



# **Cooperative Businesses In the United States...**

## **A 2005 Snapshot**

**Prepared by the National Cooperative Month  
Planning Committee**

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## I. Cooperative Businesses in America: An Introduction

Cooperatives in America are as old as the nation itself. The first successful U.S. cooperative was organized in 1752 when Benjamin Franklin formed the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire — the nation's oldest continuing cooperative.

The modern cooperative era dates to 1844, when the Rochdale Equitable Pioneers Society was established in Rochdale, England. These pioneers wrote down a set of principles to operate their food cooperative. These principles contributed to their success and spread to other cooperatives around the world.

Cooperatives have thrived in part because the concept is so fundamental and universally appealing — people or businesses banding together to form an independent business entity to serve the needs of the collective membership, customer base, employees or other user group. But as old as the form of business may be, cooperatives have never been more modern in the way they operate. Like other businesses that must reinvent themselves every day in response to ever-changing markets, cooperatives are continually evolving to meet their members' needs, with new cooperatives started all the time.

Co-ops typically are formed when the marketplace fails to provide needed goods or services at affordable prices or of acceptable quality. Among other things, cooperatives provide:

- Business services, such as personnel and benefits management, and group purchasing of goods and services
- Childcare
- Credit and personal financial services
- Equipment, hardware and farm supplies
- Electricity, telephone, Internet, satellite and cable TV services
- Food and grocery services
- Funeral and memorial service planning
- Health care
- Housing
- Insurance
- Legal and professional services
- Marketing of agricultural and other products

Cooperatives follow seven internationally recognized principles as the basis for doing business:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information-sharing
- Cooperation among cooperatives
- Concern for community

In part because the cooperative community is so diverse, there is no current authoritative count of cooperative businesses in the United States or their economic impact. Past estimates of the number of co-ops have ranged as high as 40,000.<sup>1</sup> This report counts 21,367 co-ops in six individual sectors. It is the beginning of an effort to develop new estimates of the size and impact of the entire co-op community. Legislation pending on Capitol Hill would make \$500,000 available to expand on this effort.

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## II. 2005 Cooperative Business Survey: Scope

October is National Co-op Month. As part of efforts to acknowledge and celebrate Co-op Month 2005, the National Co-op Month Planning Committee developed a survey to measure the economic impact of U.S.-based cooperatives.

The survey included questions on the number of co-ops; the total number of members of co-ops; cooperative businesses' employment and payroll; and cooperatives' economic activity, measured in terms of gross sales, production volume, assets or other relevant metrics.

Respondents included organizations representing five cooperative sectors: credit unions, farm credit banks and associations, electric utilities, grocery and housing. Data from a fifth sector, agriculture, was obtained from the federal government. These six sectors generally are considered the largest segments of the cooperative community.

Other sectors — notably worker co-ops, telecommunications co-ops and most purchasing co-ops — were not easily covered in the survey. While there are only approximately 300 purchasing co-ops, they represent an estimated 50,000 independent businesses and their economic impact is substantial.<sup>2</sup> Included are all ACE and True Value hardware stores and Carpet One retail outlets. Approximately 4,800 individual hardware retailers are ACE members while 700 flooring retailers are members of the Carpet One cooperative.<sup>3</sup> In 2004, the 10 largest purchasing co-ops alone had revenues of more than \$12 billion.<sup>4</sup>

In addition, there are consumer co-ops beyond those represented here. Some of those are substantial as well. Seattle-based Recreational Equipment Inc., for example, has more than 2 million consumer-owners.<sup>5</sup> In 2004, the three largest consumer co-ops alone had revenues of \$5 billion.<sup>6</sup>

Still, this report includes economic data on more than 21,000 U.S. co-ops that together have nearly 130 million members. While these numbers are impressive, they do not negate the need for comprehensive data on the cooperative business community. Comprehensive data is needed to accurately gauge the size and impact of the cooperative sector, to demonstrate the sector's value to members and others, and to advocate on behalf of cooperatives at various levels of government.

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### III. 2005 Cooperative Business Survey: Summary

The economic impact of U.S.-based cooperative businesses is significant, reflecting the ubiquity of co-ops, the large number of Americans who are their owners or customers, and the role co-ops play in generating business activity, including jobs and economic growth.

For the six key sectors that are the focus of this report — agriculture, credit unions, farm credit, electric utilities, grocery and housing — the data are impressive. However, for some sectors the data are incomplete. Notably, information was not available on the payroll of the agriculture sector, or on the number of customers and employees of grocery co-ops.

Notwithstanding the absence of this information, the identifiable economic impact of these six key cooperative sectors is quite large. In summary:

- There are 21,367 cooperatives in the six sectors.
- These cooperatives have more than 127.5 million members.\* Adding in the memberships of three additional large consumer co-ops would increase this number to 130.5 million.
- Cooperatives in these six sectors employ considerably more than 500,000 Americans, with aggregate payrolls of more than \$15 billion annually.
- These cooperatives generate total annual revenues in excess of \$211.9 billion.\*\* Adding in the revenues of 10 additional large purchasing cooperatives and three additional large consumer co-ops would increase this number to \$229.7 billion.

Among individual sectors:

- Agriculture co-ops have a gross business volume of more than \$111 billion per year and 2.8 million members.
- The Farm Credit System has approximately \$125 billion in assets and \$96 billion in loans outstanding.
- Credit unions have \$668 billion in assets and more than 86 million members, who receive billions of dollars in benefits annually from lower loan rates and higher savings rates. Credit unions have \$443.5 billion in loans outstanding.
- Electric utility co-ops serve 37 million people and their lines cover more than three-quarters of the U.S. land mass.
- Food and grocery co-ops generate \$33 billion in annual revenues while retail food co-ops alone pay back an estimated \$4 billion a year to their members.
- Housing cooperatives have combined budgets in excess of \$11 billion, and make an estimated \$1.2 billion in property improvements each year.

\* Some of these people are presumed to be members or customers of more than one cooperative.

\*\* Total revenue means different things in some co-op sectors.

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## IV. Agriculture Sector

There are more than 3,000 agricultural cooperatives whose members include a majority of America's two million farmers and ranchers.<sup>7</sup> These co-ops play a vital role in the nation's food system, bringing consumers an abundant and affordable supply of high-quality food, often under nationally recognized brand names.

Agricultural cooperatives represent a multibillion-dollar industry that employs more than 220,000 people. Co-ops increase the marketing capability and production efficiency of agricultural producers, including many small businesses that otherwise would not be able to compete in the global economy.

Agricultural cooperatives are involved in several different types of services. Marketing cooperatives — such as Land O'Lakes Inc., Ocean Spray, Sunkist and Florida's Natural Growers — handle, process and market virtually every commodity grown and produced in the United States. Bargaining cooperatives help growers obtain reasonable prices for the commodities they produce. Supply cooperatives manufacture, sell, or distribute farm supplies.

### ***Agriculture Sector Economic Impact: Fast Facts<sup>8</sup>***

Number of co-ops	3,140
Total members	2.8 million
Total employment	220,000
Gross annual business volume	\$111.6 billion
Total assets	\$47.5 billion

### ***Five Largest Agricultural Cooperatives<sup>9</sup>***

Name	State	2004 Revenues	Assets
CHS Inc.	MN	\$11.1 billion	\$4.0 billion
Dairy Farmers of America	MO	\$8.5 billion	\$2.4 billion
Land O'Lakes Inc.	MN	\$7.7 billion	\$3.2 billion
Ag Processing Inc.	NE	\$2.7 billion	\$748 million
California Dairies, Inc.	CA	\$2.5 billion	\$588 million

## V. Credit Unions Sector

There are 9,346 federal- and state-chartered credit unions in the United States, with more than 86 million members. Credit unions are owned by their members, who often share something in common, such as where they work, live or go to church.

Credit unions accept deposits, make loans, and offer a wide range of other services — often with lower fees and higher rates of return than for-profit financial institutions. Estimates are credit union provided nearly \$4 billion in member benefits from lower loan rates and \$1.5 billion in benefits from higher savings rates last year.<sup>10</sup> In addition, credit unions influence the pricing of services at for-profit financial institutions, generating several billions of dollars in benefits to non-members.<sup>11</sup> Like banks and savings institutions, credit unions are regulated closely at the national level. Deposits are insured up to \$100,000 by an agency of the federal government. Loans made by credit unions contribute to the nation’s economic growth. Total credit union loan portfolios stood at \$443.5 billion in May. Total credit union loan growth is expected to be at least 7.5 percent this year, after expanding by 10.1 percent in 2004.<sup>12</sup> Credit unions are heavily involved in their communities. More than 47 percent of credit union employees are engaged in volunteer activities.<sup>13</sup>

### ***Credit Unions Sector Economic Impact: Fast Facts***

Number of credit unions <sup>14</sup>	9,346
Total members <sup>15</sup>	86 million+
Total employment <sup>16</sup>	235,400+
Total annual payroll <sup>17</sup>	\$10.3 billion+
Dividends/interest paid on share accounts <sup>18</sup>	\$8.7 billion+
Gross income <sup>19</sup>	\$37.9 billion
Net income <sup>20</sup>	\$5.9 billion
Total assets <sup>21</sup>	\$668 billion
Loans outstanding <sup>22</sup>	\$443.5 billion

### ***Five Largest Credit Unions<sup>23</sup>***

<b>Name</b>	<b>State</b>	<b>Assets</b>
Navy Federal Credit Union	VA	\$25.0 billion
State Employees Credit Union	NC	\$12.7 billion
Pentagon Federal Credit Union	VA	\$8.0 billion
The Golden 1 Credit Union	CA	\$6.0 billion
Orange County Teachers Federal Credit Union	CA	\$5.7 billion

## VI. Farm Credit Sector

The Farm Credit System is a federally chartered network of borrower-owned lending institutions made up of cooperatives and related service organizations. The System contributes significantly to the rural economy, providing dependable credit to farmers, ranchers, farmer cooperatives, farm-related businesses, and others. System institutions also make loans to purchase rural homes, support farm exports, and finance rural communication, energy and water systems.

The Farm Credit System includes five banks and 96 associations. Borrowers cooperatively own the associations and the associations cooperatively own their affiliated banks: AgFirst in Columbia, S.C.; AgriBank in St. Paul, Minn.; Farm Credit Bank of Texas in Austin; and U.S. AgBank in Wichita, Kans. The Agricultural Credit Bank, known as CoBank, is principally owned by cooperatives, other eligible borrowers and its affiliated associations. The banks jointly own the Federal Farm Credit Banks Funding Corporation, which issues system-wide debt securities to raise funds for the lending activities of the banks and associations. System institutions are chartered under the Farm Credit Act and overseen by the federal Farm Credit Administration.

At the end of 2004, the System had approximately \$125 billion in assets and net income levels had exceeded \$1 billion in each of the last 10 years. Strong management, prudent lending, and sensible funding patterns increased capital to more than 17 percent of total assets.<sup>24</sup>

### ***Farm Credit System Economic Impact: Fast Facts***

Number of Farm Credit institutions <sup>25</sup>	101
Total stockholders or owners <sup>26</sup>	453,600
Total employment <sup>27</sup>	10,498
Total interest income <sup>28</sup>	\$5.4 billion
Net interest income <sup>29</sup>	\$3 billion
Total assets <sup>30</sup>	\$124.9 billion
Loans outstanding <sup>31</sup>	\$96 billion

### ***Farm Credit Bank and Association Loan Volume by District<sup>32</sup>***

District	Associations	State	Loan Volume
AgFirst	23	SC	\$15.6 billion
AgriBank	18	MN	\$34.7 billion
Farm Credit Bank of Texas	21	TX	\$9.1 billion
U.S. AgBank	29	KS	\$15.7 billion
Cobank	5	CO	\$26.3 billion

## VII. Electric Utilities Sector

Thirty-seven million people in 47 states are served by America’s electric cooperatives, which provide at-cost electricity to the consumers they serve and who are their owners.

There are two types of electric co-ops, which typically are organized on a not-for-profit basis under state laws. Distribution cooperatives deliver electricity directly to consumers. Generation and transmission cooperatives produce and transmit electricity to distribution co-ops.

Most electric cooperatives were formed in the 1930s and 1940s to provide electricity to rural areas that investor-owned utilities would not serve. With few customers per mile of line, rural areas were considered by for-profit utilities to be insufficiently profitable to justify investment.

Electric co-ops own and maintain some 2.4 million miles of electricity distribution lines, or 43 percent of the nation’s lines, and cover three-quarters of America’s land mass.<sup>33</sup>

### ***Electric Utilities Sector Economic Impact: Fast Facts***<sup>34</sup>

Number of co-ops	930
Total members	37 million
Total employment	65,000
Total payroll	\$3 billion
Total retail revenues	\$24 billion
Patronage credits (rebates)	\$450 million

### ***Five Largest Electric Cooperatives***<sup>35\*</sup>

Name	State	2004 Revenues	Assets
Oglethorpe Power Corporation	GA	\$1.3 billion	\$4.8 billion
Seminole Electric Cooperative	FL	\$897 million	\$958 million
North Carolina Electric Membership Corp.	NC	\$803 million	\$1.1 billion
Associated Electric Cooperative Inc.	MO	\$798 million	\$1.5 billion
Tri-State G&T Association	CO	\$673 million	\$2.1 billion

\* All are generation and transmission cooperatives.

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## VIII. Grocery Sector

There are approximately 350 retail food and grocery cooperatives in the United States. These cooperatives generate \$33 billion in revenue, serving tens of thousands of member-owners across America.

Among 300 retail food cooperatives, some operate as full-scale supermarkets; others are small specialty or natural foods stores. Both members and non-members shop at most retail co-ops, but the benefits of membership accrue to the owners, who shape co-op policy and receive discounts or rebates for patronage and other specialized services. Retail food co-ops are particularly active in their communities. Virtually all collect money for community causes and organize volunteer activities. Dividends paid back to members are estimated at \$4 million per year.

In addition, many independent food stores are members of wholesale grocery cooperatives. By organizing to form co-ops, independent store operators maximize their purchasing power to achieve the same leverage and competitive advantages of national supermarket chains that buy products in large volumes. They also realize operating efficiencies and enjoy savings in distribution and warehousing expenses.

Among the wholesale grocery co-ops are two owned and controlled by local food cooperatives, Frontier Natural Products Co-op in Iowa and Tucson Cooperative Warehouse in Arizona. Ozark Cooperative Warehouse in Arkansas is a member-owned co-op. All three warehouses supply retail co-ops and buying groups, help market and advertise their members' stores within their service regions, and provide help to groups interested in starting food cooperatives.

### ***Grocery Sector Economic Impact: Fast Facts***<sup>36</sup>

Number of retail and wholesale co-ops	350
Total revenues	\$33.0 billion
Total payroll	\$1.8 billion
Patronage dividends (retail food co-ops only)	\$4 million

### ***Five Largest Wholesale Grocery Cooperatives***<sup>37</sup>

Name	State	2004 Revenues	Assets
Wakefern Food Corp.	NJ	\$7.1 billion	\$1.1 billion
TOPCO Associates LLC	IL	\$5.0 billion	\$200 million
Associated Wholesale Grocers	KS	\$4.6 billion	\$757 million
Unified Western Grocers	CA	\$3.0 billion	\$702 million
Associated Food Stores	UT	\$1.4 billion	\$365 million

## IX. Housing Sector

There are 7,500 housing cooperatives in the United States, providing homes for 1.2 million families — or 3 million people — at all levels of income. Large numbers of housing co-ops are located in major urban areas such as New York City, Washington, D.C., Chicago, Miami, Minneapolis, Detroit, Atlanta and San Francisco. But housing co-ops can and do exist everywhere. Housing cooperatives come in many shapes and sizes. Cooperatives include townhouses, garden apartments, mid- and high-rise apartments, single-family homes, student housing, senior housing, and mobile home parks. The purchase price of cooperative membership can be determined by the marketplace or maintained at below-market rates in order to preserve affordability.

Members of a housing cooperative own shares in the corporation that owns or controls the building or other property in which people live. Each shareholder is entitled to occupy a specific unit and has a vote in the corporation. Every month shareholders pay an amount that covers their proportionate share of the expenses of operating the cooperative, which typically includes underlying mortgage payments, property taxes, management, maintenance, insurance, utilities and contributions to reserve funds.

The combined budgets of all housing cooperatives in the United States are \$11.5 billion. These co-ops spent \$1.2 billion to repair and improve their buildings and property last year. An estimated 30 percent of housing cooperatives sponsor volunteer activities in their communities.

### ***Housing Sector Economic Impact: Fast Facts***<sup>38</sup>

Number of co-ops	7,500
Total members	3 million (1.2 million families)
Total employment	7,000
Total payroll	\$3 million
Combined budgets	\$11.5 billion
Major property repairs and improvements	\$1.2 billion

### ***Five Largest Housing Cooperatives***<sup>39</sup>

Name	State	Units	Assets
Co-op City	NY	15,372	\$3.1 billion
Rossmoor Leisure World at Seal Beach	CA	6,422	\$1.3 billion
Rossmoor Leisure World at Laguna Woods	CA	6,139	\$1.2 billion
Rochdale Village	NY	5,860	\$1.2 billion
Concourse Village	NY	3,714	\$750 million

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## X. Appendix: Sources

- <sup>1</sup> National Cooperative Business Association
- <sup>2</sup> National Cooperative Business Association
- <sup>3</sup> ACE, Carpet One websites
- <sup>4</sup> National Cooperative Bank, “NCB Co-op 100,” October 2005
- <sup>5</sup> REI website
- <sup>6</sup> National Cooperative Bank, “NCB Co-op 100,” October 2005
- <sup>7</sup> National Council of Farmer Cooperatives
- <sup>8</sup> U.S. Department of Agriculture, 2002 (latest data available)
- <sup>9</sup> National Cooperative Bank, “NCB Co-op 100,” October 2005
- <sup>10</sup> Credit Union National Association
- <sup>11</sup> Credit Union National Association
- <sup>12</sup> National Association of Federal Credit Unions, “Flash Report,” July 2005
- <sup>13</sup> National Association of Federal Credit Unions
- <sup>14</sup> Credit Union National Association
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- <sup>20</sup> Credit Union National Association
- <sup>21</sup> Credit Union National Association
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- <sup>23</sup> Credit Union National Association, “Top 100 Credit Union Listing: By Asset Rank,” June 2005
- <sup>24</sup> Federal Farm Credit Banks Funding Corporation, “Annual Information Statement, 2004”
- <sup>25</sup> Federal Farm Credit Banks Funding Corporation, “Annual Information Statement, 2004”
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- <sup>35</sup> National Cooperative Bank, “NCB Co-op 100,” October 2005
- <sup>36</sup> National Cooperative Grocers Association and Walden Swanson, CoopMetrics, Carrboro, N.C.
- <sup>37</sup> National Cooperative Bank, “NCB Co-op 100,” October 2005
- <sup>38</sup> National Association of Housing Cooperatives
- <sup>39</sup> National Association of Housing Cooperatives