

# What is a Cooperative?

**Innovative Ag Services is an agricultural cooperative which provides value-added services in five core markets: Grain, Agronomy, Feed, Energy and Building Supply. We encourage you to learn more about what it means to be a member of a cooperative and hope you apply to become a member today!**

## Three Major Cooperative Principles

**User-Owner:** The cooperative is owned by the people who use it. They own the assets.

**User-Control:** The cooperative is controlled by the people who use it. As owners, they have one vote regardless of the amount of equity they own or how much they patronize the organization. Only members can vote to elect directors and to approve major legal and structural changes to the company.

**User-Benefit:** The benefits generated by the cooperative accrue to its users on the basis of their use. (See right.)

## Five Pillars of Coop Corporations

**Control:** Management is controlled by the board of directors. Directors must be members of the cooperative which means that they are regular users of our products and services.

**Capital:** Equity comes from the membership. It is obtained by direct contributions from the member's \$300 fee and through retained earnings by agreement with the members to withhold a portion of the net income based on patronage.

**Earnings:** Earnings on business conducted on a coop basis are allocated to members based on how much they used the cooperative, not the amount of equity held. These allocations are paid in cash and retained as additional equity.

**Taxes:** Earnings from business with members are taxed once, either as income of the corporation when earned or as income of the members when allocated to them.

**Life:** A cooperative usually has a perpetual existence. Members can routinely join or resign without disrupting ongoing operations.

**1. Access to quality supplies at a reasonable cost.**

By banding together and purchasing business supplies and services as a group, individuals offset the market power advantage of firms providing those supplies.

**2. Increased influence in the marketplace.**

This permits members to combine their strengths and gain more income for the members while maintaining their status as independent business people.

**3. Share in the earnings.**

Members receive their allocation, called a patronage refund, partly in cash and the remainder as an addition to their equity account in the coop. This permits their coop to accumulate retained patronage refunds and is an easy and painless way for members to help finance activities and growth.

**4. Political Action**

A coop gives people a means to organize for effective political action. They can meet to develop priorities and strategies, and also send reps to meet with legislators and regulators. Thus, they will have more influence because they will be speaking for many, not just themselves.

**5. Local economy enhanced and protected.**

Coops generate jobs and business earnings for local residents. They pay taxes that help finance schools, hospitals and other community services.