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Bread baskets, fuel supplies
and bio tech crops:
Will the Central and Eastern
European countries take part in the
second Green Revolution?

ABOUT THE PAPER

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BREAD BASKETS, FUEL SUPPLIES AND BIO TECH CROPS: WILL THE CENTRAL AND EASTERN EUROPEAN COUNTRIES TAKE PART IN THE SECOND GREEN REVOLUTION?

Andrew Cartwright

ABSTRACT

Higher prices, changing diets and subsidized biofuel production have all helped increase foreign investment in agriculture. With its large fertile plains, advantageous growing conditions and low land prices, Central and Eastern Europe holds especial interest for investors. Already, multinationals have acquired hundreds of thousands of hectares of farm land in Ukraine and Russia and in the next few years, the EU members in Central and Eastern Europe (CEE) will remove restrictions on foreign, or at least EU national, ownership. This paper considers whether Hungary, Poland and Romania will be part of this new scramble for land. Rural tenure is dominated by smallholdings owned by elderly, often urban based owners and this fragmentation and attendant transaction costs have proved enduring obstacles to land market development. This paper examines recent struggles over land ownership, focusing on policy interventions that have acquired private land in exchange for enhanced pensions. As elderly owners abandon landholding, what are the chances that this land will be bought up by foreign investment funds? What might be the impact on the rural economy? How will it affect rural de-population and under-employment? What role will local actors and institutions have in attracting investment and influencing its impact?

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INTRODUCTION

In recent years, the term ‘land grabbing’ has appeared to describe the phenomena of large scale acquisitions of farmland by foreign investors. Many of the most spectacular acquisitions have been in Africa, with Sudan, Ethiopia, Kenya becoming host for huge foreign investments from India, China and perhaps most notably in recent years, from the Gulf States. For some, the issue resembles older examples of north/south exploitation; in collusion with local elites, powerful multinational companies acquire vast tracts of farmland for plantation style cash crops destined for export and, in the process, dispossess local populations of their ancient customary use rights.¹ From this perspective, land grabbing is simply neo-colonialism, albeit with some different characters from the usual.

Despite the analogies, there are several reasons for saying that this kind of foreign involvement in agriculture is distinct from previous instances. There are a far greater array of parties involved, sovereign wealth funds and private investment funds, alongside the established multinationals such as Cargill and General Foods. There is also a huge range of investment motivations, some countries, such as the Gulf States are acquiring land abroad whilst scaling down domestic agriculture, others, such as Japan and South Korea are investing in foreign fields because they have no land left that is suitable for production. Rising populations, changing diets that require more land to be given over for livestock are all fueling a strong demand for increased supply of productive farmland. Add to this the increasing use of bio-fuels for meeting transport fuel needs, and you get a situation where the investment manager, George Soros can declare that “I am convinced that farm land will be one of the best investments of our time”.

The aim of this paper is to consider how far Central and Eastern European countries might be part of this scramble for land. With their large growing areas, favorable climates, proximity to populous markets, they might appear ideal destinations for foreign capital. It is not hard to find many brokers, land agents, real estate advisors that swear that Central and Eastern Europe offers rich rewards to foreign investors. However, investing in farming in CEE countries is by no means straightforward. There are significant legal and administrative restrictions, such as the fact that foreigners cannot acquire arable land in Hungary, Poland and Romania. There are also problems relating to the structure of land ownership, for example, the fact that so much land is owned in small pieces, or the fact that so much of land is held in co-ownership. On first sight, despite the exhortations from real estate agents or the warnings given out by both populist parties and environmental NGOs, it seems unlikely that there will be land grabbing on anything like the scale found in other parts of the world. It will be my argument that despite these features which would seem to put off foreign investment, the changing demography of the rural areas as well as the long term changes in agriculture, suggests that the story of foreign investment in CEE agriculture will be more complicated than first seems.

1 For good examples of reports that take this line, see the website of the campaign group GRAIN as well as the articles collected in the website farmlandgrab.org

1. THE NEW SCRAMBLE FOR FARM LAND?

The Food and Agricultural Organization, in their Global Agro-Ecological Assessment calculate what they call the land balance which is an estimation of how much land is suitable for cultivating rain fed wheat, maize and rice and a comparison with how much land is in actual cultivation around the world. In the past ten years, highly populated areas in Asia have tended to have negative land balance, they are growing on land that is not suitable for cultivation. In Eastern and Middle Africa, South America and Eastern Europe, by contrast, there are significant positive balances. In Eastern Europe, for example, the FAO estimates that an additional of current 20% of land could be cultivated.²

Land grabbing has come into fairly wide circulation to describe foreign acquisition of land for farming. The term has been promoted by campaigning NGOs and gives the impression of acquisitions that are illicit as well as being done in haste. International attention, especially from the World Bank and the FAO has tended to focus on Africa where some of the largest land deals have been done, although there have been significant transactions in central Asia, Latin America as well as in Eastern Europe, especially Ukraine and Russia.³ Key topics in land grabbing include the effect on domestic foods security of large scale transfers of land into foreign control, the potential impact on existing users, the appearance of investors who previously had not shown too much interest in long term investment in agricultural land and potential positive impacts that this might have on the development of domestic agriculture and related processing industries. This is not the place to review the extensive literature on the topic. The aim is to identify aspects of land grabbing that will be relevant to considering the potential effect in Central and Eastern Europe. To this end, four features will be referred to.

1.1. State to state negotiations

Whilst there are many examples of private companies acquiring large tracts of farmland, there has also been considerable attention given to the fact that many large land deals are being done between governments. As Der Spiegel reported last year, ‘the most spectacular deals are not being made by private investors, however, but by governments and the funds and conglomerates they promote.’ Among the examples they gave were the fact that the Sudanese government has leased 1.5 million hectares of prime farmland to the Gulf States, Egypt and South Korea for 99 years, that Kuwait has leased 130,000 hectares of rice fields in Cambodia and the president of the Democratic Republic of Congo has offered to lease 10 million hectares to the South Africans.⁴ The fact that the state owned companies are negotiating land deals directly with government is significant for considering the position of CEE countries. Although the majority of countries in the region introduced land reforms that transferred the vast majority of collective or state owned land into private hands, the state retains significant influence over agricultural land and in some cases, has been increasing its share of the agricultural area.

2 By Eastern Europe, the FAO mean, Hungary, Czechs, Slovaks, Poland, Ukraine, Romania and Moldova. For the Global Agro-Ecological Assessment, see Patchar

3 See for instance Lorenzo Cotula, Sonja Vermeulen, Rebeca Leonard, and James Keeley (2009) Land Grab or Development Opportunity? Agricultural Investment and International Land Deal in Africa. FAO, IFAD, and IIED. <http://www.fao.org/docrep/011/ak241e/ak241e00.htm> (Accessed April 27 2010). David Hallam, (2009) International Investments in Agricultural Production. Paper presented at the conference “Land Grab: the Race for the World’s Farmland”, Woodrow Wilson Center, Washington DC, 5 May.

4 ‘The New Colonialism, Foreign Investors Snap Up African Farmland’, Der Spiegel, 07/30/2009 Horand Knaup and Juliane von Mittelstaedt

1.2. Grabbing does not necessarily mean owning

Much of the focus on land grabbing has been on the size of the areas acquired.⁵ Of less interest has been the variety of legal arrangements to secure long term use of land. There have been reports of extremely large land transactions in parts of southern Africa where the contractual terms run to a few pages. In other cases though, the parties involved have been sensitive to the impression of selling off the national patrimony and transferring huge estates into foreign ownership. In Kazakhstan for instance, a recent land transaction with the Chinese government for instance, was reported as not involving the transfer of ownership of the land but a 'joint venture agreement'. In other cases, the legal environment will not allow farmland ownership by foreign companies or individuals, however, it will allow for other forms of acquisition, such as long term leases or investment through companies where the foreign share of ownership is in the minority. This has been the case in Ukraine, for example, where well known international agribusiness such as Cargill have been acquiring stakes in Ukrainian agricultural companies. Indeed, the FAO in its most recent report on foreign acquisitions was keen to move the debate away from simply concentrating on the size of acquisition and the question of land titles, to the various business models that might regulate relations with indigenous producers.⁶

1.3. Local markets or foreign ones?

A third topic that has been gained much controversy is the intentions of the investors. What kinds of relationship are envisaged between the newcomers and their hosts? What proportion of the crops grown will be destined for local markets and what will be exported back to the country of origin? Understandably, for development NGOs, one of the most controversial aspects of foreign land acquisitions has been that they have taken place in poor African countries that are in receipt of large amounts of international food aid. Sudan, Mali, and Ethiopia, for example, have all been involved with major land deals with rich Middle Eastern countries, who have made it clear that the principal purpose of the acquisition has been to secure their own domestic food needs. The recent decision by Saudi Arabia to halt rice production in the north of the country and instead invest in South Sudan was part of a strategic reappraisal of the economic and environmental consequences of farming in Saudi, in particular the high costs of producing sufficient water through desalinization. The fear is that the nature of the acquisition means that the benefits for the local population in terms of stimulating agricultural development and addressing local food needs will be limited. Instead, as in the colonial era, the area will be managed by foreign companies that are principally interested in supplying far away markets.

1.4. Idle Land and Open Spaces

One final question that can be relevant is the extent to which foreign investors are acquiring cultivated or uncultivated land. One of the fears of the FAO and NGOs such as GRAIN is that governments are entering into large scale agreements with land which they claim is unused. The problem that has been identified with this approach is that it can often override claims that are based on custom, long term usage but are not necessarily registered property rights. There have been cases where existing users have

5 Between January 2004 and March 2009, for example about two million hectares of land was acquired in Ethiopia, Ghana, Madagascar and Mali. Source Cotula et al (2009)

6 Sonja Vermeulen and Lorenzo Cotula, 'Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders', FAO and IIED, 2010

claimed to have been dispossessed by foreign land deals. In CEE countries, although the comparison is not quite the same, there are large parts of land that are unworked, some have been deliberately taken out of circulation, whether through the now defunct EU program of EU of set aside, or simply through economic decisions by their owners that the marginal costs of production are simply too high and until conditions have changed, the land will remain idle. Of the three countries under consideration here, perhaps the most notable is Romania where the extent of uncultivated land has been estimated at around 3,000,000 hectares or 20% of the agricultural growing area. This is not to say that the land is unregistered, although there might be complications identifying all of the interested parties. Nevertheless, countries possessing large areas of unworked land can, at least on paper, appear attractive for foreign acquisition.

2. WHAT ARE THE CHANCES THAT THERE WILL BE A LAND GRAB IN CENTRAL AND EASTERN EUROPE?

Despite the importance of land use to the rural economy and landscape, the question of ownership has been an enduring and controversial topic. On both left and right, there often appears to be a consensus in CEE that arable lands should not become the property of foreign individuals or companies, whether or not they are members of the European Union. Some stress the need to protect from speculators taking advantage of huge difference in land prices in Europe, others that restrictions are necessary to protect the domestic agricultural sector while others invoke the importance of land for national identity and pride.

The focus here is on Poland, Hungary and Romania with their combined agricultural area of around 37 million hectares. The farming sectors vary in structure, size and potential interest to foreign investment. Hungary's once large farming sector has probably shrank the fastest in terms of workforce and contribution to GDP and it is now comparable with other European countries with less than 5% of the workforce principally engaged in agriculture. Romania and Poland by contrast still have very large rural populations involved in farming as well as large growing areas suitable for a range of crops. All three countries have been identified for investment by agri-business, investment funds and sovereign wealth funds. As we shall, there have already been significant investments in agriculture and related business, especially in livestock and dairy sectors as well as a big increase in the number of foreign supermarkets. In terms of attractiveness for foreign investment, each country is comparatively politically stable, close to large markets and there is also the possibility for accessing subsidies under the Common Agricultural Policy.

Restricting foreign land ownership was one of the key negotiation points in the run up to EU accession. Arguing that the low land and labor prices were simply too tempting, each country managed to secure a derogation from the principle of free movement of capital. In Poland, for example, the government ensured that accession to the EU would not revoke the provision of the 1920 Act on Acquisition of Real Estate by Foreigners, at least not until May 2016. In Hungary, the prohibition on foreign ownership remains in force until May 2011 with a possibility that, if certain conditions are met, a safeguard clause could be invoked, and the prohibition extended for another three years. In Romania, the Act of Accession allowed Romania to retain restriction on foreign ownership for five years after accession, in other words January 2012.

2.1. What is the current extent of foreign ownership over farm land in Poland, Hungary and Romania?

Despite the outright prohibition as well as the sometime strident rhetoric used by politicians⁷ there are legal and less legal ways in which foreign nationals have acquired control over farmland. In all accession countries where there were restrictions, it was always possible to get farmland by marrying a native. A second, perhaps more common way was to establish farming credentials and long term intentions by living and farming in the country for a period of time, usually around three years. Thirdly, and probably the most important given the likely investors that we are focusing on, is for acquiring land through a locally registered company, albeit one in which the majority of shares are owned by locals (Swinnen and Vranken 2009:5).

Acquiring land legally, although possible can come with fairly heavy transaction costs and unpredictabilities. In Poland and in Hungary, it would by no means be guaranteed that you would be allowed to purchase land even if you had been renting the land for three years. There are well established right of pre-emption, which means that other parties have to be offered the possibility to buy land before it could be offered to the tenant. In Poland and in Hungary, the state Agricultural Property Agency and the National Land Fund respectively both have rights of pre-emption when it comes to sales of land. They also have the right to turn down applications from foreign investors. Whereas in 2009, the Polish Ministry of Agriculture granted permission to 313 buyers from Germany, Ukraine, Netherlands, Russia, and Austria to buy a total of 1758 hectares of land, in the same period, they also rejected 145 applications.

Given the legal restrictions, it is hard to work out exactly how much land is held in foreign ownership. In Hungary, researchers at the Institute for Agrarian Studies estimated that between 100-200,000 hectares of farm land, or 2-3% of the total was under foreign control.⁸ In Romania, the League of Agricultural Producers' Associations put the figure of foreign ownership at around 500,000 hectares which is more like 3% of farmland.⁹ In Poland, the foreign ownership lawfully obtained amount to no more than 50,000 hectares, out of a total of 16.2 million. What is interesting is that in both Poland and Hungary, the average size of land that is being acquired by foreign owners is relatively small. The average size of land sold last year to foreigners was 5.6 hectares, whereas if you look at the foreign recipients of single area payments under the CAP, then the average size is around 25 hectares, which is well above the average, but still hardly a great estate.

Then of course, there are the ways of getting around some of these restrictions. In Poland, especially in the western parts of the country where land is more available in large parcels of land, there are, as Swinnen and Vranken put it, 'undocumented reports of foreigners acquiring agricultural land by using Polish citizens as intermediaries' (2009:13). In Hungary, there is the practice of 'pocket contracts' where the official land register records a Hungarian being the owner of a parcel whereas in practice, the land is actually owned by a foreign national. Similar practices have been reported in Romania and, in all three countries, there have been media reports of marriages entered into with land and not only love in mind.

7 In the recent election campaign, the now Prime Minister of Hungary said Viktor Orban, the Prime Minister of Hungary, said in the recent election campaign that 'foreigners will never own arable land in Hungary, no matter what Brussels says'

8 Finding out just how much land is owned by foreign individuals or companies is not easy task. Clearly, where the contract is the 'pocket', then there is a risk that the nominal owner might decide to sell the land. As a precaution, many real owners register their interest in the land by means of a mortgage, which is recorded in the main land cadastre.

9 'Farmers will block county roads if government cuts off subventions,' Nine o'clock, 09.06.10 by Monica Apostol, <http://www.nineoclock.ro> Accessed July 14th

Overall though, the answer to the question of the scale of foreign involvement in CEE agriculture would, at least in the control over land, appear to be modest with indications that fair amounts of land are being acquired for non-agricultural purposes.

2.2. Is there likely to be a significant increase in foreign investment in CEE countries in the near future?

New players

One reason for the interest in CEE is simply, that is where the land is. As diets change and as land resources are depleted in other parts of the world, inevitably attention shifts to areas where land is underused. Into this field, come a number of new and older investors. On the one hand, there have been significant investments in agricultural companies in Ukraine from established firms such as Cargill, there have been significant purchases of state land in Russia from the Swedish company, Black Earth Farming. But then there have been a number of private investment funds that have announced their intentions to invest. In November, 2008, the Palmer European Farmland Fund was set up with the aim of raising €300 million to invest in good quality, arable, dairy and vegetable land in seven EU countries, including Romania. The Pharos Miro Agricultural Fund, was set up last year with a minimum investment of \$1million and looking for \$300 million, and promising returns of 5% a year with investment concentrated on cereal production in Moldova and Romania. The King Abdullah Initiative for Agro-Investment Abroad was a Saudi initiative to work with 12 countries to replace almost all of domestic production. It specifically targeted Poland and Ukraine for future investment. Another state backed venture was the announcement that the Japanese government would provide loans for Japanese companies to invest in foreign agriculture and singling out Eastern Europe as a potential site of interest. In terms of agri-business investment, then there has been significant movement into the livestock industry, especially in Romania and Poland. There have been a number of attempts to develop the biofuels sector, whether by converting local producers to fuel crops or by leasing land and building processing plants on site.¹⁰

3. OUT OF THE LAND?

Apart from the legal prohibitions on outright ownership, one of the enduring and well known problems of the land market in CEE countries is that so much land is divided into small pieces with often more than one legal owner per parcel. An advantage of investing in Russia, Ukraine or in Kazakhstan, is that there are large surfaces that can be purchased or leased by dealing with one owner, rather than hundreds. Despite the common view that there is high demand but low supply of the right kind of land, there are two major trends that might well affect the future use of farmland.

10 For more on foreign investment in CEE agriculture and related businesses see Swinnen and Vranken (2009)

3.1. Exit from agricultural production

The first is the continuing abandonment of farming, or as the agricultural economists call it, farm exit. There is a great deal written on why individual producers are withdrawing from agricultural production, especially those with smaller holdings. Making farms pay has been a struggle, even for the more mechanized and better connected farms. Although there have been many programs to support the commercialization of semi-subsistence farms, their results have been meager and, instead, there has been a gradual and recently accelerating move out of farming. In Poland, where family farms are more established, the Ministry of Agriculture expects the total numbers of farms to fall by 10% in the next five years. In 1990, Polish agriculture employed 27% of the workforce, by 2015, the estimate is that around 11% will work in farming. In Hungary in the mid 1990s, there were over 1m small holdings under production whilst by 2007, the year of the last Farm Structure Survey that number was down to 390,000. The average age of a private farmer is now 56 and the proportion of farmers under 40 is only 12%. If you look at Romania, where there are far many more small holdings and an even older agricultural workforce, then there are similar signs of withdrawal from farming without replacement by younger generations. For example, the size of the family labor force, which is responsible for cultivating the vast majority (84%) of private farms, dropped by a quarter between 2005-07. There were even higher proportions of elderly owners who were producers – 71% of holders of agricultural land were over 55 and the numbers of people who supplemented their pension through subsistence production was still almost half of the total private agricultural work force.

If further proof were needed, then the flow of remittances into the rural areas in recent years shows that only a tiny proportion was used in investment. The majority of 6 billion euros sent home in 2007 was used on current household expenses – around about half – and also spent on financing education. Only around 3% of monies sent home was used on investment as such.¹¹ The analysis by Fihel and colleagues from the University of Warsaw echoes the findings of researchers working on the impact of out-migration on agriculture in Albania. Money sent to rural areas by young men working abroad was used both for consumption and as a means for getting out of farming.

All three countries have added inducements to speed up this transformation. Each country allows farmers to retire at 55. The policy is an EU wide one to encourage smooth succession between generations and it has proved especially popular in Poland with over 70,000 applications approved and a further 30,000 expected by 2013. However, as the evaluators pointed out, although the measure was wholly justified in their view, there was significantly more supply than take up under the young farmers program.¹² Early Retirement has been one of the biggest items in the rural development programs, in the current spending round, it accounts for one fifth of the budget for rural development.¹³

11 Agnieszka Fihel, Paweł Kaczmarczyk, Joanna Mackiewicz-Łyziak, Marek Okólski, 'Labor mobility within the EU in the context of enlargement and the functioning of the transitional arrangements, Center for Migration Research, University of Warsaw, 2007

12 See Ex-ante evaluation of the Rural Development Program 2007-2013, page 24, Annex Five, Rural Development Program for 2007-13, Ministry of Agriculture and Rural Development, 2009

13 See Teresa Jablonska-Urbaniak, Agriculture and Food Economy in Poland, , Ministry of Agriculture and Rural Development, Warsaw 2009

3.2. Continued exit from land ownership

The second factor that might have a big contribution to the arable land market is the continuing exit from family land ownership. This trend needs to be kept distinct from exiting agricultural production, and it is one that perhaps has never been quite understood by European Union policy makers. Whilst there are European programs that try to accelerate transfers within and between farming families, there are no programs supported by structural funds to address the fact that there are hundreds of thousands of owners of farm land in Central and Eastern Europe that have absolutely no connection to farming. Their parents or grandparents may have worked in the collectives but they themselves have long left farming and the village. In Romania, for example, it was estimated that, following the 1991 land reform, 60% of the new owners of farm land lived in towns and cities. In Hungary, as shown by the numbers of outsiders who took part in the auctions for co-operative land, there were many people who received land who had no longer any connection with farming. This disconnect has had an important, although not so acknowledged bearing on the development of farming.

In both Hungary and Romania, for example, land titles drawn up after the settlement of claims did not always reflect the final decisions made within families. As a way of keeping costs down, and perhaps showing a faith in the ability to settle such inheritance matters within the family, it was common in Romania for land to be registered in the name of one family member. Sometimes, the title might have an annex that recorded the claims of other family member, in other cases, these weren't on the register and it was simply internal family arrangements that governed the division of rights and profits. In Hungary, there was a somewhat similar arrangement made between non-farming family members and significant portions remain of so called undivided land. This was a local remedy used where heirs did not want to work the land themselves, nor did they want to sell. They were offered the chance to continue renting their land in a block to the reformed collective. In this way large parts of land owned by urban residents were created. The collective was able to continue to work on land they had always, but now paid rents in cash or in kind to the numerous new owners.

The maturing of owners, the low rents, their unpredictability, the needs for cash, the death of an heir have all contributed to the steady unraveling of these older arrangements. Where there was once agreement concerning the division of responsibilities and profit, one party might now want to get rid of their share. However, transforming family owned property into individual property is not without its problems. In Romania in the 1990s, it was estimated by the OECD that there were over one million court cases in the Tribunal which were solely concerned with settling family disputes over land ownership. Individualizing requires extensive and expensive legal and survey work and where there is no money for this, then it won't happen. In Hungary, local Land Registers can use central funds to carry out surveys and establish new boundaries in areas of co-owned land. To give an indication of demand, from 2002-05, in Bekes County in eastern Hungary, there were over 7000 requests for land to be divided which covered an area of 12% of the county's farm land. According to the Land Register officials, that figure could be higher but they have to stop once they have spent the allocated. However, it is a slow process and funds are limited.

A second perhaps more significant example is state policies to encourage older owners to divest themselves of their land in exchange for higher pensions. The exact amount of land that held by elderly owners is not known, although there are common estimates that it is a lot. In Bekes county, Hungary, which has one of the most valuable farmlands in the country, we found that 44% of agricultural land was owned by those over 60, and 10% was owned by those over 80. The program has proved

very popular if controversial. In Hungary, where it has been running the longest, there have been allegations that the state is simply taking advantage of rural poverty amongst pensioners to acquire valuable farmland under market value. However, our research in Bekes county last year found that whilst the land was valuable in theory, those taking part in the land for pensions program almost always got significantly more than what they would have received on the open market. Furthermore, as the pension payments are made so long as the former owner is alive, the longer the person lives, the more times over they get back the value of their land.¹⁴

CONCLUSION: IMPLICATIONS OF EXITS FOR FUTURE LAND USE

Back to the question, do these trends suggest that there will be larger surface areas that will be snapped up by foreign buyers? What seems to be the case now is that some of the forces that inhibited the consolidation of fragmented land are weakening. As one generation declines the offer of land from the other, options that were once considered almost shameful are now viewed in a different light. In the case of some of the old owners in Bekes county, they had tried to become successful small scale producers with their inherited land, but had been defeated by low prices, high input costs, late payments, and competition from bigger producers. Their children had no interest in following their father and in most cases were either indifferent or supportive of their parents' decision to exchange their land for a better pension. Selling land was not so much a matter of sentiment, as the local mayor put it, it was no different to selling a car you no longer wanted.

In most cases, land that was acquired by the state through pension swaps was then rented out or sold. In some case it was used to help consolidate areas into single owned parcels, and there does appear to be a great potential for the state to restructure the farmed landscape in the countryside. Indeed one of the key characteristics of modern land grabbing has for state backed companies to deal directly with governments who are often the only ones in possession of large areas of land suitable for cultivation. There a number of signs that the hitherto reluctance to allow state lands for foreign use might be changing. The obsession with the nationality of ownership, which has characterized the Hungarian and Polish situation and to less extent the Romania one has sometimes brought these schemes into conflict with the European Commission. The Commission announced that Hungary's application to have the moratorium on foreign land sales extended was met with a cool response, and it is by no means clear that it will be automatically renewed. Similarly in Romania, the land for pensions swap scheme was suspended in December last year, whilst the Commission considered whether the program amounts to a hidden subsidy for domestic producers. Whilst land from the Agency can only be acquired by Romanian farmers, it appears to be an unfair advantage. This year, no applications from pensioners have been accepted.

In Hungary, the new government has recently created a National Land Fund to manage existing state farmlands, principally for the benefit of family farmers. They will have preferential access to lease or buy almost two million hectares under state ownership. In Poland, the state Agency has almost

14 See Andrew Cartwright, Gergo Medve-Balint and Sara Svensson, 'Inheritance Matters. Changing Land Use Trends Amongst the Elderly in Rural Hungary', Center for Policy Studies, Working Paper (2010) <http://cps.ceu.hu/publications/working-papers>

4 million hectares of land similarly for the purpose of helping Polish medium size family farms. In both countries, the state will inevitably be an important source of land for long term renting, and in it is through this door, that we might see a possibility for increased foreign investment. As mentioned, investors are making all kinds of legal arrangements to secure land from states, regional and local authorities as well as private companies. These involve joint ventures, farm management contracts, long term leases, and outright ownership, reflect different modes of control over management of the resource and fair division of profit.

There are several reasons for believing that foreign buyers might still be interested in making large scale investments in CEE. For one, it is possible to rent much more land than you can buy. In Hungary, companies cannot own land, only individuals can and to a maximum of 300 hectares. Agricultural companies, however, can lease up to 2500 hectares. Working with one or a number of existing farm companies can ensure access to far large surfaces than through ownership.

One final consideration is how this might affect the local economy and local democracy. The fear expressed by opponents of land grabbing is that it is done state to state and without any consideration of the wishes of locals. At present, the agencies in charge of the vast state reserves of land have different decision making structures, some which are more accountable to local interests than others. In Poland, the Agency has actually been transferring state land directly to local authorities; this is possible in Hungary, but only in for prescribed uses. For poor local authorities with little revenue generating capacities or with multiple social and economic problems, having control over land that can be rented out on a long term basis, could be an important source of income, particularly in those areas in which there are chances of increased investment. If this decentralization were to take place, it would be important to see strong forms of oversight and scrutiny to prevent local abuses. There are many examples in the literatures of mayors who used the confusion over ownership in the 1990s to create patronage networks that consolidated their own powers.¹⁵

So then to conclude, despite the real restrictions and not always favorable environment, Romania, Hungary and Poland look more likely to see increased foreign involvement in farming in the near future. A combination of exit from farming and the decline in family ownership of land have created possibility for addressing problems of fragmented ownership as well as responding to the interest in land for food security both domestic and foreign. According to the FAO, land grab deals are not necessarily harmful for the local economy, there are many possible models of positive engagement with local authorities and local producers. By transferring decision making power over state lands to regional and local authorities not only will significantly increase their resources and decision making autonomy, with due attention from outside, it may be also be able to ensure that their local economies can benefit from this huge upswing in foreign interest in farmland.

15 For a well known example in the anthropological literature, see Katherine Verdery, *The Vanishing Hectare, Property and Value in Postsocialist Transylvania*, Cornell University Press, Ithaca and London, 2004.