

ALL MEMBERS ARE SHAREHOLDERS

DAGGA CO-OP.®



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## How to set up a co-op

Durban Poison February 08, 2019 10:48 am

Cooperatives are popular with government and group projects. We look at the requirements for registration and the legal aspects. A cooperative is registered with the Companies and Intellectual Property Registration Office (CIPRO), which is part of the Department of Trade and Industry (DTI). A minimum of five people is needed for registration approval. Select the group members of your Co-op. and decide what to name it. Send five name choices to CIPRO, in case one or more are already taken. Only one name will be approved and allocated to your co-op. Sometimes all five names are rejected, and the process starts again. Working through application forms is often difficult, and mistakes could have CIPRO returning the documents for the process to start from scratch. Before the registration process, group members must compile a constitution and send a copy to CIPRO with the application forms.

We have studied the two suitable structures. The primary Agricultural Co-op & the General Co-op. There are 2<sup>nd</sup> tier Co-ops but we are not growing pumpkins. I have looked at the local crowd capital, but our laws are too restricted besides its platforms are way off. It's [Angel.co](#) minus the good stuff too risky except for billionaires who like gambling. Local platform are a joke. Just a way for the platform to make money.

A constitution is needed to sort out conflict and must present guidelines on every aspect of the business. For the CIPRO application form, you'll need the co-op members' names, identity numbers and residential and postal addresses. Identify the directors, who must agree with the number of directors mentioned in the constitution document. Hold a general meeting before the application process and enter this date into the application. Remember, all meetings must be recorded in a "minute" book.

For authenticity purposes, this should be a book where the pages can't be removed. This form is signed by the co-op chairperson and should be done before a commissioner of oaths, to be valid. I would go with the Professional help, it obviously cost money but after DIY trademarks the time frustration its worth it to get job done.

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## Co-operative Share Capital for Dummies

A share is literally like a slice of ownership. If you buy a share in a co-operative, you will then own a part of a capital value of the co-operative and the amount that you own is determined by the size of your share and the capital value of the co-operative.

Think of buying a slice of cake: the whole cake may be on sale for R 20-00, but if it is cut into 10 slices and you buy one slice for R 2-00, you will probably eat it straight away.

However, if you contribute R 2-00 to buying the ingredients for the cake before it is baked, then you will own a 10% share of that cake in advance. Now your share has the potential to increase in value. For instance, once the cake is baked someone might be willing to pay R 30-00 for the whole cake. The value of your share would therefore increase to R 3-00, so you will make a 50% profit. Of course, you also face the risk that your share could lose its value. If the cake doesn't taste good, you might not be able to sell it and then your share will be worth nothing. So, it is in your interest to get involved in baking that cake and making sure that it is delicious.

Issuing shares – how does it work?

If the capital value of a co-operative is worth R 100 000, the members may decide to create 1,000 shares for sale at a value of R 100 each to raise more money for developing the business. If you buy 10 of these shares, you will pay R 1 000.00 You will then own 1% of the capital value of the co-operative. When the capital value of the co-operative increases, the value of your shares will increase as well. You may sell your shares back to the co-operative when you resign from the co-operative and you will be paid out the value of your shares at the time of sale.

A co-operative must give share certificates to all members who hold shares in the co-operative. It must also give certificates to members who have made loans to the Co-operative.

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## Facts about Cooperatives

Bolstering our decision to incorporate as a cooperative are statistics such as the following:

29,000 cooperatives operate in every sector of the U.S. economy.

1 billion people are members of cooperatives worldwide.

1 in 3 Americans are co-op members holding 350 million co-op memberships worldwide.

U.S. cooperatives generate 2 million jobs each year, contribute \$652 billion in annual sales, and possess \$3 trillion in assets.

92 million Americans turn to 7,500 credit unions – which are cooperatives – for their financial services.

Most of the America's 2 million farmers are farmer co-op members providing 250,000 jobs and \$8 billion in annual wages.

1.2 million U.S. families of all income levels live in homes owned and operated through cooperatives.

42 million Americans rely on electricity from 900 rural electric co-ops in 47 states – making up 42% of the nation's electric distribution and covering 75% of our land mass.

233 million people are served by co-op-owned and affiliated insurance companies.

1.2 million rural Americans are served by 260 telephone cooperatives in 31 states.

50,000 U.S. families rely on cooperative daycare facilities and preschools for the care of their children.

Regards

The Dagga Co-op

*Durban Poison*