

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– relative share in the goods circulation of the cost of agricultural products produced and/or provided or for services rendered by members (shareholders) within the framework of agricultural activities;
- e<sup>1</sup>) share – share contribution, additional share contribution and an associate member's contribution made into the share fund;
- f) contribution (share) – compulsory contribution of money or property expressed in monetary value by a member of an agricultural cooperative in the share fund;
- f<sup>1</sup>) additional share contribution –additional contribution, depending on the shareholder's will, made into the share fund by money and/or property expressed in monetary value based on the needs of the agricultural cooperative, which gives the shareholder the right to receive extra dividends under the terms defined by this Law and the contract signed with the agricultural cooperative;
- f<sup>2</sup>) shareholder – a person who shares the principles of the activity of an appropriate agricultural cooperative, directly participates in its agricultural activities and has a share contribution;
- f<sup>3</sup>) associate member – a person who shares the principles of the activity of an appropriate agricultural cooperative, and who may not directly participate in its agricultural activities but who has made an associate member's contribution to the share fund;
- f<sup>4</sup>) associate member's contribution–contribution of the associate member to the share fund by money and/or property expressed in monetary value, depending on the needs of the agricultural cooperative, based on which the associate member receives dividends under the terms defined by this Law and the contract signed with the agricultural cooperative;
- f<sup>5</sup>) general meeting – the highest governing body of the agricultural cooperative;



f<sup>6</sup>) deliberative vote – the right of an associate member to participate in the determination of the agenda of the general meeting and in the discussion of relevant issues. During decision-making a deliberative vote shall not be considered in the total number of shareholders' votes;

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 on the general meeting;

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.

i) cooperative income – a part of the shareholder's income, which he/she receives during the economic year in proportion to his/her economic participation, and in the manner established by the general meeting;

j) goods circulation – the sum of the values of agricultural products produced and/or obtained and services rendered and/or received in the relevant reporting period by an agricultural cooperative;

k) mandatory reserve fund –the accumulated amount in the agricultural cooperative, which is used for unforeseen circumstances, according to the decision made by the general meeting;

l) share fund – integrated value of share expressed in a monetary unit, the amount and disposal of which shall be defined by the general meeting;

m) mandatory share contribution – a mandatory contribution into the share fund made by a shareholder, which will give him/her the right to participate in the activity of the agricultural cooperative and receive dividends from the cooperative as well as the right to vote on the general meeting.

n) minimum share – the minimum limit of share contribution made in the share fund, which shall be established by the general meeting

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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) of agricultural cooperatives
- d) social responsibility, fairness and mutual assistance.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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 termination of the status of an agricultural cooperative in accordance with the legislation of Georgia. Decision of the Agency to terminate the status of an agricultural cooperative 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.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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;
  - a<sup>1</sup>) issuing grants 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 an account with the State Treasury. The Agency may also have an account with a commercial bank when so provided by the legislation of Georgia.

*Law of Georgia No 2941 of 12 December 2014 – website, 24.12.2014*

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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 minimum shares and share contributions;
  - d) (Deleted-11.11.2015, N 4495);
  - e) the rules and procedures for distributing profit as provided for in Article 13<sup>3</sup> of the given Law;;
  - 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 the mandatory reserve fund contributions laid down in paragraph 2(a) of this Article shall not be less than 15% of the annual profit of an agricultural cooperative. The profit of the previous reporting year of the agricultural cooperative, which shall be not less than 15%, shall be accumulated in the beginning of the year.
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.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **Article 10<sup>1</sup> - Registry of members (shareholders) of an agricultural cooperative**

1. An agricultural cooperative shall maintain the registry of members (shareholders) of an agricultural cooperative.
2. The procedure for maintaining the registry of members (shareholders) of an agricultural cooperative shall be approved by the order of the Minister of Agriculture of Georgia“.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **Article 11 - A member of an agricultural cooperative**

1. Members of the agricultural cooperative are shareholders of associate members.
2. A member of the agricultural cooperative may be an 18-year or older citizen of Georgia, and/or other agricultural cooperative who is directly involved in agricultural activity and who owns shares;
3. The number of members of an agricultural cooperative in settlements to which the Law of Georgia on the Development of High Mountain Regions applies shall not be less than 3, and in the rest of Georgian territory – less than 5.
4. An associated member of the agricultural cooperative may be a physical person (including citizens of foreign countries) having attained the age of 18 and/or a legal person (including a legal person registered abroad), who, in accordance with this Law has made a contribution of an associated member.



5. If the requirement under the third 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.

*Law of Georgia No 4039 of 16 July 2015 – website, 28.7.2015*

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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 and/or liquidation of a member of the agricultural cooperative
- 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 general meeting, management bodies and of a supervisory board 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.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **Article 13 - Property of an agricultural cooperative**

1. Property of an agricultural cooperative shall be created through contributions, 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.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **Article 13<sup>1</sup>- Contributions of members (shareholders) of an agricultural cooperative**

1. The amount of the mandatory share contribution of a shareholder shall be defined before the beginning of the reporting period, in accordance with his/her expected economic activity in the agricultural cooperative, and in proportion to the value of services to be rendered or products to be provided to this shareholder by the cooperative.

2. The shareholder has the right to make an additional share contribution after a full mandatory share contribution is made on the basis of a decision of the general meeting.

3. The form and amount of an associate member's contribution shall be established by the general meeting, while the terms of its implementation as well as the procedure for issuing dividends shall be defined by this Law and the contract signed between the associate member and the agricultural cooperative.

4. In the case of a share contribution to an agricultural cooperative in the form of property, the cooperative and the person contributing the property share shall agree on the value of the property in writing.

5. The part of the value of the share contributed to an agricultural cooperative in the form of property which exceeds the value of the mandatory share contribution of the shareholder, shall be reflected in his/her additional share contribution.

6. In the case of contributing a share to an agricultural cooperative in the form of property, encumbrance and/or disposing of the property shall be carried out on the basis of the written agreement of the contributing person.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*



## **Article 13<sup>2</sup>. Rights and obligations of members of an agricultural cooperative**

1. A shareholder of an agricultural cooperative may:

- a) take part in the management of an agricultural cooperative;
- b) elect and be elected in the local self-government body called Gamgeoba and in the supervisory board of an agricultural cooperative;
- c) receive full information on the activities of an agricultural cooperative from the Gamgeoba and the supervisory board of an agricultural cooperative;
- d) use the services of an agricultural cooperative;
- e) receive dividends from the income of an agricultural cooperative;
- f) receive the extra dividend in accordance with his/her additional share contribution, under provisions determined by this Law and the contract signed with an agricultural cooperative;
- g) request further examination and/or audit, at its own expense, of the accounting records of an agricultural cooperative;
- h) receive back his/her belonged share in the form of money and/or property, in the event of his/her withdrawal from the membership of an agricultural cooperative or in other cases of the termination of the membership of an agricultural cooperative, under the procedure defined by this Law and the contract signed with the agricultural cooperative;
- i) receive appropriate share from the property remained as a result of the liquidation or reorganisation of an agricultural cooperative in the event of the liquidation or reorganisation of the agricultural cooperative, under the procedure defined by this Law and the contract signed with the agricultural cooperative;
- j) get familiar with data of the registry of members (shareholders) of an agricultural cooperative;
- k) enjoy other rights defined by the legislation of Georgia and the statute of the agricultural cooperative.

2. A shareholder of an agricultural cooperative shall:

- a) comply with the procedures established by this Law and the statute of the agricultural cooperative;
- b) implement the decisions made by the general meeting, the Gamgeoba and the supervisory board of an agricultural cooperative;
- c) contribute a share under the procedure established by this Law, the statute and the general meeting of the agricultural cooperative;
- d) take part in the agricultural activities of an agricultural cooperative under the terms defined by the statute of the agricultural cooperative, and/or the contract signed with the agricultural cooperative;
- e) make the additional share contribution under the terms defined by this Law and the contract signed with the agricultural cooperative;
- f) perform other obligations determined by the legislation of Georgia and the statute of the agricultural cooperative.

3. An associate member of an agricultural cooperative may:

- a) participate in the general meeting with the right of deliberative voting;
- b) be elected in the Gamgeoba (the management) and the supervisory board of the agricultural cooperative;
- c) receive full information on the activities of the agricultural cooperative from the Gamgeoba (the management) and the supervisory board of the agricultural cooperative;
- d) use services of an agricultural cooperative;
- e) receive a dividend from the income of an agricultural cooperative;
- f) request further examination and/or audit, at his/her own expense, of the accounting records of the agricultural cooperative;
- g) receive back his/her belonged associate member's share in the form of money and/or property, in the event of his/her withdrawal from the membership of an agricultural cooperative or in other cases of the termination of the membership of an agricultural cooperative, under the procedure defined by this Law and the contract signed with the agricultural cooperative ;
- h) receive back the associate members' belonged share from the agricultural cooperative in the event of the liquidation or reorganisation of the agricultural cooperative, and after covering the liabilities of the agricultural cooperative, and receive a dividend under the procedure defined by this Law and the contract signed with the agricultural cooperative, before the distribution of the remained property between the shareholders of the agricultural cooperative;
- i) get familiar with data of the registry of members (shareholders) of an agricultural cooperative;
- j) enjoy other rights defined by the legislation of Georgia and the statute of the agricultural cooperative.

4. An associate member of the agricultural cooperative shall:

- a) comply with the procedures established by this Law and the statute of the agricultural cooperative;



b) contribute the associate member's share under the procedure established by this Law, or the general meeting and under the provisions defined by the contract signed with the agricultural cooperative;

c) perform other obligations defined by the legislation of Georgia and the statute of the agricultural cooperative.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

### **Article 13<sup>3</sup> - Distribution of the profit of an agricultural cooperative**

1. Dividends from the profit of an agricultural cooperative shall be first issued , to associate members of the agricultural cooperative:

a) if it is determined, by the decision of the general meeting and the contract signed between the associate member and the agricultural cooperative, to issue dividends in proportion with the contribution of the associate member, the amount of the issued dividend shall not exceed 15% of the value of the contribution of this associate member during an economic year.

b) if it is determined by the decision of the general meeting and the contract signed between the associate member and the agricultural cooperative, to issue the dividend to this associate member from the profit of the agricultural cooperative, the total amount of the dividends to be issued in accordance with additional share contributions of shareholders and associate members of the agricultural cooperative shall not exceed 30% of the annual profit of the agricultural cooperative.

2. Dividends from the profit of the agricultural cooperative after being issued to associate members shall be issued to shareholders of the agricultural cooperative in accordance with their additional share contributions:

a) if it is determined by the decision of the general meeting and the contract signed between the shareholder and the agricultural cooperative, to issue the dividend in proportion with the additional share contribution of the shareholder, the amount of the issued dividend shall not exceed 15% of the value of the additional share contribution made by the shareholder during an economic year;

b) if it is determined by the decision of the general meeting and the contract signed between the shareholder and the agricultural cooperative, to issue the dividend to the shareholder from the profit of the agricultural cooperative, the total amount of the dividends to be issued in accordance with additional share contributions of shareholders and associate members of the agricultural cooperative shall not exceed 30% of the annual profit of the agricultural cooperative.

3. The profit remained after the issuance of dividends in accordance with paragraph 1 and paragraph 2 of this article shall be distributed among the shareholders of the agricultural cooperative in proportion with their economic participation.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

### **Article 13<sup>4</sup>. Additional conditions related to the activities of the agricultural cooperative**

1. The total cost of agricultural products purchased and/or services rendered for an agricultural cooperative during the current reporting year by those persons who are not shareholders, shall not exceed 30% of annual circulation of goods of the agricultural cooperative.

2. The limitation provided for by the first paragraph of this article shall not apply to the industrial and technological processes and the planting and seeding materials necessary for the reproduction, and to products necessary for animal nutrition and propagation. "

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

### **Article 14 - Government support to agricultural cooperatives**

Government support measures to agricultural cooperatives shall be as follows:

a) drafting and implementation of development projects and programs for agricultural cooperatives;

b) providing agricultural cooperatives with an opportunity to enjoy preferential credit resources and grants, including state grants;

c) providing consultation and giving respective recommendations to agricultural cooperatives;

d) defining tax privileges for agricultural cooperatives.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

### **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.

4. The agricultural cooperatives that will have received the status of agricultural cooperatives before 1 January 2016, and to whom the Law on the Development of High Mountainous Regions does not apply, shall retain the status of agricultural cooperatives.

*Law of Georgia No 4495 of 11 November 2015 – website, 24.12.2015*

#### **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 60<sup>th</sup> day after promulgation.

**President of Georgia**

**Mikheil Saakashvili**

**Kutaisi**

**12 July 2013**

**No 816-ᄁᄁ**

