REPUBLIC OF BULGARIA
NATIONAL ASSEMBLY

AGRICULTURAL PRODUCERS' PROTECTION ACT

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Chapter One
SUPPORT FOR THE PRODUCTION OF AND TRADE IN AGRICULTURAL PRODUCTS

Article 1

(1) The State shall create and maintain favourable economic conditions for the sustainable development of competitive farms and for ensuring the national food balance by means of regulating the production of and trade in processed and unprocessed agricultural products through a system of subsidies, prices, loans, taxes, excise taxes, customs duties, fees, standards and others.

(2) The state support for the production of and trade in processed and unprocessed agricultural products shall aim at:

1. Enhancing labour productivity in agriculture and modernizing farms;
2. Creating conditions for the maintenance of the income of persons engaged permanently in agriculture;
3. Zoning crops and livestock in accordance with the soils and climate in the country;
4. Protecting and improving the soil fertility and the genetic stock in crop raising and livestock breeding;
5. Promoting the domestic market and expanding the external markets of Bulgarian processed and unprocessed agricultural products.

Article 2

(1) The Council of Ministers shall prepare the national agricultural development strategy and submit it for approval by the National Assembly.

(2) On the basis of the strategy under para 1, the Council of Ministers, at the proposal of the Minister of Agriculture and Food Industries, shall approve the annual agricultural development programme for the subsequent farming year before 31 July of the current year. The programme shall indicate the additional measures to support farming in mountainous and hilly areas. As well as the programme, the report on the implementation of the programme for the previous year shall be adopted and submitted to the National Assembly.

(3) The annual programme under para 2 shall concretize the objectives and tasks for the support of agriculture in accordance with the adopted strategy. The programme shall include: the types of agricultural production and the activities to be supported, the protected purchase prices; the amount of output to be contracted for purchase at the protected purchase prices; the technical and financial (including budgetary) means as well as the other forms and means for the implementation of the programme.

Article 3

(1) The Council of Ministers, at the proposal of the Minister of Agriculture and Food Industries, shall determine the annual protected purchase prices of staple agricultural products for the subsequent farming year before 31 July of the current year.

(2) Protected purchase prices shall be determined on the basis of the average production costs for the respective agricultural product in the country plus a certain profit rate. The protected purchase price can not exceed 85 per cent of the BGL equivalent of the average export price over the last three years.

(3) Protected purchase prices shall change in pursuance of the provisions of para 1 where a substantial change has occurred in the conditions for their determination.

(4) The Minister of Agriculture and Food Industries shall propose the protected purchase prices upon consultation with the national representative organizations of agricultural producers.

Article 4

(1) The Minister of Agriculture and Food Industries shall determine the time frame for agricultural producers to conclude contracts in advance for the sale of agricultural products with the State Agricultural Fund at the protected purchase prices.

(2) The State Agricultural Fund shall pay the products contracted in pursuance of the provisions of para 1 to the agricultural producers in advance in three advance tranches equivalent to up to 50 per cent of the contracted price.

(3) Agricultural producers may terminate the contracts under para 1 through repaying the State Agricultural Fund the resources obtained plus the lawful interest accrued thereon.

(4) Where the average domestic market price falls below 95 per cent of the protected purchase price for four consecutive weeks, the State Agricultural Fund shall pay the protected purchase price to the agricultural producers for the products which are not contracted as per para 1 and which conform with the established standards.

(5) The Minister of Agriculture and Food Industries shall hold competitive bidding to select the traders who will be entitled to conclude the contracts under paras 1 and 4. Such traders shall have storage facilities for proper storage of the products, enterprises for processing the purchased agricultural products or agricultural products sale contracts.

(6) The relations between traders under para 5 and the State Agricultural Fund shall be based on contract.

Article 5

(1) The Council of Ministers, at the proposal of the Minister of Agriculture and Food Industries, shall determine annual forecast prices of staple agricultural products for which no protected purchase prices have been established and of other agricultural products for the subsequent farming year before 31 July of the current year.

(2) Forecast prices shall change in pursuance of the provisions of para 1 where a substantial change has occurred in the conditions for their determination.

(3) The Minister of Agriculture and Food Industries shall propose the forecast prices upon consultation with the national representative organizations of agricultural producers.

Article 6

(1) The Council of Ministers, at the proposal of the Minister of Agriculture and Food Industries and the Minister of Trade and Foreign Economic Cooperation, shall determine the terms and conditions for the trade in and processing of agricultural products, define and supervise the regime for exporting and importing processed and unprocessed agricultural products, may institute temporary restrictions on the imports or exports in order to ensure the national food balance with certain types of agricultural products and to protect Bulgarian agricultural producers and consumers.

(2) The terms and conditions determined in pursuance of the provisions of para 1 shall change where the average domestic market price of agricultural products falls below 80 per cent of the established forecast prices for four consecutive weeks.

(3) Officials who allow import or export of processed or unprocessed agricultural products which do not conform with the established standards shall be jointly liable with the exporters or importers for the damage caused culpably to its full extent.

Article 7

The Ministry of Agriculture and Food Industries shall establish and maintain an information system for the condition of production and markets of agricultural products and the income of agricultural producers on nationwide and regional levels. The agricultural market information shall be disseminated among agricultural producers free of charge.

Article 8

(1) The Ministry of Agriculture and Food Industries shall establish regional agricultural services as its territorial subdivisions. They shall assist agricultural producers in preparing their projects for funding

under Art. 13, para 1, subparas 3, 4 and 5 and cooperate with the respective regional organizations of agricultural producers.

(2) The structure and activities of the regional agricultural services shall be defined in the Rules on Implementing this Act.

(3) Agricultural producers shall provide the regional agricultural services with annual information on the activities to be undertaken during the subsequent farming year before 31 August of the current year. The format of this information shall be determined by the Minister of Agriculture and Food Industries.

Chapter Two
STATE AGRICULTURAL FUND

Article 9

(1) The State Agricultural Fund is hereby established. The Fund is a legal entity.

(2) The Fund shall be managed by a Board of Directors. The Board of Directors shall consist of nine members. The Minister of Agriculture and Food Industries shall be a member *ex officio* and Chairman of the Board of Directors. Four members of the Board of Directors shall be appointed by the Minister of Agriculture and Food Industries. The Minister of Finance, the Minister of Trade and Foreign Economic Cooperation, the Minister of Economic Development and the Governor of the Bulgarian National Bank shall each appoint a deputy to sit on the Board of Directors.

(3) An advisory board shall be established at the Board of Directors, consisting of representatives of the national representative organizations of agricultural producers. The Board of Directors shall appoint the Chairman and Deputy Chairman of the Advisory Board and approve the internal rules for the activities of the Advisory Board.

(4) The Board of Directors shall adopt internal rules for its activities and for the activities of the Fund.

(5) The Ministry of Agriculture and Food Industries, the National Statistical Office and the other state or municipal authorities shall offer the State Agricultural Fund the information necessary for its activities free of charge.

Article 10

(1) The Board of Directors shall appoint and dismiss the Chief Executive Officer of the Fund.

(2) The Board of Directors shall:

1. Manage and distribute the funds in accordance with the objectives of this Act and the state agricultural policy;
2. Determine the terms and conditions for extending loans to agricultural producers;
3. Organize and supervise the appropriate spending of the funds;
4. Be free to establish regional experts' committees to assess the projects of agricultural producers for funding in pursuance of the provisions of Art. 13, para 1, subparas 3, 4 and 5;
5. Approve the staffing and budget of the Fund on an annual basis.

(3) The Chairman shall convene meetings of the Board of Directors where necessary but not less than once in three months.

(4) The meetings of the Board of Directors shall be regular where at least two-thirds of its members are present. Decisions shall be made by a simple majority vote of those present.

(5) The Board of Directors shall submit the report on the activities of the Fund during the previous farming year to the Council of Ministers within the time frame for the programme under Art. 2, para 2.

(6) The Ministry of Agriculture and Food Industries shall assist the Fund in the performance of its activities under para 2, subpara 3.

Article 11

(1) The Fund shall have the following sources:

1. The annual state budget subsidies equal to not less than 0.5 per cent of the Gross Domestic Product reported for the previous year;

2. The proceeds from privatization process in pursuance of the provisions of Art. 6, para 1, subpara 3 of the State-Owned and Municipal Enterprises' Transformation and Privatization Act;
3. The proceeds from the sale of the products purchased under Art. 4;
4. The allocations from insurance companies and institutes equal to 4 per cent of the insurance contributions for crops, livestock, agricultural machines, equipment and facilities;
5. The proceeds from the management of the Fund's portfolio, including interest rates;
6. The export fees for processed and unprocessed agricultural products;
7. 50 per cent of the income from rented or leased state farmlands;
8. Funds from local and foreign financial and other institutions;
9. Donations and grants;
10. Other sources designed by law or by an act of the Council of Ministers.

(2) The end-of-year balance shall be transferred to the subsequent year.

Article 12

(1) The Fund shall keep its resources at an account with the Bulgarian National Bank, itemized by sources of income.

(2) The Bulgarian National Bank shall pay interest on the Fund's deposit equal to the basic interest rate.

Article 13

(1) The Fund shall spend its resources in accordance with the objectives of this Act and the state agricultural policy for the purposes of:

1. Guaranteeing the protected purchase prices;
2. Encouraging the export of certain agricultural products;
3. Assisting the technical and technological renovation of farms and farms' extension services by means of undertaking part of the investments or offering preferential loans for:
   a) construction of buildings for production and storage of agricultural products, food industries and extension services;
   b) purchase of farm machinery, implements, equipment, productive and pedigree livestock;
   c) recovery or development of perennials;
4. Undertaking part of the investments or offering preferential loans for the purposes of establishing farms;
5. Supporting the development of farming in mountainous and hilly areas;
6. Subsidizing the production of certain agricultural products;
7. Assisting agricultural producers against damage caused by:
   a) draught;
   b) wild animals where the agricultural products have been insured;
8. Performing the activities of the Fund.

(2) The funds under Art. 11, para 1, subpara 4 raised over the last three years shall be spent only for the purposes of para 1, subpara 7, item (a).

(3) At least 30 per cent of the Fund's resources shall be spent annually for the purposes of para 1, subpara 3. All the proceeds of the Funds under Art. 11, para 1, subpara 2 shall be spent for the same purposes.

Article 14

(1) Where funds are allocated under Art. 13, para 1, subparas 3, 4 and 5 to agricultural producers - natural persons, priority shall be given to those under the age of 35. The age shall be determined as of the date of the application for funding.

(2) In the allocation of the funds under Art. 13, para 1, subparas 3, 4 and 5, priority shall be given to the projects ensuring the application of systems for sustainable and environmentally friendly farming.

(3) Persons under para 1 and the cases under Art. 13, para 1, subpara 5 shall be offered loans at interest rates which are lower by one-fifth, while the undertaking of part of the investments shall be greater by one-fifth in comparison to the other cases.

(4) The Fund shall not examine projects or guarantee protected purchase prices for the subsequent farming year to agricultural producers who have not provided the regional agricultural services the information under Art. 8, para 3.

Article 15

Agricultural producers shall provide their own funds to cover at least 10 per cent of the investment financed by the Fund under Art. 13, para 1, subparas 3, 4 and 5.

Article 16

(1) Persons who spend the allocations from the Fund for purposes different from the established ones shall reimburse such funds in their full amount ahead of schedule, together with interest rates exceeding the basic interest rate of the Bulgarian National Bank by 30 percentage points.

(2) For the purposes of collecting its accounts receivable under para 1, the Fund may obtain a writ of execution on the basis of a transcription from a bank account. Collections shall follow the terms and conditions established for collection of debts to the state.

Article 17

(1) The State Agricultural Fund shall be exempted from national and local taxation.

(2) The State Agricultural Fund shall be exempted from customs duties and import fees for products used for the purposes of its activities.

ADDITIONAL PROVISION

§ 1. Within the meaning of this Act:

1. "Agricultural producers" are natural persons or legal entities who produce agricultural products on commercial basis. This is established on the basis of a tax return or statistical accounting documents.
2. "Staple agricultural products" are wheat, maize, sugar beet, potatoes, milk (cows' and sheep) and meat (veal, lamb and pork).
3. "National representative organizations of agricultural producers" are non-profit legal entities whose members are agricultural producers and which have subdivisions in more than a half of the former districts in the country with at least ten agricultural producers as members of each subdivision.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 2. The provisions of Art. 6, para 1, subparas 3 and 4 of the State-Owned and Municipal Enterprises' Transformation and Privatization Act (Promulgated, SG, No. 38 of 1992; Amended, No. 51 of 1994 and No. 45 of 1995) shall be amended as follows:

"3. For the State Agricultural Fund - 26 per cent, and for the Tobacco Fund - 4 per cent;

4. For the State Reconstruction and Development Fund - 58 per cent."

§ 3. The provisions of Art. 9, para 1 of the Value Added Tax Act (SG, No. 90 of 1993) shall be amended as follows:

1. Subpara 1 shall be amended as follows:

   "1. transfer of title to land and institution of limited property rights on land, except for the right to build."

2. Subparas 12 and 13 shall be added with the following wording:

   "12. provision of services by cooperatives with their own machines for the cultivation of land of members of the cooperative, the raising and harvesting of the products thereof.

   13. transfer of ownership of food or fodder grain offered as payment of rent in kind or a part thereof."

§ 4. The provisions of § 7, para 1 of the Transitional and Concluding Provisions of the Ownership and Use of Farmlands Act (Promulgated, SG, No. 17 of 19991; Emended, No. 20 of 1991; Amended, No. 74 of 1991, Nos. 18, 28, 46 and 105 of 1992, No. 48 of 1993 (No. 64 of 1993 - Decision No. 12 of 1993 of the Constitutional Court), No. 83 of 1993, No. 80 of 1994 and No. 45 of 1995) shall be repealed.

§ 5. (1) The income of agricultural producers - natural persons from the sale of their own agricultural products shall be exempted from income tax for a period of five years after the entry of this Act into force.

(2) Agricultural producers who are legal entities shall be exempted from profit tax for a period of five years after the entry of this Act into force.

§ 6. The resources available in the Agricultural Development Fund as of the date of entry of this Act into force shall be transferred to the State Agricultural Fund.

§ 7. The State Grain Fund shall be closed with the entry of this Act into force, the balance being transferred to the State Agricultural Fund. The resources from the sources of the State Grain Fund shall continue to be allocated to the State Agricultural Fund.

§ 8. The proceeds from the sale of state property run by the organizations under § 12 of the Transitional and Concluding Provisions of the Ownership and Use of Farmlands Act and the proceeds from the sale of state land under Art. 27, para 6 of the same Act shall be contributed to the State Agricultural Fund, except for the proceeds from the lands in the State Forestry Stock, which shall be contributed to the Forestry Fund.

§ 9. The Council of Ministers shall provide an interest-free loan of BGL 3 billion to the State Agricultural Fund within two months after the entry of this Act into force. The loan shall be extended by the State Fund for Reconstruction and Development and repaid in the course of 12 months in equal payments after a two-year grace period. The State Agricultural Fund may spend these resources only for the purposes under Art. 13, para 1, subparas 3, 4 and 5.

§ 10. The programme under Art. 2, para 2 for the farming year of 1995/96 shall be adopted without the adoption of the strategy under para 1 of the same Article. The Council of Ministers shall submit the first draft strategy under Art. 2, para 1 to the National Assembly before 30 April 1996.

§ 11. BGL 650 million from the state budget subsidy for the State Agricultural Fund in 1995 shall be used to reduce the interest rates on the loans contracted by agricultural producers for the sowing campaign in the spring of 1995.

§ 12. The Council of Ministers shall issue Rules on Implementing this Act within a month after its entry into force.

§ 13. The implementation of this Act shall be assigned to the Minister of Agriculture and Food Industries.