
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **642** Session of
1961

INTRODUCED BY MESSRS. SEYLER, MADIGAN, SESLER,
KALMAN AND YATRON, MAY 9, 1961.

REFERRED TO COMMITTEE ON AGRICULTURE, MAY 9, 1961.

AN ACT

Amending the act of April 30 1929 (P L 885) entitled "An act to provide for the incorporation and regulation of cooperative agricultural associations having capital stock and defining agriculture so as to include persons engaged in agriculture dairying livestock raising poultry raising floriculture mushroom growing beekeeping horticulture and other allied occupations and providing penalties" granting additional powers to associations further providing for the contents of the by-laws or contracts and the

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken-through is to be omitted from bill. Underlining indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

composition of the Board of Directors and providing for the vacating and forfeiting of the articles of associations and letters patent issued to such associations

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows

1 Section 1 Section 5 act of April 30 1929 (P L 885) entitled "An
2 act to provide for the incorporation and regulation of cooperative agri-
3 cultural associations having capital stock and defining agriculture so as
4 to include persons engaged in agriculture dairying livestock raising
5 poultry raising floriculture mushroom growing beekeeping horticulture
6 and other allied occupations and providing penalties" is amended by
7 adding at the end thereof a new clause to read

8 Section 5 Each association so formed under the provisions of this
9 act and when so formed by virtue of its existence as such shall have the
10 following powers

11 * * *

12 15 To deal in products of and handling supplies including live-
13 stock machinery and equipment and perform services for patrons not
14 stockholders to an amount not greater in annual value than such as
15 are dealt in handled or performed for or on behalf of its patron stock-

1 holders but the value of the annual purchases made for persons who
2 are neither patron stockholders nor patrons not stockholders shall not
3 exceed fifteen per centum in value of all its purchases

4 Section 2 Section 12 of the act is amended to read

5 Section 12 The by-laws may require a common stockholder to sell
6 all or any part of their specifically enumerated agricultural or other
7 similar products and to buy all or any part of their specifically enumer-
8 ated supplies exclusively through the association but in such case shall
9 specify a reasonable period in each year during which any such stock-
10 holder by giving notice prescribed in the by-laws may withdraw and be
11 released from his obligation to employ the services of the association
12 in respect to such products and supplies The by-laws and/or contracts
13 may provide for cancelling patronage refunds or savings allocated to
14 any stockholder or other patron and/or may fix as liquidated damages
15 specific sums to be paid to the association to reimburse it for any dam-
16 ages which it or the stockholders may sustain by the failure of any
17 common stockholder or other patron to perform any obligation to the
18 association under the articles of association the by-laws or any contract
19 with the association and such provision shall be valid and enforceable
20 in the courts of this State The by-laws and/or contracts may provide

1 that the association shall have the option to redeem the stock at par
2 value plus declared or in the case of cumulative dividends accrued
3 dividends whenever any contract between the association and its stock-
4 holders for the sale of agricultural products to or through the associa-
5 tion or its facilities shall have been cancelled in accordance with the
6 terms or conditions of said contract or by reason of breach of such
7 contract by the stockholder

8 Section 3 Section 13 of the act amended June 22 1931 (P L 645)
9 is amended to read

10 Section 13 The board of directors of each association shall consist
11 of not less than five members

12 The by-laws of the association shall provide a method by which
13 directors shall be nominated and elected and may provide that the terri-
14 tory in which the association has stockholders shall be divided into
15 districts and may [apportion] allocate the directors to be elected to the
16 respective districts on the basis either of the number of stockholders
17 or the quantity of the commodities produced for sale through the asso-
18 ciation in the respective districts and if on the basis of number of
19 stockholders each district shall contain such local groups of stockholders
20 or such stockholders as the Board of Directors deems practicable taking

1 into consideration any of the following factors (1) the number of
2 stockholders within the local groups (2) the location of local groups
3 (3) the physical geography of the territory and the state and political
4 subdivisions involved (4) the hauling routes shipping and receiving
5 points and the markets for the products involved (5) the stockholder
6 relationship to each other and (6) any other factors relating to local
7 groups of stockholders deemed relevant by the Board and the stock-
8 holders meetings for the nomination and election of directors may be
9 held either at the principal office of the corporation or at district or
10 local meetings of the stockholders held at the usual meeting places of
11 local groups of stockholders that are organized for administrative pur-
12 poses in the several communities or by delegates or representatives
13 chosen for that purpose by the stockholders in meetings assembled in
14 the several local communities as the by-laws may direct Directors shall
15 hold office until their successors have been elected and qualified and
16 until their successors shall enter upon the discharge of their duties
17 Vacancies shall be filled for the unexpired terms by the board of direc-
18 tors at any regular meeting or at any special meeting called for that
19 purpose The board of directors shall manage the affairs of the associa-

1 tion and shall perform such other duties as may be specifically imposed
2 upon the board by this act The board of directors shall be a continuing
3 body the term of one-third or as near as may be of whom shall expire
4 each year and the by-laws of the association shall so regulate the terms
5 of directors including the terms of additional directors that may be
6 authorized from time to time as to make effective this principle

7 Section 4 Section 17 of the act amended April 27 1961 (Act No
8 43) is amended to read

9 Section 17 At the close of each fiscal year a complete audit of the
10 operations of the association shall be made by a qualified accountant or
11 accountants employed by the board of directors the written report of whom
12 shall include statements of services rendered by the association the balance
13 sheet the receipts and disbursements and the assets and liabilities the
14 total number of stockholders and other proper information and shall be
15 submitted to the members at the next regular meeting Within three
16 months after the expiration of the fiscal year for which made the secre-
17 tary of said association shall file a summary of the statistical informa-
18 tion contained in the report of audit with the Secretary of Agriculture
19 of this Commonwealth and with the Dean of the School of Agriculture
20 of the Pennsylvania State College upon a form prescribed by the Secre-

1 tary of Agriculture with the approval of the Dean of the School of
2 Agriculture

3 No person shall without the consent of the association except for
4 official purposes or in obedience to judicial process make or permit any
5 disclosure whereby any information contained in said summary of audit
6 may be identified as having been furnished by said association No person
7 association copartnership or corporation or its or their agents employes
8 or officers shall knowingly induce or attempt to induce any stockholder
9 of an association organized hereunder to breach his marketing contract
10 with the association nor maliciously and knowingly spread false reports
11 about the finances or management thereof Any such person violating
12 the prohibitions set forth in this section shall be guilty of a misde-
13 meanor and upon conviction thereof shall be punished by a fine not
14 more than three hundred dollars (\$300) or imprisonment for not more
15 than six months or both at the discretion of the court

16 And association which for three successive years shall fail to file
17 with the Secretary of Agriculture the summary of audits hereinbefore
18 provided shall [automatically annul] without any further action on the
19 part of the Secretary of Agriculture or the Governor vacate and forfeit
20 [the] its articles [of such association] and the letters patent issued to

1 [such association] it whereupon the association shall cease and be de-
2 termined saving however the right of the creditors and members in and
3 to any property assets claims or demands of or belonging to such asso-
4 ciation

5 Any person or persons who shall exercise or attempt to exercise
6 any powers privileges or franchises under articles of association which
7 shall have been annulled vacated and forfeited hereunder shall be
8 guilty of a misdemeanor and upon conviction thereof shall be sentenced
9 to pay a fine of not more than three hundred dollars (\$300) or undergo
10 imprisonment for not more than six months or both

11 The Secretary of Agriculture shall on or before April 1 1962 and
12 annually thereafter furnish each existing association and make public
13 and record with the Secretary of the Commonwealth a listing of the
14 status of existing associations

15 Section 5 This act shall take effect immediately

We certify that this bill has passed the Senate and the House of Representatives.

.....
Chief Clerk, Senate

.....
President pro tempore, Senate

.....
Speaker, House of Representatives

Approved The day of A. D. 1961.

.....
Governor