Legal framework in effect in Lithuania

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Some facts about Lithuania

• 2.88 million habitants, 65.3 thousand sq km area.
• We regained our independence in 1991
• The land reform started in 1991 is still ongoing.
• In 2004 we accessed the EU
• We also entered the common EU market
Total area of agricultural land and average holding size, ha
Distribution of farms by land area

- 0-3 ha: 41%
- 3-10 ha: 33%
- 10-20 ha: 5%
- 20-30 ha: 2%
- 30-50 ha: 3%
- over 50 ha: 16%

Legend:
- 0-3 ha
- 3-10 ha
- 10-20 ha
- 20-30 ha
- 30-50 ha
- over 50 ha
Land area of farms by property rights

- Farmland area owned by property rights: 86%
- Private farmland area leased from other persons: 10%
- Farmland area leased from the State: 4%
Distribution of holdings by economic activities

- Crop production: 45%
- Mixed farming: 33%
- Animal production: 15%
- Other: 7%
Distribution of farmers by age

- Under 40: 36%
- 40-65: 47%
- Over 65: 17%

Legend:
- Green: under 40
- Orange: 40-65
- Blue: over 65
Average direct payments per potentially eligible area (year 2017 – existing legislation)

Source: European Commission – DG Agriculture and Rural Development
Law on Acquisition of Agricultural Land in Lithuania
Before 01-01-2014

• One person could hold **up to 500 ha** of agricultural land.
• The law allowed any person to **establish new legal entities** for purchasing additional areas of land, generating a vast total area with a goal to invest, not to work the land.
• This trend **distorted** the land market and land prices.
• Result – over 30 groups of legal entities, owning a large area of agricultural land (some **over 30 000 ha**)
A recent example

At the moment, German „KTG AGRAR SE“ is selling their shares to a Lithuanian AUGA GROUP (ex. AGROWILL GROUP) which already owns 25 thousand ha and after this purchase is expanding up to 33 thousand ha of land, mainly used for organic crop production.
After 01-01-2014: total area owned by related persons no more than 500 ha; priority rights for sales

I. Definition of related persons:
   • Spouses or parents (stepparents) and their minor children (stepchildren)
   • Legal entities, directly or indirectly managing more than 25 percent shares of other legal entity
   • Legal entities having the same sharer who manages more than 25 percent shares

II. Priority (pre-emption) rights when selling private agricultural land to:
   • Co-owners of the land parcel
   • State
   • Person using the land for at least one year on the basis of a contract which is registered at the Register of Real Property
   • Owners of neighboring land plots
Factors that affected a second change of the Law: After 01-05-2014

- Constantly deteriorating soil quality, industrial impact, urban development and other factors prompted a second amendment of the Law on acquisition of agricultural land:

- Only persons featuring appropriate skills and qualification can buy agricultural land.

- Requirement only applies to those seeking to obtain more than 10 ha of agricultural land.

- The aim of restrictions – to avoid commercial concentration of vast areas of land in single hands, aiming to profit, not to farm.
Qualification requirements (not applicable to young farmers)

**Legal entities**
- 3 years of *agricultural activities* within 10-year period; declaring agricultural land 3 years within 10-year period
- **50% of income** from agricultural activities
- Need to prove *economic viability*

**Natural bodies**
- 3 years of *agricultural activities* within 10-year period; declaring agricultural land
- Have **registered** a farmer’s farm or possess a diploma in *agricultural education*
European Commission initiated an infringement procedure

• EC claims the qualification requirements (professional education, registered farmer’s farm, 50 percent of income from agricultural activities for legal bodies) do not comply with the principles of free movement of capital and the free rights of establishment.

• EC points out the current Law closes the land market for the persons with no professional farming skills.

• EC requires Lithuanian authorities to eliminate qualification requirements from the Law.
Current situation

• Ministry of Agriculture is working on a new amendment of the Law, in which all qualification requirements shall be abolished, except the requirement applicable to both natural and legal bodies „agricultural activity and declaration during 3 years within the last 10-year period until entering into land sales agreement“ (EC did not point out this specific qualification requirement as incompliant with EU legal framework).
Should we give up trying?
Thank you for your attention!