

Law of the PRC on Specialized Farmers Cooperatives

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of supporting and guiding the development of specialized farmers cooperatives, standardizing their organization and conduct, protecting their lawful rights and interests and those of their members, and promoting agricultural and rural economic development.

Article 2 — For the purposes of this Law, a "specialized farmers cooperative" means a mutual-help economic organization voluntarily united and democratically managed by the producers and operators of similar agricultural products or the providers and users of similar agricultural production and operation services on the basis of rural household contractual management.

Article 3 — Specialized farmers cooperatives shall, as the main bodies of the market, enjoy the status of legal persons and independently assume civil liability in accordance with law.

Article 4 — The agricultural administrative departments of the local people's governments at or above the county level and other relevant departments and organizations shall, in accordance with their respective functions and duties, provide guidance, support and services for the establishment and development of specialized farmers cooperatives.

Chapter II — Establishment of Cooperatives

Article 5 — The establishment of a specialized farmers cooperative shall meet the following conditions:

- (1) having five or more members, of whom at least 80 percent shall be farmers;
- (2) having articles of association that comply with the provisions of this Law;
- (3) having an organizational structure that complies with the provisions of this Law;
- (4) having a name and domicile determined in accordance with law; and
- (5) having member contributions that comply with the articles of association.

Article 6 — The establishment of a specialized farmers cooperative shall convene a founding assembly composed of all founder members, at which the articles of association shall be adopted and the governing body elected.

Article 7 — A specialized farmers cooperative shall apply for establishment registration with the administrative department for industry and commerce in accordance with law and shall obtain a business license.

Chapter III — Membership

Article 8 — Citizens who have full civil capacity, as well as enterprises, public institutions or public organizations engaged in production and operation activities directly related to the business of the specialized farmers cooperative, may become members of the cooperative.

Article 9 — Members of a specialized farmers cooperative shall enjoy the following rights:

- (1) the right to vote, to stand for election and to vote at membership assemblies;
- (2) the right to use the services and production facilities provided by the cooperative;
- (3) the right to share in the surplus of the cooperative in accordance with the articles of association;
- (4) the right to access the minutes of the meetings of the cooperative, financial and accounting statements and other information; and
- (5) other rights stipulated in the articles of association.

Article 10 — Members shall assume the following obligations:

- (1) abiding by the articles of association and the decisions of the membership assembly;
- (2) making capital contributions in accordance with the articles of association;
- (3) transacting business with the cooperative in accordance with the articles of association; and

(4) other obligations stipulated in the articles of association.

Chapter IV — Organizational Structure

Article 11 — The membership assembly of a specialized farmers cooperative shall be the organ of authority of the cooperative and shall be composed of all members.

Article 12 — The membership assembly shall exercise the following functions and powers:

- (1) amending the articles of association;
- (2) electing and removing the chairman, directors and members of the board of supervisors;
- (3) deciding on major property dispositions, foreign investment, external guarantees and other major matters;
- (4) approving the annual business report, surplus distribution plan and loss treatment plan; and
- (5) deciding on merger, division, dissolution and liquidation.

Article 13 — The board of directors shall be the executive body of the cooperative and shall be responsible to the membership assembly. The chairman shall be the legal representative of the cooperative.

Article 14 — The board of supervisors shall be the supervisory body of the cooperative and shall supervise the business activities and financial affairs of the cooperative.

Chapter V — Financial Management

Article 15 — Specialized farmers cooperatives shall establish financial and accounting systems and conduct accounting in accordance with the provisions of the financial and accounting system for specialized farmers cooperatives formulated by the financial department under the State Council.

Article 16 — The surplus of a specialized farmers cooperative for the year, after deducting the losses of previous years, shall be distributed in the following order:

- (1) making up for losses;
- (2) drawing the surplus reserve fund;
- (3) returning surplus to members based on the volume of transactions between members and the cooperative; and
- (4) distributing the remaining surplus to members based on their capital contributions and the accumulation fund shares.

Chapter VI — Merger, Division, Dissolution and Liquidation

Article 17 — The merger or division of a specialized farmers cooperative shall be decided by the membership assembly.

Article 18 — The dissolution of a specialized farmers cooperative shall be decided by the membership assembly or shall be handled in accordance with other circumstances provided for in the articles of association.

Article 19 — Upon dissolution, a specialized farmers cooperative shall establish a liquidation group to conduct liquidation. After the completion of liquidation, the cancellation of registration shall be applied for.

Chapter VII — Support Policies

Article 20 — The state shall support the development of specialized farmers cooperatives through fiscal support, tax incentives, and financial and scientific and technological support.

Article 21 — Specialized farmers cooperatives shall enjoy the corresponding tax incentives for agricultural production, processing, circulation, services and other agricultural economy-related activities as prescribed by the state.

Article 22 — Financial institutions shall provide various forms of financial services and support to specialized farmers cooperatives.

Chapter VIII — Legal Liability

Article 23 — Where a specialized farmers cooperative or its staff, in violation of the provisions of this Law, infringes upon the lawful rights and interests of the cooperative and its members, it shall assume civil liability in accordance with law.

Article 24 — Where an entity or individual obtains a business license for a specialized farmers cooperative by fraudulent means, the registration authority shall revoke the registration and impose a fine.

Chapter IX — Supplementary Provisions

Article 25 — This Law shall come into force on December 1, 2006.

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