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Agricultural Cooperative Formation:

Kentucky



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Agricultural Cooperative Formation: Kentucky

<p>Fast Find:</p> <p>Agricultural Cooperative Associations</p> <ol style="list-style-type: none">1) Purpose: § 272.1112) Power: § 272.2113) Articles of Incorporation: § 272.1314) Bylaws: § 272.1515) Directors and Officers: § 272.171 & § 272.1816) Membership: § 272.1917) Capitalization: § 272.201	<p>Fast Find:</p> <p>Cooperative Livestock Protective Associations</p> <ol style="list-style-type: none">1) Purpose: § 272.3802) Articles of Incorporation: § 272.3903) Bylaws: § 272.4204) Directors and Officers: § 272.440 & § 272.4505) Membership: § 272.370
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[Ky. Rev. Stat. §§ 272.101 to 272.345 \(Agricultural Cooperative Associations\)](#)

[Ky. Rev. Stat. §§ 272.360 to 272.510 \(Cooperative Livestock Protective Associations\)](#)

Section 272.111 – Association; Purposes

An association may be organized to engage in any activity in connection with the production, harvesting, marketing, selling, preserving, drying, processing, canning, packing, grading, storing, handling, shipping or utilization of the agricultural products owned, leased, handled or marketed by its members and other farmers, with the manufacture or marketing of the by-products thereof, in connection with the manufacturing, selling, or supplying to its members and other farmers of machinery, equipment or supplies, in the financing of the above-enumerated activities, in performing or furnishing services of economic or educational nature, on a cooperative basis for those engaged in agriculture, or in any one or more of the activities specified herein.

Section 272.121 – Who May Organize; Information as to Probable Success

- (1) Five (5) or more persons engaged in the production of agricultural products, or one or more associates of such producers, may form an association, with or without capital stock.
- (2) The dean of the College of Agriculture of the University of Kentucky shall, upon request, inform any association or group of persons contemplating the organization of an association what the results of a survey of the economic conditions affecting the commodities or service proposed to be handled indicate regarding probable success.



Section 272.111 – Powers of Association

An association has the following powers:

- (1) To engage in any activity in connection with the producing, marketing, selling, harvesting, preserving, drying, processing, canning, packaging, grading, storing, handling, or utilization of any agricultural products produced or delivered to it by its members and others; or the manufacturing or marketing of the by-products thereof; or in connection with the purchase, hiring, or use by its members and others of supplies, machinery, or furnishing services of economic or educational nature; or in any one (1) or more of the activities specified in this section;
- (2) To limit its business activities to those performed only for its members. If an association transacts business with nonmembers, the same must not exceed in amount the total business transacted by the association for its members;
- (3) To borrow money without limitation as to amount of indebtedness, and to make advances to members and others;
- (4) To act as the agent or representative of any members, or others, in any of the activities referred to in subsection (1) of this section;
- (5) To acquire, hold, own, and sell, transfer, pledge or guarantee the payment of dividends or interest on, or in the retirement or redemption of, shares of the capital stock or bonds of any association or corporation;
- (6) To establish and accumulate reasonable reserves;
- (7) To buy, hold, and exercise all privileges of ownership, over such real or personal property as is necessary or convenient for the conduct and operation of, or incidental to, the business of the association;
- (8) To do each and every thing necessary, suitable, or proper for the accomplishment of any one (1) or more of the purposes, or the attainment of any one or more of the objectives herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and 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 corporations generally, except such as are inconsistent with the express provisions of KRS 272.101 to 272.341, and to do any such thing anywhere; and
- (9) To sue and be sued in its corporate name.

Section 272.131 – Articles of Association; Contents; Filing Effect

- (1) The articles of incorporation of each association shall state:
 - (a) The name of the association that satisfies KRS 14A.3-010;
 - (b) The purposes for which it is formed;
 - (c) The place where its principal business will be transacted;
 - (d) The period of duration, which may be perpetual. When the articles of incorporation fail to state the period of duration, it shall be considered perpetual. Any association heretofore or hereafter organized for a period less than perpetual, may, by amendment to its



articles of incorporation, extend the period of its duration for a specified period or perpetually;

(e) The names and addresses, not less than five (5), of those who are to serve as directors for the first term or until the election of their successors;

(f) 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 rules applicable to all members by which the property rights and interests, respectively, of each member 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 the general rules. These provisions of the articles of incorporation shall not be altered, amended, or repealed except by the affirmative vote of not less than two-thirds (2/3) of the votes entitled to be cast by members present in person, or by proxy, if permitted by the bylaws, and voting thereon at any regular or special meeting; and

(g) If organized with capital stock, the authorized amount of the stock and the number of shares into which it is divided and the par value thereof. Capital stock may be divided into preferred and common stock. 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. No specific amount of the capital stock authorized is required to be subscribed before the association may transact business with other than its members; the board may determine the amount of capital stock to be issued as the business of the association may justify or demand, from time to time, within the amount of the total authorization.

(2) The articles of incorporation may contain any provision consistent with law with respect to management, regulation, government, financing, indebtedness, membership, the establishment of voting districts and the election of delegates for representative purposes, the issuance, retirement and transfer of its stock, if formed with capital stock, or any provisions relative to the way or manner in which it shall operate with respect to its members, officers, or directors, and any other provisions relating to its affairs; but nothing set forth in this section shall be construed as limiting any of the rights or powers otherwise given to such associations.

(3) The articles of incorporation must be subscribed by the incorporators and acknowledged by one (1) of them before an officer authorized by the laws of this state to take and certify acknowledgments of deeds and conveyances; and shall be filed and recorded in accordance with the statute relating to corporations generally; and when so filed, the 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 the association. A copy of the articles of incorporation, indorsed by the Secretary of State with the fact and time of recording in his office, shall be filed with the dean of the College of Agriculture of the University of Kentucky and with the Commissioner of the Department of Agriculture.



Section 272.151 – Bylaws; Adoption; Contents; Withdrawal of Member; Rights; Amendment of Bylaws

(1) Each association shall within thirty (30) days after its incorporation, adopt for its government and management a code of bylaws. The affirmative vote of not less than two-thirds ($2/3$) of the members present and voting at a meeting, of which reasonable notice of the proposed bylaws shall have been given, is sufficient to adopt such bylaws.

(2) An association in its bylaws may provide for any, or all, of the following:

(a) The time, place, and manner of calling and conducting its meetings.

(b) The number of members constituting a quorum.

(c) The right of members 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 constituting a quorum.

(e) The offices, qualifications, compensations, duties and terms 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 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 directly or by utilization of retained earnings for services rendered by the association to him, and the time of payment and the manner of collection; and the marketing agreement between the association and its members, which every member may be required to sign.

(i) The number and qualification of members of the association and the conditions precedent to membership; the method, time, and manner of permitting members to withdraw; the manner of assignment and transfer of the interest of members, and of stock; the conditions upon which, and the 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 a 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 upon the expulsion of a member or forfeiture of his membership, or at the option of the association, by conclusive appraisal by the board.

(3) Unless provided otherwise in an association's bylaws, the board shall equitably and conclusively appraise the value of a withdrawing or expelled member's property interest in the association and shall fix the amount thereof in money and shall determine the manner in which the association shall pay the member the value of his interest.

(4) The bylaws of an association may be amended, changed, or altered at any time by the affirmative vote of not less than two-thirds ($2/3$) of the



members of the board present and voting at any regular or special meeting of the board of directors duly called and held.

Section 272.171 – Board of Directors; Election; Vacancies; Compensation; Executive Committee; Action without Meeting

(1) The affairs of the association shall be managed by a board of not less than five (5) directors, elected by the members from their own number or from the members of any member-association except as provided in subsection (3) of this section.

(2) 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 these districts, either directly or by district delegates elected by the members in that district. In that case the bylaws shall specify the number of directors to be elected by each district, the method of apportioning the directors and of districting the territory covered by the association. The bylaws may provide that primary elections shall be held in each district to elect the directors and that the result of primary elections may be ratified by the next regular meeting of the members of the association or may be considered final as to the association.

(3) The bylaws may provide that one or more directors may be appointed by any public official or commission or by the other directors selected by the members or their delegates. These directors shall represent primarily the interest of the general public in the association. The director appointed need not be a member of the association, but shall have the same rights as other directors. Such directors shall not number more than one-fifth ($1/5$) of the entire number of directors.

(4) When a vacancy on the board occurs other than by expiration of term, the remaining members of the board shall fill the vacancy for the unexpired term or until the next regular or special meeting of the members, whichever occurs first, by an affirmative vote of not less than a majority of those members present and voting at a duly called regular or special meeting. If the bylaws provide for an election of directors by district, the board shall immediately call a special meeting of the members in that district to fill the vacancy.

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

(6) The bylaws may provide for an executive committee and may allot to it all the functions and powers of the board, subject to the general direction and control of the board.

(7) Unless otherwise restricted by the articles of incorporation, or bylaws, any action required or permitted to be taken at any meeting of the board or any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the board or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the board or committee.



(8) Every director of a corporation, by acceptance of election or appointment as a director, including by service, shall be deemed to have consented to the jurisdiction of the courts of the Commonwealth of Kentucky for any action by, in the name of, or on behalf of the corporation.

Section 272.181 – Officers

The board shall elect from their number a president and one (1) or more vice presidents. They shall also elect a secretary and a treasurer, who need not be directors or members of the association. The two (2) offices of secretary and treasurer may be combined in one (1) person. The treasurer may be a bank or other depository, and as such shall not be considered as an officer but as a function of the board and the secretary shall perform the usual accounting duties of the treasurer, except that the funds shall be deposited only as authorized by the board. The bylaws of the association may authorize the creation and fix the responsibilities of any other office. Every officer of a corporation, by acceptance of election or appointment as an officer, including by service, shall be deemed to have consented to the jurisdiction of the courts of the Commonwealth of Kentucky for any action by, in the name of, or on behalf of the corporation.

Section 272.191 – Who May Become Members

(1) Under terms and conditions prescribed in its bylaws, an association may admit as members (or issue voting stock to) only persons engaged in the production of agricultural products, including tenants and landlords who receive any part of the crop raised on the leased premises or one or more associations of such producers. An association or foreign association may be the sole member or holder of all the voting stock of an association or of a foreign association.

(2) If any member of an association organized or brought hereunder be other than a natural person, such member may be represented by an individual, delegate, associate, officer, or member thereof, duly authorized in writing.

(3) Associations organized hereunder may become members of other associations.

Section 272.201 – Membership Certificate; Capital Stock; Payment For; Voting Rights; Purchase or Redemption of Stock

(1) When a member of an association established without capital stock has paid the membership fee in full, the member shall receive notice of such membership whether by a certificate of membership, letter, or otherwise. Such membership shall not be transferable except as may be prescribed in the articles of incorporation and bylaws of the association.

(2) No association shall issue capital stock until it has been fully paid for. Promissory notes may be accepted by an association as full or partial payment. An association may hold the stock as security for the payment of the note, but retention as security shall not affect a member's right to vote.



(3) An association, in its bylaws, may limit the amount of voting stock which one (1) member may own. No member of an association composed solely of producers of agricultural products shall be allowed to control more than forty-nine percent (49%) of such association's voting power.

(4) An association, in its bylaws, may provide that no member shall have more than one (1) vote.

(5) An association organized under KRS 272.101 to 272.341 whose members are one (1) or more associations may determine by its bylaws the number of votes to which each member-association is entitled and provide for the appointment or election of delegates to cast the votes and to represent the member-associations at all membership meetings.

(6) An association organized with stock may issue preferred stock, with or without the right to vote. Such stock may be redeemable or retirable by the association on terms and conditions provided for by the articles of incorporation and printed on the face of the certificate.

(7) The voting stock of an association shall be transferable only to persons engaged in the production of agricultural products or to associations of such persons. Such restrictions must be printed upon every certificate of voting stock.

(8) Except when its debts exceed fifty percent (50%) of its assets, an association may purchase for cash its capital stock at book value or par value, whichever is less, and may call such stock for redemption on the same basis pursuant to a plan for rotating ownership of such stock set forth in its articles of incorporation or in its bylaws. The determination of book value by the board of directors shall be incontestable except for fraud.

Section 272.380 – Purpose of Association

An association may be organized in any section of the state for the purpose of affording protection to the farmers in that locality in the raising of livestock on their farms.

Section 272.360 – Legislative Policy as to Cooperative Livestock Protective Associations

In order to promote, foster, and encourage the raising of livestock in the state and for the further purpose of permitting livestock producers to organize under the laws of Kentucky and form cooperative livestock corporations whereby the members thereof may associate themselves together for protection under the laws of the state and through such association provide a suitable means to the members and for reimbursing said members for losses of livestock due to depredation, disease and death caused by attacks from dogs and other causes, KRS 272.360 to 272.510 are enacted.

Section 272.390 – Articles of Incorporation; What to Set Forth



Each association formed under KRS 272.360 to 272.510 must prepare and file articles of incorporation, setting forth:

- (1) The name of the association that satisfies KRS 14A.3-010;
- (2) The place where its principal business will be transacted;
- (3) The term for which it is to exist; 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 names and addresses of those who are to serve as incorporating directors for the first term, or until election and qualification of their successors; and
- (4) The property rights of the members and whether the interest of each member will be equal or unequal; and if unequal, the rule or rules applicable to all members by which the property rights and interests, respectively, of each member shall be determined and fixed; and provision for the admission of 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.

Section 272.420 – Bylaws

Each association incorporated under KRS 272.360 to 272.510 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 KRS 272.360 to 272.510. Such bylaws shall be adopted by a majority of the board of directors. Each association, under its bylaws, may provide for any or all of the following matters:

- (1) The time, place, and manner of calling and conducting its meetings.
- (2) The number of members constituting a quorum.
- (3) The right of members to vote by proxy or by mail or both; and the conditions, manner, form, and effect of such votes.
- (4) The number of directors constituting a quorum.
- (5) The qualifications, compensation, and duties and term of office of directors and officers, the time of their election and the mode and manner of giving notice thereof.
- (6) Penalties for violations of the bylaws.
- (7) 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.
- (8) The amount which each member 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.
- (9) The method of appraisal of livestock and the manner of payment of indemnities for same.
- (10) The number and qualification of members of the association and the conditions precedent to membership; the method, time, and manner of permitting members to withdraw; the manner of assignment and transfer of the interest of members; 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 the mode, manner, and effect of the expulsion of a member; the 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 upon the expulsion of a member or forfeiture of his membership, or, at the option of the association, the purchase at a price fixed by conclusive appraisal by the board of directors, in which case the board of directors shall equitably and conclusively appraise his property interests in the association and shall fix the amount thereof in money, which shall be paid to him within one (1) year after such expulsion or withdrawal.

Section 272.440 – Board of Directors

(1) The affairs of the association shall be managed by a board of not less than five (5) directors, elected by the members 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, either directly or by district delegates elected by the members in that district. 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 shall be held in each district to elect the directors apportioned to such districts and that the result of all such primary elections may be ratified by the next regular meeting of the association or may be considered final as to the association. The bylaws may provide that one or more directors may be appointed by any public official or commission or by the other directors selected by the members or their delegates. Such directors shall represent primarily the interest of the general public in such associations. The director or directors so appointed need not be members of the association, but shall have the same powers and rights as other directors. Such directors shall not number more than one-fifth (1/5) of the entire number of directors.

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

(3) The bylaws may provide for an executive committee and may allot to such committee all the functions and powers of the board of directors, subject to the general direction and control of the board.

(4) 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 in that district to fill the vacancy.

Section 272.450 – Officers

The directors shall elect from their number a president and one or more vice presidents. They shall also elect a secretary and a treasurer, who need not be directors or members of the association; and they may combine the two



(2) latter offices and designate the combined office as secretary-treasurer; or unite both functions and titles in one (1) person. 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 and where authorized by the board of directors.

Section 272.370 – Who May Organize

Any twenty (20) or more farmers who are residents of one (1) or not more than five (5) counties of this state, whether they own the land they farm or not, may form a nonprofit livestock protective corporation without capital stock under the provisions of KRS 272.360 to 272.510.

