Law of Georgia

On Agricultural Cooperatives

Article 1 – Scope of the Law

1. This Law regulates 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 regulate the legal relations for agricultural cooperatives, unless otherwise determined by this Law.

Article 2 – Purpose of the Law

The purpose of this Law is to improve the agricultural sector, to increase agricultural production, and to ensure the social and economic development of rural areas by supporting the activities of agricultural cooperatives.

Law of Georgia No 4855 of 25 June 2019 – website, 2.7.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 3 – Definition of terms

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

a) agricultural activity – all kinds of farming activities on agricultural land or land-related property, and other related services, as well as aquaculture, that include 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 carrying out agricultural activities;

c) agricultural products – products produced as a result of 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;

d^1) member – any natural or legal person that complies with the principles of an agricultural cooperative. A member shall be a shareholder, an associate member, an investor member;

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^1) share – a mandatory share contribution made for the economic participation by a shareholder to the share fund on an annual basis, which entitles the shareholder to participate in the activities of an agricultural cooperative, to receive dividends from the cooperative's profit and to vote at the general meeting;

f) contribution (share) – compulsory contribution of money in the national currency by a shareholder in the share fund;

f^1) 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 conditions determined by this Law and the contract signed with the agricultural cooperative;

f^2) (deleted – 11.12.2019, No 5498);

f^3) (deleted – 11.12.2019, No 5498);

f^4) associate member's/investor member's contribution – contribution of the associate member/investor 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/investor member receives dividends under the conditions determined by this Law and the contract signed with the agricultural cooperative;

f ^{5}) general meeting – the highest governing body of the agricultural cooperative;

f ^{6}) deliberative vote – the right of an associate member/investor 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) (deleted – 16.12.2022, No 2434);

h) (deleted – 16.12.2022, No 2434);

i) (deleted – 16.12.2022, No 2434);

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 and other contributions expressed in a monetary unit, the amount and disposal of which shall be determined by the general meeting;

m) (deleted – 11.12.2019, No 5498);

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

o) Agency – a non-entrepreneurial (non-commercial) legal entity called the Rural Development Agency operating within the system of the Ministry of Environmental Protection and Agriculture of Georgia.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 6415 of 24 June 2020 – website, 1.7.2020

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 4 – Legislation of Georgia on agricultural cooperatives

The legislation of Georgia on agricultural cooperatives consists of the Constitution of Georgia, the 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, based on social responsibility, fairness and mutual assistance, shall be as follows:

a) voluntary and transparent membership;

b) democratic control of a cooperative by its members;

c) participation of members in the economic activities;

d) autonomy and independence;

e) education, training, and information of members;

f) cooperation with other cooperatives;

g) caring for the community/society.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 6 – Areas of activity of agricultural cooperatives

1. Areas of activity of agricultural cooperatives shall be as follows: production, manufacturing, processing, gathering, packing, packaging, storage, transportation, and/or marketing of agricultural products.

2. An agricultural cooperative shall have the right, in addition to the agricultural activities determined by paragraph 1 of this article, to carry out other activities, which are not prohibited by the legislation of Georgia, for improving the economic and social condition of the shareholders of the cooperative.

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

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 Agency.

2. The following documents must be attached to the application:

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) a copy of the identity document of a person having the representative authority;

d) a document certifying the share contribution;

e) a contract concluded between a shareholder and an agricultural cooperative on the mutual obligations and rights, which determines the type and cost of services to be rendered by the cooperative to the shareholder, as well as the amount of share and other conditions.

3. If the documents, submitted to the Agency by a legal entity under private law legally established as a cooperative, comply with the requirements of the legislation of Georgia, the Agency shall request the Ministry of Environmental Protection and Agriculture of Georgia ('the Ministry') to grant to the legal entity the status of an agricultural cooperative.

4. Based on the request submitted under paragraph 3 of this article, a decision on granting the status of an agricultural cooperative to a legal entity under private law legally established as a cooperative shall be made by the Minister of Environmental Protection and Agriculture of Georgia, after which the Ministry shall enter the data of the legal person into the electronic registry and issue a respective certificate.

5. The electronic registry data shall be publicly available and shall be published on the official websites of the Ministry and the Agency.

6. A decision to terminate the status of an agricultural cooperative shall be made by the Minister of Environmental Protection and Agriculture of Georgia. The following may serve as the grounds for termination of the status of an agricultural cooperative:

a) negative results of monitoring;

b) reduction of the number of shareholders determined by Article 11(3) of this Law;

c) an application of an agricultural cooperative requesting termination of the status of an agricultural cooperative;

d) liquidation of a cooperative;

e) a court decision on the dissolution of a cooperative on the basis of an application/claim of a member of the cooperative;

f) revocation of the registration of a cooperative in the case of declaration of bankruptcy of the cooperative.

7. The procedure for obtaining and terminating the status of an agricultural cooperative shall be determined by this Law and an ordinance of the Government of Georgia.

8. An agricultural cooperative, whose status of an agricultural cooperative has been terminated, shall have the right, within 6 months after the termination of the status, to request the Agency to grant the status of an agricultural cooperative.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 8 – Monitoring

1. The Agency shall have the right to monitor the agricultural activities of a legal entity holding the status of an

agricultural cooperative.

2. The Agency shall approve an annual plan of monitoring of the agricultural activities of agricultural cooperatives, which is accessible on the official website of the Agency for all cooperatives holding the status of an agricultural cooperative.

3. If a written notification on the monitoring of agricultural activities cannot be delivered to an agricultural cooperative to its legal address twice by mail, or if an addressee refuses to receive such notification, the Agency shall publish such notification publicly on its official website (www.rda.gov.ge). The written notification shall be considered delivered to the addressee on the 30th day after its publication.

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

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 1643 of 7 December 2017 – website, 14.12.2017

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 9 – (Deleted)

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

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 peculiarities 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 the meetings of representatives or general meetings;

c) the cost of minimum shares;

d) (deleted – 11.11.2015, No 4495);

e) the rules and procedures for distributing profit as provided for in Article 13 ^{3} of this Law;

f) the procedure for distributing losses;

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

h) the procedure for distributing the assets remaining during and after the dissolution of the agricultural cooperative;

i) the procedure for accepting associate members/investor members to the cooperative;

j) the legal management structure of the cooperative.

3. 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 the previous reporting year of an agricultural cooperative. Not less than 15% of the annual profit of the previous reporting year of an agricultural cooperative shall be accumulated at the beginning of the year (not later than 15 March).

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, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 10 ^{1} – Registry of members of an agricultural cooperative

An agricultural cooperative shall keep the registry of members of the agricultural cooperative, the form and the procedure for keeping of which shall be approved by an order of the Minister of the Environmental Protection and Agriculture of Georgia.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 1643 of 7 December 2017 – website, 14.12.2017

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 11 – Members of an agricultural cooperative

1. Members of an agricultural cooperative are shareholders and associate members. The Charter of an agricultural cooperative may provide for the admission of investor members to the cooperative.

2. A shareholder of an agricultural cooperative may be a citizen of Georgia who has attained the age of 18 and/or other agricultural cooperative that are directly involved in the agricultural activity of the cooperative and that own the shares.

2^1. A shareholder shall have the right to vote at the general meeting on the basis of the principle 'one vote per one member', except for the cases where one share is held by more than one owners, in which case several owners of one share shall have one vote in total.

3. The number of shareholders of an agricultural cooperative shall not be less than 5.

4. An associate member/investor member of an agricultural cooperative may be a natural person (including a citizen of a foreign country) having attained the age of 18 and/or a legal person (including a legal person registered abroad), that agree with the principles of activities of the cooperative, that may not be involved in the agricultural activities of the cooperative, and that has made a contribution of an associate member/investor member to the share fund in accordance with this Law and the Charter of the agricultural cooperative.

5. If the requirement of paragraph 3 of this Article is not met, a reasonable time of not more than six months shall be given to an agricultural cooperative to remedy 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, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

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 an 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) fails to fulfill his/her obligations;

b) grossly violates the charter of the agricultural cooperative and/or fails to implement the decisions of the general meeting, management bodies and the supervisory board of an agricultural cooperative.

4. A decision to expel a member of an agricultural cooperative shall be made by the general meeting by a simple majority of votes. A decision of the general meeting may be appealed to the court.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Article 13 – Property of an agricultural cooperative

1. Property of an agricultural cooperative shall be created through contributions, profit earned as a result of agricultural activities, 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 rights laid down by

the charter of the cooperative.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Article 13 [1] – Contributions of members (shareholders) of an agricultural cooperative

1. The amount of the mandatory share contribution of a shareholder shall be determined 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 shall have the right, after making a full share contribution, to make an additional share contribution 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 conditions of its implementation as well as the procedure for the payment of dividends shall be determined by this Law and the contract signed between the associate member and the agricultural cooperative.

4. In the case of an additional 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. (Deleted – 16.12.2022, No 2434).

6. In the case of making an additional contribution by a shareholder of an agricultural cooperative to the agricultural cooperative in the form of property, also in the case of contributing property by an associated member/investor member in the form of the contribution of an associated member/investor member, the property may be encumbered and/or sold only on the basis of the written agreement of the contributing person.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 13 [2] – Rights and obligations of members (shareholders) 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 Gamgeoba (the management) and in the supervisory board of an agricultural cooperative;

c) receive full information on the activities of an agricultural cooperative from the Gamgeoba (the management) 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 an extra dividend in accordance with an additional contribution under the conditions 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 own 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 termination of the membership of an agricultural cooperative, under the procedure determined 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 determined 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 determined by the legislation of Georgia and the charter of the agricultural cooperative.

2. A shareholder of an agricultural cooperative shall:

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

b) implement the decisions made by the general meeting, the Gamgeoba (the management) and the supervisory board of an agricultural cooperative;

c) contribute a share under the procedure established by this Law, the charter and the general meeting of the agricultural cooperative;

d) take part in the agricultural activities of an agricultural cooperative under the conditions determined by the charter of the agricultural cooperative, and/or the contract signed with the agricultural cooperative;

e) make an additional contribution under the conditions determined by this Law and the contract signed with the agricultural cooperative;

f) perform other obligations determined by the legislation of Georgia and the charter of the agricultural cooperative.

3. An associate member/investor member of an agricultural cooperative shall have the right to:

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 the agricultural cooperative;

e) receive dividends from the income of the 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 own associate member's/investor member's share in the form of money and/or property, in the event of his/her withdrawal from the membership of the agricultural cooperative or in other cases of termination of the membership of the agricultural cooperative, as provided for by this Law and the contract signed with the agricultural cooperative;

h) receive back the associate member's/ investor member's own share from the property of the agricultural cooperative in the event of the liquidation or reorganisation of the agricultural cooperative, after covering the liabilities of the agricultural cooperative, and receive a dividend as provided for 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 the data of the registry of members of an agricultural cooperative;

j) exercise other rights determined by the legislation of Georgia and the charter of the agricultural cooperative.

4. An associate member/investor member of the agricultural cooperative shall:

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

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

c) perform other obligations determined by the legislation of Georgia and the charter of the agricultural cooperative.

5. Associate members/investor members of an agricultural cooperative may be granted the right of veto under the charter of the agricultural cooperative with respect to the decisions that concern the investments made by them.

6. An investor member(s) of an agricultural cooperative may not hold more than 25% (in total) of the votes.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 13 [3] – Distribution of the profit of an agricultural cooperative

1. Dividends from the profit of an agricultural cooperative shall be first paid to associate members/investor 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/investor member and the agricultural cooperative to pay dividends in proportion to the contribution of the associate member/investor member, the amount of the paid dividend shall not exceed 15% of the value of the contribution of this associate member/investor member during one economic year;

b) if it is determined by the decision of the general meeting and the contract signed between the associate member/investor member and the agricultural cooperative to pay dividends to the associate member/investor member in

proportion to the profit of the agricultural cooperative, the total amount of the dividends to be paid in accordance with the additional contributions of shareholders and the contributions of the associate members/investor members of the agricultural cooperative shall not exceed 50% of the net profit of the agricultural cooperative.

2. Dividends from the profit of an agricultural cooperative, after being paid to associate members/investor members, shall be paid to shareholders of the agricultural cooperative in accordance with their additional 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 pay dividends in proportion to the additional contribution made by the shareholder, the amount of the dividend paid during one economic year shall not exceed 15% of the value of the additional contribution made by the shareholder;

b) if it is determined by the decision of the general meeting and the contract signed between the shareholder and the agricultural cooperative to pay dividends to the shareholder in proportion to the profit of the agricultural cooperative, the total amount of the dividends to be paid in accordance with the additional contributions of shareholders and the contributions of associate members/investor members of the agricultural cooperative shall not exceed 50% of the net profit of the agricultural cooperative.

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

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 13 [4] – Additional conditions related to the activities of an agricultural cooperative

1. The total cost of agricultural products purchased from and/or services rendered to the persons, who are not members of an agricultural cooperative, by the agricultural cooperative during the current reporting year shall not exceed 50% of annual circulation of goods of the agricultural cooperative.

2. The limitation provided for by paragraph 1 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, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Article 14 – Government support to agricultural cooperatives

1. The legislation acknowledges the social function of agricultural cooperatives in the development of agriculture.

1[1]. The Government of Georgia shall support agricultural cooperatives to make their contribution to the development of national economics.

1[2]. The state measures supporting the agricultural cooperatives as determined by the Government of Georgia are as follows:

a) to prepare and implement projects and programmes for the development of agricultural cooperatives;

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

c) to support the training and retraining of the personnel of agricultural cooperatives, as well as the upgrading of qualification of the management staff of the agricultural cooperatives;

d) to determine tax privileges for agricultural cooperatives.

2. The implementation of the state support measures to agricultural cooperatives specified in paragraph 1(a)-(c) of this article shall be ensured by the Agency.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 5498 of 11 December 2019 – website, 23.12.2019

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 15 – Transitional provisions

1. A cooperative established before the entry into force of this Law, which carries out agricultural activities and meets the requirements of this Law, may apply to a body authorised by this Law for obtaining 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 entry into force of this Law.

3. The Ministry of Agriculture of Georgia shall ensure the establishment of the Legal Entity under Public Law called the Agricultural Cooperatives Development Agency, as well as the approval of the Statute of the Agency, and the appointment of a person who shall be authorised to manage and represent the Agency.

4. The agricultural cooperatives that 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.

5. The agricultural cooperatives shall, before 1 January 2024, ensure the compliance of their charters with this Law.

Law of Georgia No 4495 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 166 of 4 February 2021 – website, 8.2.2021

Law of Georgia No 1140 of 15 December 2021 – website, 24.12.2021

Law of Georgia No 2434 of 16 December 2022 – website, 27.12.2022

Article 16 – Final provisions

1. This Law, except for Articles 1-7, Articles 10-14 and Article 15(1) of this Law, shall enter into force upon its promulgation.

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

President of Georgia **Mikheil Saakashvili**

Kutaisi

12 July 2013

No 816- რს