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Agricultural Cooperative Formation:

Pennsylvania



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Section 7506 – Purposes

An association may be incorporated under this chapter for the purpose of engaging in any cooperative activity for producers of agricultural products in connection with:

- (1) Producing, assembling, marketing, buying, selling, bargaining or contracting for agricultural products, or harvesting, preserving, drying, processing, manufacturing, blending, canning, packing, ginning, grading, storing, warehousing, handling, transporting, shipping or utilizing such products, or manufacturing or marketing the by-products thereof.
- (2) Manufacturing, processing, storing, transporting, delivering, handling, buying for or furnishing supplies to its members and patrons.
- (3) Performing or furnishing business, educational, recreational or other services, including the services of labor, buildings, machinery, equipment, trucks, trailers and tankers, or any other services connected with the purposes set forth in paragraphs (1) and (2) on a cooperative basis.
- (4) Financing any of the activities set forth in paragraphs (1) through (3).

Section 7521 – Special Powers and Limitations

(a) General rule. -- Each association shall have power (in addition to or limitation of the powers conferred by section 1502 (relating to general powers) or 5502 (relating to general powers)):

- (1) To act as agent, broker or attorney-in-fact for its members and patrons and for any subsidiary or affiliated person.
- (2) To hold chapter for its members and patrons and for subsidiary and affiliated persons to property handled or managed by the association on their behalf.



- (3) In furtherance of association purposes, to make loans or advances to its members and patrons or to subsidiary and affiliated persons or their members.
 - (4) To establish and accumulate reserves and surplus to capital and such other funds as may be authorized by the articles of association or the bylaws.
 - (5) To issue membership certificates and to foster membership in the association and to solicit patrons by advertising or by educational or other lawful means.
 - (6) To issue and to sell common and preferred stock.
 - (7) To own shares of the capital stock of, to hold membership in and to hold bonds or other obligations of other persons engaged in any related activity or engaged in producing, manufacturing, warehousing or marketing any of the products handled by the association or engaged in financing its activities or those of its members.
 - (8) To deal in products of and handle machinery, equipment, supplies and perform services for nonmembers to an amount not greater in annual value than such as are dealt in, handled or performed for or on behalf of its members.
- (b) Enumeration unnecessary.** -- It shall not be necessary to set forth in the articles of the association the powers enumerated in this chapter.

Section 7507 – Articles of Incorporation

Articles of incorporation of an association incorporated under this chapter shall comply with the applicable provisions of this part except that, if organized without capital stock, the articles shall state whether the property rights and interests of each member are equal or unequal and, if unequal, the priorities of those rights and interests.

Section 7530 – Bylaws

- (a) General rule.** -- The bylaws may provide for the following matters:
- (1) The time, place and manner of calling and conducting meetings of the members or delegates and the number of members or delegates (which may be less than a majority) that shall constitute a quorum.
 - (2) The manner of voting and the conditions upon which members or delegates may vote at general and special meetings.
 - (3) Subject to any provision thereon in the articles of association and in this chapter, the number, qualifications, eligibility requirements, manner of nomination, duties and terms of office of directors and officers, the time of their election and mode and manner of giving notice thereof.
 - (4) The time, place and manner for calling and holding meetings of the directors and any executive committee and the number that shall constitute a quorum.
 - (5) Rules consistent with law and the articles of association for the management of the association, the establishment of any election districts, the making of contracts, the issuance, redemption and transfer of shares, the relative rights, duties, interests and preferences of members and shareholders and the mode, manner and effect of expulsion of a member.
 - (6) Any other provisions deemed necessary or proper to carry out the purposes of the association.



(7) Penalties for violations of the bylaws.

(b) Procedure. -- Bylaws authorized to be made by the board of directors may be amended or repealed and new bylaws may be adopted by the members or delegates. Delegates may prescribe that any bylaw made by them shall not be amended or repealed by the directors, and members may provide that any bylaw made by them shall not be amended or repealed by either the directors or the delegates. The association shall notify each member of a proposed change in the bylaws by sending to each member, at least 15 days prior to any vote on the proposed change, a copy of the proposed bylaw along with the time, date, place and manner of voting for the proposed changes. Members may amend or repeal bylaws adopted by the directors or the delegates by filing with the secretary of the association a petition signed by 25% of the voting membership and setting forth the text of the proposed change. The secretary shall call a special meeting or special vote of the association within 30 days of the receipt of the petition. When a special meeting is called, at least 10% of the voting membership shall be present to change the bylaws. Whenever a proposed bylaw change is approved, the association shall mail each member a copy of the approved bylaw within 30 days of the approval.

Section 7531 – Directors

(a) General rule. -- The business and affairs of the association shall be managed under the direction of a board of not less than five directors who shall be natural persons of full age. All directors shall be members. The first directors shall serve until the first annual meeting of the association at which time their successors shall be elected by the members of the association. Thereafter, a director shall hold office for a term of not less than one year nor more than three years and until his successor has been elected and qualified. Every election for a director shall be by secret ballot. A director may succeed himself.

(b) Election by districts. -- 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 case, the bylaws shall specify or the board of directors shall determine the number of directors to be elected by each district and the manner and method of dividing the directors and of districting and redistricting of the territory in which the association has members. The board of directors may use such standards as are reasonable for assigning directors and districting and redistricting the territory in which the association has members. The bylaws or the board of directors may provide for dividing districts into locals and for the election of district delegates at local meetings of members. The bylaws shall prescribe the procedures by which districts shall elect directors. The board of directors shall hear and decide any controversy arising out of a district election and its decisions shall be incontestable except for fraud. In any case in which the election of directors is by districts, the board shall fill a vacancy with a person who resides in or is a member of a local in the district in which the vacancy exists.

(c) Classified board. -- If the bylaws so provide, the directors of an association may be classified in respect to the time for which they severally



hold office. In such case, each class shall be as nearly equal in number as possible, the term of office of at least one class shall expire in each year, and the members of a class shall not be elected for a shorter period than one year or for a longer period than three years. If, at any meeting, directors of more than one class are to be elected, each class of directors to be elected shall be elected in a separate election.

(d) Educational program. --The Department of Agriculture, in cooperation with the College of Agriculture of The Pennsylvania State University, shall develop and implement an educational program relating to the powers, duties, functions and responsibilities of directors of associations. The Secretary of Agriculture shall appoint an advisory council consisting of nine individuals, including members and directors of associations, two association managers and other interested individuals, who shall advise the department on the development of the educational program. Two members of the advisory council shall be managers of associations. In addition, the department shall furnish to each association director, free of charge, when first elected as a director, an updated copy of this chapter and annually thereafter any amendments or replacements thereof.

Section 7533 – Officers

The board shall elect a president, a secretary and a treasurer and may elect one or more vice presidents and any other officers as may be authorized in the bylaws. The president and at least one of the vice presidents must be members. Any two of the offices of vice president, secretary and treasurer may be combined in one person.

Section 7523 – Members

An association shall admit to membership only persons who are engaging in agriculture, including both tenants and landlords receiving a share of the crop, and cooperative agricultural associations of such producers who agree to patronize the association in accordance with the uniform terms prescribed by it, and only such persons shall be regarded as eligible members of an association. The bylaws may prescribe additional qualifications for membership but shall not enlarge the class eligible for membership specified in this section.

Section 7524 – Issuance of Shares

(a) General rule. --Every association without capital stock shall issue a certificate of membership to each member. Every association with capital stock shall issue a certificate of common shares to each member certifying the number of shares of stock held by him. An association shall issue common shares or a membership certificate only to persons eligible for membership upon such terms and conditions as shall be provided in the bylaws. Fractional shares may be issued.

(b) Voting rights. --Each eligible member shall be entitled to only one vote on each question that may be presented at any meeting of the members regardless of the number of shares or amount of membership capital owned by him.



(c) **Preferred stock.** -- An association may issue preferred shares to any person upon such terms and conditions as shall be provided in the bylaws. The preferred shares shall carry no voting rights other than as provided by section 7529(a)(3) (relating to fundamental changes).

(d) **Consideration.** -- No association shall issue a certificate of membership, and no certificate for common shares shall be issued until fully paid for, but promissory notes may be accepted by the association as full or partial payment. The association shall hold the membership certificate or shares as security for the payment of the note, but such retention as security shall not affect the right of the member to vote and hold office.

(e) **Evidence of equity in assets.** -- The association may, from time to time, issue to any patron a certificate or other evidence of the equity of the patron in any fund, capital investment or other asset of the association. The certificate or other evidence of equity may bear interest at a rate not in excess of two points under the average treasury bill rate for the 12 months preceding the date on which the payment is made and may be transferred only to the association or to such other person as may be approved by the association.

(f) **Dividends.** -- Dividends may be paid on any shares and dividends on preferred shares may be cumulative if so provided in the articles. An association shall have a lien on all of its issued shares and dividends declared or accrued thereon for all indebtedness of the holders thereof to the association if provision therefor is stated on the face of the share certificate.

Section 7538 – Exemption from Tax on Capital Stock and Indebtedness

No State or local tax shall be levied or placed upon the capital stock of an association or upon any scrip, bonds, certificates or other evidences of indebtedness issued by such association. The association shall not be required to file in the Department of Revenue, or with any other State or local official of this Commonwealth, the reports relative to such taxes as are or may be required of corporations not exempt from the payment of such taxes.

