II

(Non-legislative acts)

DECISIONS

COMMISSION DECISION (EU) 2020/787

of 16 June 2020

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

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty of Accession of the Republic of Croatia to the European Union,

Having regard to the Act of Accession of the Republic of Croatia, and in particular Chapter 3 of Annex V thereof,

Having regard to the request made by Croatia,

Whereas:

(1) The 2011 Act of Accession provides that Croatia may maintain in force, for a seven-year period following the accession, expiring on 30 June 2020, restrictions on the acquisition of agricultural land by nationals of another Member State, by nationals of the States which are a party to the European Economic Area Agreement (EEAA), and by legal persons formed in accordance with the laws of another Member State or an EEAA State. 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) The main reason for the transitional period granted at the time of Croatia's accession to the European Union 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 Croatia. In particular, the transitional period aimed to meet concerns raised about the possible impact on the agricultural sector of liberalising the acquisition of agricultural land. This was due to significant differences in land prices and farmers' purchasing power in Croatia 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) ([1]). The transitional period was also designed to: (i) ease the process of restitution and privatisation of agricultural land; (ii) improve the land registers and cadastre and regulate property rights; and (iii) demine agricultural land. In its Report of 8 May 2017 on the Review of the transitional measures for the acquisition of agricultural real estate set out in the 2011 Treaty on the accession of Croatia to the EU (hereinafter the 'Mid-Term Review'), the Commission has already emphasised the importance of the completion of the above-mentioned objectives by the end of the provided for transitional period ([2]).

(3) On 15 November 2019, Croatia requested to extend the transitional period concerning the acquisition of agricultural land by 3 years.

(4) According to data available to Eurostat, agricultural land prices in Croatia are among the lowest in the European Union. 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 prices between Croatia and almost all other Member States, in particular the EU-15, are such that they can hinder smooth progress towards price convergence.

([1]) Report from the Commission to the Council of 8 May 2017, Review of the transitional measures for the acquisition of agricultural real estate set out in the 2011 Treaty on the accession of Croatia to the EU, COM/2017/0217.

([2]) Idem.

(5) The data from Eurostat also show that the gap in per capita GDP in purchasing power standards between Croatia and almost all other Member States, in particular the EU-15, still persists. Thus, existing agricultural land prices are high relative to purchasing power in Croatia.

(6) According to the 2016 Farm Structure Survey ([3]), the structure of land property in Croatia is characterised by the predominance of small family farms and fragmented agricultural land holdings. Compared to the average farmer in the European Union, the average Croatian farmer uses a 30 % smaller surface area of agricultural land, breeds only half the livestock units, and produces standard output that is 56 % lower. The consolidation process of these small farms is still ongoing. Fragmentation of agricultural holdings is one of the main factors limiting the development of Croatia's agricultural sector.

(7) The lower productivity of Croatian farmers compared to other European farmers has a negative impact on their competitiveness. Viewed in relation to the average agricultural productivity of the European Union, the agricultural productivity of the Republic of Croatia in 2018 is lower by 70,2 %. Croatian authorities report that Croatian agriculture is not competitive enough in the European single market.

(8) Furthermore, the Croatian authorities stress in their request for extension the need for more time to fully implement some projects likely to ease, once completed, the acquisition of agricultural land as: (i) privatisation and restitution of land; (ii) regulation of property rights; (iii) putting the land register and cadastral data in order; and (iv) continuing to demine agricultural land suspected of still containing mines.

(9) Against this background, it may be anticipated, as do Croatian authorities, that the lifting of the restrictions on 1 July 2020 would exert pressure on land prices in all geographical areas of Croatia. Hence, the possibility of limiting the extension of the transitional period to selected geographical areas particularly affected is not exercised. An upward trend in agricultural land prices would very likely be, on the short to medium term, unfavourable to the structural transformation of Croatian agriculture, including the transition of small farms to medium-sized farms. Therefore, there is a threat of serious disturbances on the Croatian agricultural land market upon the expiry of the transitional period.

(10) An extension of 3 years to the transitional period referred to in Chapter 3 of Annex V to the 2011 Act of Accession should therefore be granted.

(11) To fully prepare the market for liberalisation, it continues to be of utmost importance, even amid adverse economic circumstances, to foster the improvement of Croatian agriculture through a variety of different measures. These measures have already been emphasised in the Mid-Term Review and include: (i) the completion of the agricultural reform; and (ii) the restitution and privatisation of agricultural land during the transitional period.

(12) Since an open single market has always been at the heart of European prosperity, an increased inflow of foreign capital would also bring potential benefits for the agricultural market in Croatia. As emphasised in the Mid-Term Review, foreign investment in the agricultural sector would also have significant 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 help prepare the market for full liberalisation.

(13) For the purpose of legal certainty, and in order to avoid a legal vacuum in the national legal system of Croatia 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 Croatia referred to in Chapter 3 of Annex V to the 2011 Act of Accession shall be extended until 30 June 2023.

([3]) For the survey on the structure of agricultural holdings, see https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:FSS

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, 16 June 2020.

For the Commission
The President
Ursula VON DER LEYEN