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**RUSSIAN FEDERATION**

**FEDERAL LAW**

**ON PROCUREMENT AND DELIVERIES OF AGRICULTURAL PRODUCTS,  
RAW MATERIALS AND FOODSTUFFS FOR STATE NEEDS**

Adopted by  
the State Duma  
on October 26, 1994

Approved by  
the Council of the Federation  
on November 17, 1994

This Federal Law shall establish general legal and economic principles and provisions of formation, placement and contractual implementation of orders for the procurement and delivery of agricultural products, raw materials and food for state needs by enterprises, organizations and institutions located on the territory of the Russian Federation, irrespective of their ownership status.

**Article 1. Basic Concepts Used in This Federal Law**

State needs - federal needs and needs of subjects of the Russian Federation for agricultural products, raw materials and food.

Procurement - organized procurement by the state of agricultural products, raw materials and food from producers (suppliers) for subsequent processing or sales to consumers on mutually advantageous contractual terms and conditions.

Delivery - organized contractual relations between the producer (supplier) and the consumer (buyer) of agricultural products ready for use and foodstuffs.

**Article 2. Meeting State Needs for Agricultural Products, Raw Materials and Food**

1. Procurement and delivery of agricultural products, raw materials and food for state needs shall be carried out with a view to:

- satisfying federal needs and needs of subjects of the Russian Federation for agricultural products, raw materials and food;
- implementing federal programs of development of agricultural production, other economic and social programs aimed at ensuring food supply to the population ;
- ensuring export of agricultural products, raw materials and food;
- building up state reserves of agricultural products, raw materials and food;
- maintaining the required level of food supply of defense and state security forces.

2. Agricultural products, raw materials and food the requirement for which is fully met by producers of the Russian Federation may not be procured or imported for state needs using resources of the federal budget or budgets of subjects of the Russian Federation.

Agricultural products, raw materials and food may be procured for state needs using resources of the federal budget and budgets of subjects of the Russian Federation for regions of the Far North and regions having the same status in accordance with the procedure stipulated by the legislation of the Russian Federation and subjects of the Russian Federation.

3. Agricultural products, raw materials and food shall constitute property of and sold by producers at their own discretion based on economic gain.

4. The Government of the Russian Federation, executive authorities of subjects of the Russian Federation shall promote the development of food markets, stabilization of inter-sectoral and inter-regional links and cost proportions, maintain price parity between agriculture and other sectors of the national economy of the Russian Federation.

**Article 3. Federal and regional Funds of Agricultural Products, Raw Materials and Food**

1. In the Russian Federation agricultural products, raw materials and food shall be ordered, procured and implemented at two levels:  
federal state needs (federal fund);  
regional state needs (regional funds).

2. The federal fund shall be created with a view to meeting needs for agricultural products, raw materials and food of the regions of the Far North and regions having an equal status, ecologically polluted territories, defense and state security forces and special consumers of the same status, regardless of their location, cities of Moscow and Saint Petersburg; creating state food reserves and the Operational Reserve of the Government of the Russian Federation; and ensuring stability of exports

*Please refer to Resolution # 822 of the Government of the Russian Federation dated July 24, 1998 adopting the Regulations on the Operational Reserve of Agricultural Products and Food of the Government of the Russian Federation.*

The list and volumes of procurements and deliveries of agricultural products, raw materials and food to the federal fund shall be determined by the Government of the Russian Federation and formed on a contractual basis mostly in production areas on the territory of the Russian Federation, and in the absence or shortage of agricultural products, raw materials and food on the territory of the Russian Federation – outside the territory of the Russian Federation.

3. Regional funds shall be created with a view to satisfying the needs of subjects of the Russian Federation in agricultural products, raw materials and food.

The list and volumes of procurements and deliveries of agricultural products, raw materials and food into the regional fund shall be determined by the corresponding executive authority of the subject of the Russian Federation, and formed on the basis of contracts with producers (suppliers), including privately-owned farms both within and without the territory of the subject of the Russian Federation.

Free movement of agricultural products, raw materials and food shall be guaranteed on the entire territory of the Russian Federation.

4. Agricultural products, raw materials and food delivered to the federal fund shall constitute the property of the Russian Federation irrespective of the place of their storage, and agricultural products, raw materials and food delivered to the regional funds shall constitute the property of subjects of the Russian Federation.

5. The Government of the Russian Federation and authorities of subjects of the Russian Federation shall guarantee the procurement of agricultural products, raw materials and food under contracts from producers (suppliers) and enterprises processing agricultural raw materials.

Grain, sugar beet, seeds of olive cultures, flax, cattle and poultry, dairy products and wool offered for sale by the producer shall be bought in full.

6. The quality of agricultural products, raw materials and food delivered for state needs shall correspond to the state standards, specifications, medical, biological and sanitary norms, and special terms and conditions of contract.

#### **Article 4. State Customers of Agricultural Products, Raw Materials and Food for State Needs**

1. The Government of the Russian Federation shall designate state customers in charge of the formation of the federal fund of agricultural products, raw materials and food.

Executive authorities of subjects of the Russian Federation shall designate state customers in charge of the formation of regional funds of agricultural products, raw materials and food.

State customers may include federal executive authorities and executive authorities of subjects of the Russian Federation, commercial entities (companies, production co-operatives, state and municipal non-incorporated enterprises) and non-commercial organizations (consumer cooperation societies).

Functions of the state customer in charge of procurement and delivery of agricultural products, raw materials and food for state needs may be carried out by food corporations created on the basis of mutual agreements between subjects of the Russian Federation.

2. State customers shall:

select producers (suppliers) of agricultural products, raw materials and food for state needs;  
identify specific consumers (buyers), terms and conditions of procurement and delivery of agricultural products, raw materials and food for state needs;

coordinate with consumers (buyers) the assortment, volumes and terms of deliveries of agricultural products, raw materials and food for state needs;

guarantee that producers (suppliers) are paid for the agricultural products, raw materials and food for state needs under the prices and in terms which are defined(determined) by contracts.

3. The state customers can on a competitive basis and under condition of the conclusion of contracts to transfer performance of a part of the functions on formation and accommodation of orders for procurement and delivery of agricultural products, raw materials and food for state needs to the enterprises, the organizations and institutions irrespective of patterns of ownership.

#### **Article 5. Formation of volumes of procurements and deliveries of agricultural products, raw materials and food for state needs**

1. With a view to forming federal and regional funds of agricultural products, raw materials and food the Government of the Russian Federation and executive authorities of subjects of the Russian Federation shall determine volumes of procurements and deliveries by the type of agricultural products, raw materials and food for the forthcoming five years with annual specification not later than six months one year prior to the beginning of the actual deliveries, and inform the state customers accordingly.

Not later than three months prior to the beginning of the year of delivery state customers shall advise producers (suppliers) as to the volumes of procurements and deliveries by the type of agricultural products, raw materials and food.

2. The Government of the Russian Federation, executive authorities of subjects of the Russian Federation shall annually stipulate corresponding budgetary resources for the formation of federal and regional funds.

3. The Government of the Russian Federation, executive authorities of subjects of the Russian Federation acting within their respective mandates shall establish the procedure governing the issuance and cancellation of licenses for procurement, delivery, processing, storage and sale of agricultural products, raw materials and food for state needs.

4. Procurement and delivery of agricultural products, raw materials and food for the formation of federal and regional funds may be carried out on a competitive basis with subsequent conclusion of contracts with companies, production and consumer cooperation associations, other enterprises, organizations and institutions irrespective of their ownership status.

#### **Article 6. Settlements for Agricultural Products, Raw Materials and Food Procured and Delivered for State Needs**

1. The Government of the Russian Federation shall hold annual consultations with bodies of executive power of subjects of the Russian Federation and representatives of public organizations expressing interests of producers (suppliers) and consumers (buyers) with a view to determining a guaranteed level of procurement prices for agricultural products, raw materials and foodstuffs ensuring that the producer (supplier) can cover the cost of production and obtain revenue sufficient for expanded reproduction.

2. Before the beginning of the next calendar year the Government of the Russian Federation and executive authorities of subjects of the Russian Federation shall determine quotas for producers (suppliers) with regard to the procurement of agricultural products, raw materials and food for state needs at guaranteed prices.

Quotas may be established for producers (suppliers) on the entire territory of the Russian Federation or any part thereof.

3. With a view to protecting the consumer (buyer), the Government of the Russian Federation shall establish a normative parity between the cost of procurement of raw materials and the cost of finished goods, and impose a ceiling on trading margins on prices for products delivered to the federal fund with account taken of the need to ensure break-even sale of finished goods.

The right to regulate corresponding prices for agricultural products, raw materials and food delivered to regional funds shall rest with executive authorities of subjects of the Russian Federation.

4. The Government of the Russian Federation, executive authorities of subjects of the Russian Federation shall guarantee to producers (suppliers) of products of plant origin delivered for state needs an advance payment of not less than 50 percent of the cost of the contract, including 25 percent after the

conclusion of the contract and 25 percent after the end of the sowing campaign, and of products of animal origin – allocation of subsidies from the corresponding budget so that to ensure that the production of such goods is profitable.

5. Settlements between legal entities - consumers (buyers) of agricultural products, raw materials and food for state needs and commodity producers (suppliers) taking place on the territory of the Russian Federation shall be effected on an accrual basis unless a different procedure of payments is stipulated by the corresponding contracts.

The term of payment for agricultural products and raw materials supplied to processing and other enterprises and organizations, as well as for food products supplied to trading and other enterprises and organizations shall be ten days when settlements are effected on an accrual basis, and in case of perishable goods – up to five days after settlement documents have been received by the payer's bank.

In the case of stable economic ties being in place, settlements for agricultural products, raw materials and food delivered for state needs shall be effected by means of obligatory payments at least three times a month.

6. The contract regulating economic, legal, institutional and technical aspects of relations between the producer (supplier) and consumer (buyer) shall be the main document determining the quantity, assortment, quality, procurement and delivery procedure, terms and procedure of settlements for the procurement and delivery of agricultural products, raw materials and food for state needs, as well as material liability of the parties.

A contract shall be considered effective on the basis of the negotiated prices set at the moment of the conclusion of the contract in accordance with the agreement between the producer (supplier) and consumer (buyer). Neither party may subsequently terminate the contract referring to disagreement with the price set thereby. The contractual prices for the agricultural products, raw materials and food procured and delivered for state needs shall be subject to indexation with account taken of inflation.

A contract may be changed or terminated based on the parties' consent with said changes or termination being executed by a supplementary agreement ((protocol).

#### **Article 7. Incentives for Deliveries of Agricultural Products, Raw Materials and Foodstuffs for State Needs**

1. For the purposes of providing economic incentives for the procurement and delivery of agricultural products, raw materials and foodstuffs, producers (suppliers) may be entitled to:

tax exemptions;

targeted grants and subsidies;

concessional credits;

concessional foreign exchange retainers after export sales of agricultural products, raw materials and foodstuffs;

allocations from the federal budget as necessary for safeguarding growth of production and procurement of agricultural products, raw materials and foodstuffs.

The types, amounts and procedure of granting economic and other incentives shall be determined by bodies of legislative power of the Russian Federation and subjects of the Russian Federation, the Government of the Russian Federation, bodies of executive power of subjects of the Russian Federation in accordance with their respective mandates pending the conclusion of the contracts in question.

2. A contract may also stipulate specific incentives for producers (suppliers) established in accordance with the procedure stipulated by paragraph 1 of this Article as well as other terms and conditions aimed at stimulating procurement and delivery of agricultural products, raw materials and foodstuffs for state needs.

3. State customers shall provide producers (suppliers) agricultural products, raw materials and foodstuffs for state needs with material and financial resources (including foreign exchange) for the following purposes:

procurement of agricultural chemicals to control animal and plant diseases;

procurement of high-quality seeds and seedlings, and pedigree animals;

construction of storage facilities and facilities to process agricultural products;

procurement of technological resources and equipment, modern technologies, and carrying out of research and development activities related to the production, processing, storage and sale of agricultural products, raw materials and foodstuffs for state needs.

**Article 8. Liability for Inadequate Performance or Non-Performance of Obligations Pertaining to the Procurement and delivery of Agricultural Products, Raw Materials and Foodstuffs for State Needs**

1. In case of inadequate performance or non-performance by the Government of the Russian Federation and bodies of executive power of subjects of the Russian Federation of the guarantees stipulating the allocation to state customers of financial resources, the resulting penalties and losses shall be reimbursed to the producers (suppliers) and customers (buyers) from the corresponding budgets.

2. The party in default on contractual obligations shall reimburse the other party for all the losses resulting from such default and pay a non-performance penalty (fine) in accordance with the procedure stipulated by this Federal Law and the contract in question.

The producer (supplier) in default on contractual obligations may be fully or partially denied access the incentives stipulated by paragraph 1, Article 7 of this Federal Law.

The payment of the non-performance penalty and compensation for the losses shall not relieve the party in default from implementing its contractual obligations in kind, provided the contract in question does not stipulate otherwise.

3. In the event of non-performance of the contractual obligations in terms of quantity of procurement and delivery of agricultural products, raw materials and foodstuffs for state needs within the time frame set by the contract, the party in default shall pay the other party a non-performance penalty (fine) in the amount of 50 (fifty) percent of the cost of the goods undersupplied or not accepted. In addition to the non-performance penalty (fine), producers (suppliers) or consumers (buyers) shall pay a compensation for the losses resulting from the default in part not covered by the penalty.

4. A state customer may partially or fully refuse to procure agricultural products, raw materials and foodstuffs for state needs as provided by the contract in case when such agricultural products, raw materials and foodstuffs are no longer needed. In this event, the state customers shall fully compensate the producer (supplier) for the losses incurred as a result of the non-performance by the state customer in accordance with the legislation of the Russian Federation, provided the contract in question does not stipulate otherwise.

5. Disputes arising between producers (suppliers) and consumers (buyers) selected by the state customer in the process of entering into, changing, terminating and implementing contracts on the procurement and delivery of agricultural products, raw materials and foodstuffs for state needs, including disputes on the compensation of losses, shall be reviewed by a court of general jurisdiction or arbitration court, or, on both parties' consent, a tertiary court.

6. Parties shall be relieved of the liability for full or partial non-performance of their contractual obligations in case of force majeure circumstances (draught, flood, hail and other force majeure events) that neither party could have reasonably predicted or prevented.

7. In case of delayed payment for the agricultural products, raw materials and foodstuffs procured and delivered for state needs as well as delayed advance payment for products of plant origin consumers (buyers) shall pay to producers (suppliers) a penalty in the amount of two percent of the delayed payment per each day of the delay; and if the delay exceeds 30 days, - three percent for each day of the delay. The penalty shall be charged on an unconditional basis by banks of the consumer (buyer) of the goods in question with the banks retaining five percent of the penalty actually charged.

**Article 9. Procedure for Effectiveness of this federal Law**

1. This Federal Law shall be entered into force and effect as of the date of its official publication.

2. This Federal Law shall invalidate Article 2, in the part relating to state support of grain production and processing, and part three of Article 3 of the Law of the Russian Federation "On Grain" dated May 14, 1993, #4973-1 (*Vedomosti Syezda Narodnykh Deputatov Rossiyskoy Federatsii I Verkhovnogo Soveta Rossiyskoy Federatsii*, 193, # 22, page 799).

3. The Government of the Russian Federation shall be instructed within a period of two months:  
to bring its regulatory legal acts in conformity with this Federal Law;  
to ensure that the ministries and other federal executive authorities invalidate their regulatory acts contradicting this Federal Law.

President  
of the Russian Federation  
B. Yeltsin

Moscow, Kremlin.  
December 2, 1994.  
# 53-FZ

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