



Rural Cooperative Development Grants

Supporting Business Ownership by and for Rural America

What are Rural Cooperative Development Grants?

Rural Cooperative Development Grants are awarded under a competitive awards program by the U.S. Department of Agriculture. They boost rural America's economy by helping start and expand cooperative businesses. Because of a growing need and demand, the program received an increase to \$11,387,000 in FY10. The President has requested a further increase in FY2011 to \$16,887,000, which will allow more centers to be funded so that all states can be served. Centers can be funded on a more stable multi-year basis and expanded initiatives can support the use of cooperatives in minority communities and communities experiencing persistent poverty.

What are cooperatives?

Cooperatives are businesses owned and controlled by the people who buy their products or use their services. Credit unions, electric cooperatives, agricultural cooperatives like Land O'Lakes, purchasing cooperatives like Ace Hardware, food co-ops and worker cooperatives all serve the needs of millions of members. Cooperatives operate on an at-cost basis, returning surpluses back to the members based on their use in the co-op. This capital is typically recycled back into the local economy rather than being paid to outside investors.

What do cooperative development centers do?

Cooperative development centers serve rural communities in about 35 states. They conduct feasibility studies, develop business plans, launch new businesses, and provide education and training to help ensure the success of these businesses. Since the 1990s, the centers have helped start or expand more than 325 cooperative businesses with more than 13,000 members and \$114 million in annual sales, in addition to over 160 other rural businesses. These cooperatives created 2000 new rural jobs in virtually every sector of the economy, including energy, housing, agriculture, forestry, food, senior and childcare services, and health care. Investment in these cooperatives at start-up exceeds \$57.8 million.

Why should Congress appropriate more money for this program?

Congress should support the President's budget request. The Rural Cooperative Development Grant program is authorized at \$50 million; the program has historically been under-funded, and demand for centers grows annually, though significant progress was made in FY2010. While a 25% match is required, the awardees of this program typically provide a dollar for dollar match, leveraging a small amount of funding into much larger amounts with private and state dollars.

Research on Cooperatives: In April 2009, the first results of the federally supported research on the economic impact of cooperatives were released, showing significant contribution of the co-op sector to the US economy – 73,000 firms own more than \$3 trillion in assets, generate over \$650 billion in revenues and pay more than \$75 billion in wages for two million jobs. While these results are a start, the 2008 farm bill requires USDA to conduct ongoing research on the economic impact of all types of cooperatives. This research can be used to track performance of cooperatives and how much capital is recycled into local economies, the success of federal funds targeted at cooperative development, and other issues. The FY2011 RCDG appropriation should include \$300,000 for this critical research.

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