

Law of Georgia

On Agricultural Cooperatives

Article 1 - Scope of the Law

1. This Law governs the legal relations for operating agricultural cooperatives and promoting them by the government, monitoring their activities, as well as for obtaining and terminating the status of an agricultural cooperative.
2. The Law of Georgia on Entrepreneurs and other primary and secondary legislation of Georgia regulates the legal relations for agricultural cooperatives, unless otherwise determined by this Law.

Article 2 - Purpose of the Law

The purpose of this Law shall be the following:

- a) developing family households, organising them into cooperatives, and strengthening their viability;
- b) promoting the revival of rural areas and agriculture;
- c) ensuring the social and economic development of rural areas;
- d) eliminating rural poverty;
- e) stopping migration from rural areas;
- f) increasing agricultural productivity, improving competitiveness and raising profitability, as well as developing the national economy;
- g) promoting the development of biological farming.

Article 3 - Definition of terms

For the purposes of this Law, the terms used in this Law shall have the following meaning:

- a) agricultural activity** – all kinds of farming activity on agricultural land or land-related property, and other related services that includes the production, processing, packing, packaging, storage, transportation, and marketing of plant and animal (including poultry, fish, silkworm, bee, etc.) products;
- b) land-related property** - movable and immovable property used for the production, processing, packing, packaging, storage, transportation, and marketing of plant and animal (including poultry, fish, silkworm, bee, etc.) products;
- c) agricultural products** - products from agricultural activity;
- d) agricultural cooperative** – a legal entity organised under private law and legally established as a cooperative according to the Law of Georgia on Entrepreneurs, which carries out agricultural activity and which has been given the status of an agricultural cooperative under this Law;
- e) economic participation of members (shareholders)** – participation of members (shareholders) of an agricultural cooperative in any agricultural activity carried out by the cooperative;
- f) contribution (share)** – contribution of money or property expressed in monetary value by a member of an agricultural cooperative;
- g) democratic management** - equal opportunity for members of an agricultural cooperative to manage and control the cooperative's activity, for which each member of the cooperative has one vote;
- h) biological farming** – an ordered system of agricultural activity that encourages such interdependence between living organisms and the environment when the balance of nature is maintained.

Article 4 - Legislation of Georgia on agricultural cooperatives

The legislation of Georgia on agricultural cooperatives shall consist of the Constitution of Georgia, international treaties of Georgia, the Civil Code of Georgia, the Law of Georgia on Entrepreneurs, this Law, and other primary and secondary legislation of Georgia.

Article 5 - Main principles of activity of agricultural cooperatives

Main principles of activity of agricultural cooperatives shall be as follows:

- a) voluntary membership

- b) democratic management
- c) economic participation of members (shareholders)
- d) social responsibility, fairness and mutual assistance.

Article 6 - Areas of activity of agricultural cooperatives

Areas of activity of agricultural cooperatives shall be as follows: production, processing, packing, packaging, storage, transportation, and marketing of agricultural products by agricultural cooperatives.

Article 7 - Obtaining and terminating the status of an agricultural cooperative

1. In order to obtain the status of an agricultural cooperative, a legal entity under private law legally established as a cooperative, shall submit an application to the Legal Entity under Public Law - the Agency for Development of Agricultural Cooperatives ('the Agency').
2. The application must be accompanied by the following documents:
 - a) an extract from the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons evidencing the registration of the legal person and the applicant's powers;
 - b) if necessary, an extract from the Public Registry evidencing the title of the legal person to agricultural land and/or property;
 - c) the charter of the cooperative.
3. If the submitted documents comply with the requirements of the legislation of Georgia, the Agency shall grant the status of an agricultural cooperative to the legal person.
4. After granting the status of an agricultural cooperative, the Agency shall enter data of the legal person into the electronic registry and issue the respective certificate.
5. Electronic registry data shall be publicly available and shall be published on the official website of the Agency.
6. The Agency may monitor the activities of a legal person having the status of an agricultural cooperative. The monitoring results shall serve as the basis for the suspension or termination of the status of an agricultural cooperative for the legal person. Notice of suspension or termination shall be given to the respective legal person and shall be published on the official website of the Agency.
7. The procedure for the obtaining and terminating the status of an agricultural cooperative shall be defined by this Law and an ordinance of the Government of Georgia.

Article 8 - Agency

1. The Agency shall be a legal entity under public law within the system of the Ministry for Agriculture of Georgia ('the Ministry'). The Ministry shall exercise state control over the Agency's activity in the manner laid down by the legislation of Georgia.
2. The Agency shall be established under an order of the Minister of Agriculture of Georgia ('the Minister').
3. The Minister shall approve the Statute of the Agency.
4. While performing its activity, the Agency shall be guided by this Law, the Law of Georgia on Legal Entities under Public Law, other primary and secondary legislation of Georgia, and the Statute of the Agency.
5. The main competencies of the Agency shall be as follows:
 - a) taking government support measures for agricultural cooperatives;
 - b) preparing proposals and recommendations to promote and develop agricultural cooperatives;
 - c) within its competence, providing consultation to agricultural cooperatives;
 - d) creating a database on the activity of agricultural cooperatives to contain information about implemented, current, and/or planned agricultural activity of agricultural cooperatives, as well as data on the crops grown and sold, types and number of services provided and other related data;
 - e) granting and terminating the status of an agricultural cooperative;
 - f) cooperating with the International Co-operative Alliance (ICA), international organisations, and cooperative associations of other countries;
 - g) supporting the training and re-training of staff for agricultural cooperatives, as well as upgrading professional skills for the management staff of agricultural cooperatives;

h) organising scientific-practical conferences, exhibitions, seminars, and meetings to exchange experience and information in the field of agricultural cooperation;

i) monitoring the activity of agricultural cooperatives. To this end, the Agency may:

i. request and receive all necessary information from agricultural cooperatives on implemented and/or planned agricultural activity;

ii. send, if necessary, authorised persons to study the activity of agricultural cooperatives on site to ensure the monitoring of agricultural cooperatives;

iii. exercising any other powers as determined by the legislation of Georgia and the Statute of the Agency.

6. Funding sources of the Agency shall be as follows:

a) target funds allocated from the state budget of Georgia

b) grant funds

c) other income permitted by the legislation of Georgia.

7. The Agency shall have its stamp and bank (including deposit) accounts. The interest accrued to the bank account shall belong to the Agency.

Article 9 - Management of the Agency

1. The Chairperson of the Agency shall be authorised to manage and represent the Agency acting independently within the powers determined by the Statute of the Agency.

2. The Minister shall appoint and dismiss the Chairperson of the Agency.

3. The Chairperson of the Agency shall:

a) represent the Agency in its relations with third parties;

b) make a decision (issue an individual-administrative legal act) on issues falling within the competence of the Agency;

c) appoint and dismiss Agency staff;

d) administer funds and property of the Agency in the manner provided for by the legislation of Georgia;

e) perform other duties as determined by the Statute of the Agency.

Article 10 - Charter of an agricultural cooperative

1. Provisions of the Law of Georgia on Entrepreneurs shall apply to the charter of an agricultural cooperative, considering the statutory specifics of this Law.

2. The charter of an agricultural cooperative must cover the following main issues:

a) the procedure for establishing and administering a mandatory reserve fund;

b) the powers and the procedure for convening representatives' or general meetings;

c) the amount of contributions (shares);

d) the procedure for maintaining the registry of members (shareholders);

e) the rules and procedures for distributing income and dividends;

f) the procedure for distributing losses;

g) the procedure for registering mutual obligations in written form between an agricultural cooperative and its members (shareholders);

h) the procedure for distributing the assets remaining during and after liquidation of the agricultural cooperative.

3. The charter of an agricultural cooperative shall provide that the mandatory reserve fund contributions laid down in paragraph 2(a) of this article is not less than 15% of the annual profit of an agricultural cooperative.

4. The charter of an agricultural cooperative may provide for the establishment of and management procedure for other types of funds, other than the mandatory reserve fund established under paragraph 2(a) of this article.

Article 11 - A member of an agricultural cooperative

1. A member of an agricultural cooperative may be:

- a) an 18-year or older citizen of Georgia, who is directly involved in agricultural activity carried out by the agricultural cooperative and who owns shares;
 - b) an agricultural cooperative as defined by this Law.
2. The number of members of an agricultural cooperative in the villages, communities and localities, to which the Law of Georgia on Social, Economic, and Cultural Development of the Mountainous Regions applies, shall not be less than 3, and in the rest of Georgia, not less than 5.
3. If the requirement under the second paragraph of this article is not met, a reasonable time not to exceed six months shall be given to an agricultural cooperative to rectify the violation.

Article 12 - Terminating the membership of an agricultural cooperative

1. Grounds for termination of membership of an agricultural cooperative shall be as follows:
- a) withdrawal from membership
 - b) exclusion of a member
 - c) death of a member
 - d) liquidation of an agricultural cooperative.
2. The right to withdraw from membership may be limited on the basis of the charter of an agricultural cooperative until the member fulfills all his/her financial obligations.
3. A member of an agricultural cooperative may be expelled if he/she:
- a) does not fulfill his/her obligations;
 - b) grossly violates the charter of an agricultural cooperative and/or does not implement decisions of the management bodies of an agricultural cooperative.
4. A general meeting shall make a decision to expel a member of an agricultural cooperative by a simple majority. A decision of the general meeting may be appealed to the court.

Article 13 - Property of an agricultural cooperative

1. Property of an agricultural cooperative shall be created through contributions (shares) by members (shareholders), profit received from agricultural activity, grants received, and other sources that are not prohibited by the legislation of Georgia.
2. Property of an agricultural cooperative shall be administered by its management bodies within the the rights laid down by the charter of the cooperative.

Article 14 - Government support to agricultural cooperatives

Government support measures to agricultural cooperatives shall be as follows:

- a) drafting development projects and programs for agricultural cooperatives;
- b) providing agricultural cooperatives with an opportunity to enjoy preferential credit resources and grants;
- c) providing consultation and giving respective recommendations to agricultural cooperatives;
- d) defining tax privileges for agricultural cooperatives.

Article 15 - Transitional provisions

1. A cooperative established before the enactment of this Law, which carries out agricultural activity and meets the requirements under this Law, may apply to a body authorised by this Law to grant the status of an agricultural cooperative.
2. The Government of Georgia shall approve the procedure for obtaining and terminating the status of an agricultural cooperative within two months after the enactment of this Law.
3. The Ministry for Agriculture of Georgia shall ensure the establishment of the Legal Entity under Public Law - the Agency for Development of Agricultural Cooperatives, as well as the approval of the Statute of the Agency, and the appointment of a person who is authorised to manage and represent the Agency.

Article 16 - Final provisions

1. This Law, except for Articles 1-7, Articles 10-14 and Article 15(1), shall be enacted upon promulgation;

2. Articles 1-7, Articles 10-14 and Article 15(1) of this Law shall be enacted on the 60th day after promulgation.

President of Georgia

Mikheil Saakashvili

Kutaisi

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