

## Mongolian Cooperative Network – General Knowledge

### The different types of cooperatives

(Source: German Technical Cooperation GTZ project “Promotion of organised self-help in rural areas”, Ulaanbaatar, Mongolia, eMail [fv.mueller@gtz-mongolia.org](mailto:fv.mueller@gtz-mongolia.org)  
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Cooperatives may be classified in many different ways. The most important possibilities to identify the various types of cooperatives are as follows:

- Classification of cooperatives by type of relationship between the members and the cooperative enterprise.
- Classification of cooperatives by type of their members.
- Classification of cooperatives by the type of their activities.
- Classification of cooperatives by the number of their activities.
- Classification of cooperatives by economic sector in which they are active.
- Classification of cooperatives according to the level at which they are active.

#### **Classification of cooperatives by type of relationship between the members and the cooperative enterprise**

Cooperatives can be grouped into two main types: service cooperatives and productive cooperatives. They are different from each other by the type of relationship, which exists between the members and the cooperative enterprise.

- In **service cooperatives** (also called promotion cooperatives) the members are the owners of the cooperative enterprise and at the same time also its users (as suppliers or customers). Examples are cooperatives, which promote their members through marketing of their produce (e.g. farmer cooperatives) or through supplying products to them (consumer cooperatives).
- In **productive cooperatives** the members are the owners of the cooperative enterprise and at the same time the employees, who are working in it. Examples are cooperatives, which promote their members through creating and securing employment and income for them (handicraft cooperatives, where the members together produce e.g. furniture or shoes).

#### **Classification of cooperatives by the type of their members**

Nearly every household or every business can make use of the various types of cooperatives:

- **Consumers** use the cooperative to acquire products or services (such as food, housing, health-care).
- **Producers** (such as farmers and small scale entrepreneurs) use the cooperative to process and market the goods or services, which they have produced in their own

businesses. In addition or alternatively they may purchase products or services from the cooperative, which are necessary to run their own economic activities.

- **Workers** use the cooperative enterprise to secure their employment and to control their working conditions.

### **Classification of cooperatives by the type of their activities.**

There are various kinds of co-operatives performing very specific activities for their members.

- **Financial cooperatives** offer loan, savings and insurance services to their members. Examples are savings and credit cooperatives, credit unions, insurance co-operatives. Credit Unions are a special type of savings and credit cooperative, characterised by a specific bond of association, which provides the basic criteria for membership. This bond of association might be a local community or a common employer.
- **Consumer cooperatives** enable the members to use their combined purchasing power to buy goods and services they need in their individual households. They range from small purchasing groups to large supermarket-type organizations in various sectors: food, hardware, clothing.
- **Marketing cooperatives** market products or services, which their members have produced in their own individual businesses. Sometimes they also add value to the products by sorting, processing etc. The members may be independent entrepreneurs, artisans, or farmers. The products comprise milk (dairy cooperative), grain, meat, fruits, vegetable, fish etc.
- **Supply cooperatives** provide members with inputs, which the members need in their individual businesses, e.g. as craftsmen or farmers. The supplies comprise fuel, seed, veterinary drugs, building materials, wood, tools, machinery.
- **Worker cooperatives** are businesses that provide their members with employment by operating a jointly owned enterprise. They may be engaged in various economic activities (manufacturing, food processing, clothing, construction, education, business services). Most of them are part of the small or medium sized enterprise sector.
- **Service cooperatives** provide services to their members, who are individuals or businesses. These cooperatives can be active in a wide range of services, e.g. housing, electricity, water supply, community development, health care, transportation, communication, tourism.

### **Classification of cooperatives by the number of their activities**

Cooperatives differ in the multitude of activities through which they promote their members:

- **Single-purpose cooperatives** promote their members only through one specified service, e.g. the supply of products to the members of a consumer cooperative.
- **Multi-purpose cooperatives** promote their members through a combination of various services, e.g. the farmers cooperatives of the Raiffeisen-type in Germany, which provide at the same time marketing, supply and financial services to their members.

### **Classification of cooperatives by economic sector in which they are active**

As the possible activities of cooperatives have shown, they can work in practically all sectors of economic activity:

- **Agriculture:** e.g. farmers supply and marketing cooperatives,
- **Finance:** e.g. savings and credit cooperatives, insurance cooperatives
- **Food processing and manufacturing:** e.g. dairy cooperatives, wine growers cooperatives, productive cooperatives,
- **Trade:** e.g. consumer cooperatives, wholesale cooperatives of traders,
- **Services:** e.g., consulting cooperatives, health care cooperatives, housing cooperatives,
- **Energy:** e.g. rural electricity production and supply cooperatives,
- **Transport:** e.g. taxi cooperatives, road haulage cooperatives
- **Communication:** e.g. telephone cooperatives, internet services cooperatives.

### **Classification of cooperatives according to the level at which they are active**

Cooperatives may operate at all levels of the economy:

- **Primary cooperatives** operate mainly at the local or regional level, e.g. farmers cooperatives.
- **Secondary cooperatives** (or central cooperatives) are jointly owned by several primary cooperatives and operate mainly at the regional or national level, e.g. dairy cooperatives.
- **Tertiary cooperatives** are jointly owned by several secondary cooperatives and operate mainly at the national level, e.g. cooperative banks.