

AGREEMENT

by and between

the Ministry of Agriculture and Food, the State Fund Agriculture - Payment Agency (SFA-PA), the National Milk Board, the National Milk Producers Association, National Milk and Meat Producers Breeding Association and the Rodopski Zvan Cooperation

at a meeting carried out on August 5, 2008 at the Ministry of Agriculture and Food in the spirit of understanding and for the purpose of achieving efficient results in the fulfillment of the Agreement between the Ministry of Agriculture and Food and the milk producers made at the beginning of this year and also with regard to the direct payments for areas registered during 2007 in physical blocks with long-term way of use „other agricultural areas” (under the code „6”), the parties have agreed on the following:

I. For the fulfillment of the Agreement between the Ministry of Agriculture and Food and the milk producers:

1 An Act of the Council of Ministers to be adopted for providing the necessary financial resources of 60 million BGN for the payment of an annual subsidy for milk meeting the European sanitary and hygiene criteria /farms of first class/ as follows: 0,20 BGN per liter of cow and goat' milk, 0,25 BGN per liter for sheep and buffalo milk, and commencement of payment without delay of the subsidies for the months March, April, May and June, 2008.

Term: August 6, 2008

Persons responsible: Deputy Ministers Svetla Bachvarova and Dimitar Peychev

2. The Management Board of the National Veterinary Service to set up until September 15, 2008 the System for the identification of the animals and to indicate a concrete term for its putting into operation.

3. The accreditation of the system has to be done not later than December 15, 2008.

4. The System has to be integrated into the Integrated System of Administration and Control (ISAC).

Term: the beginning of September

Persons responsible: Zheko Bayche – Director General of the National Veterinary Service and Deputy Minister Dimitar Peychev

6. Compensations for the damages of the drought during 2007 for the spring cultures – the State Fund Agriculture upon decision of the Management board has allowed the payment of 10 BGN per dca, the associations have demanded further 20 BGN per dca.

Person responsible: the executive Director of State Fund Agriculture - Payment Agency - Atanas Kanchev

7. To prepare a draft for the Act on the Amendment and Supplementing of the Law on the Ownership and the Use of the Agricultural Lands with the following amendments:

a) Granting on lease or rent of lands from the State Land Fund and from the Municipal Land Fund to owners of animals without any tender or competition as well as municipality lands or meadows to be made available only to owners of grazing animals without any tender or competition for a term not less than 5 years.

Term: August 30, 2008

Person responsible: Deputy - Minister Biurhan Abazov

II. On the direct payments for the areas, registered in 2007 in physical blocks with a long-term way of use „other agricultural areas” (under the code „6”)

1. The Ministry of Agriculture and Food to work out a clear definition meeting the national specifics of the notions „common pastures”, „pastures”, „meadows” and „fallow land”.

2. Minister Tsvetanov to revoke the instructions of the Minister of agriculture and the forests from June 2007 requiring the payment for such areas to be carried out only after a special check on the spot by the Payment agency, with measuring of the area, which has been applied for.

3. Minister Tsvetanov to issue an order for reconsideration by the Payment agency of all applications from 2007 containing areas, which have been applied for in the physical blocks with code 6 and these to be recognized for suitable for support as per the ascertainments made from the protocols of the Municipal Agriculture and Forestry Service on the checks made on the areas, which have been applied for in the physical blocks with code 6, carried out in the autumn of 2007 upon request from the State Fund Agriculture - Payment Agency, and where areas have been ascertained as not cultivated, these are not to be paid for.

4. In the case claims have been made for areas, registered in 2007 in the physical blocks with code 6 or in physical blocks – non-agricultural areas (with code 7) or which have not been encompassed in item 3, special checks to be carried out on such areas on the spot by ТИ of the PA.

Persons responsible: B. Abazov - Deputy-Minister and Atanas Kanchev - Executive Director of State Fund Agriculture - Payment Agency

5. The State Fund Agriculture - Payment Agency to make a proposal for the simplification and making easier of the process of introduction of the data from the applications of the agricultural producers with the Integrated System of Administration and Control (ISAC), whereby for the economic year 2007/2008 the agricultural producers to be paid for the area, which has been established during the checks on the spot by the ТИ of the PA and not to impose any double sanctions for the differences between the size of the areas declared and the areas ascertained by the checks on the spot.

Person responsible: Atanas Kanchev - Executive Director of State Fund Agriculture - Payment Agency

6. The parties have agreed relating to campaign 2008 that the agricultural producers have been informed on the possibility of imposing sanctions in case of applications made for areas not meeting the requirements for the payments and on the way of defining the sanctions to be imposed.

7. Dropping out of VAT on the subsidies for milk for 2007 and Mrs. M. Murgina– Directo of the National Revenue Agency, to inform on the changes made at the territorial taxation units.

8. Formation of a working group of representatives from the Ministry of Finance, the National Revenue Agency and experts out of the producers of food for discussing the reduction of VAT on the food products from 20 to 10 %.