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POLICY

Voluntary - Public

Date: 3/30/2010

GAIN Report Number: HU1002

Hungary

Post: Budapest

Land Purchase Moratorium Extension

Report Categories:

Agricultural Situation

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Report Highlights:

The Government of Hungary opened debate on its request to EU committees to extend the current land moratorium which prohibits companies and foreigners from purchasing farmland. The Restitution Program of the early 1990s created millions of new land owners and at the same time made land property system difficult to manage. Land ownership is an emotional issue in Hungary as in most countries. Both the current, seven year moratorium and the plan to ask the EU for a three year extension are supported by nearly all political entities. The real difficulties, however, is a result of the outdated Land Law and the unmanageable agricultural land ownership structure.

General Information:

On March 22, 2010 the Ministry of Agriculture and Rural Development (MARD) started negotiations with representatives of farm organizations regarding the draft of a Hungarian proposal to EU committees to extend the agricultural land purchase moratorium. The moratorium would permit only natural persons (Hungarian citizens and under special conditions foreigners) to purchase or own agricultural land. Legal entities such as companies, banks, domestic or foreign may not purchase agricultural land. The current seven year moratorium expires April 2011. The GOH requests a three years extension until 2014. Farm organizations must file their opinion on the MARD proposal by the next meeting of the Agricultural and Rural Development Interest Reconciliation Council (an ad hoc forum) on Wednesday, March 31.

There is full agreement among political and professional circles in Hungary (even now, weeks before the parliamentary elections) that the moratorium must be extended. One of the most frequently quoted arguments for the protective measures is the low market price of farmland in Hungary. After an incremental increase in 2008, as an outcome of the economic crisis, average prices of agricultural land in Hungary are still only one-third of price for the same quality land in Austria or one tenth of the corresponding prices in Italy or Denmark. The low domestic demand for agricultural land, beyond the above limitations is caused by the lack of accumulated capital of farmers, the weak profitability of agricultural production, and the 300 hectare ownership ceiling per person (this limit does not apply to rented area for farm use).

Another argument in support of the GOH moratorium is the confused land property pattern. The majority of agricultural land is in the hands of non-farm owners or inactive, old proprietors in a “patchwork” of small parcels. Many large fields are not evenly divided among owners by survey. This is the so-called “undivided common ownership” where large (50-500 hectare) fields are owned “collectively” by hundreds of small proprietors. This land ownership pattern is the outcome of Hungary’s Restitution Program and Cooperative Restructuring Program of the early 1990s. The GOH has made some steps towards managing the land issue by establishing the National Land Fund, and some minor land change programs to make the field pattern more rational. But farm experts agree that an additional three year moratorium will be insufficient to make major progress in better managing land ownership.

The majority (70-80%) of agricultural land is cultivated by private farmers and corporations under leases. These companies (partnerships, corporations, cooperatives etc.) privatized the assets of old-fashioned agricultural cooperatives or state farms excluding the land in the early 1990s.

The MARD has proposed lifting the land purchase moratorium for companies involved in livestock production. Commercial dairy farms, for example, have to use rented land now and this may discourage them from making long term investments. Also on the agenda is a proposal to lift the ceiling for farmland ownership for persons, from the present 300 hectares to 600-700 hectares but the most the pressing amendments to the outdated Land Law will be left for the next government.

