

COUNCIL DECISION

of 22 December 2009

on the granting of State aid by the authorities of the Republic of Hungary for the purchase of agricultural land between 1 January 2010 and 31 December 2013

(2009/1017/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union and in particular Article 108(2), third subparagraph, thereof,

Having regard to the request made by the Government of the Republic of Hungary on 27 November 2009,

Whereas:

- (1) On 27 November 2009, the Republic of Hungary (hereinafter referred to as 'Hungary') presented to the Council a request for a decision in accordance with the third subparagraph of Article 88(2) of the Treaty establishing the European Community, concerning Hungary's plan to grant State aid to Hungarian farmers for the purchase of agricultural land.
- (2) The land privatisation process which Hungary has engaged in since the beginning of the 1990s has in many cases led to fragmented or undivided joint ownership of agricultural land, resulting in an unfavourable land use structure and poor economic viability of agricultural holdings.
- (3) In view of farmers' lack of capital, the high interest rates on commercial loans for the purchase of agricultural land and the tightening up of the banks' criteria for the granting of loans to farmers in the current crisis, farmers, especially those with smallholdings, have little prospect of taking out commercial loans for investments such as the purchase of land. In fact, as a result of the financial and economic crisis, annual interest rates on commercial loans for the purchase of agricultural land increased from an average rate of 9,5 % in July 2008 to 15,5 % in May 2009, and the average value of collateral required for such loans nearly doubled in that same period.
- (4) In this situation, speculative land purchase by economic operators not engaged in agricultural activity who have easier access to capital is likely to increase.
- (5) State aid for the purchase of agricultural land should help save the livelihood of numerous farming families in the current crisis by creating the enabling conditions for reducing production costs and improving profitability of agricultural production, thus halting the increase in poverty and unemployment in rural areas. As a result

of the crisis, unemployment in Hungary rose from 7,7 % in the period from August 2008 to October 2008 to 10,4 % in the same period in 2009, while Hungary's Gross Domestic Product (GDP) decreased between the third quarter of 2008 and the third quarter of 2009 by 7,2 %. Moreover, Hungary's GDP at current prices in the agriculture, forestry and fisheries sector fell by approximately 33 % between the first half of 2008 and the first half of 2009 (from Hungarian forint (HUF) 410 828 million to HUF 275 079 million).

- (6) The State aid to be granted amounts to a total of HUF 4 000 million and should benefit approximately 5 000 agricultural producers. It should take the form of:
 - an interest subsidy, up to a total of HUF 2 000 million, for loans to private farmers meeting criteria relating to registration, vocational qualification, the fulfilment of good agricultural practices and the requirements of a viable holding, allowing them to take out favourable loans to purchase agricultural land up to an overall farm size limit of 300 hectares. The interest subsidy is operated as a mortgage loan for a maximum amount of HUF 75 million and for a maximum period of 20 years, including a two-year grace period for capital reimbursement, and will be equal to 50 % of the average yield of Hungarian government bonds with 5 or 10 years maturity, increased by 1,75 %;
 - a direct grant, up to a total of HUF 2 000 million, for the purchase of agricultural land, amounting to maximum 20 % of the purchase price laid down in the sales contract, with a maximum amount of HUF 3 million per application and a maximum number of two applications annually per beneficiary. The grant may be allocated to a private person who, on the date of purchase, was involved in an agricultural activity as the owner of at least 5 hectares of plantations or 1 hectare of other agricultural land for a period of at least one year, on a parcel directly adjacent to the purchased land, and who undertakes not to sell the purchased land and to actually use it for the sole purpose of agricultural production during a period of at least five years from the date of payment of the aid. The aid may be granted only if the overall size of the existing and purchased land exceeds 210 Gold Crowns ⁽¹⁾, or 2 hectares in the case of agricultural land used as vineyard or orchard, and if it is not registered as land used for forestry.

⁽¹⁾ Measurement unit of the quality of agricultural land in Hungary.

- (7) It is not permitted to combine State aid in the form of an interest subsidy and a direct grant for the purchase of the same area of agricultural land.
- (8) The Commission has not at this stage initiated any procedure nor taken a position on the nature and compatibility of the aid.
- (9) Exceptional circumstances therefore exist, making it possible to consider such aid, by way of derogation and to the extent strictly necessary to limit the extent of rural poverty in Hungary, to be compatible with the internal market,

HAS ADOPTED THIS DECISION:

Article 1

Exceptional State aid by the Hungarian authorities in the form of interest subsidies and direct grants for the purchase of agricultural land, amounting to a maximum of HUF 4 000 million and allocated between 1 January 2010 and 31 December 2013, shall be considered to be compatible with the internal market.

Article 2

This Decision is addressed to the Republic of Hungary.

Done at Brussels, 22 December 2009.

For the Council
The President
A. CARLGREN