

MAR 17 1999

Agriculture

HOUSE FILE
BY FREVERT

725

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to certain swine production contracts executed
2 between cooperative associations and their members and
3 providing an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 725

1 Section 1. NEW SECTION. 497.36 PROCEDURE FOR CONTRACTING
2 FOR THE CARE AND FEEDING OF SWINE -- REVERSE REFERENDUM --
3 DISSENT.

4 A cooperative association shall not contract for the care
5 and feeding of swine, unless the cooperative association
6 complies with the requirements established for cooperative
7 associations in section 499.81.

8 Sec. 2. NEW SECTION. 498.38 PROCEDURE FOR CONTRACTING
9 FOR THE CARE AND FEEDING OF SWINE -- REVERSE REFERENDUM --
10 DISSENT.

11 A cooperative association shall not contract for the care
12 and feeding of swine, unless the cooperative association
13 complies with the requirements established for cooperative
14 associations in section 499.81.

15 Sec. 3. NEW SECTION. 499.81 PROCEDURE FOR CONTRACTING
16 FOR THE CARE AND FEEDING OF SWINE -- REVERSE REFERENDUM --
17 DISSENT.

18 A cooperative association shall not contract for the care
19 and feeding of swine, unless all of the following apply:

20 1. The board of directors of the cooperative association
21 adopts a resolution authorizing contracting. Except as
22 otherwise provided in this section, the resolution shall
23 become effective thirty-one days from the date that the
24 resolution was adopted. The cooperative association is not
25 required to comply with the procedures of this section for as
26 long as the resolution remains in effect. The resolution
27 shall contain all of the following:

28 a. A declaration stating that the cooperative association
29 reserves the right to contract for the care and feeding of
30 swine as described in section 654B.1, subsection 1.

31 b. A description of contracts planned by the cooperative
32 association, if any, including a description of the following:

33 (1) Contracts planned to be executed with members,
34 including the terms of the contracts and the number of
35 contracts to be executed.

1 (2) Contracts planned to be executed with any other
2 association organized on a cooperative basis, including the
3 name of the association and the terms of the contract.

4 c. The date that the resolution was adopted and the date
5 that it will take effect.

6 2. Within five days following the date that the resolution
7 authorizing the cooperative association to contract is
8 adopted, the cooperative association must provide notice of
9 the resolution as provided in this section.

10 a. The notice shall be in the following form:

11 NOTICE

12 MEMBERS OF THE (INSERT

13 NAME OF THE COOPERATIVE ASSOCIATION)

14 THE (INSERT NAME OF THE COOPERATIVE ASSOCIATION) IS
15 PLANNING ON EXECUTING CONTRACTS FOR THE CARE AND FEEDING OF
16 SWINE AS DESCRIBED IN IOWA CODE SECTION 654B.1, SUBSECTION 1.
17 (INSERT NAME OF THE COOPERATIVE ASSOCIATION) HAS PASSED A
18 RESOLUTION AUTHORIZING CONTRACTING. WITHIN A LIMITED TIME
19 PERIOD: (1) VOTING MEMBERS MAY PETITION THE COOPERATIVE
20 ASSOCIATION TO REQUIRE A MEMBERSHIP VOTE TO APPROVE THE
21 RESOLUTION; AND (2) EACH DISSENTING MEMBER MAY DEMAND PAYMENT
22 OF THAT DISSENTING MEMBER'S SHARE OF NET EARNINGS ALLOCABLE
23 PURSUANT TO IOWA CODE SECTION 499.81.

24 b. The notice must be published in a newspaper having a
25 general circulation in the county where the cooperative
26 association is located as provided in section 618.3. The
27 notice shall be printed as provided in section 618.17.

28 c. The notice shall be delivered to all holders of
29 members' equity in the cooperative association, including
30 members and shareholders, by mailing the notice to the
31 holder's last known address as shown on the books of the
32 cooperative association. The notice shall be accompanied by a
33 copy of the resolution adopted by the board pursuant to this
34 section, and a copy of this section.

35 3. Within thirty days following the date that the

1 resolution authorizing the association to contract for the
2 care and feeding of swine is adopted, at least twenty percent
3 of the voting members of the cooperative association may file
4 a petition with the board of directors demanding a referendum
5 under this subsection.

6 a. If a valid petition is filed, the board of directors
7 shall call a special referendum of voting members at a regular
8 or special meeting, as provided in section 499.27. The filing
9 of the petition suspends the effectiveness of the resolution
10 until a referendum is conducted as provided in this
11 subsection.

12 b. The resolution shall not become effective until the
13 resolution is approved by an affirmative vote of a majority of
14 the voting members of the cooperative association casting
15 ballots at the meeting to conduct the referendum.

16 4. a. Within thirty days following the date that the
17 resolution authorizing the cooperative association to contract
18 for the care and feeding of swine is adopted, a holder of
19 members' equity, including a member or shareholder, may
20 dissent to a contract as expressed in the resolution adopted
21 by the board of directors under this section.

22 b. The member shall dissent by filing a demand with the
23 board of directors. The cooperative association shall pay
24 each dissenting member's share of net earnings allocable
25 pursuant to section 499.30. The cooperative association shall
26 pay net earnings for each taxable year in which the resolution
27 authorizing contracting remains in effect, beginning in the
28 taxable year preceding the taxable year that the resolution is
29 adopted.

30 c. The cooperative association is not required to pay
31 dissenting members pursuant to this subsection, if the
32 resolution provided for in this section does not become
33 effective.

34 5. If an association that is not organized under the laws
35 of this state contracts with the cooperative association to

1 contract for the care and feeding of swine, the nonstate
2 association shall reimburse the cooperative association any
3 amount paid by the cooperative association to the dissenting
4 member.

5 Sec. 4. EXISTING CONTRACTS -- APPLICABILITY. This Act
6 shall not apply to contracts executed prior to the effective
7 date of this Act by a cooperative association organized under
8 chapter 497, 498, or 499. However, a cooperative association
9 shall not execute a new contract or extend or renew a contract
10 executed prior to the effective date of this Act unless the
11 cooperative association complies with the requirements of this
12 Act.

13 Sec. 5. EFFECTIVE DATE. This Act, being deemed of
14 immediate importance, takes effect upon enactment.

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EXPLANATION

16 Generally, this bill provides that a cooperative
17 association organized under state law is prohibited from
18 contracting for the care and feeding of swine, unless the
19 cooperative association adopts a resolution authorizing
20 contracting. The bill provides that the resolution does not
21 become effective until members of the cooperative association
22 have an opportunity to bring a petition to vote on the
23 resolution. The bill provides for notice to the membership.
24 The bill provides that if a petition is brought, the
25 resolution must be approved by a majority vote of the voting
26 members of the association casting ballots. The bill also
27 provides that the holders of members' equity may dissent by
28 filing a dissent with the board of directors for the
29 dissenting member's share of net earnings for each taxable
30 year in which the resolution authorizing contracting remains
31 in effect, beginning in the taxable year preceding the taxable
32 year that the resolution is adopted. If an association that
33 is not organized under the laws of this state contracts with
34 the cooperative association to contract for the care and
35 feeding of swine, the nonstate association must reimburse the

1 cooperative association any amount paid by the cooperative
2 association to the dissenting member.

3 The bill takes effect upon enactment.

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