

# What do we mean by a cooperative?

**A cooperative is an enterprise**  
 that has been freely established,  
**is owned and controlled by a group of legal persons**  
 for the purpose of equitably  
**providing themselves with mutual benefits**  
 arising from the activities of the enterprise  
**and not primarily from their investment in it.**

<b>A cooperative is an enterprise</b>	<ul style="list-style-type: none"> <li>• it is an economic organisation</li> <li>• it is not a charity</li> <li>• it operates within a market-based economy</li> <li>• it is not a cartel</li> <li>• it is an organisation based on self-help</li> </ul>
that has been freely established,	<ul style="list-style-type: none"> <li>• membership is entirely voluntary</li> <li>• membership is not based upon any other affiliation (e.g. political, religious, racial)</li> </ul>
<b>is owned and controlled by a group of legal persons</b>	<ul style="list-style-type: none"> <li>• it is controlled in a way that reflects the relationship that members have to the activity of the group – voting may be one person/one vote or according to the volume of business transacted</li> <li>• it is owned and controlled by the persons who benefit from the activities it undertakes</li> <li>• the organisation may be comprised of individuals and/or other legal entities – such as other cooperatives or companies</li> <li>• it is based on a stakeholder group with a mutual interest – such as consumers, farmers, workers, tenants</li> <li>• to function properly the solidarity of the group needs to be maintained and developed – through communication, education and training</li> </ul>
for the purpose of equitably	<ul style="list-style-type: none"> <li>• not based on one set of members gaining benefits from other members of the group</li> <li>• based on the concept that benefits are shared fairly between members on the basis of their economic participation in the enterprise</li> </ul>
<b>providing themselves with mutual benefits</b>	<ul style="list-style-type: none"> <li>• primarily intended to benefit those who are members, it is not based on exploiting others</li> <li>• benefits from further collaboration between other similar groups may also be sought</li> </ul>
arising from the activities of the enterprise	<ul style="list-style-type: none"> <li>• it undertakes activities that benefit the members</li> <li>• the activity of the enterprise is the primary basis of the benefits to members, not the surplus arising from activities</li> </ul>
<b>and not primarily from their investment in it.</b>	<ul style="list-style-type: none"> <li>• other than for fixed interest, benefits are not allocated to members on the basis of their investments</li> <li>• participation in control is not based on level of investment</li> <li>• a fair market rate of return should be made to those, including members, who invest in the business</li> </ul>