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Agricultural Cooperative Formation:

Idaho



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Section 22-2604 – Purposes

An association may be organized to engage in any activity in connection with the production, marketing or selling of the agricultural products of its members, or with the harvesting, preserving, drying, processing, canning, packing, storing, handling, shipping or utilization thereof, or the manufacturing or marketing of the by-products thereof; or in connection with the purchasing, manufacturing, selling or supplying to its members of machinery, equipment or supplies; or in the financing of the above enumerated activities; or in any one or more of the activities specified herein.

Section 22-2606 – Powers

Each association incorporated under this chapter shall have the following powers:

- a. To engage in any activity in connection with the production, marketing, selling, harvesting, preserving, drying, processing, canning, packing, storing, handling or utilization of any agricultural products produced or delivered to it by its members; or the manufacturing or marketing of the by-products thereof; or in connection with the purchasing, hiring, manufacturing, selling, or use to, by, or for its members of supplies, machinery or equipment; or in the financing of any such activities; or in any one or more of the activities specified in this section. An association may do business with nonmembers in an amount not to exceed that done with members.
- b. To borrow money and to make advances to members.
- c. To act as the agent or representative of any member or members in any of the above-mentioned activities.
- d. To purchase or otherwise acquire, and to hold, own and exercise all rights of ownership in, and to sell, transfer, or pledge shares of the capital stock or bonds of any corporation or association engaged in any related activity or in the handling or marketing of any of the products handled by the association.



- e. To establish reserves and to invest the funds thereof in bonds or such other property as may be provided in the bylaws.
- f. To buy, hold and exercise all rights of ownership, over such real or personal property as may be necessary or convenient for the conducting and operation of any of the business of the association or incidental thereto.
- g. To do each and every thing necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition to exercise and possess all powers, rights and privileges necessary or incidental to the purposes, for which the association is organized or to the activities in which it is engaged; and in addition, any other rights, powers and privileges granted by the laws of this state to ordinary corporations, except such as are inconsistent with the express provisions of this chapter; and to do any such thing anywhere.

Section 22-2608 – Articles of Incorporation; Contents; Subscribing and Filing

Each association formed under this chapter must prepare and file articles of incorporation, setting forth:

- (1) The name of the association.
- (2) The purpose for which it is formed.
- (3) The address of its initial registered office and the name of its initial registered agent at such address.
- (4) The term for which it is to exist, which may be perpetual.
- (5) If organized without capital stock, whether the property rights and interest of each member shall be equal or unequal; and if unequal, the articles shall set forth the general rule or rules applicable to all members by which the property rights and interests, respectively, of each member may and shall be determined and fixed; and the association shall have the power to admit new members who shall be entitled to share in the property of the association with the old members, in accordance with such general rule or rules. This provision of the articles of incorporation shall not be altered, amended or repealed except by the written consent or the vote of a majority of the members.
- (6) If organized with capital stock, the amount of such stock and the number of shares into which it is divided and the par value thereof. The capital stock may be divided into preferred and common stock. If so divided, the articles of incorporation must contain a statement of the number of shares of stock to which preference is granted and the number of shares of stock to which no preference is granted and the nature and extent of the preference and the privileges granted to each.
- (7) The names and addresses of the persons who are to serve as directors until the first annual meeting of the members or stockholders or until their successors be elected and qualify.

The articles must be subscribed by the incorporators and shall be filed in accordance with the provisions of the general corporation law of the state; and when so filed the said articles of incorporation, or certified copies thereof, shall be received in all the courts of this state, and other places, as



prima facie evidence of the facts contained therein, and of the due incorporation of such association.

Section 22-2610 – Bylaws; Adoption; Contents; Amendment

Each association incorporated under this chapter must, within thirty (30) days after its incorporation, adopt for its government and management, a code of bylaws, not inconsistent with the powers granted by this chapter. A majority vote of the members or stockholders, or their written assent, is necessary to adopt such bylaws. Each association under its bylaws may, also, provide for any or all of the following matters:

- a. The time, place and manner of calling and conducting its meetings.
- b. The number of stockholders or members constituting a quorum.
- c. The right of members or stockholders to vote by proxy or by mail or by both, and the conditions, manner, form, and effects of such votes.
- d. The number of directors thereof, which must not be less than five (5) and may be any number in excess thereof, the term of office of such directors and the number of directors constituting a quorum.
- e. The qualifications, compensation and duties and term of office of directors and officers; time of their election and the mode and manner of giving notice thereof.
- f. Penalties for violations of the bylaws.
- g. The amount of entrance, organization and membership fees, if any; the manner and method of collection of the same, and the purposes for which they may be used.
- h. The amount which each member or stockholder shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member or stockholder for services rendered by the association to him and the time of payment and the manner of collection; and the marketing contract between the association and its members or stockholders which every member or stockholder may be required to sign.
- i. The number and qualification of members or stockholders of the association and the conditions precedent to membership or ownership of common stock; the method, time and manner of permitting members to withdraw or the holders of common stock to transfer their stock; the manner of assignment and transfer of the interest of members, and of the shares of common stock; the conditions upon which, and time when membership of any member shall cease. The automatic suspension of the rights of a member when he ceases to be eligible to membership in the association, and mode, manner and effect of the expulsion of the member; manner of determining the value of a member's interest and provision for its purchase by the association upon the death or withdrawal of a member or stockholder, or upon the expulsion of a member of forfeiture of his membership, or, at the option of the association, by conclusive appraisal by the board of directors. In case of the withdrawal or expulsion of a member the board of directors shall make certain that the capital furnished by such terminated member is correctly recorded on the books of the corporation in direct relationship to his patronage and such terminated member shall be notified of such interest by payment in money or issuance of stock in the association or issuance of such other evidence of the capital interest as the



bylaws of the association may permit or any combination of the foregoing; within one (1) year after such expulsion or withdrawal.

This act is intended to permit the association to establish and accumulate reasonable reserves and surplus funds and to abolish the same; also to create, maintain, and terminate revolving funds or other similar funds; to utilize a revolving fund method of financing, or such other methods as may be prudent and compatible with agricultural cooperative organizations; in the manner as provided for in the bylaws of the association.

The interest of an existing or former member in the association's capital reserve or equity accounts is an equity interest and not a debt, and is revolvable in the manner defined in the bylaws and subject to the restrictions defined therein. The issuance of notices of allocation and/or of equity reserve balances, or any other form sufficient to place the existing or former member on notice of his equity interest in the association shall satisfy the recording, appraisal, notification and/or payment requirement hereinabove set forth or as set forth in the bylaws. Revolving of capital reserve or equity accounts shall be at the discretion of the board of directors and the bylaws may specifically so provide.

Non-equity obligations will be paid according to their terms.

Obligations such as checks or drafts issued by the association to the patron, credits in a capital reserve or equity account called for revolving by the board of directors of the association, remaining uncashed or unclaimed at the expiration of the period of five (5) years after the issuance, call for payment, or stated maturity date thereof, shall be deemed, if authorized by the bylaws and at the direction of the board of directors, transferred, as a contribution, to the capital fund of the association, this being an exception to chapter 5, title 14, Idaho Code.

The bylaws of any association incorporated under this chapter may be altered or amended at any regular meeting or at any special meeting of the members or stockholders thereof called for that purpose by the affirmative vote of two-thirds (2/3) of the members or stockholders present at such meeting: provided, that a quorum as specified in the bylaws of the association be present: and, provided further, that where the bylaws of said association authorize voting by mail and a mail vote pursuant to such bylaws is taken on the question of altering or amending such bylaws, the affirmative vote of a majority of all members or stockholders voting on such question shall be required.

Section 22-2612 – Directors; Election; Appointment; Remuneration; Prohibited Contracts; Vacancies

The affairs of the association shall be managed by a board of not less than five (5) directors, elected by the members or stockholders from their own number. The bylaws may provide that the territory in which the association has members shall be divided into districts and that the directors shall be elected according to such districts. In such a case the bylaws shall specify the number of directors to be elected by each district, the manner and method of reapportioning the directors and of redistricting the territory covered by the association. The bylaws may provide that primary elections should be held in each district to elect the



directors apportioned to such districts and the result of all such primary elections must be ratified by the next regular meeting of the association.

The bylaws may provide that one or more directors may be appointed by the department of agriculture or any other public official or commission. The director or directors so appointed need not be members or stockholders of the association, but shall have the same powers and rights as other directors.

An association may provide a fair remuneration for the time actually spent by its officers and directors in its service. No director, during the term of his office, shall be a party to a contract for a profit with the association differing in any way from the business relations accorded regular members or holders of common stock of the association, or to any other kind of contract differing from terms generally current in that district.

When a vacancy on the board of directors occurs, other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy, unless the bylaws provide for an election of directors by district. [In] such a case the board of directors shall immediately call a special meeting of the members or stockholders in that district to fill the vacancy.

Section 22-2613 – Election of Officers

The directors shall elect from their number a president and one (1) vice-president. They shall, also, elect a secretary and treasurer, who need not be directors, and they may combine the two (2) latter offices and designate the combined office as secretary-treasurer. The treasurer may be a bank or any depository, and as such shall not be considered as an officer but as a function of the board of directors. In such case the secretary shall perform the usual accounting duties of the treasurer, excepting that the funds shall be deposited only as authorized by the board of directors. They shall also elect such additional vice-presidents and other officers as may be provided for in the bylaws of the association, and such additional vice-presidents or other officers need not be directors or members of the association.

Section 22-2607 – Members

a. Under the terms and conditions prescribed in its bylaws, an association may admit as members, or issue common stock, only to persons engaged in the production of agricultural products to be handled by or through the association, or to agricultural producers using supplies handled by or through the association organized for that purpose, including the lessees and tenants of land used for the production of such products and any lessors and landlords who receive as rent part of the crop raised on the leased premises.

b. If a member of a nonstock association be other than a natural person, such member may be represented by any individual, associate, officer or member thereof, duly authorized in writing.

c. One association organized hereunder may become a member or stockholder of any other association or associations, organized hereunder.



Section 22-2614 – Stock; Membership Certificates; When Issued; Voting; Liability; Limitations on Transfer and Ownership

- (1) When a member of an association established without capital stock, has paid his membership fee in full, he shall receive a certificate of membership.
- (2) No association shall issue stock to a member until it has been fully paid for. The promissory notes of the members may be accepted by the association as full or partial payment. The association shall hold the stock as security for the payment of the note, but such retention as security shall not affect the members' right to vote.
- (3) Except for debts lawfully contracted between him and the association, no member shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee or his subscription to the capital stock, including any unpaid balance on any promissory notes given in payment thereof.
- (4) No stockholder of a cooperative association shall own more than one-twentieth (1/20) of the issued common stock of the association; and an association, in its bylaws, may limit the amount of common stock which one (1) member may own to any amount less than one-twentieth (1/20) of the issued common stock.
- (5) Any association organized with stock under this act may issue preferred stock, with or without the right to vote. Such stock may be redeemable or retirable by the association on such terms and conditions as may be provided for by the articles of incorporation and printed on the face of the certificate.
- (6) The bylaws shall prohibit the transfer of the common stock of the association to persons not engaged in the production of the agricultural products handled by the association, and such restrictions must be printed upon every certificate of stock subject thereto.
- (7) The bylaws shall require that any association organized under this act satisfies the following requirements:
 - (a) Operate for the mutual benefit of the members thereof, as producers;
 - (b) Not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members; and
 - (c) Conform to one (1) or both of the following:
 - (i) That no member of the association is allowed more than one (1) vote because of the amount of stock or membership capital he may own therein; or
 - (ii) That the association does not pay dividends on stock or membership capital in excess of eight percent (8%) per annum.
- (8) The association may, at any time, except when the debts of the association exceed fifty per cent (50%) of the assets thereof, buy in or purchase its common stock at book value thereof as conclusively determined by the board of directors and pay for it in cash within one (1) year thereafter.

