

Création d’un réseau de conseillers en circuits courts à travers l'Europe

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How to Organise Collectively for Processing or Selling Products?

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RMT Alimentation Locale

CERD Centre d'Etude et de Ressources sur la Diversification

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What steps should be considered for collective organisation?



Legal ‘framework’

- Define the project, organise the work involved in sales or processing, and determine the investments required
- Define the responsibilities and obligations of each member and of the group, particularly about current regulations and product ownership

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What steps should be considered for collective organisation?



Do not choose the legal structure until you have **collectively developed the project together**, based on the **needs** and **expectations** of each member of the collective! It is merely a '**framework**' within which the activities take place.

Be careful not to make legal, social or tax-related decisions first!



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What steps should be considered for collective organisation?

What are the producers considering for their collective organisation:

- in terms of **responsibility**?
- in terms of **work**?
- in terms of **investment**?



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What steps should be considered for collective organisation?

How should the relationship between **supply and demand** be organised?

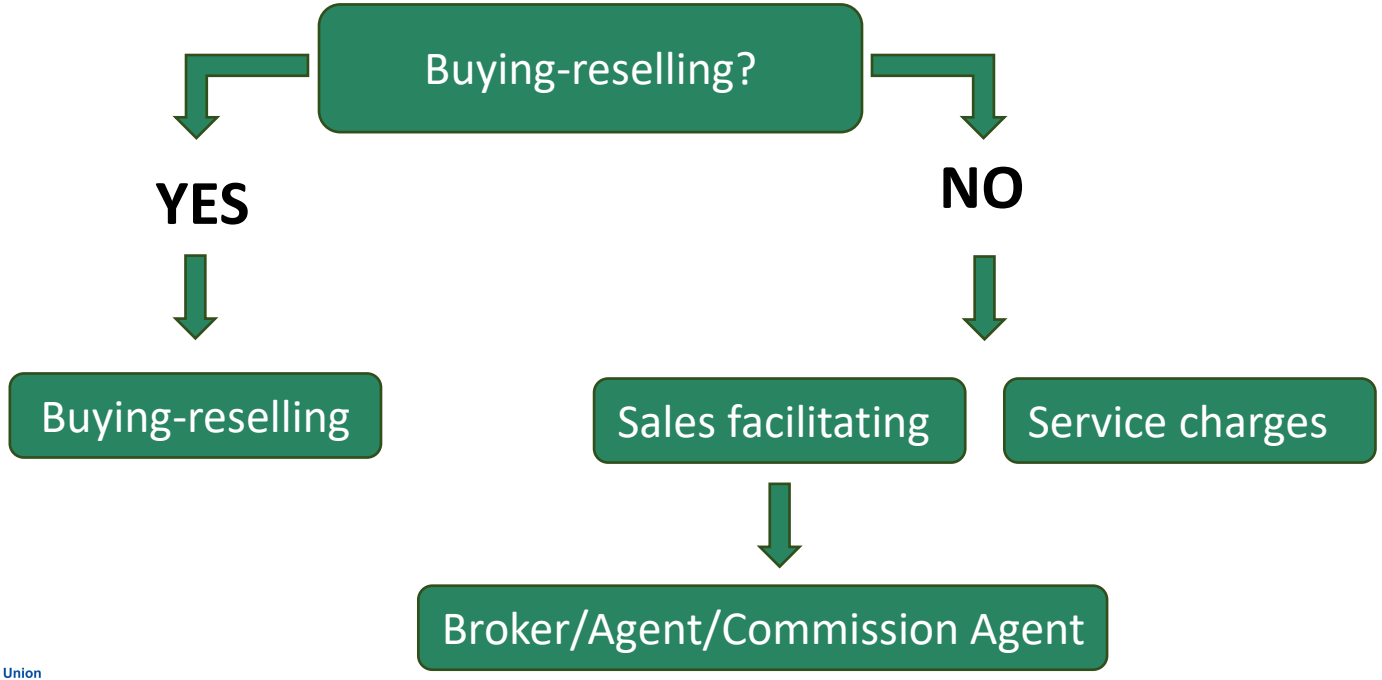
What are the **collective** and **individual responsibilities**?

Buying-reselling or no buying-reselling?



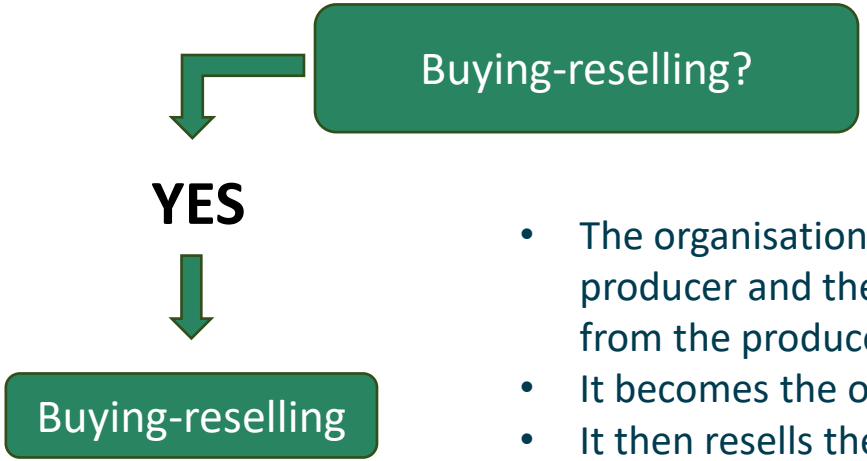
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How is the relationship between supply and demand organised?



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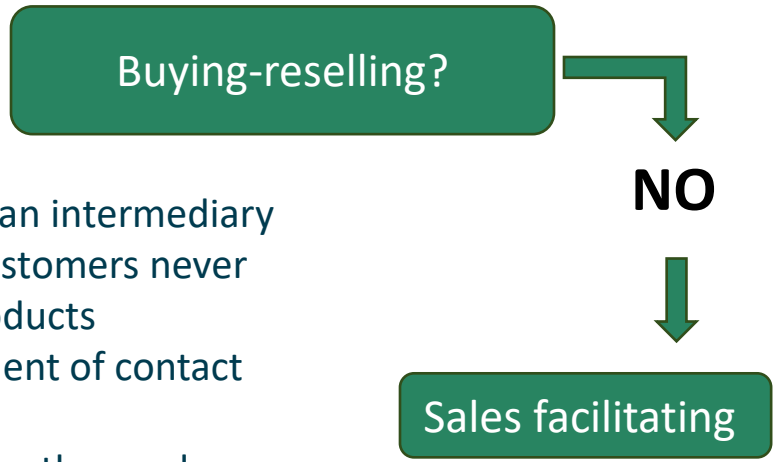
How is the relationship between supply and demand organised?



- The organisation acting as an intermediary between the producer and the customers purchases the products from the producers
- It becomes the owner and is responsible for the goods
- It then resells them to the buyers
- This is a traditional commercial activity
- It must be registered with the Trade and Companies Register
- This organisation bears the commercial and health risks

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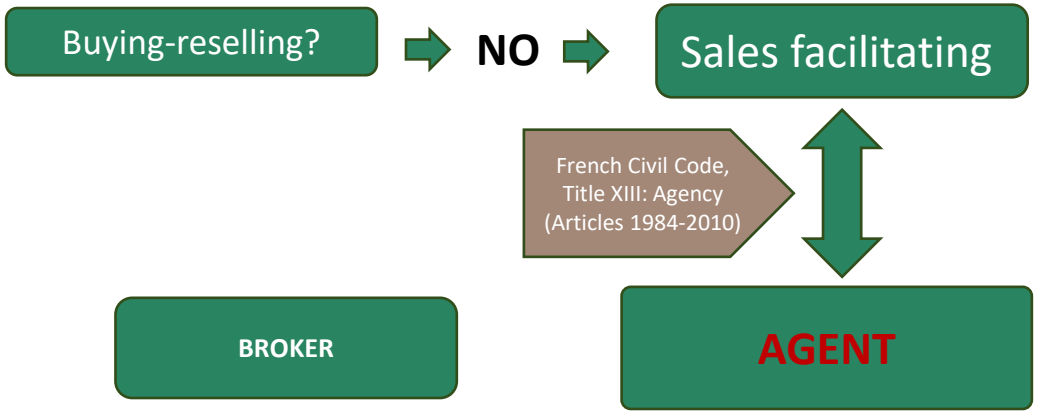
How is the relationship between supply and demand organised?



- The organisation acting as an intermediary between producers and customers never takes ownership of the products
- It facilitates the establishment of contact and/or the transaction
- Sales remain direct between the producer and the buyer
- There are three possible legal arrangements

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How is the relationship between supply and demand organised?



- Role: Simply acting as an intermediary
- Does not get involved in the transaction itself
- Commercial activity (registration with the Trade and Companies Register required)
- The parties then make their own arrangements

- **Acts on behalf of and in the name of a party (in this case, the producers)**
- **May be appointed by the producers (or the buyers)**
- **Civil (non-commercial) activity**
- **May receive or make payments on behalf of the principal**
- **Duty of loyalty and transparency**

- Acts in their own name on behalf of a party
- A ‘special’ agent as defined by the Commercial Code
- Commercial activity (registration with the Trade and Companies Register)
- Commission agent for buying or selling (not both)
- The goods pass through their hands but do not belong to them

	BUYING-RESELLING	AGENT
Ownership of the products	**YES** – Owner of the products between purchase and resale	**NO** – The goods remain the property of the principal (producer or purchaser)
Liability	**FULL** – Covers all risks (damage, loss, theft, breakage)	**LIMITED** – Responsible only whilst in temporary custody
Possibility to clear oneself	**NO**	**YES** – Can be exempted from commercial liability by contract
Warranties / disputes: if the product is damaged or does not meet the required quality standards, who is liable?	Must ensure that the products sold to customers comply with requirements – Handles all disputes with customers directly	Liability for damages arising from negligence in the performance of the mandate – Each producer remains liable for the quality of their products

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What legal structures do producers use to sell or process their produce collectively?

- Association (French 1901 Law)
- Limited Liability Company - LLC/Ltd (SARL)
- Agricultural cooperative
- Farm machinery cooperative (CUMA)
- Public-interest cooperatives (SCIC)
- Economic Interest Grouping -EIG (GIE)



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Consider the pros and cons of different legal structures depending on the collective project!





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Legal structures	Purpose of the legal structure
Association (French 1901 Law)	The purpose of the organisation is defined in its statutes (articles of association).
Economic Interest Grouping -EIG (GIE)	An Economic Interest Grouping enables businesses to pool certain activities or resources to support the development of their members' activities. It provides an intermediate legal framework between an association and a company.
Limited Liability Company - LLC/Ltd (SARL)	A LLC is a commercial company that can carry out most types of business activities.
Public-interest cooperatives (SCIC)	A SCIC is a multi-stakeholder cooperative enterprise governed by French commercial law. It may take the legal form of a public limited company (SA), a simplified joint-stock company (SAS), or a private limited liability company (SARL).
Agricultural cooperative	An agricultural cooperative enables farmers to jointly use resources and services that support the development of their economic activities and improve their performance. Agricultural cooperatives constitute a specific category of enterprise distinct from both civil and commercial companies.
Farm machinery cooperative (CUMA)	A CUMA provides its members with shared access to agricultural equipment, facilities, staff and services for the exclusive use of their farms, with the aim of reducing operating costs. A CUMA may also provide services to non-members within limits set by its statutes.

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Legal structures	Who can be a member or shareholder?	Minimum number of members/shareholders
Association (French 1901 Law)	Natural persons or legal entities, whether farmers or not.	2 minimum
Economic Interest Grouping -EIG (GIE)	Natural persons or legal entities, whether engaged in agriculture or not.	2 minimum
Limited Liability Company - LLC/Ltd (SARL)	Natural persons or legal entities, whether engaged in agriculture or not.	Between 2 and 100
Public-interest cooperatives (SCIC)	Natural persons or legal entities, whether engaged in agriculture or not. **Must include** representatives of at least three stakeholder groups: employees or producers, users/beneficiaries of the goods and services provided by the cooperative, and other partners contributing to the cooperative's activities (craft businesses, local authorities, etc.).	Depends on the legal form. SCIC-SARL: minimum 3 and maximum 100 members. Other forms (SA or SAS): minimum 3 members with no upper limit.
Agricultural cooperative	**Cooperative members: agricultural natural persons and legal entities** using the cooperative's services. Non-cooperative investors may be admitted under specific conditions.	7 minimum
Farm machinery cooperative (CUMA)	**Agricultural natural persons and legal entities using the cooperative's services.**	4 minimum

Can non-farming stakeholders participate in the structure? Under what conditions and to what extent?

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Legal structures	Legal responsibility	Financial liability
Association (French 1901 Law)	Chairperson (or co-chairpersons) of the association	Chairperson of the association
Economic Interest Grouping -EIG (GIE)	Manager(s) / Administrator(s)	**Members have unlimited liability for the debts of the GIE and may be liable with their personal assets.** New members may be exempted from debts incurred before joining the grouping.
Limited Liability Company - LLC/Ltd (SARL)	Managing director(s)	Limited to the capital contributed by each shareholder
Public-interest cooperatives (SCIC)	Directors / management of the SCIC	Members' liability is limited to their capital contributions
Agricultural cooperative	Chairperson of the cooperative	Each cooperative member is liable for losses up to a maximum of twice the value of their shares
Farm machinery cooperative (CUMA)	Chairperson of the CUMA	

What level of investment is required, and how significant are these investments for the collective?

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Legal structures	Tax treatment
Association (French 1901 Law)	Producer marketing organisations generally carry out commercial activities and compete with other businesses in the marketplace. As a result, they are usually subject to corporate taxation and VAT.
Economic Interest Grouping -EIG (GIE)	The GIE is generally tax-transparent. The grouping itself is not taxed; profits are allocated to members, who are taxed individually according to their own tax regime.
Limited Liability Company - LLC/Ltd (SARL)	Subject to corporate income tax.
Public-interest cooperatives (SCIC)	Subject to corporate income tax. However, amounts allocated to indivisible reserves (57.5%) are deductible from the taxable base.
Agricultural cooperative	Cooperatives are generally subject to corporate income tax but may benefit from tax exemptions if at least 80% of their turnover comes from member transactions. Annual surpluses are then distributed among members according to their level of activity with the cooperative, after reserves are established.
Farm machinery cooperative (CUMA)	Exempt from corporate income tax when operating in accordance with its statutory purpose and serving only its cooperative members. Additional payroll tax exemptions may apply. A 50% reduction in local business taxation is available for CUMAs carrying out product processing activities on behalf of their members.

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Legal structures	Governance	Set-up Requirements
Association (French 1901 Law)	One member = one vote. Decisions are taken during General Assemblies, usually through a Board of Directors.	**Simple, quick and low-cost: drafting and registration of statutes, official declaration and publication.**
Economic Interest Grouping -EIG (GIE)	Voting rights generally **depend on members' shares or level of business activity**.	**Relatively simple to establish through the drafting of an EIG agreement/contract between members.**
Limited Liability Company - LLC/Ltd (SARL)	**Voting power is generally proportional to ownership shares.**	Drafting statutes, depositing share capital, legal registration notice, submission of incorporation documents and company registration.
Public-interest cooperatives (SCIC)	One member = one vote.	Preparation of the project and incorporation under one of the standard French company forms (SA, SARL or SAS), while adopting the SCIC cooperative framework. Support may be provided by national SCIC and SCOP federations. Minimum share capital: €18,500.
Agricultural cooperative	One member = one vote.	Relatively complex establishment process, including official approval by the French High Council for Agricultural Cooperation (HCCA). Cooperatives must also submit an annual compliance and monitoring report to the HCCA.
Farm machinery cooperative (CUMA)	One member = one vote.	

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What are the collective's priorities?

Governance & Ease of Establishment

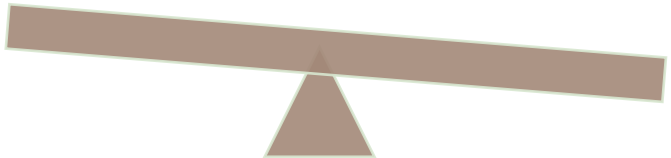
In a SARL or an EIG, governance does not follow the "one member, one vote" principle.

Associations and EIGs are relatively easy to establish. Associations can be an attractive option for launching an activity due to their simplicity, speed and low cost.

Liability & Tax Considerations

A distinction should be made for EIGs: members may have unlimited liability for the EIG's debts on their personal assets, whereas in most other structures liability is generally limited to members' capital contributions.

If each member wishes to retain full control over their own taxation, the EIG can be an interesting option.



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Choice of Legal Structures in Producer-Owned Stores

Source: CASDAR Magpro project (138 producer stores surveyed)

- Different legal forms can be found, including **Associations, Limited Liability Companies (SARL), Economic Interest Groupings (EIG/GIE), Simplified Joint-Stock Companies (SAS), and Cooperatives**.

- **A “regional” effect can be observed !!** It is common to find one legal structure predominating within a given region. This may be explained by several factors, such as replication of existing local models, requirements linked to public funding schemes, advisory recommendations and support structures, local professional networks.

  → **For example, SARLs are particularly common in the Burgundy region, while SASs are more frequently found in the Alsace region.**

- A **"date of establishment" effect** can also be observed. For example, EIGs (GIEs) are generally found among older producer stores, while SAS structures tend to be more recent.

Even when a regional trend exists, it is essential to choose the legal structure based on the specific needs and objectives of the project.

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Choice of Legal Structures in Processing Facilities

Different legal forms can be found, including **SARLs** (Limited Liability Companies), **CUMAs** (Machinery Cooperatives), and **Cooperatives**.

- CUMAs are more commonly used for poultry slaughter facilities
- SARLs are more common for meat cutting and processing facilities
- Cooperatives are often used for fruit and vegetable processing activities



Even when a trend can be observed within a specific sector, it remains essential to choose the legal structure according to the project's specific needs and objectives.

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