



University of Tennessee Extension
Center for Profitable Agriculture
P.O. Box 1819
Spring Hill, TN 37174

Press Release

Contact: Rob Holland
Phone: (931) 486-2777

FOR IMMEDIATE RELEASE
June 27, 2006

Assess Processing Cooperative Investments Carefully

Investing in a business can be complicated, but tools exist to help potential entrepreneurs make informed decisions.

Rob Holland, a specialist with the University of Tennessee Center for Profitable Agriculture, suggests those considering an investment in a processing cooperative review their priorities carefully before sinking cash into a patron membership.

Here is a checklist of questions that Holland suggests potential entrepreneurs ask themselves:

- Do you have a good understanding of the business venture proposed? Has the project been well studied and planned?
- Are the objectives of the proposed business consistent with the goals and mission of your farm operation? How will membership/investment in the cooperative influence your farm operation?
- Does the business venture have valuable and respected farmer leadership involved?
- What advantages/disadvantages are provided by the non-patron members? Have potential conflicts between patron and non-patron members been identified and addressed?
- Do you have a good understanding of why funds are needed and how they will be used? How will the funds be deposited? Who will have oversight and authority for the use of the funds? What will happen to the money if the business idea is abandoned?
- Will the funds be used for initial operating purposes or do they represent an equity investment? If the funds are for operating purposes, will the contribution create some type of priority or advantage for later capital investment?
- What are the risks to the cooperative business?
- What are the potential returns from the invested funds?
- What are the potential returns from cooperative membership? How will cooperative membership impact your personal and business goals?

Holland says, “Answers will vary, and no specific pattern of responses necessarily indicates whether an individual should invest in a particular business. However, potential investors should consider these issues and assess their awareness, comfort and capabilities before they put their cash on the table.”

###

Contact: Rob Holland, UT Center for Profitable Agriculture, (931) 486-2777

Center for Profitable Agriculture
P. O. Box 1819
Spring Hill, TN 37174

Phone: 931-486-2777
Fax: 931-486-0141
E-mail: cpa@utk.edu