

# STARTING A COOPERATIVE FOOD BUSINESS IN WISCONSIN

## What is a cooperative?

A **cooperative** is a business that is owned and democratically controlled by the people who use its services.



### MEMBER-OWNED

The people who own and finance the cooperative are those who use the cooperative.



### MEMBER-CONTROLLED

The people who control the cooperative are the members of the cooperative.



### MEMBERS BENEFIT

The cooperative's purpose is to provide and distribute benefits to the members on the basis of their use.

Cooperatives exist in every sector of the economy and can be defined by who their members are: consumers; producers/farmers/fishers; workers; businesses/organizations; municipalities/government; other cooperatives; a combination of membership types. We have about 750 cooperatives in Wisconsin.

## Why choose a cooperative structure?

Deciding on a business structure is a critical early step for any new business. It impacts a number of facets of the business going forward including: who the owner is (or owners are); who controls the business and makes decisions; how the business is financed; how the business is taxed; and the owner's legal liability.

If you are considering a cooperative structure for your business in Wisconsin, there are a few important things to know. Cooperatives incorporate at the state level, and in Wisconsin we have two cooperative statutes: Chapter 185 and Chapter 193. Most cooperatives in the state are Chapter 185 cooperative corporations, which requires five individuals to file the Articles of Incorporation. The [UW Center for Cooperatives](https://resources.uwcc.wisc.edu/Legal/BusinessStructureComparison.pdf) has a comparison of business structures chart for quick reference (<https://resources.uwcc.wisc.edu/Legal/BusinessStructureComparison.pdf>).

### The following are a number of the reasons that groups provide for choosing to form a cooperative:

- Can be an effective way for a group of people to meet a common set of economic or social needs.
- A legally defined way to start a business with a group of people and share both the risks of the start-up phase as well as the rewards of profitable operations.
- Wisconsin has the advantage of very robust cooperative statutes—Chapter 185 and Chapter 193—that put in place a significant amount of structure for cooperative enterprises.
- Cooperatives are relatively easy for owners to enter and exit.
- Cooperatives across the country and internationally adhere to a common set of principles and values; there is a common cooperative identity and community that new cooperatives can connect with. There are roughly 750 cooperatives in Wisconsin alone.
- Cooperative members are not penalized for working together in a cooperative business under US Tax Code and may enjoy some tax advantages.
- Cooperatives can diversify and strengthen local communities because of their local ownership, control, and operations. Profits tend to remain in the local economy because they are returned to the members, or reinvested in the locally-based cooperative business.
- There tends to be community support for cooperatives—this can be used to a business's advantage in membership drives, raising capital, branding, and marketing.

## Common alternatives to cooperative incorporation

Some groups ultimately decide on a different legal structure for their new business. Chapter 193 of the Wisconsin statutes is a much newer statute that allows for some variations on cooperative structure that Chapter 185 does not. Businesses that incorporate under Chapter 193 are technically called unincorporated cooperative associations and allow for some amount of investor ownership. Some groups choose to incorporate as an LLC and write a cooperative-like operating agreement.

## Steps to start a cooperative

The following stages go from a group with a business idea to a fully operational business. Every group and business is different, but generally expect 3 to 6 months to get to the point of incorporation. The time it then takes to launch operations depends in large part on how much capital needs to be raised and whether the cooperative needs to acquire or build significant infrastructure or other physical assets. It is common for a group to be doing work in more than one stage simultaneously—forming a cooperative is rarely a linear process.

### Explore

An individual or group identifies the business opportunity and begins to gauge interest. The interested group forms a steering committee. Key questions that the steering committee explores include:

- What goods and/or services do you want to offer to the members?
- Who will the members be?
- How does the co-op generate revenue?
- Who are the non-member key stakeholders and supporters?

### Assess

Conduct a feasibility study and evaluate the results.

### Incorporate

File Articles of Incorporation and adopt bylaws. At the point of incorporation, the individuals who sign the articles become the temporary Board of Directors. Open a bank account.

### Plan

Prepare a business plan. Elect a board of directors at the first annual meeting (within six months of incorporation).

### Capitalize

Begin a membership drive and secure start-up capital.

### Launch

Hire staff; address licensing, regulatory, and insurance requirements; commit to ongoing training and education.

## Help is available!

The UW Center for Cooperatives based at UW–Madison offers many resources about the cooperative model, including cooperative development. Assistance is offered to groups directly, or in partnership with other business development assistance organizations. The UWCC cooperative development team works with groups all over Wisconsin and the upper Midwest. UWCC is also a member of a national network of cooperative development centers so can connect groups to the most appropriate technical assistance provider depending on geography and type of cooperative. A library of cooperative development and other resources can be found on the UWCC website:

- Cooperatives in Wisconsin  
[https://resources.uwcc.wisc.edu/About%20Co-ops/Cooperatives\\_in\\_Wisconsin\\_FINAL\\_small.pdf](https://resources.uwcc.wisc.edu/About%20Co-ops/Cooperatives_in_Wisconsin_FINAL_small.pdf)
- How to start a cooperative  
<https://uwcc.wisc.edu/start-a-co-op/>
- Cooperative governance and finance webinars  
<https://uwcc.wisc.edu/webinars/>
- Grocery cooperatives  
<https://uwcc.wisc.edu/resources/grocery/>
- Agricultural cooperatives  
<https://uwcc.wisc.edu/resources/agriculture-2/>
- Multistakeholder cooperative  
<https://uwcc.wisc.edu/resources/multi-stakeholder-cooperatives/>

There are several regional organizations that specialize in cooperative food system development:

- Food Co-op Initiative  
<https://fci.coop/about-us/>
- Wisconsin Farmers Union  
<https://www.wisconsinfarmersunion.com/>
- Columinate  
<https://columinate.coop/>
- Cooperative Development Services  
<https://www.cdsus.coop/>



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