

**Working Party on the
Accession of the Russian Federation**

Original:

ACCESSION OF THE RUSSIAN FEDERATION

Legislation in the Field of Agriculture

The Permanent Mission of the Russian Federation has submitted the following information, with the request that it be circulated to members of the Working Party.

LEGISLATION IN THE FIELD OF AGRICULTURE

1. Land Reform and Commercial Use of Land in Russia

Currently, the Main Trends of Agro-Food Policy of the Russian Federation Government for 2001 – 2010 prioritize the task of implementing a uniform land policy by forming land laws, developing framework principles of land policy in agriculture, keeping an all-state land registry and maintaining a uniform real estate registration system. It is envisaged to develop a civilized, regulated and duly controlled by the state agricultural land market. The following limitations shall be sustained:

- agricultural lands may be used for agricultural purposes only, and any change of purpose shall be obtained through the procedure established by federal and regional laws and other regulatory acts;
- mortgage of agricultural lands is possible against long-term investments only;
- agricultural land should be owned (held by right of lease or other right) by legal entities or natural persons engaging in agricultural production or leasing such land to other producers for agricultural activity.

In this regard, adoption of the Land Code of the Russian Federation is of vital importance as it outlines framework provisions for establishing a Russian national system of land use which would afford to combine free land ownership with its effective use. The Code provides a structure of lands according to purpose: agricultural purpose, habitation; industry, communications; transport, etc.; specially protected territories; forests; waters; reserve lands; the Code also provides a mechanism for distinguishing between federal, regional and local lands; the responsibilities of land users are now being determined. The document is scheduled for consideration by the State Duma during its spring session of 2001.

In order to provide legislative solutions for issues of agricultural land market the Government of the Russian Federation is expected to table a draft Federal Law “On Characteristics of Turnover of Agricultural Land” for consideration by the State Duma. This law will define measures aimed at preservation and productivity of agricultural lands;

procedures for sale of land plots of agricultural purpose in transactions in land; definition of the range of persons entitled to acquire land plots for agricultural production; limitations of the size of land plots acquired for ownership in the Russian Federation regions. It is expected that the law will, given the specificity and assuming readiness of the Russian Federation regions, leave it to the regions to independently determine the rate and the extent of the land market development.

Certain Phases of Development of Land Reform over the Past Years

As early as in late 80s – early 90s, there were decisions in place which prepared the ground for land reform. The Decree of the Presidium of the Supreme Soviet of the USSR “On Lease and Leasing Relations in the USSR” (1989) and Resolution of the Council of Ministers of the USSR “On Economic and Organisational Basis of Leasing Relations in the USSR” (April 1989) improved the opportunities for lease of land by farms from agricultural enterprises. In February 1990, *The Fundamentals of Legislation of the USSR and Union Republics on Land* were adopted. This document authorised lifelong hereditary possession of land, and gave peasant households and farms the opportunity to acquire land plots on such terms. In this period many Republics of the former USSR, including Russia, passed legislation on peasant households and farms.

The Russian Law “On Land Reform” (November 1990) abolished the state monopoly of land. Besides the life-long hereditary possession for peasant households and private farms the law allowed acquiring ownership of land plots. In the first five years following the transfer of land to private ownership, it could only be sold to corresponding Peoples’ Deputies’ Councils. After such period, sale-purchase of land transactions would be made on contract basis under control of the local Councils of Peoples’ Deputies. In other words, upon elapse of five years sale and purchase of land became possible. Later, however, there was an amendment introduced providing a ten year moratorium on sale and purchase of land (December 1990).

In late 1991, Decree No. 323 of the President of the Russian Federation “On Urgent Measures to Implement Land Reform in the RSFSR” of December 27 1991 was issued. That started the process of dividing the land of agricultural enterprises into shares (segments). Regional executive authorities jointly with land reform and land resource committees were defining baselines for their regions in respect of free transfer of land to private ownership subject to the quality of land. Individuals withdrawing from collective (kolkhozs) and soviet farms (sovkhozs) were given the right to trade their land or proprietary interest, or to lease them. Peasant households were given the right to mortgage land with banks authorized to extend credits against security of mortgaged land.

Effective January 1, 1992, individuals who possessed land plots by right of ownership, were allowed to sell the land to other citizens and have the transactions formalized by local administrations in the following cases:

- upon retirement due to old age (seniority);
- when inheriting land;
- when relocating for the purpose of setting up a peasant farm in vacant lands of the redistribution fund;
- when investing revenues generated on the sale of land in processing, trading, construction or service enterprises in rural areas.

Workers of agricultural enterprises possessing shares of land or land shares were allowed to sell them to other workers of the farm or to the farm for unregulated prices.

Other sale and purchase of land plots transactions, not provided for by the legislation or the Decree, were declared invalid.

In December 1992, the State Duma adopted Law No. 4196-1 of the Russian Federation of December 23, 1992 "On the Right of Citizens of the Russian Federation to Obtain on Terms of Private Ownership and with Authority to Sell, Land Plots for Establishment of Private Household Farms and Seasonal Farms, for Gardening or Private Residential Construction". The citizens who had obtained land plots for private ownership to establish private household farms or seasonal farms, to engage in gardening or private residential construction, and as sites for private residential houses and auxiliary installations, were given the right to sell them to other citizens of the Russian Federation irrespective of the time of acquisition of the right of ownership of the land plot sold within the limits of land plots allocation.

Pursuant to Decree No. 1767 of the President of the Russian Federation "On Regulation of Land Relations and Development of Agrarian Reform in Russia" in October 1993 citizens and legal entities – owners of land plots acquired the right to sell, devise, grant, mortgage, lease, exchange, or transfer the land plot or part thereof as contribution to authorized capitals of joint-stock companies, partnerships, cooperatives, including those with foreign investments.

Simultaneously, in regard of segments of land it was provided, that their owners have the right to, without the consent of other co-owners, isolate a part of land plot in kind in order to establish a peasant farm, mortgage or lease such plot, expand a land allotment used under a private household farm or individual residential construction to full permitted limit, or exchange the share of land (segment) for a proprietary interest, bequeath it, receive value of the land plot in the event of buyout of a land plot collectively owned by right of collective or joint ownership, and to obtain reimbursement of damages incurred, including lost profits. Members of the collective shall thereby have a preferential right to buy such shares (segments) of land in respect of other buyers, to sell shares of land (segments) to other members of the collective and other citizens and legal entities.

In March 1996, Decree No. 337 of the President of the Russian Federation "On Enforcement of Constitutional Rights of Individuals to Land" confirmed the right to purchase and sell shares of land, and expressly provided all other rights, including inheritance, granting, exchange for proprietary interest or share of land in another farm, transfer under a rent contract or lifelong support and etc.

A noteworthy result is the demonopolisation of state ownership of land. Multiple forms of land ownership were introduced. Workers of agricultural enterprises, workers of the social rural sphere, pensioners became land owners by shares. The majority of public enterprises (sovkhozs) have turned into non-public agricultural enterprises of various organisational and legal forms. The sector of peasant households and farms emerged. As a result of the agricultural reform, around 62% of agricultural lands passed over to private ownership. Over 31 million hectares of land were transferred to ownership of rural authorities. Currently over 37 million families own land plots.

A number of Russian regions passed own legislation which contains, *inter alia*, authorisation to sale and purchase land. Among such regions are Saratov and Samara regions, the Republic of Tatarstan.

Saratov region, for example, has been maintaining the practice of land auctions for several years which has revealed poor demand for agricultural lands. Such auctions only use plots in municipal ownership. As at the end of 1998, out of 200 thousand hectares of municipal land only around 5 thousand were sold from auction. In 1999, the trade volumes further dropped – less than one thousand hectares was sold. The average price has fallen from 20 dollars per hectare in 1998 by more than twice, and far below the baseline price. The size of lands auctioned and actually sold reduced dramatically, disequilibrium between lands auctioned and those sold widened. While in 1998 every third hectare would have been sold, in 1999 – it was only every tenth hectare. The situation did not improve over the past year 2000. As at the beginning of April 2001, the total hectares auctioned were 22 thousand, while only a little over 8 thousand hectares, or 36%, were sold. The weighted average price for three years amounts to 240 rubles a hectare (given an average exchange rate for these years of 20.8 rubles to US dollar, this makes 11.5 dollars per hectare).

2. Issues of Food Security

The problems of food security have taken on new urgency since 1998 financial crisis. In this period the Russian Federation was again forced to resort to food aid.

But even before that issues of economic security were widely touched upon in official documents. Decree No. 608 of the President of the Russian Federation of April 29 1996 “On the State’s strategy of economic security of the Russian Federation (basic principles)” indicates deformation of the structure of Russian economy caused by, *inter alia*, such factor as conquest by foreign companies of the Russian internal market at many kinds of consumer goods amongst threats for the security.

Decree No. 24 of the President of the Russian Federation of January 10 2000 “National Security Concept of the Russian Federation” indicates that in the economic sphere the hazards are of a comprehensive character and contributing factors include the stagnation of the agrarian sector and the tendency towards prevalence “of imports of food products and consumer products, including prime necessities”.

On June 16, 1999, the State Duma passed the draft law “On Food Security of the Russian Federation” in first reading. The draft law defines food security as such level of economic development as provides a country’s independence for food products and guarantees physical and economical availability of affordable food products to all population in an amount adequate to support active and healthy life functions. Independence for food products is defined as a prerequisite for food security which guarantees there will be no food crisis in case of a cessation of food supplies from abroad (Article 1).

Article 4 of the Draft Law states that independence for food products has been achieved when the annual production of vitally important food products in the Russian Federation is no less than 80% of the annual requirement of the population, subject to physiological nutrition standards.

The draft law formulates the tasks of state control of the food market (Article 10). It provides for a reporting mechanism for production of food products, their deliveries and reserves, and control over the state of the food markets of the Russian Federation regions; monitoring of the movement of wholesale consignments of food products from their production, or import to the territory of the Russian Federation, to delivery to the consumer; certification of quality of food products, including those imported, in accordance with ecological sanitary and epidemiological requirements.

Currently under development is a Doctrine of Food Security which is intended to define priority trends of state policy in this sphere, specify the tasks involved in overcoming this threat, explore the criteria and other issues.

3. Issues of Financial and Credit Policy and Tax Policy

The problem of indebtedness of Agro-Food enterprises is one of the most acute in Russian economy today. The Ministry of Finance of the Russian Federation is currently working on a draft Concept for the program of debt restructuring and restoration of solvency of Agro-Food enterprises. Attempts to solve it in the past were not successful. The total outstanding trade liabilities of agricultural enterprises and organizations as at January 1, 2000, amounted to 170 billion rubles.

22354 or 80% of agricultural enterprises and organizations have outstanding trade liabilities, arrears on payments to the budget – 21512 (77%), arrears on banks credits and loans – 12918 (46.2%) of enterprises.

On a par with the Concept for the programme for debt restructuring and restoring solvency of the enterprises in Agro-Food Sector, the laws “On Financial Rehabilitation of Agricultural Organizations”, “On Credit Cooperation” (to define the mechanisms of establishment and functioning of rural lending and insurance organizations on the principles of cooperation), “On Agricultural Insurance Cooperatives” (whose activity is not yet established in Russia), “On Russian Agricultural Bank” are to be adopted, and the Federal Law “On Insolvency (Bankruptcy)” amended.

4. Other Issues

As regards regulation of the food market, it is proposed to pass a law “On Wholesale Food Markets” to provide legal and economic requirements in respect of organization and state regulation of the functioning of wholesale food markets, their reorganization and liquidation in the territory of the country, and provision of legal guarantees to wholesale traders. It is expected that the law will afford a uniform and effective system of sales of agricultural products, legalize wholesale trade and provide extra revenues for the budget.

For the purposes of a comprehensive solution to issues of development of the farming sector, on order from the Russian Federation Government a new version of the Federal Law “On Peasant Households and Farms” has been drafted. The new version is reflective of the changes that have taken place in the structure of government and the jurisdiction of state agencies concerned.

Development of draft federal law “On Private Household Farms” is aimed to reinforce positive tendencies in the development of private household farms, to restore integrative connections with public and other agricultural producers as well as to provide legal protection to private household farms.
