

AGRICULTURAL REAL ESTATE MARKET - TRENDS IN POLAND AND CENTRAL EUROPE

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ABSTRACT

The aim of the research was to analyze the agricultural real estate market in European countries, with particular emphasis on countries that joined the European Union after 2004 (Czech Republic, Latvia, Lithuania, Romania, Bulgaria and Slovakia). The subject of the analysis were agricultural properties purchased and sold in Poland in the years 2000 - 2016. Basic data on market parameters such as the number of transactions, the area of agricultural real estate sold and the sale price were also collected. These indicators have been recognized as good measures of the situation on the agricultural real estate market.

The research considered the impact of legal

regulations on creating trends in the agricultural real estate market in various European Union countries. Therefore, the authors proposed a new indicator, called a coefficient change indicator, and verified its usefulness in this type of research. According to the authors, it seems justified to conduct further studies confirming the possibility of expressing the degree of freedom of real estate market operations with a negative value of the total rate ratio or in the case of stimulating market development a positive value of this indicator.

Keywords: agricultural policy, real estate prices, spatial analysis, rate of changes, agricultural real estate market.



Legal aspects of agricultural property management in selected European Union countries

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Introduction

The administration and management of agricultural real estate properties that belong to the State Treasury in Poland are regulated by national laws. The Polish state, under the policy of farmland market, oversees the distribution of farmland among the private and public sectors.

The objective of this article is to discuss the role of the state's policy in operations on the farmland market in Poland. In it, dependences between average transaction prices of agricultural land and average lease fees will be presented, relative to the changing legal circumstances in Poland. Legal laws of trade in agricultural land in some European Union member states will also be described. Interest in the purchase of farmland is driven by several factors, including agricultural production profitability, one of the strongest stimulants, which depends on price relations. The demand for land is also dependent on revenues earned by farmers and on the level of financial support offered by the state. However, the strongest impact on the farmland market is generated by legal regulations.

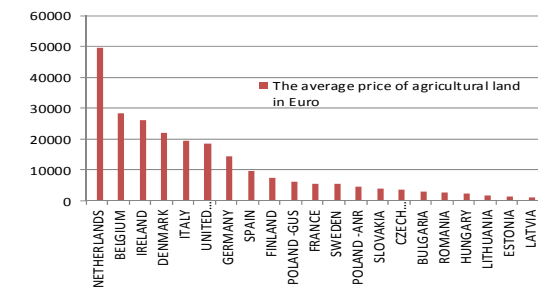
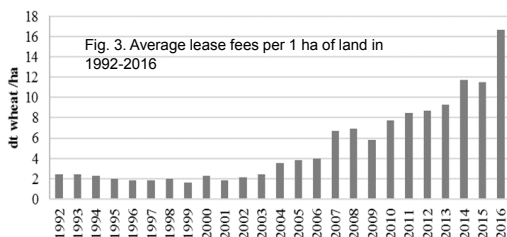
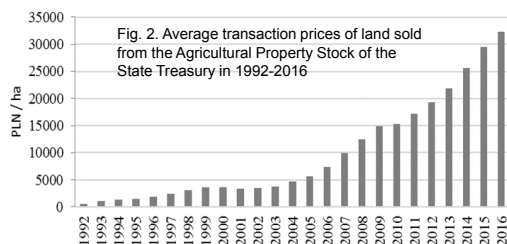
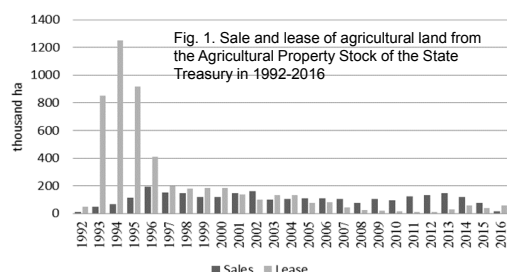


Fig. 4. Average transaction prices of agricultural land in selected EU countries in 2016

Since the Polish entry into the EU, the price of agricultural land has been constantly growing. This is because of the implementation of the Common Agricultural Policy for Polish farmers and the resulting benefits for them. The implemented 2014-2020 financial perspective and financial measures for agriculture encourage the enlargement of existing farms.

Table 1. Rules of land trade in selected countries of the European Union

The EU member state	Rules of agricultural land trade
Poland	In 2016, an act on land trade came into force, which imposed restrictions on trade of agricultural land. Farmland can only be bought by the state, religious associations, or by qualified farmers who own no more than 30 ha of agricultural land and reside in a commune where they wish to buy agricultural property. In addition, the farmer is obliged to use the acquired property for agricultural purposes for at least 10 years, and must not sell or lease the newly acquired property without the court of law's permission. Agricultural properties less than 0.3 ha in size are exempt from these restrictions. Several regulations on land trade and lease were amended so as to support the acquisition of state land by family farms. At the same time, possibilities of buying farmland for non-agricultural or speculative purposes were constrained. As for the private market, the regulations defined entities allowed free purchase of agricultural land. This right is granted to individual farmers who wish to enlarge family farms up to 300 h.
France	Land trade is strongly regulated, and the responsible entities are local state companies, called Sociétés d'Aménagement Foncier et d'Etablissement Rural (SAFER). Each SAFER has the pre-emption right to buy land, it can block sale when: it appears speculative in character, land is to be sold for an excessively low price, the sale of a given land lot can cause disintegration of the whole farm, or can impede the activity of young farmers in a given area. There is a pre-emption right to buy land granted to owners of neighbouring land lots, but the buyer is then obliged to farm this land personally for 15 years and is prohibited from leasing it out. Land can only be bought by a genuine French farmer (effective protection against land purchases made by foreigners).
Germany	Land trade transactions fall under strict administrative control. Regulations governing land trade are implemented by the company Bodenverwertungs- und -verwaltungs GmbH (BVVG), supervised by the Federal Ministry of Finances. The authorities may not approve a land sale which appears to have a speculative nature, would take place at a lowered price, or if the prospective owner does not have an intention of using it for agricultural purposes. Transactions that would result in excessive concentration of land in the hands of one owner are also blocked. The buyer is obliged to present a plan of the development of the farm.
Denmark	In 2015, new regulations entered into effect, making land purchase much easier. Above all, the list of persons who have a right to purchase land was substantially extended. Secondly, the restrictions on the size of a farm or the obligation to possess agricultural obligations were lifted. The person who buys a farm has now just one obligation, which is to settle down on this farm on a permanent basis.
Slovakia	New law on land trade has been binding since 2014. It stipulates that an owner of farmland could be a physical person who has previously been conducting a business activity in agriculture or has been engaged in agriculture for at least 3 years. Legal person must prove to have conducted business for at least 3 years. Moreover, farms can be bought by physical persons who have permanently resided in Slovakia for at least 10 years, or legal persons with a registered seat of their company in Slovakia for at least 10 years. The pre-emption right to buy an agricultural property is held by persons residing in a commune where they wish to buy a farm. Donations, land transfer among close family members, land in urban zones and land lots outside urban zones but no more than 0.2 ha in size have been excluded from the above restriction.
Romania	In 2014, an act came into force, which permitted sale of agricultural land to citizens of the EU countries, Island, Lichtenstein and Norway. The pre-emption right to buy is granted to co-owners, lessees and owners of the land adjacent to the property of the person/entity selling the land, as well as to the Romanian Agency of Public Property. If none of the persons holding the pre-emption right expresses a desire to buy given land, then the choice of a buyer is in the hands of the seller.
Bulgaria	Agricultural land can only be bought and owned by physical persons who have resided in this country for at least 5 years. With respect to physical persons, the seat of the company they represent needs to have been registered in Bulgaria for at least 5 years. The right to purchase and own agricultural land is withheld from legal persons who are partners or shareholders of companies registered in tax havens.
Hungary	Subjects granted the right to buy farmland are physical persons, churches, financial institutions and the state. There is an obligation to have qualifications in agriculture or to have conducted agricultural activity in Hungary for at least 3 years and to have conducted farming personally. Moreover, the buying party is obliged to use the acquired land for agricultural purposes for the following 5 years and is not allowed to transfer the right of using the newly acquired property to a third party. Persons who do not satisfy these requirements can buy no more than 1 ha of agricultural land. The maximum size of a farm is no more than 300 ha of land owned as one's property.

Conclusion:

1. The prospective end of the transitional period of restricted farmland purchase by non-Polish EU citizens had given rise to such legislative activities that would strengthen the institutional control on the market land trade. The expected unification of conditions imposed on potential land buyers, as well as fears of further land price increase stimulated a distinctly higher interest in land purchase in 2015.
2. The Act on Suspension of Sale of Property from the Agricultural Property Stock of the State Treasury, which has been effective since 30 April 2016, has overhauled the sale of state-owned land. Provisions of this legal act changed the principles underlying the agricultural land trade in Poland. The objective was to prevent the purchase of land for purposes other than agriculture, but in practice this new law has given rise to very severe restrictions imposed on land trade.
3. Since 2016, the basic form of land distribution has been land lease. This solution is advantageous to farmers because it is the least expensive way of securing land for farming. Land lease will facilitate making rational production plans and long-term investment projects on leased lands.