouth Cordage Employees Credit Union was organized in Welland, Ontario. This was the first financial co-operative in Ontario to actually use the name "credit union". Niagara Credit Union, today one of the largest in Ontario, had its humble beginnings in Virgil, Ontario, a small rural community near Niagara-on-the-Lake, in 1945, with 18 members. It was created to provide local farmers with a way of accessing credit as well as keeping savings in the community. Niagara Credit Union now has over 68 000 members, almost 400 employees and nearly \$1 billion in assets. It continues to be active in the financing of agricultural and commercial ventures in the Niagara Region.

Currently, there are close to 400 credit unions and caisses populaires in Ontario, with combined assets of nearly \$15 billion, serving over 1.5 million customers.





## The Francophone Co-operative Movement in Ontario

In Francophone Ontario, the co-operative movement began in 1863 with a mutual life insurance company, l'Union Saint-Joseph d'Ottawa which later became l'Union du Canada. At that time, insurance was not available to all people and was a very costly service. A mutual is a co-operative insurance society owned by its members or policy-holders, providing insurance at reasonable rates; profits are divided among the policy-holders.

Alphonse Desjardins was the founder of the first caisse populaire in Lévis, Québec; its main purpose was to educate working-class people regarding the benefits of saving and offering credit co-operatively at a reasonable rate. The Caisse Populaire Sainte-Anne d'Ottawa is the oldest caisse populaire in Ontario. It was formed in 1912 as a savings and credit co-operative. In the same year, the Sisters of Sainte-Anne school organized the first school-based savings caisse for the students.

The Co-opératives St.-Albert, a cheese producing co-operative was established in 1894 in Eastern Ontario and continues its business today. Francophone farmers of the area created "agricultural clubs" as early as the 1910's. They specialized in the sale of cheese and live animals, and in the bulk purchase of western Canadian cereals.

However, it was not until the Great Depression in the 1930's that local agricultural co-operatives appeared, specifically, the Union des cultivateurs franco-ontariens. These co-operatives defended the rights of francophone farmers and advocated for their interests; they formed study groups to educate and share the principles of the co-operative movement. In addition, in groups, they focused on solving agricultural problems and shared new agricultural methods and technology to improve the members' economic condition.



## Gay Lea Foods Co-operative Limited

Gay Lea Foods Co-operative Limited, incorporated in 1958, serves the interests of dairy producers in Ontario. A majority of shareholder members reside in the central part of the province, with a few in the western, northern and eastern areas. Total membership is just over 4000 with the majority being directly involved in dairy production. Gay Lea operates plants in Guelph, Teeswater and North York, producing cottage cheese, sour cream, yogurt, dips, aerosol whips, milk powder, milk and cream.

Gay Lea is governed by a nine-person board of directors who are elected by 60 dairy farmer delegates and member shareholders at their annual meetings. The board and management report on operations annually at zone meetings; these meetings attract over 1000 shareholders and family members.

It is Gay Lea's long term objective to be a significant player in the dairy business; this will support the Ontario and Canadian agricultural industry as well as involving the operation of growing and profitable dairy processing facilities which provide positive returns to shareholders.

Sales volume in recent years has reached \$200 million with 400 employees at the three locations in Ontario. The co-operative has paid a common share dividend every year since incorporation and a patronage dividend to producer members on 22 occasions, returning over \$16 million to its shareholders. The co-operative produces high quality products and has won distinction for its award-winning butter at the Canadian National Exhibition, the Pacific National Exhibition and the Royal Agricultural Winter Fair. Recently a Gay Lea entry of salted butter placed 1<sup>st</sup> in the Biennial World Championships, held in Wisconsin.

As an Ontario-owned business, Gay Lea Foods Co-operative Limited provides employment in three Ontario communities, distributes high quality dairy products, and provides Ontario dairy producers the opportunity to be involved in the ownership of their own business on a co-operative basis.



## Modern Business

Every consumer creates a demand on the business sector to provide a wide variety of goods and services. In turn, commercial and industrial enterprises need additional goods and services to meet the demands of the consumer marketplace. The requirements of society are met by different types of business organizations, ranging from one-person operations to large multi-national corporations. All types of business organizations operate to meet specific needs and to achieve different purposes.

Co-operatives and credit unions/caisse populaires have played a key role in shaping our economy in Ontario (and in Canada) and provide a viable form of business enterprise. Co-operatives provide an environment in which business operations are performed on a co-operative basis; they help people to utilize their financial resources to the fullest and provide a forum for group interaction which works to achieve common objectives. Co-operatives provide people with an opportunity to invest in their own business; they provide services geared specifically to their member/owners. Co-operatives are accessible and responsive to changing needs due to their co-operative structure. In addition, they sustain their activities by working together with other co-operatives and credit union organizations.

### **Business Organization in Canada**

There are three general categories of business organization in Canada - private, crown, and co-operative. These differ in ownership and their motives for operation.

#### **Private Business**

Private business operates in a number of sub-categories: individual proprietorship, partnerships and corporations.

Individual proprietorships are owned and operated by one person who may hire staff to assist in the operation. The individual supplies the capital (through savings or loans from a financial institution), and realizes the profits or losses. Examples of individual proprietorships include “corner stores”, barber shops, home-based consulting firms, home-based service companies, drug stores, fishers and farmers.

Partnerships are similar to individual proprietorships except that they involve two or more people who establish, own and control the business. Partnership agreements among the partners outline the management of the operation and profit distribution. Partnerships terminate with the death or withdrawal of one of the partners or when the partnership agreement expires. Like individual proprietorships, partnerships can be small, locally-owned and controlled enterprises. However, they are often large and are especially popular in the legal sector of the economy.

Corporations are investor-owned bodies legally authorized to act as persons with rights and liabilities, which perform services for the public. Corporations are owned by the individual shareholders; each shareholder has one vote per voting share held but the “connection” between the shareholder and the daily operations of the corporation are often quite distant. Policy of a corporation is determined by a board of directors, elected at an annual meeting for a stated period of time. The board guides the corporation according to the purposes and objectives of the incorporation. Management takes its direction from the board; they hire individuals to implement decisions. The board declares the amount of surplus earnings to be distributed among the shareholders based on the number of shares held. If a corporation loses money, liability is shared among the shareholders based on the amount of the investment (shares held).

#### **Crown Corporations**

Crown or public corporations exist to provide a service to the public (such as utilities). Crown corporations are often set up by government and controlled by a board appointed by the government. Governments either initiate or purchase an existing industry when establishing a crown corporation. Any revenues from the crown corporation return to the general revenue coffers of the government.

#### **Co-operatives**

Co-operatives are incorporated businesses that exist to provide a service to their members. Co-operatives are owned by the people or organizations they serve; owners are referred to as members and each member has an equal voice (one vote/one member) despite the number of shares held in the co-operative. Dividends are distributed according to the amount purchased or according to the use of services. Interest is limited on the capital provided by

the members and members are liable for the amount of shares purchased if the business fails. Co-operatives can be incorporated as “for profit” or “not for profit” and can be formed with or without share capital. Co-operatives can be owned by individuals or organizations; for example, sole proprietors such as farmers or store owners can develop co-ops for joint purchase or processing. Co-operatives and credit unions often work together through federations or trade associations to gain access to additional services.

Although not exclusively the domain of co-operatives, involvement in the local community and concern for the environment has long been associated with co-operatives; they have become leaders in environmental and social responsibility and often provide a model workplace environment. For example, GROWMARK encourages environmental stewardship through provision of precision farming techniques that limit the application of chemicals only to what is necessary. In addition, the Mountain Equipment Co-op, in its newsletter, *The Outsider*, (Spring/Summer, 1999) indicated that the co-operative:

- supported environmental conservation and activism in Canada by giving over \$400 000 last year to 68 groups and individuals working to preserve the integrity of wilderness environments across Canada.
- supported nine graduate students with almost \$40 000 in grants to students demonstrating commitment to environmental protection by pursuing research on a variety of environmental issues.
- worked with suppliers to eliminate “overpackaging” and developed a new line of t-shirts made from organically-grown cotton.
- established a task force to examine the sourcing of products from countries with grave human rights abuses and the analysis of fair trade with factories in the developing world.



## Student Activities

### To the teacher...

Divide the class into groups of five and provide each student with Activity #4 - Data Collection Worksheet. Each student will collect data on one company in each of the five categories indicated above - individual proprietorship, partnership, corporation, crown corporation, co-operative.

The students should gather data from as many sources as possible including brochures, annual reports, resource centre files, interviews (managers, shareholders, workers and clients/customers). Internet sites, guest speakers, resource centre research and company visits will provide valuable information for many of these areas. Direction for the data collection is taken from the Data Collection Worksheet and the compilation of data is shared with the others in the group. The information is summarized using the Data Analysis Matrix. From the comparisons and the summaries, students can focus on the similarities and differences among the various organizational structures for business.

<b>Co-operatives</b>	<b>Other forms of business</b> individual proprietorships, partnerships, corporations
provide goods and services to members	designed to make a profit for shareholders
owned and controlled by members who utilize the co-operative's services	owned and controlled by people who may not use the services of, or have direct contact with, the business
a union of people or organizations	a “pooling” of money
democratically controlled - each member has one vote	controlled by those with the largest number of shares
locally-owned by members living in the community	owned by investors who may or may not have a connection to the company
profits are returned to the community	profits are divided among the owners
members share the surplus or savings according to patronage	profits are allocated according to the number of shares owned



## Activity #4 Data Collection Worksheet

Complete the following information for the company you are investigating. Use a variety of sources to collect your information, including one “live” or “active” source (i.e. interview)

Name of business : \_\_\_\_\_

Type of business : \_\_\_\_\_

Organizational structure : \_\_\_\_\_

Location(s) : \_\_\_\_\_

Owner : \_\_\_\_\_

Manager : \_\_\_\_\_ Number of employees : \_\_\_\_\_

Goods and/or services provided :  
\_\_\_\_\_

History of the business - When formed, Why formed, How formed ?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Distribution of earnings :  
\_\_\_\_\_

Board of directors - role, selection process, responsibilities  
\_\_\_\_\_  
\_\_\_\_\_

Client/user base  
\_\_\_\_\_

Promotion process for workers  
\_\_\_\_\_

Decision-making process within the operation - model and/or methodology  
\_\_\_\_\_  
\_\_\_\_\_

Community involvement  
\_\_\_\_\_  
\_\_\_\_\_





## Activity #5 Data Analysis Matrix

Working with other members of your group, collate the information gathered from the various types of organizations and complete this form. As a group, discuss the similarities and differences of the various business structures and the positive and negative aspects of each as a way to do business.

Business type : \_\_\_\_\_

Purpose : \_\_\_\_\_

Ownership : \_\_\_\_\_

Market :  
\_\_\_\_\_  
\_\_\_\_\_

How business started :  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Control, decision-making, leadership style  
\_\_\_\_\_  
\_\_\_\_\_

Return on investment  
\_\_\_\_\_  
\_\_\_\_\_

Disposition of earnings  
\_\_\_\_\_  
\_\_\_\_\_

Underlying values  
\_\_\_\_\_  
\_\_\_\_\_

Contribution to the community  
\_\_\_\_\_  
\_\_\_\_\_





## Forming YOUR OWN Co-operative

New business ventures are scary! Modeling the steps to follow will clarify for potential business owners the many aspects involved in business creation and success. Before a credit union or bank or other investor will lend money to a business venture, the lender must be convinced that the business has a good chance for success - this is usually done through the development of a “business plan”. A well-developed business plan is a blueprint for action.

**The following steps are the basic prerequisites for the formation of a co-operative.**

### **Group Development**

Have an idea and form a group. A producer co-operative needs at least five members and a worker co-operative requires at least three members.

### **Needs and Opportunities**

Identify the needs in the community for which there is an opportunity to provide service. Research is the key to needs identification - through people, existing co-operatives, credit unions and others.

### **Co-operative Suitability**

Research whether a co-operative structure will address the needs and opportunities identified. Check with the group to ensure that members are prepared to make decisions together, share, communicate, discuss and find solutions that are acceptable to all concerned.

### **Idea Development**

Research and learn about the type of business proposed, especially among existing similar businesses.

### **Business Plan Development**

Prepare a plan to indicate how the business will operate, how it will be financed and promote itself.

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## Typical Business Plan

A typical business plan will include the following components:

**Administrative** - name, address, objective(s), description and list of members.

**Structure** - how the business will operate, the facilities required, production schedules, financing needs, record keeping systems.

**Internal Operations** (structure) - determine the responsibilities of the members, method of payment of workers; by-laws should be established and a board of directors elected. Membership in other co-operatives and the relationship with these other co-operatives should be determined.

**Market** - the potential market, risks and benefits and sensitivity of the business to changes in the marketplace

**Financing** - consider the ways to finance the business venture (by selling shares, accepting loans from members, fees, borrowing, government grants)

**Incorporation** - the use of the word “co-operative” or “co-op” in the legal name of the venture requires that businesses be incorporated under the Co-operative Corporations Act. The advantages of incorporation include protection from personal liability, legal recognition, and ability to raise capital

**Maintenance** - quality service and products can only be maintained through on-going education and training to meet changes in the economic marketplace.

**Evaluation** - a method for evaluating success should be established.



## Student Activities

### To the teacher..

Provide students with the information sheet on Pleasantview High School Magazine Co-operative Club and Activity #6 - Developing a Magazine Co-operative. Encourage them to identify each step in the development process. Discuss the intricacies of individual set-up concerns.

Have students gather information to plan for the start-up of their own co-operative business enterprise. This will involve the development of a business plan for the enterprise.

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## Pleasantview High School Magazine Co-operative Club

Many teenagers enjoy reading a variety of current magazines which are published on a regular (monthly) basis. Unfortunately, each magazine costs between \$3.00 and \$6.00. With a limited spending budget, one group of teens solved their problem by working co-operatively. Jennifer Whitehead, Tanika Jackson and Arwa Dhaliwal of Pleasantview High School developed a magazine co-operative club. They organized a group of 10 friends with similar tastes in magazines and started to share the cost of buying the magazines; they set up a magazine lending library and were able to increase their reading with a reduction in total cost to the individual.

The ten co-operative members met and voted on the organization of the lending library - where the magazines would be kept, who would read them first, and how much money would be collected on a monthly basis. They established rules of care for the magazines and the consequences of lost, damaged or "late returned" magazines.

They established a list of the magazines they would purchase; no one wanted to read all ten of the magazines, but everyone wanted to read at least six of them. They kept the collection in a different person's house each month; the choice of house was determined by a random draw. When the collection became too big for movement and storage, old issues were sold to members for a set price and unwanted copies were donated to the local children's hospital. They set the monthly fee at \$5.00 and took turns collecting the money and recording the transactions. Extra funds were kept in a newly-formed bank account. Members had "membership cards" and could access magazines for three days at a time. The order of selection of magazines by individuals was determined randomly and fines were established for the late return of magazines.

The co-operative functioned well, even though three of the original members dropped out; several others joined and the co-operative grew to 25 members. With larger numbers of magazines involved and larger amounts of money, a treasurer was elected to manage the funds and to purchase additional copies of the most popular books. When the bank account reached a specific amount (\$125 - an amount equal to the monthly fee of \$5 per member), fees were delayed for a month and magazine purchases made from this "reserve". The co-operative is now considering other areas of interest for which they will purchase resources for their personal use - CDs, computer software and books.

The members found that it was not easy to anticipate every problem but each one provided the opportunity to learn how to deal with group problems. As Tanika Jackson said: "Everyone has to want to make it work, and it does!"



## Activity #6

# Developing a Magazine Co-operative

---

Complete the following questions based on the description of the Pleasantview High School Magazine Co-operative Club.

### **Group Development**

What was the idea behind this co-operative?

### **Needs and Opportunities**

What was the need? What was the purpose of the co-operative?

### **Suitability**

How did the co-operative structure address the needs and opportunities presented?

### **Structure**

What kind of business was formed? What type of co-operative is the Pleasantview High School Magazine Co-operative Club?

### **Business Plan**

How does the business operate? How are records kept? What are the benefits for members? What are the responsibilities of the members? What methods are used to solve problems? How are surplus earnings used?

### **Financing**

How was the enterprise financed?

### **Incorporation**

Who is liable? Is the venture incorporated?

### **Maintenance**

What challenges has the co-operative venture faced? What changes have been put into place? How has the organization adapted to changes?

### **Principles**

How are each of the co-operative principles applied in the venture?

### **Personal Reflection**

What do you think about this business venture? Would you consider joining (or establishing) a magazine co-operative? What other suggestions do you have for the development of a student operated co-operative? What other “areas” might students be involved in which would appear to be a nice “fit” for a co-operative model? What are the situations in your life or lifestyle that would generate a need for a group of people to form an organization with a co-operative structure?



### **To the teacher...**

Students can be provided with a simple “action plan” (see Appendix #1) which can be used by groups of students to focus on specific activities related to the development of their individual co-operative. Appendix #2 can be used by groups to evaluate both the process and the product associated with the business plan. It can be applied to either the entire group and discussed, or it can be applied to an individual for self-assessment. Individual self-assessment could also be done using Appendix #3 which deals with the individual’s contribution to the success of the group’s project.



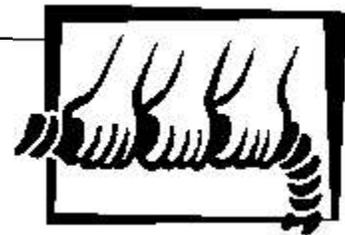
# Appendix #1 Group



Name	"To Do" Today

"To Do" Today might include:

- researching information at the resource centre or local library
- summarizing information from interviews or specific articles
- working with a partner on specific tasks relative to the group plan
- analyzing and evaluating data collected as it pertains to the overall goal of the project
- reviewing audio-visual resources related to the project





Plan  
Date:



**Group Activity: Develop a Business Plan for a Co-operative**

Appendix #2

**Group Evaluation**

Name :

Topic : **Developing a Business Plan for a Co-operative**

Group Members :

**PROCESS**

What do we want to have happen as our group works towards the development of the business plan?

How effective were we as a group in meeting the stated criteria above?

What could we do to improve our working together as a group?

**PRODUCT**

What are the key qualities of our business plan that we want to achieve?

How effective were we as a group in achieving these key qualities?

How could we improve upon our product the next time we work together as a group?



Appendix #3 \_\_\_\_\_

## Assessing My Role with the Development of the Business Plan

Name: \_\_\_\_\_

**My task(s) in the development of the Business Plan was (were):**

---

---

---

---

**I accomplished my task(s) by:**

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---

**I contributed to the group effort by:**

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---

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**Next time, I could improve my contribution by:**

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## Resources

The following resources are available from the Ontario Region Office of the **Ontario Co-operative Association**, 450 Speedvale Ave., West, Suite 101, Guelph, ON N1H 7Y6 Tel: (519) 763-8271 Toll Free: 1-888-745-5521

**Cultivating Co-ops, A Resource for Co-operative Development in Ontario**, (1994)

**The Co-op Advantage** (1996) Examines ways in which co-operatives have benefited various sectors of the economy - pamphlet \$.25 each (min.order of 50), full colour poster (15" x 24")

**Today's Youth - Tomorrow's Leaders** (1995) An outstanding idea-filled resource to assist educator's and students to understand co-operatives and credit unions.

**Tales from the Rainbow** (1991) A poem and story module in six lessons for teaching the skills, knowledge and attitude of co-operation; includes 2 posters.

**Co-operative Outlooks Series** - three modules on co-operation at the international level designed for secondary school curriculum - Module #1: **Co-operative Development** (1990), Module #2: **Co-operative Entrepreneurship** (1990), Module #3: **Co-operative Finance** (1993)

**Co-operative Enterprise Development in Canada: An Action Plan.** (1993) An examination of the state of co-op enterprise in Canada.



CCA also has a series of videos which enhance the understanding of concepts related to co-operation and co-operatives.

**Co-operation Works**, 1985 (5 minutes) - deals with the development of co-operatives in an historical context. This video is an excellent introduction for teachers and senior level students - \$25.00

**It's a We Thing**, 1992 (17 minutes) - young leaders comment on co-operative enterprise and its social implications - \$20.00

**Learning to Co-operate**, 1989 (9 minutes) - video in which teachers demonstrate and discuss co-operative education - \$12.00

**Today's Youth - Tomorrow's Leaders**, 1993 (16 minutes) - youth from across Canada discuss their values, concerns and aspirations for the future. An excellent video to generate discussion about co-operatives - \$10.00

**Circle of Co-operation**, 1994 (8 minutes) - from the CCA Youth Congress in which participants discuss their views on co-operatives - \$10.00

## Web Sites

Ontario Co-operative Association  
[www.ontario.coop](http://www.ontario.coop)

Canadian Co-operative Association (National)  
[www.coopcanada.coop](http://www.coopcanada.coop)

Ontario Agri-Food Education  
[www.oafe.org](http://www.oafe.org)

Centre for the Study of Co-operatives  
c/o University of Saskatchewan  
[coop-studies.usask.ca](http://coop-studies.usask.ca)

Coady International Institute  
c/o St. Francis Xavier University  
[iago.stfx.ca/institute/coady](http://iago.stfx.ca/institute/coady)

Credit Union Institute of Canada  
[www.uragina.ca/cce/creditstudies/programs/professional/creditunion](http://www.uragina.ca/cce/creditstudies/programs/professional/creditunion)

University of Wisconsin Centre for Cooperatives  
[www.wisc.edu/uwcc](http://www.wisc.edu/uwcc)

North American Students of Cooperation  
[www.nasco.coop](http://www.nasco.coop)

Mountain Equipment Co-op  
[www.mec.ca](http://www.mec.ca)

International Co-operative Alliance  
[www.coop.org](http://www.coop.org)

National Cooperative Business Association  
[www.ncba.coop](http://www.ncba.coop)

The Credit Union Home Page  
[www.cu.org](http://www.cu.org)

The Co-operatives Secretariat  
[www.agr.gc.ca/rccs-src/coop/index\\_e](http://www.agr.gc.ca/rccs-src/coop/index_e)

Gay Lea Foods Co-operative  
[www.gaylea.com](http://www.gaylea.com)

The Co-operators Group  
[www.co-operators.ca](http://www.co-operators.ca)

Credit Union Central of Ontario  
[www.cuco.on.ca](http://www.cuco.on.ca)

GROWMARK, Inc.  
[www.growmark.com](http://www.growmark.com)

Ontario Federation of Agriculture  
[www.ofa.on.ca](http://www.ofa.on.ca)

The Trillium Foundation  
[www.trilliumfoundation.org](http://www.trilliumfoundation.org)



# Working Together

Co-operatives, Co-operation  
and the Agri-Food Industry



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