

# Developing a Marketing Cooperative

**Marketing Shellfish Aquaculture Products**  
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Committed to the future of rural communities.

# Purpose

- What Are Cooperatives?
- Advantages and Disadvantages
- Steps to Develop a Cooperative

# What Is A Cooperative?

## **A business**

- Owned and democratically controlled by the people who use its services
- With benefits distributed equitably to them based on use



# What Is A Cooperative?

## Purpose

- Obtain market access or broaden market opportunities
- Improve product or service quality
- Reduce costs (purchasing)



# What Is A Cooperative?

## **Extension of grower's operation**

- Cooperative enhances the operation.
- Growers own their cooperative.
- Lack of support for the cooperative means failure.

# What Is A Cooperative?

## Governance Structure

- Members elect board of directors.
- Board of directors hires manager.
- Manager conducts day-to-day operations and communicates with board.

# What Is A Cooperative?

## Board duties

- Hire/fire manager.
- Monitor financial performance.
- Arrange for annual audits.
- See that an accounting system is set up.
- Long-range management.

# Advantages of Cooperatives

- User-members drive business
- Patronage-based benefits
- Market access
- Capital pooling
- Structure - Easy for large numbers of members to use



# Disadvantages of Cooperatives

- Members have to give up some independence
- Time to develop
- Group decision-making
- Everyone needs to commit to the cooperative
- Voting board members have to be growers
- Board v. manager responsibilities

# Steps to Develop a Cooperative

1. Initial meeting
2. Exploratory meeting
3. Grower survey
4. Feasibility analysis
5. Business plan
6. Legal documents and incorporation
7. Organizational steps
8. Acquire capital
9. Hire manager, acquire facility, begin operations



# Steps to Develop a Cooperative

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# Initial meetings

- Local leaders
- Identify the economic need a cooperative might fill
- Ideas about how cooperative would operate

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# Exploratory Meeting (cont.)

- Potential member-users
- Present ideas

# Exploratory Meeting (cont.)

- What is the need/opportunity?
- Possible solutions
- Cooperative principles/terminology
- Advantages and disadvantages of cooperatives

# Exploratory Meeting (cont.)

- General risk capital equity and financial requirements
- Various forms of member-user commitment needed



# Exploratory Meeting (cont.)

- Vote to proceed (or not)
- Select steering committee
- Discuss next steps

# Exploratory Meeting (cont.)

## CP expectations

- Steering committee of growers (no COI)
- Willing to put time into development process
- Time line



# Exploratory Meeting (cont.)

## CP expectations

- Group wants to explore feasibility of co-op
- Other advisors
- Letter of request for assistance



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# Grower Survey

Purpose

Basis for continuing to explore feasibility



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# Grower Survey (cont.)

- Survey questionnaire
- Grower list
- Snail mail
- E-mail/online
- In-person

# Grower Survey (cont.)

Interest in joining the cooperative

Oyster and/or supplies volume

Past and future



# Grower Survey (cont.)

- Time period
- Oyster per-unit sales price or cost (supplies)
- Grower location
- Willingness to join, finance, and use proposed cooperative
- Familiarity with cooperatives



# Grower Survey (cont.)

Present survey results at a grower meeting.

Vote - proceed or not with the project.

**If yes** – proceed with feasibility study.



# Steps to Develop a Cooperative

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- 4. Feasibility study**
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# Feasibility Study

## Purpose

To guide growers in determining if the proposed cooperative can be a viable venture.

# Feasibility Study

- Market Analysis
- Cost analysis

# Feasibility Study

- *Talk to market participants*
- *Supply and demand characteristics (inputs & output)*
- *Market share*
- *Pricing trends and sensitivity for finished goods and raw material*
- *Transportation of products and raw materials*

# Feasibility Study

- *Likely response of competitors to the new cooperative.*
- *Technology employed.*
- *Operating and fixed asset costs*
- *Relative cost competitiveness.*
- *Cooperatives working together.*

# Feasibility Study

- *Realistic income projections*
  - “What if” assessment
  - Worst / best case scenarios
- *Risk assessment*
- *Capitalization – Members provide 20-30% of start-up capital needs*

# Feasibility Study

## *Pro forma financial statements*

- *3-5 years*
- *Cash flows*
- *Income Statements*
- *Balance sheets*
- *Ratio analysis*



# Feasibility Study

## *Impact on growers*

- *What will it cost them?*
- *What will their returns be?*

# Feasibility Study

- *Present results*
- *Vote whether to continue*

# Feasibility Study v. Business Plan

*Based on feasibility study results - should we proceed?*

**If yes**

*Complete a business plan - blueprint for how to implement the business.*



# Steps to Develop a Cooperative

- 1. Initial meeting*
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# Business Plan

- *Markets*
  - *Why will buyers always choose your product over others?*
  - *Who, What, How much*
- *Management*
  - *Long-term and oversight (steering committee or board)*
  - *Day-to-day (manager)*
- *Financing*
  - *Members*
  - *Lenders*
  - *Granting agencies*

# Business Plan

## *Marketing plan*

- *Who are your competitors?*
- *Distribution channels*
- *Alliances and partnering*
- *Marketing contract(s)*
- *Contingencies/back up plans*

# Business Plan

## *Facility/operating plans*

- *Building/buying/leasing facility*
- *Use engineers and technology experts*
- *Plan for cost overruns (minimum of 10%)*
- *Getting oysters from growers to buyers*

# Business Plan

## *Financial plan*

- *Return on Investment*
- *Equity*
- *Debt*



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6. ***Legal documents and incorporation***
7. *Organizational steps*
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# Legal Documents and Incorporation

## *Sample legal documents*

- *Articles of incorporation*
- *Bylaws*
- *Marketing agreements*
- *Membership agreements*

*Hire attorney and incorporate*



# Organizational Steps

- *Charter membership meeting*
- *First board meeting*
- *Membership drive*



# Start-up

- *Finalize financing*
- *Hire manager, acquire facility, begin operations*
- *Board training*

# Manager

- *Broad-based search*
- *Employ early in process*
- *Compensate to attract the best*
- *Develop a position description*

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