

FEDERAL LAW NO. 53-FZ OF DECEMBER 2, 1994 ON PURCHASES AND DELIVERIES OF FARM PRODUCTS, RAW MATERIALS AND FOODSTUFFS TO MEET STATE NEEDS (with the Amendments and Additions of January 10, 2003, February 2, 2006)

**Adopted by the State Duma on October 26, 1994
Approved by the Federal Council on November 17, 1994**

The present Federal Law establishes the general legal and economic principles and provisions for the formation and execution on a contractual basis of orders for the purchase and delivery of farm products, raw materials and foodstuffs to meet state needs by the enterprises, organizations and institutions located on the territory of the Russian Federation, regardless of the forms of property.

Article 1. Basic Concepts Used in the Present Federal Law

Purchase means the form of the organized acquisition by the State of farm products, raw materials and foodstuffs from commodity producers (suppliers) for subsequent processing or sale to the consumer (buyer) on mutually advantageous contractual conditions.

Delivery means the form of organized contractual relations between the commodity producer (supplier) and the consumer (buyer) of farm products ready for use and foodstuffs.

Article 2. The Satisfaction of State Needs with Farm Products, Raw Materials and Foodstuffs

1. The farm products, raw materials and foodstuffs shall be purchased and delivered for state needs for the following purposes:

- the satisfaction of the federal requirements and those of the subjects of the Russian Federation for farm products, raw materials and foodstuffs;
- the implementation of the federal programmes of development of agro-industrial production and of other economic and social programmes aimed at the supply of the population with foodstuffs;
- the ensured export of farm products, raw materials and foodstuffs;
- the formation of state reserves of farm products, raw materials and foodstuffs;
- the supply of the defence and state security forces with foodstuffs on an adequate level.

2. The purchase and import of those kinds of farm products, raw materials and foodstuffs for state needs, the requirement for which is met by the commodity producers of the Russian Federation, shall not be made from the financial resources of the federal budget and the budgets of the subjects of the Russian Federation.

The purchase and import of farm products, raw materials and foodstuffs to meet the state needs in the Far North areas and the localities equated therewith at the expense of the resources of the federal budget and the budgets of the subjects of the Russian Federation may be made in the order prescribed by the legislation of the Russian Federation and its subjects.

3. Farm products, raw materials and foodstuffs shall be the property of commodity producers and shall sold by them at their own discretion and in terms of economic advantage.

4. The Government of the Russian Federation, the executive bodies of the subjects of the Russian Federation shall promote the development of food markets, the stabilization of interbranch and interregional ties and cost proportions, sustain the price parity between agriculture and other branches of the economy of the Russian Federation.

Article 3. Federal and Regional Stocks of Farm Products, Raw Materials and Foodstuffs

1. Two levels of forming orders for the purchase and delivery of farm products, raw materials and foodstuffs shall be established in the Russian Federation to meet the federal state needs (federal stock) and the regional state needs (regional stocks).

2. The federal stock shall be set up to meet the needs in farm products, raw materials and foodstuffs on the part of the Far North areas and the localities equated therewith, ecologically contaminated territories, the defence and state security forces and special consumers equated therewith, regardless of the place of their location, the cities of Moscow and St. Petersburg, the formation of state food reserves and the operative reserve of the Government of the Russian Federation and of export deliveries.

The list and amount of purchases and deliveries of farm products, raw materials and foodstuffs to the federal stock shall be determined by the Government of the Russian Federation and formed on a contractual basis chiefly in the zones of marketable production on the territory of the Russian Federation, and in the absence or in the case of shortage of farm products, raw materials and foodstuffs in the Russian Federation - beyond its borders.

3. Regional stocks shall be set up to meet the needs of the subjects of the Russian Federation in farm products, raw materials and foodstuffs.

The list and amounts of purchases and deliveries of farm products, raw materials and foodstuffs to the regional stock shall be determined by the respective executive body of the subject of the Russian

Federation and formed on the basis of contracts concluded with commodity producers (suppliers), including subsidiary farms of individuals, both on the territory of a subject of the Russian Federation and beyond its borders.

The free movement of farm products, raw materials and foodstuffs shall be guaranteed throughout the territory of the Russian Federation.

4. The farm products, raw materials and foodstuffs received by the federal stock shall be the property of the Russian Federation, regardless of the place of their storage, whereas the farm products, raw materials and foodstuffs received by the regional stocks shall be the property of the subjects of the Russian Federation.

5. The Government of the Russian Federation and the executive bodies of the subjects of the Russian Federation shall guarantee the purchase of farm products, raw materials and foodstuffs under the state contracts concluded by commodity producers (suppliers) with enterprises processing primary goods.

Grain, sugar beet, oilseeds, fibre flax, cattle and poultry, milk, and wool offered by commodity producers for sale shall be bought in full size.

6. Farm products, raw materials and foodstuffs supplied to meet state needs shall correspond in quality terms to state standards, specifications, medico-biological and sanitary norms, and special conditions fixed by state contracts.

Article 4. Government Customers of Farm Products, Raw Materials and Foodstuffs for State Needs

1. The Government of the Russian Federation shall define government customers for the purpose of forming a federal stock of farm products, raw materials and foodstuffs.

The executive bodies of the subjects of the Russian Federation shall define government customers for the formation of regional stocks of farm products, raw materials and foodstuffs.

2. Government customers shall:

select commodity producers (suppliers) of farm products, raw materials and foodstuffs for state needs;

define concrete customers (buyers) the assortment, amounts and terms of deliveries to them of farm products, raw materials and foodstuffs for state needs;

coordinate with customers (buyers) the assortment, amounts and terms of deliveries to them of farm products, raw materials and foodstuffs for state needs;

guarantee to commodity producers (suppliers) the payment for farm products, raw materials and foodstuffs for state needs at prices and in terms determined by state contracts.

3. Government customers may, transfer part of their functions of forming orders for the purchase and delivery of farm products, raw materials and foodstuffs for state needs to enterprises, organizations and institutions, regardless of the form of property.

Article 5. Formation of Volumes of Purchases and Deliveries of Farm Products, Raw Materials and Foodstuffs for State Needs

1. In order to form federal and regional stocks of farm products, raw materials and foodstuffs, the Government of the Russian Federation and the executive bodies of the subjects of the Russian Federation shall determine the volumes of purchases and deliveries of different farm products, raw materials and foodstuffs for the forthcoming five years with their annual clarification at least six months before the beginning of the respective year and bring them to the notice of government customers.

At least three months before the beginning of the year government customers shall inform commodity producers (suppliers) about the volumes of purchases and deliveries of various farm products, raw materials and foodstuffs.

2. Every year the Government of the Russian Federation, the executive bodies of the subjects of the Russian Federation shall provide in their budgets monetary resources for forming federal and regional funds.

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4. The functions of purchasing and delivery farm products, raw materials and foodstuffs for the formation of federal and region stocks may be discharged, on a competitive basis with the subsequent conclusion of contracts, by economic partnerships and companies, producer and consumer cooperatives, and other enterprises, organizations and institutions, regardless of the form of property.

Article 6. Payments for Farm Products, Raw Materials and Foodstuffs Bought and Delivered for State Needs

1. Every year, by agreement with the executive bodies of the subjects of the Russian Federation and the representatives of public associations, whose express the interests of commodity producers (suppliers) and consumers (buyers), the Government of the Russian Federation shall fix the level of prices for farm products, raw materials and foodstuffs, which compensates for the material outlays and ensures the receipt of commodity producers (suppliers) of income sufficient for extended reproduction.

2. Before the year begins the Government of the Russian Federation and the executive bodies of the subjects of the Russian Federation shall fix quotas for commodity producers (suppliers) designed to purchase farm products, raw materials and foodstuffs for state needs at guaranteed prices.

Quotas may be fixed for commodity producers (suppliers) throughout the territory of the Russian Federation or some part thereof.

3. In order to protect the consumer (buyer), the Government of the Russian Federation shall establish a normative correlation between the value of bought-up raw materials and the value of finished products, and also the marginal amount of mercantile additions to prices of products supplied to the federal stock with due account of break-even sales of finished products.

The executive bodies of the subjects of the Russian Federation shall be vested with the right of adjusting prices for farm products, raw materials and foodstuffs reaching the regional stocks.

4. The Government of the Russian Federation and the executive bodies of the subjects of the Russian Federation shall guarantee to the commodity producers (suppliers) the products of plant growing, which supply them to meet state needs, the advance payment in the amount of at least 50 per cent of the value of the volume of delivery fixed by the state contract, including 25 per cent after the conclusion of the state contract and 25 per cent after the completion of sowing. As for the products of animal breeding, these bodies shall guarantee to the commodity producers (suppliers) the payment of subsidies from the corresponding budget, which secure the profitability of production.

5. The settlement of the legal entities consuming (buying) farm products, raw materials and foodstuffs for state needs with the commodity producers (suppliers) located on the territory of the Russian Federation shall be made by means of encashment form of payments, unless a different procedure of payments is provided by state contracts.

With the encashment form of payments the period of payment for farm products and raw materials, supplied to processing and other enterprises and organizations, and also for foodstuffs, delivered to trading and other enterprises and organizations, shall be 10 days and the period of payment for perishable commodities shall be up to five days after the receipt of accounting documents by the payer's bank.

If there are stable economic relations between the sides, the settlements for farm products, raw materials and foodstuffs for state needs shall be made through the medium of obligatory payments at least three times a month.

6. The state contract regulating the economic, legal, organizational and technical relations between the commodity producer (supplier) and the consumer (buyer) shall be the basic document defining the volumes, assortment of goods, quality, the order of purchase and delivery, prices, the terms and procedure of payments for purchases and deliveries of farm products, raw materials and foodstuffs for state needs, and property liability.

The state contract shall be deemed effective at those contractual prices fixed at the time of its conclusion by the agreement between the commodity producer (supplier) and the consumer (buyer) and may not be subsequently cancelled by one of the parties thereto on the basis of disagreement with the fixed price. The contractual prices for the bought and delivered farm products, raw materials and foodstuffs for state needs shall be indexed with due account of inflation.

The state contract for the purchase and delivery of farm products, raw materials and foodstuffs for state needs shall be concluded before the beginning of the year.

Article 7. Stimulation of Purchases and Deliveries of Farm Products, Raw Materials and Foodstuffs for State Needs

1. For the purpose of economic stimulation of purchases and deliveries of farm products, raw materials and foodstuffs the commodity producers (suppliers) may be granted:

- taxation concessions;
- special-purpose subsidies and grants;
- soft credits;

foreign currency given on easy terms during the sale of farm products, raw materials and foodstuffs for export;

federal budget appropriations needed for the increment of production and delivery of farm products, raw materials and foodstuffs.

The types, amounts and procedure for granting economic and other concessions shall be established by the legislative bodies of the Russian Federation and its subjects, the Government of the Russian Federation, the executive bodies of these subjects within their jurisdiction to the conclusion of state contracts.

2. The state contract may include concrete concessions for commodity producers (suppliers), introduced in the procedure provided for by Item 1 of this Article, and also other terms aimed at the stimulation of purchases and deliveries of farm products, raw materials and foodstuffs for state needs.

3. Government customers shall provide material and financial (including foreign currency) resources to the commodity producers (suppliers) of farm products, raw materials and foodstuffs for state needs for the following purposes:

the purchase of agents protecting plants and animals against pests and diseases;

the purchase of high quality seeds and seedlings, pedigree animals;

the building of storehouses and farm products processing shops;

the acquisition of technical means and technological equipment, modern production methods and scientific research facilities associated with the production, processing, storage and sale of farm products, raw materials and foodstuffs for state needs.

Article 8. Responsibility for the Non-performance or Improper Performance of Obligations for Purchasing and Delivering Farm Products, Raw Materials and Foodstuffs for State Needs

1. In case of the non-performance or improper performance by the Government of the Russian Federation and the executive bodies of the subjects of the Russian Federation of guarantees of granting financial resources to government customers, the penal sanctions and losses caused by these actions or inaction shall be compensated by commodity producers (suppliers) and consumers (buyers) from the respective budget funds.

2. In the event of failure to discharge, or the improper discharge, by either party to a state contract of the obligations provided for by the state contract, this party shall compensate to the other party the losses resulting from such failure to discharge or improper discharge and shall bear other responsibility established by the legislation of the Russian Federation and the state contract.

The commodity producer (supplier) who has failed to fulfil state contractual obligations or fulfilled them improperly may be deprived of the right in full or in part to receive the concessions introduced in the order provided for by Item 1 of Article 7 of this Federal Law.

In case of default on obligations or of their improper execution the payment of penalty and the compensation of the losses incurred shall not absolve the guilty party of the obligation in kind, unless otherwise stipulated by the state contract.

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5. In case of the conclusion, modification, cancellation or execution of state contracts for the purchase and delivery of farm products, raw materials and foodstuffs for state needs the disputes that have arisen between the commodity producers (suppliers) and consumers (buyers), defined by the government customer, including the disputes over the compensation of incurred losses, shall be examined by a court of law or a court of arbitration in the statutory manner and upon the agreement between the parties concerned their disputes shall be considered by an arbitration tribunal.

6. The parties shall be released from liability for the full or partial default on state contractual obligations in the event of unforeseen circumstances that have arisen after the conclusion of the state contract as a result of the extraordinary development (drought, flood, hailstorm and other force majeure circumstances) which the parties could not foresee and avert.

7. For the untimely payment for purchased and delivered farm products, raw materials and foodstuffs for state needs, and also for the untimely advancement of products of plant-growing the consumers (buyers) shall pay a penalty fee for the benefit of commodity producers (suppliers) in the amount of 2 per cent of the amount of the untimely paid products for every day of delayed payment and in case of default of payment for over 30 days - in the amount of 3 per cent. the recovery of the penalty fee shall be made by banks without acceptance from the consumer (buyer) of products with the collection of up to 5 per cent of the recovered penalty fee for their own benefit.

Article 9. Procedure for the Enforcement of the Present Federal Law

1. This Federal Law shall be carried into effect since the day of its official publication.

2. Article 2 in respect of the state support of the production and processing of grain and the third part of Article 3 of the Law of the Russian Federation on Grain No. 4973-1 of May 14, 1993 (Gazette of the Congress of People's Deputies of the Russian Federation and the Supreme Soviet of the Russian Federation, No. 22, 1993, item 799) shall be recognized as null and void.

3. The Government of the Russian Federation shall be obliged:

to bring the normative legal acts into conformity with the present Federal Law;

to ensure the repeal by the ministries and other federal executive bodies of their normative acts that contradict to the present Federal Law.

President of the Russian Federation

Boris Yeltsin

Moscow, the Kremlin