COMMISSION DECISION

of 14 April 2011

extending the transitional period concerning the acquisition of agricultural land in Lithuania

(Text with EEA relevance)

(2011/240/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 Chapter 4 of Annex IX thereto,

Having regard to the request made by Lithuania,

Whereas:

(1) The 2003 Act of Accession provides that Lithuania 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 and legal persons from other EU Member States who are neither established nor registered nor having a branch or an agency in Lithuania. 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 once for a period of up to 3 years.

(2) On 4 February 2011, Lithuania 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 Lithuania. 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 restitution and privatisation of agricultural land to farmers. 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 of 2008'), the Commission has already emphasised the importance of the completion of the abovementioned agricultural reform by the end of the foreseen transitional period [1].

(4) The land reform is still ongoing in Lithuania. According to data supplied by the Lithuanian authorities, there is a total of 429 000 ha of State land for which ownership rights need to be clarified. At the moment only 77 200 ha of State agricultural land have been privatised and for 351 000 ha of agricultural land, which constitutes 11,42 % of the total agricultural land in Lithuania, the ownership rights still remain to be solved.

(5) In the view of the Lithuanian authorities, the lack of clarity on property rights together with the unfavourable structure of the farms inevitably hinders land transactions and consolidation of agricultural land. Land fragmentation, however, leads to lower competitiveness and less market-oriented farms. In this context, data relating to 2009 made available by the Lithuanian authorities show that, in that year, farms of a size of up to 5 ha amounted to 52,5 % of all farms.

(6) The aforementioned lower competitiveness of the Lithuanian agricultural sector compared to the agricultural sector in EU-15 is compounded by difficulties in access to financial resources and high interest rates applied to commercial credit lines for the acquisition of agricultural land (more than 10 % in 2009).

(7) Moreover, the recent global financial and economic crisis also had a negative impact on Lithuania's economy and in particular on the selling prices of agricultural products. According to the data of the Lithuanian Department of Statistics under the Government of the Republic of Lithuania, the total index of the purchase prices of the agricultural products in 2009, as compared to 2008, was 77,8. The fall was especially significant in the plant growing sector, where the total index of the purchase prices of these agricultural products in 2009 compared to 2008 was equal to 69,1.

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

(8) In the light of the factors mentioned above, the still considerable, although decreasing over time, gap in the agricultural income of farmers in Lithuania and of farmers in the EU-15 can be explained. According to Eurostat, in 2009 the level of the farmers' income in Lithuania decreased by 13,6 %, while the average of the income of the EU-27 decreased by 10,7 %.

(9) Similarly to the levels of agricultural income, the gap in the agricultural land sales prices between Lithuania and the other EU Member States also persists. According to Eurostat data, the prices of the agricultural land parcels in Lithuania remain low in comparison to the other EU Member States. Complete convergence in agricultural land sales prices was neither expected nor seen as a necessary pre-condition for terminating the transitional period. Nevertheless, the noticeable differences in agricultural land sales prices between Lithuania and the EU-15 are such that they may hinder smooth progress towards price convergence.

(10) Against this background, it may be anticipated, as do the Lithuanian authorities, that the lifting of the restrictions on 1 May 2011 would exert pressure on the land prices in Lithuania. Therefore, a threat of serious disturbances on the Lithuanian agricultural land market upon the expiry of the transitional period exists.

(11) An extension by 3 years of the transitional period referred to in Chapter 4 of Annex IX to the Act of Accession should therefore be granted.

(12) 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 completion of the agricultural structural reform during the transitional period, as already emphasised in the Mid-Term Review of 2008.

(13) Since an open single market has always been at the heart of the European prosperity, an increased inflow of foreign capital would bring along potential benefits also for the agricultural market in Lithuania. As emphasised in the Mid-Term Review of 2008, 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.

(14) For the purpose of legal certainty and in order to avoid a legal vacuum in the national legal system of Lithuania after the expiry of the current transitional period, this Decision should enter into force on the day of its publication in the *Official Journal of the European Union*,

HAS ADOPTED THIS DECISION:

Article 1

The transitional period concerning the acquisition of agricultural land in Lithuania referred to in Chapter 4 of Annex IX to the 2003 Act of Accession shall be extended until 30 April 2014.

Article 2

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

Done at Brussels, 14 April 2011.

For the Commission
The President
José Manuel BARROSO