

COMMISSION DECISION
of 20 December 2010
extending the transitional period concerning the acquisition of agricultural land in Hungary
(Text with EEA relevance)
(2010/792/EU)

THE EUROPEAN COMMISSION,

Having regard to the Treaty of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia,

Having regard to the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia, and in particular point 2 of Chapter 3 of Annex X thereto,

Having regard to the request made by Hungary,

Whereas:

- (1) The 2003 Act of Accession provides that Hungary may maintain in force, under the conditions laid down therein, for a 7-year period following the accession, expiring on 30 April 2011, prohibitions on the acquisition of agricultural land by natural persons who are non-residents or non-nationals of Hungary and by legal persons. This is a temporary exception to the free movement of capital as guaranteed by Articles 63 to 66 of the Treaty on the Functioning of the European Union. This transitional period may only be extended for a further 3 years.
- (2) On 10 September 2010, Hungary requested to extend the transitional period concerning the acquisition of agricultural land by 3 years.
- (3) The main reason for the transitional period was the need to safeguard the socioeconomic conditions for agricultural activities following the introduction of the single market and the transition to the common agricultural policy in Hungary. In particular, it aimed to meet concerns raised about the possible impact on the agricultural sector of liberalising the acquisition of agricultural land due to initial large differences in land prices and income compared with Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden

and the United Kingdom (hereinafter 'the EU-15'). The transitional period was also designed to ease the process of privatisation and restitution of agricultural land to farmers, and the Commission, in its Report of 16 July 2008 on the Review of the transitional measures for the acquisition of agricultural real estate set out in the 2003 Accession Treaty (hereinafter the 'Mid-Term Review') already emphasised the importance of the completion of this policy by the end of the foreseen transitional period. ⁽¹⁾

- (4) Despite the increasing convergence of land prices in Hungary with those prevailing in the EU-15 after Hungary's accession to the European Union, a 3- to 20-fold difference in average land prices still persists according to information submitted by Hungary. Although the complete convergence in land prices was neither expected nor seen as a necessary condition for terminating the transitional period, the noticeable differences in prices between Hungary and EU-15 are such as they may still hinder smooth progress towards price convergence. Similarly, the gap between the income of agricultural workers and farmers in Hungary and income in the EU-15 decreased but continues to exist. Furthermore, according to data from Eurostat, the agricultural sector of Hungary was hit relatively severely by the recent global financial and economic crisis with real agricultural income per worker falling by the highest rate in the Union (about 30 per cent against a Union average of about 12 per cent) in 2009. Lower income has been coupled with worse credit conditions relative to those in most of the EU-15 countries, both as regards nominal interest rates and the volume of credit available for farmers. The expected increased presence in Hungary of new financial institutions from EU-15 after the accession of Hungary was hampered by the financial and economic crisis.
- (5) Although the restitution process has advanced during the transitional period, it encountered difficulties in particular since 2008, and has thus not yet been completed. A similar trend can be observed as regards privatisation of agricultural land. The lack of certainty of property rights as well as underdeveloped credit and insurance facilities for farmers further weaken the Hungarian agricultural land market and still hinder its proper functioning.

⁽¹⁾ COM(2008) 461 final, 16 July 2008.

- (6) Against this background, it can be anticipated, as do the Hungarian authorities, that the lifting of the restrictions on 1 May 2011 would exert pressure on the land prices in Hungary. Moreover, taking into account the high number of participants, the very fragmented ownership structure of the agricultural land market, which has not changed significantly since accession, and the predominance of land leasing, the impact would likely be felt throughout the entire sector. Therefore, a threat of serious disturbances on the Hungarian agricultural land market upon the expiry of the transitional period exists.
- (7) An extension of 3 years to the transitional period referred to in point 2 of Chapter 3 of Annex X to the Act of Accession should therefore be granted.
- (8) In order to fully prepare the market for liberalisation, it continues to be of utmost importance, even amid adverse economic circumstances, to foster the improvement of factors such as credit and insurance facilities for farmers, and the restitution and privatisation of agricultural land during the transitional period, as already emphasised in the Mid-Term Review.
- (9) Increased inflow of foreign capital into the agricultural land market also presents potential benefits for this market in Hungary. As emphasised in the Mid-Term Review, foreign investment in the agriculture sector

would also have important long-term effects on the provision of capital and know-how, on the functioning of land markets and on agricultural productivity. The progressive loosening of the restrictions on foreign ownership during the transitional period would also contribute to preparing the market for full liberalisation,

HAS ADOPTED THIS DECISION:

Article 1

The transitional period concerning the acquisition of agricultural land in Hungary referred to in point 2 of Chapter 3 of Annex X to the 2003 Act of Accession shall be extended until 30 April 2014.

Article 2

This Decision shall enter into force on the 20th day following its publication in the *Official Journal of the European Union*.

Done at Brussels, 20 December 2010.

For the Commission

The President

José Manuel BARROSO