

Management of Reserve Funds for Food Circulation

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Decision 565-TTg on management of reserve fund for food circulation was issued on August 22, 1996. Reserve fund for circulation of food is the volume of food which (mainly rice) volume of the State assigned to the food state enterprises that have qualified management and implementation capacity on reserves to timely intervene in food markets to balance supply and demand, stabilizing food prices when necessary.

Based on food production and changes in the circulation of goods, the Minister of Planning and Investment and the Minister of Agriculture and Rural Development submit to the Prime Minister to decide on the food quantity in annual reserve. Capital to buy food to put into circulation reserve is part of the business's working capital provided by the State budget. Where there are difficulties due to the state budget, and if this capital is not yet provided or not enough, the enterprises take the initiative to borrow money from banks to buy enough food to be put into reserve as required. The state budget also supports 100 % interest rate of this loan during the implementation of reserves by the enterprises.

The Minister of Agriculture and Rural Development should base its circulation reserve food level on the regulation of the Prime Minister, who sees the production and circulation of food to decide and take responsibility to perform circulation reserve for business and direct selling in terms of market intervention. The Prime Minister does this to achieve the objective of stabilizing supply and demand and stabilizing food prices in each area as well as on a national scale.

Enterprises which implement the circulation reserves have the right to decide the purchase, sale, transfer, and exchange food grains under reserve fund of food circulation along with their business processes to ensure food quality of circulation reserve fund. But they have to offset all cost and should be responsible for finance. The State does not cover losses, and they ensure 100% sufficient quantity of food stored in warehouses in the first circulation period and often not at least 60% higher than the allocated reserves. When food reserve fund of the enterprise is not mobilized to intervene the market, enterprises can actively look for the market to consume all the food reserves of the previous circulation. The entire amount collected are to be accounted for separately and used to buy new food to put into their circulation reserves. The enterprises who have inventory reserves of food circulation will be prioritized by the State to participate in exporting food to pay their debts.

The enterprises funded the state budget to implement food reserves have to preserve their capital according to the working capital preserve mode regulated by the Finance Ministry and the non-payment of charges for use of capital for reserve capital of food circulation by the state budget. Enterprises are entitled to get profits earned by the circulation reserves associated with the business food trade in accordance with the current financial regime. Reserve fund for food circulation must be located in those areas, localities which often happening price volatility in

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food and food should be stored at warehouse with most favorable conditions for mobilization and offering stabilization of prices as necessary.

Enterprises tasked with food reserves should have separate accounting to the purchase and sale of food to serve the target of price stabilization in installments, monthly periodic reports on circulating inventory reserves (including the amount in each stock, the quality, the average price of inventories ...). With superior management agencies, they should be subject to inspection, surveillance and unconditional observance of the decisions of mobilizing, coordinating the use of reserve food fund of competent authorities and performing the sale to stabilize food prices at the fastest time.

Responsibilities of ministries in managing reserves of food circulation: the Ministry of Planning and Investment and the Ministry of Agriculture and Rural Development are responsible for balancing food supply, build and submit to the Prime Minister to decide the food volume into food reserves annually. The Ministry of Finance in collaboration with the Ministry of Planning and Investment guarantees funding for the units assigned the task of managing the circulation reserve fund in accordance with the amount of food and food-buying schedule for circulation reserves. The State Bank ensures sufficient capital for borrowers who buy food reserves into circulation as planned. The Ministry of Agriculture and Rural Development takes decisions and takes responsibility before the Prime Minister on the mobilization and coordination of reserve fund to ensure food supply and demand and stabilize food prices, together with the Ministry of Finance, the Government Pricing Committee to implement the inspection, monitoring the implementation and preservation of capital for reserves fund of food circulation. The Government Pricing Committee and the Ministry of Finance base their requirements on ensuring stable food prices to determine the price of food from food circulation reserves.

Due to the requirement to stabilize supply and demand and stabilize food prices, if the determination of the price of food circulation reserves is lower than the cost price, then the decision makers have to check and supervise the sale of the business accounting, coordinate with relevant agencies to submit to the Prime Minister regarding measures to handle capital reserve shortfall for this circulation.

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