

# THE SEVEN COOPERATIVE PRINCIPLES

## MEMBERS' ECONOMIC PARTICIPATION

Members contribute equitably to and control the capital of their cooperative. They also share in the distribution of earnings in excess of operating expenses (capital credits).

## DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members who actively participate in setting policies and making decisions.

## AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations that are controlled by their members. They operate under the cooperative business model.

## COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the co-op movement by working together through local, national, regional and international structures.

## VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives 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.

## EDUCATION, TRAINING, AND INFORMATION


Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives.

## CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



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# THE COOPERATIVE WAY

## An Explanation of Cooperatives and How They Work



**From Adams Electric Cooperative**

## AN INTRODUCTION TO CO-OPS

More than 100 million Americans are members of the approximately 47,000 co-operatives in the United States. Members of cooperatives join together to provide themselves with goods and services that they could not otherwise receive. Through co-ops, they often pay lower prices than customers of investor-owned businesses and enjoy efficient and reliable service. Co-ops foster local community involvement and give members control of the operation of the business. The cooperative way is democracy in action.

### WHAT IS A CO-OP?

According to the University of Wisconsin's Center for Cooperatives, "Cooperatives are

based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others."

Cooperatives have also been defined as:

- "an enterprise which belongs to the people who use its services, the control rests with all the members, and the



gains of which are distributed to the members in proportion to participation."

- "a democratic association of persons organized to furnish themselves an economic service under a plan that eliminates entrepreneur profit and that provides for substantial equality in ownership and control."

- "a business voluntarily owned and controlled by its member-patrons and operated for them and by them on a non-profit or cost basis."

A cooperative is all of these things, as well as a corporation; most cooperatives are incorporated under state law with the members as owners.

### HOW A CO-OP WORKS

Co-ops are private enterprises owned and controlled by their members. Each member-owner has the right and responsibility to voice his or her opinion of the workings of the co-op. One membership equals one vote. Members elect a board of directors from their own ranks to direct the co-op. The board then hires professional management.

Co-ops are non-profit businesses. Excess earnings, called margins, may be returned to members based on their participation in the organization; another option is to reinvest the capital in the co-op.



## A BRIEF HISTORY OF CO-OPS

The first modern cooperative was established in 1844 in Rochdale, England. Participants pooled their resources to create a food store with prices lower than others in town. The Rochdale Pioneers developed a set of principles governing the organization. Today's seven basic co-op principles are based on the ideas developed in Rochdale. (See the back panel for a list of these principles.)

Cooperatives have evolved into three categories based upon ownership.

**Producer-owned** co-ops are groups of individuals or small businesses that may process and market goods together or provide themselves with credit and equipment. Agricultural co-ops often fall into this category of co-op.

Employees control **worker-owned** co-ops. These groups are found in almost every industry, from restaurants to timber processors.

Finally, **consumer-owned** co-ops are owned by the members for whom they provide service. Electric cooperatives fit in this category. First developed to bring electricity to rural areas that investor-owned utilities were either unable or unwilling to serve, about 900 electric co-ops now serve over 37 million Americans in 47 states.

