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LEGISLATION REVIEW

Agriculture, Food and Renewable Energy Sector

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State Support to Agriculture

Minimum farm-gate raw milk prices

The Draft Law of Ukraine #10443 "On milk and dairy products (concerning the farm-gate prices)" as of 10th of May, 2012.

The Draft suggests introducing minimum farm-gate prices for raw milk to secure the incomes of raw milk producers and to combat low farm-gate prices.

Regulation of the farm-gate prices for raw milk and its supplies

The Draft Law of Ukraine #10456 "On State Support of Agriculture of Ukraine (regarding regulating the farm-gate raw milk prices)" as of 14th of May, 2012.

The Draft suggests introducing raw milk into the list of agricultural products that are subject to state price regulation. Also, according to the draft law, processors and milk procurers should pay off for the raw milk no later than 7 banking days from the day of delivery.

One has to mention that both draft laws appeared when dairy farm-gate prices began their 'bearish season' driven by a pronounced seasonality of the raw milk supply in Ukraine. This issue became especially topical against the background of the dairy conflict with Russia.

Special budget subsidy to households for keeping young cattle

The Resolution of the Cabinet of Ministers of Ukraine #342 "On Amendments to the Resolution of the Cabinet of Ministers of Ukraine as of 2nd of March, 2011 # 246" as of 23^d of May, 2012.

The Resolution initiates a special budget subsidy to households from the 1st of June, 2012. Households receive payments for keeping young cattle according to the following scheme: a) 250 UAH per head of cattle aged from 3 to 5 months; b) 500 UAH – from 6 to 8 months; c) 750 UAH – from 9 to 11 months. This payment is topped-up with 250 UAH every following three months until the age of the young cattle reaches 11 months.

The subsidy is paid from VAT accumulated by dairy processors. Dairies transfer the positive difference between the VAT payables on their produce and VAT credit on inputs to the special fund of the State Budget of Ukraine and on the special account at the State Treasury.

Taxes and Customs

Fixed agricultural tax rates are to be increased

The Draft Law of Ukraine #10500 "On Amendments to the Article # 304 of the Tax Code of Ukraine (regarding the fixed agricultural tax rates) as of 22nd of May, 2012.

The Draft suggests increasing the rate of the fixed agricultural tax (FAT) for arable land and pastures from 0.15 to 1.15% of their normative value. This increase applies only to farms that possess or operate more than 100 ha of that type of land.

The FAT has been in place since 1999 and it applies to agricultural enterprises that derive no less than 75% of their gross revenues from sales of self-produced agricultural products. It replaces 12 taxes and duties including profit and land taxes and water usage fees. The FAT is based on the "normative value" of farmland (determined by the State Agency for Land Resources of Ukraine) and the tax rate varies from 0.09 to 1%, depending on the type and location of the farmland. In 2010, the FAT resulted in an average tax payment of only about 6 UAH/ha of arable land for the eligible enterprises.

Agricultural Land

Expropriation of land for social needs

The Draft Law of Ukraine # 9557 "On Amendments to some legislative acts of Ukraine (on terminating the right for usage of land for social needs)" as of 8th of December, 2011, approved in the first reading on 15th of May, 2012

The draft allows terminating a lease contract on state and communal land in case the land is being expropriated for social needs. The price

is approved by state body, local council or court.

Renewable Energy

Stimulating Biofuel market in Ukraine

The Draft Law of Ukraine #7524 "On Development of Production and Consumption of Biological Fuel" as of 12th of December, 2010; went through the second reading on 24th of May, 2012.

This draft law essentially suggests stimulating the development of the biofuel production and market in Ukraine via mandatory blending of biofuel into fossil fuel. The draft law is in line with the respective EU Directive 2009/28/EC

The draft law envisages, among other things, the following:

a) Diesel biofuel with content of ethyl or methyl is to be blended in the following proportions to the general volume of diesel fuel production in Ukraine: in 2012 – at least 2%; in 2013 – at least 5.75%; in 2014- at least 10%; in 2015 – at least 20%;

b) Blending bioethanol into motor fuels in the following proportions to the general volume of petrol production in Ukraine: in 2012 – at least 2%, in 2013 – at least 5.75%, in 2014 – at least 15%, in 2015– at least 20%;

c) Blending biofuel into motor fuels in Kyiv and cities with population over 500 thousand, in recreational zones in the following proportions to the general volume of traditional fuel sales: in 2012 – 5%, in 2013 – 10%, in 2014 – 15%, in 2015 – 30%;

d) Additionally, it is provided for decreased of use of methyl tertiary butyl ether by petrol manufacturers and its replacement with ethyl tertiary butyl ether in 2012 – by 10%, in 2013– by 20%, in 2014 – by 50%, in 2015 – by 80%.

Food Safety and Quality

Comprehensive reshuffling

The Draft Law of Ukraine # 10495 "On Amendments to some laws on Food Safety" as of 21th of May, 2012.

The Draft Law suggests introducing changes into Ukrainian legislation that would delimitate the mandate of the governmental bodies in the field of food safety. The draft also foresees significant changes in relation to requirements to the market operators, in particular i) to food safety (including HACCP, traceability, reclaiming of food staffs), production hygiene, registration and permit procedures, state control procedures, labeling etc.

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