

# TRH S PŮDOU V POSTSOCIALISTICKÝCH ZEMÍCH

## LAND MARKET IN POSTSOCJALIST COUNTRIES

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### **Anotace:**

Trh s půdou v postsocialistických zemích prošel na počátku 90. let základní přeměnou. Na základě integračního procesu souvisejícího se vstupem do EU došlo k jeho dalším změnám. Tyto změny byly výsledkem obav ze spekulací s půdou po vstupu do EU. Před vstupem do EU stála půda v „nových“ evropských zemích od 200 do 2000 EUR/ha, zatímco v zemích původní patnáctky se ceny pohybovaly v tisících EURO.

### **Klíčová slova:**

trh s půdou, cena půdy, Estonsko, Litva, Lotyšsko, Maďarsko, Polsko

### **Summary:**

Land market, in the post socialist countries, was rebuilt in the beginning of the 90's. The latest norms, were established in the face of the integration process with EU. The introduction of the new acts was concerned with afraid about the speculation on the land market. In the “new” EU countries, before the accession, the lands cost from 300 to 2000 Euro/ha, meanwhile in the countries of the EU-15 they were on the level of the few thousand Euro/ha.

### **Key words:**

land market, land prices, Estonia, Lithuania, Latvia, Hungary, Poland

## **INTRODUCTION**

The process of restoration the ownership rights in the post socialists countries gives the opportunity to observe mechanisms, which influence on functioning of the land market. In the last years the dynamic on this market in these countries get a rate. The land starts to become treated both, as a factor of industrial development and a place of a long term capital investment. Accordingly the progressive rate of the integration process in Europe, in the new accessed countries appeared a fear of attempts of speculation on land market. It was mainly caused by large disproportions of land prices. To counteract, in these countries some law limits, which obstructed the accession the speculation capital to the land market, were introduced. In this research it is made an attempt, to bring closer action, in the issue of regulation of agricultural land market and changes of land prices, in the face of the integration processes.

## **OBJECTIVES AND METHODS**

This research compares the land market in five post socialist countries (Estonia, Lithuania, Latvia, Hungary and Poland) and shows the differences and similarity between the norms concerning land market. Also the process of land prices increase was show. The papers is based on statistical data, professional literature, reports of research institutes in the monitored countries, statistical yearbooks as well as on other sources available on the Internet

## RESULTS

### Limits in acquirement of land

Every country which was preparing to the EU accession, introduced a number of temporary limitations in the aim of limited the speculation turnover of agricultural land. Changes in legislations mainly consist in permission possibilities of selling lands to the EU citizens. In the aim of protection of markets from the speculation action and with the aim of protection special lands in a fundamental way in the point of view the national economy, a number of rules, which often involve not only citizens other countries were tighten up.

An amendment to the Constitution of Lithuania from 23<sup>rd</sup> January 2003 admittedly accept the possibilities to possess the land by physical persons or law persons from the EU, but a seven-year period was established, for acquire agricultural land and woodlands. With the exception of foreigners, who have permanently lived for three years and have been engaged in agricultural production. Significant law limitations were brought on 23<sup>rd</sup> February 2003 to persons who wanted to possess the land, and these regulations concerned both Lithuanian citizens and other European Union citizens. Legal acts represent:

- physical persons acquire lands should have a certificate supporting at least two-year experience in agricultural production and a diploma or a final school report in Lithuania or in other EU countries;
- physical persons could acquire lands if they have over five- year experience in agricultural production and pass the qualification exam (which does not concern persons who acquired less than 3 ha of land);
- law persons who acquired at least 10 ha of land must relocate to the place where lands are;
- maximum of land area in physical persons hands must not exceed 300 ha;
- maximum of land area agricultural companies must not exceed 2000 ha;
- maximum area of lands in law entities possession must not exceed 1000 ha.

Since regulations limited caused a lot of controversy, on 15<sup>th</sup> July 2004 a number of regulations were replaced. Mainly the rule of having agricultural qualifications was overruled. A group of people who could acquire lands in a priority way, was decreased and also procedures of informing these people about the intention of selling lands were simplified.

Latvia introduced a number of limitations in the issue of acquirement lands which concerns physical persons and entities from EU. These limitations were introduced under a treaty from 3<sup>rd</sup> April 2003 and according to them it could not be acquired:

- lands on the border regions;
- lands on the protection area (national parks, landscapes parks etc.);
- lands on the coast of the Baltic Sea and in the protection sand dunes zone near Ryga;
- lands belonging to national waters in protection zones;
- agricultural lands and forests, if they are designed for agricultural and woodlands aims and it is due to the local plans of the spatial vision;
- states lands and public on which mineral mines are situated.

Restrictions will become operative in a seven-year period from the integration moment, however it is possible to lengthen this period for the next three years. It is similarly like in Lithuania in Latvia limitations do not concern EU citizens who have lived for three years and have run agricultural production. The limitation is rigorous in relation to legal entities from EU and they could not acquire agricultural lands and woodlands in the transitional period. After this period every citizens and legal entities would be able to acquire lands on the same base as the Latvian citizens.

Limitations in acquirement of lands in Estonia mainly concern transactions over 10 ha. Restrictions do not involve legal entities and foreigners who during the three-year period were residents and on the base of separate acts participated in agricultural production or woodlands

production. If entities, who would like to acquire lands, do not fulfill above criteria they could acquire lands only under the government's consent. Restrictive rules limited law of acquirement lands are only in strategic areas, that is, near borders or in small islands. From 19<sup>th</sup> July 2003 some regulations of applications acts of selling lands to the Restrictive Center were changed in Estonia. To this date only transactions concerning lands in the protection areas or lands in connection with the State preemption rights were reported. The change of rules caused that notaries are obligated to report to the cadastral register every selling contracts in a ten-day period from the date of signing a contract.

In Hungary legal person and foreigners cannot acquire ownership rights to land trough seven years, from 2004. The ownership of natural person is limited by 300 ha and this is the maximum norm for the family farm. A family farmer is the person who works on his own or rented land and the agricultural activity is his main source of income. Farmer must have agricultural education or over 5 year experience in agricultural activity.

In the face of integration processes in Poland from 16 July 2003 starts the regulations on land market. New norms make possible to intervene on private agricultural land market in the direction of supporting family farms and to oppose excessive land concentration. In order to this, two new instruments could be used: the preemption right (in the case of selling contracts) and the law of repurchasing (in the case of other contracts transferring belongings for example: donation, bringing possessions to the company).

According to recipient determinants of Polish agricultural politics a family farm was creating as a central point. The family farm is leading by an individual farmer, in which the total area of arable land is not over 300 ha. As an individual farmer, is a physical person who: owns or leases agricultural properties, brings in by himself, has agricultural qualifications, lives in the borough which includes his properties and land. The Agency carries out the treaty will be able to realize the preemption or repurchase law in situations when one of above criteria is not fulfilled. The legislator provides some exceptions from using these treaties and so the preemption right can be executed if: there was transferring agricultural properties as a result of enlarging the family farm appears (to 300 ha), turnover is made within the family, the property is bought by a leaser (a 3-year leasing is obligatory). In agreement with law the Agency, during transactions, should be informed by sellers or notaries and it has one month for examination the case. Essential limitations in the issue of acquirement of land were introduced in relation to foreigners. EU inhabitants are allowed to acquire land after 3 or 7 years lease depending on provinces in which these lands are situated. Citizens of other countries will be allowed to acquire lands not until 12 years from the day of Polish accession to EU.

### **Land prices**

In 2003 an average price of arable lands in Estonia was 296 Euro/ha and in comparison with 2001 was increased by 36%. The price rise in 2004 was still continued and the average total price was 351 Euro/ha. The highest average lands prices - 453 Euro/ha, in Estonia in 2003, were reported near Tallinn. So high level of prices was mainly caused by nearness the main city. The best fertile lands were located in the central part of Estonia and were sold by 315-380 Euro/ha. On the west Estonian areas where the worst quality lands and the price was between 180 and 270 Euro/ha and it came closer to prices which appeared on the southern terrain where better quality lands are.

The average land prices in Latvia in 2003 fluctuated from 170 to 430 Euro/ha and were higher from the previous year prices on average by 23%. In 2004 the further rise prices occurred and they were sold average from 245 to 615 Euro/ha. It should be emphasized that the market dynamic decreased and the decreasing number of transactions was noted. Significant prices differentiations appeared depending on the lands' location as well as the

lands' quality. The highest lands price rise was reported in Vidzeme region, where during three years (2001-2004) prices rose almost twice and the city Ryga had the significant influence on this tendency, where the land prices in 2003 were 60% higher in comparison to the previous year. The highest land price was reported in this year in Ryga region and it was 875 Euro/ha. The most fertile lands are located in Zemgale region also were in demand and reached high prices, especially in 2004. One fact should be emphasized that the average area of selling arable lands, in 2003-2004, was 16 ha. It shows that there were probably sold the whole reconstructed farms. The lease rent prices in Latvia were varied and in 2003 fluctuated from 4 Euro/ha in Latgale region to 52 Euro/ha in Zemgale region.

**Table 1. Average prices for arable land in rural area, in 2001, 2003, 2004. Euro/ha**

		Prevailing price range		Average price		
		2001	2003	2001	2003	2004
Estonia	North Estonia	224-331	190-480	292	330	296 351
	South Estonia	170-361	160-415	264	290	
	West Estonia	65-209	130-450	134	225	
Latvia	Zemgale (South)	450	300-430	450	370	615
	Kurzeme (West)	200	240-310	270	300	410
	Vidzeme (North)	160	140-875	220	430	450
	Latgale (East)	140	60-215	170	170	245
Lithuania	Wilnius*	-	390-715	1276	1410	361 386
	Kaunas*	-	290-570	397	430	
	Klajpeda*	-	275-580	425	435	
	Other*	-	255-345	227-370	385	
Hungary	Agricultural land	500-2000	1300-1800***	-	-	-
Poland	Private lands	-	735-1775	1240	1370	1580
	State lands	-	730-1830**	810	890	1110
Belgium	Arable land	-	-	15895	-	-
Denmark	Agricultural land	-	-	12882	14669	-
Deutschland	Agricultural land	-	-	17221	-	-
England	Agricultural land	-	-	11691	9847	-
Espanola	Agricultural land	-	-	7553	-	-
Finland	Agricultural land	-	-	4039	4700	-
France	Arable land	-	-	3710	-	-
Ireland	Agricultural land	-	-	13891	14379	-
Italy	Agricultural land	-	-	14266	-	-
Nederland	Arable land	-	-	37500	-	-
Turkey	Agricultural land	-	-	10	-	-

\* - prices concerns all administration region; \*\* - 2004 year; \*\*\* - 2002 year

Source: Base on [http://www.registrucentras.lt/index\\_en.php](http://www.registrucentras.lt/index_en.php) 23.03.2006, Rynek ziemi rolniczej. Stan i perspektywy. Analizy rynkowe, IERiGŻ-PIB, 2005. Agricultural Statistic – Quarterly Bulletin. Eurostat, No. 4/2004 pp. 110

The reprivatization process in Lithuania, created a base to the land market. The land market in 2003 was active first and foremost to near the moment of the EU integration. However it should be noted that introducing limitations rules in 2003 caused decrease the number of arable lands transactions about 30%. A relaxation of these rules in 2004 caused the rise of the number of transactions about 48%. The average land price significant changed and in 2004 was about 386 Euro/ha. It rise towards the previous year about 7%. The land prices were varied depending on the location and the quality. The best lands reached prices about

550 Euro/ha, while worse quality lands of unfavorable conditions were sold by 200-250 Euro/ha. The price spread in market transactions were very large and it fluctuated from 60 to 3000 Euro/ha.

The land prices in Hungary was the similar like in Poland and they were higher then in Baltic Countries. It must be stated that in Poland the land prices in private transaction were higher.

## DISCUSSION

Introduction a number of temporary limitation in the aim of limited the speculation on land market influenced on decrease the number of transaction. The main influence have the limitation, concerned agricultural qualification and the experience in agricultural production. That kind of limitation, mainly with relation to the new land owners, seems the correct way because it allows for farms efficiency increase. Moreover the norms giving the States the preemption rights will allow to improve the agricultural structure.

The land prices increase in post socialist countries isn't so large. Still we can observe the large land prices differentiation. In post socialist countries the agricultural lands costs even 20-30 times less then in the "*old fifteen*". It can be stated that in Poland were the traditional family farms wasn't destroyed in the time of socialism, land prices are larger. It can means that in the future when the group of the family farmers in post socialist countries will strengthens, the land prices will grow up faster. It will allow to eve out of the land prices.

## CONCLUSION

It can be stated that the year 2003 was a landmark opening a new epoch of accession to the united economic zone of the EU. The States paid greatest attention to improvement of the national legislations of the real estate market. In all examined countries the legal acts have established a transitional period when the citizens and legal entities of EU countries will not have the right to acquire agricultural and forest land. To the moment of integration land prices have been increasing but it can be stated that it was not rapid rise. The faster increase of the land prices probably will have place after seven-year transitional period.

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