DECISIONS

COUNCIL DECISION

of 20 November 2009

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

(2010/10/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 88(2), third subparagraph, thereof,

Having regard to the request made by the Government of the Republic of Poland on 28 September 2009,

Whereas:

(1) On 28 September 2009, Poland presented to the Council a request for a decision in accordance with the third subparagraph of Article 88(2) of the Treaty, declaring that the plan of the Republic of Poland to grant national aid to Polish farmers for the purchase of agricultural land is compatible with the common market.

(2) The unfavourable area structure of Polish agricultural holdings, the low level of direct payments that Poland receives following a phasing-in mechanism provided for in the 2003 Act of Accession and the disproportionately high agricultural labour inputs compared with the returns result in low agricultural incomes, which further dropped in 2008 due to the fall in the value of payments to farmers following the 10 % decrease in the euro exchange rate.

(3) In 2009, the deepening recession in the world economy caused by the global crisis has adversely affected Polish agricultural holdings both due to the lack of demand and plummeting purchase prices: wheat prices are approximately 45 % and rye prices approximately 60 % down on March 2008 levels, whereas in July 2009, the price of milk was 9,5 % lower than in July 2008.

(4) The prices of agricultural inputs such as fertilisers, pesticides, feed and fuel have continued to rise in 2009, which has had a catastrophic impact on farmers' living standards. It is likely that conditions will continue to worsen for many Polish farms, with a consequent increase in the number of farming families at risk of poverty.

(5) The income situation of farmers in Poland has been further aggravated in 2009 by losses, estimated to reach some PLN 240 million, on 130 000 hectares of agricultural land through flooding in 11 voivodships (out of a total of 16 voivodships).

(6) In the first quarter of 2009, rural unemployment rose compared to last year and there is a risk that it will rise still further. National aid should help the unemployed switch to farming by allowing them to buy agricultural land. It should also give the opportunity to semi-subsistence farmers no longer working as employees in sectors other than agriculture to improve the area structure of their holding with the aim of securing an income that will guarantee them a basic standard of living off the land. It should also facilitate selling of agricultural land owned by the unemployed who need capital to switch to self-employed status.

(7) Agricultural land prices in Poland have been rising significantly and continuously since 2007.

(8) In view of farmers' lack of capital, the high interest rates on commercial loans for the purchase of real estate, including agricultural land and building plots, and the tightening up of the banks' criteria for granting farmers loans in the current crisis, farmers, especially those with small holdings, have little prospect of taking out commercial loans for investments such as the purchase of agricultural land. In August 2009 rates for commercial credit lines for the purchase of real estate ranged from 6,26 % to 8,17 % per annum.

(9) The State aid to be granted amounts to PLN 400 million and should enable 600 000 hectares of agricultural land to be sold, during the period from 2010 to 2013, for the purposes of setting up or extending agricultural holdings which meet the criteria for family-run holdings, i.e. up to 300 hectares. The scheme should allow for setting up around 24 000 agricultural holdings with an area of not less than the average in the relevant voivodship. The average amount of aid per one holding should be around EUR 4 500. The price of the eligible land should not exceed the average market price in the relevant voivodship. As regards the land owned by the Agricultural Property Stock of the State Treasury, a tender procedure should apply.

(10) The aid will take the form of subsidising interest payments on loans, i.e. paying the difference between the annual interest rate applied by the bank which is 1,5 times the rediscount rate on bills of exchange rediscounted by the National Bank of Poland and the actual interest rate paid by the borrower which is 2 % as a minimum.

(11) The Commission has not at this stage initiated any procedure nor taken a position on the nature and compatibility of the aid.

(12) 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 Poland, to be compatible with the common market,

HAS ADOPTED THIS DECISION:

Article 1

Exceptional aid by the Polish authorities for loans for the purchase of agricultural land, amounting to a maximum of PLN 400 million and granted between 1 January 2010 and 31 December 2013, shall be considered to be compatible with the common market.

Article 2

This Decision is addressed to the Republic of Poland.

Done at Brussels, 20 November 2009.

For the Council
The President
E. ERLANDSSON