

## **Promoting and Reviving consumer co-operatives in Uganda**

### ***What is a consumer cooperative, and how does it work?***

- A Consumer Cooperative is a cooperative where members come together and decide that they will contribute money in the form of shares and membership fees so that they could purchase, stock and sell consumer goods of all types to its members and the general public in its area of operation.
- In the ideal situation the members are also the customers, but when the area of operation is big, non-members are normally allowed to purchase from the consumer cooperative shops.
- Members of an existing cooperative, for example, a Coffee Growers' Cooperative, can form consumer cooperative.
- It means there will be two cooperatives with the same membership
- A consumers' cooperative may comprise supermarkets, convenience stores, and other businesses owned by independently-owned, and run Co-operative societies, which benefit from joint co-ordination and co-operation in managing their businesses. As mutually-owned businesses, each member of a society has a shareholding equal to the sum they paid in when they joined.

Consumers Co-operatives may, in turn, form Co-operative Federations. These

may come in the form of co-operative wholesale societies/Unions, through which Consumers' Co-operatives collectively purchase goods at wholesale prices and, in some cases, own factories.

- The members elect a board which usually appoints a manager, who hires and supervises staff to run operations
- Note: By organizing a cooperative, consumers are able to achieve prices and quality not available from for-profit businesses e.g. **GAME, Shoprite, Nakumatti** and other private retail and supermarkets in Uganda
- During the 1840s in Manchester, England, the **Rochdale Pioneers** – generally regarded as the founders of modern cooperative business – were dismayed by flour that was expensive, low quality and sometimes intentionally mixed with chalk or sawdust. So they gathered together a few pounds (CAPITAL), made some bulk purchases, and opened a consumer cooperative store. Their co-operative is now a part of **the Co-operative Group**, with 4.5 million members.
- Consumer co-operatives may sometimes look like other businesses in how they operate, but the difference becomes clear when it comes time to allocate profits. Co-operatives often distribute patronage refunds, in which profits are returned to members based on how much they used the co-ops. That is, if member A spent twice as much as member B, the size of member

A's refund will be twice as large as member B's. If member C never shops, he or she gets no refund.

- Consumer co-operatives' reason for existence is not **to deliver profit**, but to deliver goods and services. Ideally this would be done at cost, but in the interest of fiscal responsibility, it is necessary to modestly overcharge.

### **Characteristics of consumer cooperatives**

- There is no restriction on membership of a consumer co-operative store as any adult person can become a member of a co-operative.
- The members of the consumer co-operative store contribute capital in the form of share.
- The surplus of a store is distributed among the members in the form of dividend. The dividend is paid in proportion to purchases made by the members (the more the economic patronage a member renders to the society, the more the dividends).
- It adopts the principles of one man one vote. A man is not allowed vote by proxy system like in any other cooperative.
- The trading in the consumer co-operative stores is made on the basis of cash.
- A sale can be made to non-members on the basis of market rate.
- It makes bulk purchases directly from the producers and sells these goods to

its members or general public on retail basis.

- It facilitates its members in getting pure and unadulterated goods at a competitive price.
- It develops a state of moral booster to the poor people who develop greater confidence among themselves.

### **Advantages**

- As the societies are purchasing goods in bulk quantities from the producers, these are in a better position to supply these goods at a competitive price to its members.
- It improves the purchasing power of the members since dividend is paid on the basis of purchases made.
- It encourages people to save.
- They ensure Stable commodity prices and non-volatile market
- Co-operative Wholesale Society Ltd is one of UK's largest consumer co-ops whose founder members were co-ops.

### **Why revive and promote consumer cooperatives?**

#### **National cooperative policy 2011 emphasizes need to diversify cooperatives**

- Time has now come when we need to think about the promotion of Consumer Cooperatives in the country.
- They provide their members with goods for their personal use and are owned by

the consumers of the goods sold by the co-operative.

- Consumer Co-operatives work in various sectors and range from small purchasing groups to large supermarket-type organizations
- In the recent past, there has been skyrocketing prices of consumer goods to the disadvantage of the consumers. So to ensure that there are stable and non volatile prices for consumer goods in the country consumer cooperatives should be formed or revived to help check excesses of the private sector in the commodity marketing.
- As a mitigating measure to the plight of the common man, the Ministry of Trade, Industry and Cooperatives wishes to revive *The Uganda Wholesale Consumer Cooperative Union Ltd* to help bring stabilization of prices and militate against exploitation of consumers by the unscrupulous private business individuals
- It is a known fact that during 70s and early 80s The Uganda Wholesale Consumer Cooperative Union Ltd played a big role in: *the distribution of quality essential consumer goods*, stabilizing prices of consumer commodities and checked the exploitation of the consumers by the private businessmen.
- Founder members apparently wish to benefit from bulk buying by combining their purchasing power. CWS's profits would be shared out among member co-ops in proportion to their purchases

and so be passed in due course to the individual members of these co-ops.

- From bulk buying CWS expand into retailing, manufacturing and farming.
- This type of cooperative undertakes retailing, wholesale trading, and sometimes the production and processing of consumer goods.

**Examples:** Consumer Cooperatives are one of the largest retailing co-operatives and Britain's largest farmer owned institution

- Migros in Switzerland
- The Mondragon in Spain are some of the successful cooperatives