

[Act No. 3425, December 09, 1927]

AN ACT PROVIDING FOR THE ORGANIZATION OF COOPERATIVE MARKETING ASSOCIATIONS, DECLARING THEIR PURPOSES AND DEFINING THEIR POWERS, RIGHTS, AND PRIVILEGES; FIXING THE DUTIES, RIGHTS, AND LIABILITIES OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AND MEMBERS OR STOCKHOLDERS; PRESCRIBING THE CONDITIONS UNDER WHICH THEY MAY TRANSACT BUSINESS, AND THE LIABILITIES OF AND PENALTIES FOR ANY PERSON, FIRM, OR CORPORATION INDUCING BREACH OF MARKETING CONTRACTS AND SPREADING FALSE REPORTS ABOUT THE FINANCES OR MANAGEMENT OF SUCH ASSOCIATIONS; PROVIDING FOR GOVERNMENT SUPERVISION AND CONTROL OVER THEM; AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. *Title and declaration of purposes.*—This Act shall be known and may be cited as "The Cooperative Marketing Law." Every association incorporated under this law shall be operated primarily for the mutual benefit of the members thereof, as producers, and should aim to promote, foster, and encourage the intelligent and orderly marketing of agricultural products through cooperation; to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products.

SEC. 2. *Definitions.*—As used in this Act:

(a) The term "agricultural products" shall include horti-cultural, forestry, dairy, livestock, poultry and any farm products.

(b) The term "association" means any corporation organized under this Act.

(c) The term "member" shall include actual members of associations without capital stock and holders of common stock in associations organized with capital stock.

(d) The term "person" shall include individuals, firms, partnerships, corporations and associations.

SEC. 3. *Who may organize.*—Fifteen or more persons, a majority of whom are residents of the Philippine Islands, engaged in the production of agricultural products, may form a cooperative marketing association, with or without capital stock, under the provisions of this Act, by the adoption of and filing with the Bureau of Commerce and Industry articles of incorporation and by-laws in the same manner as is required of other corporations organized under the Corporation Law, Act Numbered One thousand four hundred fifty-nine as amended, except as herein provided.

SEC. 4. *Preliminary investigation.*—Every person or group of persons contemplating the organization of an association under this Act shall communicate with the Director of the Bureau of Commerce and Industry, who will inform him or them whatever a survey of the marketing or other economic conditions affecting any or all of the agricultural products proposed to be handled may indicate regarding probable

success. On account of non-compliance with this provision, or, upon the belief that the marketing or other economic conditions affecting the distribution of any or all of the agricultural products proposed to be handled do not justify the organization of such an association, the Director of the Bureau of Commerce and Industry may delay or refuse the issuance of certificate of incorporation.

SEC. 5. *Cooperative marketing districts and territories.*—The Director of the Bureau of Commerce and Industry may divide the Philippine Islands into several cooperative marketing districts and territories, and refuse the incorporation of an association which shall propose to operate and transact business in a district or territory where another association or associations handling any or all of the agricultural products proposed to be handled, shall have been already organized and existing under this Act.

SEC. 6. *Powers.*—Every association organized hereunder shall have the following powers, and such general powers of ordinary business corporations organized under the Corporation Law, Act Numbered One thousand four hundred fifty-nine as amended, as are not inconsistent with any of the provisions of this Act:

(a) To engage in any activity in connection with the marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grinding, baling, storing, handling, or utilization of any agricultural products produced or delivered to it by its members, or in the manufacturing or marketing of the by-products thereof or in any activity in connection with the purchase, hiring, or use by 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. No association, organized under this Act, shall handle the agricultural products of any non-member except for storage.

(b) To borrow money and give loans and 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 own stock of, or be a member of, any other associations organized under this Act, or of any corporations or associations organized under any previously existing law of the Philippine Islands, and engaged in any related activity, or in the warehousing or handling or marketing of any of the agricultural products handled by the association.

(e) To establish reserves and to invest the funds thereof in stock or bonds or in such other property as may be provided in the by-laws.

(f) 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 subjects 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.

SEC. 7. *Who may be members.*—Under the terms and conditions prescribed in the by-laws adopted by it, an association shall admit as members, or issue common stock only to persons engaged in the production of the agricultural products to be handled by or through the association, including the lessees and tenants of land

used for the production of such products and any lessors and landlords who received as rent all or part of the crop raised on the leased premises.

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

SEC. 8. *Articles of incorporation.*—The articles of incorporation of each association formed under this Act must set forth:

(a) The corporate name of the association, in which the word "Cooperative" shall be included.

(b) The purposes for which it is formed and the agricultural product or products to be handled.

(c) The place or places where its principal business will be transacted, and the place where its principal office will be established or located, which place or places must be within the Philippine Islands.

(d) The term for which it is to exist, not exceeding fifty years.

(e) The names and addresses of the incorporators.

(f) The names and addresses of the incorporating directors who are to serve as such for the first term, or until their successors are duly elected and qualified. The number of directors thereof shall not be less than five.

(g) If organized without capital stock, whether the property rights and interest of each member shall be equal or unequal, the general rule or rules applicable to all members by which the property rights and interest, respectively, of each member may and 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.

(h) If organized with capital stock, the amount of such stock, in Philippine currency, and the number of shares into which it is divided and the par value thereof.

(i) If organized with capital stock, the amount of capital stock actually subscribed, the names and residences of persons subscribing, the amount subscribed by each, and the sum paid by each on his subscription.

(j) 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, the nature and definite extent of the preference and privileges granted to each, and the manner of redeeming or retiring such shares of preferred stock.

SEC 9. *Minimum amounts of subscription and payment on subscription.*—The Director of the Bureau of Commerce and Industry shall not file the articles of incorporation of any cooperative marketing association with capital stock unless accompanied by a sworn statement of a treasurer elected by the directors showing that at least twenty per centum of the entire capital stock has been subscribed, and that at least twenty per centum of the subscription has been either paid to him in actual cash for the benefit and to the credit of the association, or that there has been transferred to him in trust and received by him for the benefit and to the credit

of the association property the fair valuation of which is equal to twenty per centum of the subscription.

SEC. 10. *Adoption and keeping of by-laws.*—Each association formed under this Act must adopt, for its government and management, a code of by-laws, not inconsistent with the powers granted by this Act, and its articles of incorporation. A majority vote of the members, or their written assent, is necessary to adopt such by-laws. The by-laws shall be signed by the members voting for them or giving assent thereto, and shall be kept in the principal office of the association, subject to the inspection of the members or stockholders during office hours, and a copy thereof, duly certified to by a majority of the directors and countersigned by the secretary of the association, shall be filed with the Director of the Bureau of Commerce and Industry, who shall attach the same to the articles of incorporation.

SEC. 11. *Time for filing by-laws; certificate of incorporation.*—The by-laws may be filed with the Director of the in Bureau of Commerce and Industry at the time of filing the articles of incorporation, or thereafter. The Director of the Bureau of Commerce and Industry, on the filing of the by-laws, and upon attaching the same to the articles of incorporation provided by this Act to be filed, shall issue to the incorporators a certificate, under the seal of his office setting forth that such articles of incorporation and by-laws have been duly filed in his office in accordance with law; and thereupon the persons signing the articles of incorporation and their associates and successors shall constitute a body politic and corporate, under the name stated in the certificate, for the term specified in the articles of incorporation, not exceeding fifty years, unless sooner legally dissolved.

SEC. 12. *What may be provided for under the by-laws.*—Each association, under its by-laws, may 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 members or stockholders, entitled to vote, constituting a *quorum*.
- (c) The right of members, or stockholders, entitled to vote, to vote by proxy or by mail or both; and the conditions, manner, form and effects of such votes.
- (d) 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 by-laws.
- (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 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 which every member may be required to sign.
- (i) The qualification of members 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 interests 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 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 his death, withdrawal, or expulsion, or, upon the forfeiture of his membership, or, at the option of the association, upon the purchase of his interest at a price fixed by conclusive appraisal by the board of directors. In case of the withdrawal or expulsion of a member, 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 year after such expulsion or withdrawal.

SEC. 13. *Amendments to the articles of incorporation.*—The articles of incorporation may be altered or amended at any regular meeting or any special meeting called for that purpose. An amendment must first be approved by a majority of the directors and then adopted by a vote of the majority of all the members or stockholders of the association who are entitled to vote. Amendments to the articles of incorporation, when so adopted, must be filed with the Director of the Bureau of Commerce and Industry, who shall attach the same to the original articles of incorporation.

SEC. 14. *Amendments to the by-laws.*—A vote of the majority of all the members, or stockholders entitled to vote, or their written assent, is necessary to amend or repeal any by-law or adopt new by-laws. Copies of such amendments or new by-laws, thus adopted, shall be in the same form, and kept and filed in the same manner as the original by-laws.

SEC. 15. *Filing fees.*—Each association incorporated under this Act, with or without capital stock, shall pay to the Director of the Bureau of Commerce and Industry the following fees:

- (a) For filing articles of incorporation, fifteen pesos.
- (b) For filing amendments to articles of incorporation, five pesos.
- (c) For filing by-laws, two pesos.
- (d) For filing amendments to by-laws, or new by-laws, one peso.

SEC. 16. *General and special meetings—how called.*—In its by-laws, each association shall provide for one or more regular meetings annually. The board of directors shall have the right to call a special meeting at any time, and ten per cent of the members or stockholders may file a petition stating the specific business to be brought before the association and demand a special meeting at any time. Such meeting must thereupon be called by the directors. Notice of all meetings, together with a statement of the purposes thereof, shall be mailed to each member or stockholder entitled to vote, at least ten days prior to the meeting: *Provided, however,* That the by-laws may require instead that such notice may be given publication in a newspaper of general circulation published at the principal place of business of the association, if any, or in default thereof in a newspaper of general circulation in the City of Manila.