

Selected issues of the agricultural land market in the Slovak Republic

Vybrané problémy trhu s poľnohospodárskou pôdou na Slovensku

Pavol SCHWARCZ^{1*}, Anna BANDLEROVÁ¹ and Loreta SCHWARCZOVÁ¹

¹ Slovak University of Agriculture in Nitra, Faculty of European Studies and Regional Development,
*correspondence: pavol.schwarz@uniag.sk

Abstract

Most of the agricultural land in Slovak republic is even after a 9-year period from the entry into the EU leased and this is not a different situation in comparison to the majority of the EU member states. The main focus of the paper is on the current status in the structure of the agricultural land ownership and agricultural land market. The analysis highlights the existing problems such as a high percentage of agricultural land under the state control, fragmentation of agricultural land, differences in the regulatory and institutional framework, agricultural land prices, limited possibility of acquiring agricultural land by foreigners. By comparing the average prices of the arable land the market prices were significantly higher than administrative prices in evaluated districts.

Keywords: agricultural land, ownership, agricultural land market, foreigners, price of the agricultural land, rural development

Abstrakt

Väčšina poľnohospodárskej pôdy na Slovensku je aj po 9 rokoch po vstupe do EÚ prenajatá, čo je bežnou skutočnosťou aj vo väčšine členských štátov EÚ. Hlavným cieľom príspevku je poskytnúť prehľad aktuálneho stavu vo vlastníctve poľnohospodárskej pôdy, ako aj rozvoja trhu s poľnohospodárskou pôdou. Analýza vyzdvihuje existujúce problémy, ako je vysoké percento poľnohospodárskej pôdy pod správou štátu, rozdrobenosť poľnohospodárskej pôdy, rozdiely v právnom a inštitucionálnom rámci, ceny poľnohospodárskej pôdy, obmedzená možnosť získavania poľnohospodárskej pôdy cudzincami.

Kľúčové slová: cena poľnohospodárskej pôdy, cudzinci, poľnohospodárska pôda, rozvoj vidieka, vlastníctvo, trh s poľnohospodárskou pôdou

Podrobný abstrakt

Hlavným cieľom príspevku je poskytnúť prehľad stavu vo vlastníctve poľnohospodárskej pôdy na Slovensku, ako aj rozvoja trhu s poľnohospodárskou

pôdou. Analýza vyzdvihuje existujúce problémy, ako je vysoké percento poľnohospodárskej pôdy pod správou štátu, rozdrobenosť poľnohospodárskej pôdy, rozdiely v právnom a inštitucionálnom rámci, ceny poľnohospodárskej pôdy, obmedzená možnosť získavania poľnohospodárskej pôdy cudzincami. Cena poľnohospodárskej pôdy na Slovensku je v porovnaní s cenovou úrovňou členských štátov EÚ nižšia. Cenový rozdiel je evidentný aj v prípade komparácie cien za nájom poľnohospodárskej pôdy. Proces určenia cien poľnohospodárskej pôdy možno v súčasnosti charakterizovať ako chaotický, keďže nie je k dispozícii jednotná cenová úprava, ktorá by určovala cenu poľnohospodárskej pôdy. Pri porovnaní úrovni trhových a administratívnych cien výsledky realizovaného prieskumu potvrdili, že menšie výmery ornej pôdy - do 1 ha – sú predávané za vyššie ceny, ako parcely nad 1 ha. Tento fakt je dôkazom, že parcely s výmerou nad 1 ha sú určené na iné, než poľnohospodárske využitie. Podľa realizovaného prieskumu bola identifikovaná priemerná trhovú cenu parciel zahraničných subjektov na ornej pôde 1.95 €/m², zatiaľ čo cena priemerná trhovú cenu parciel slovenských subjektov na ornej pôde bola 0.37 €/m². Priemerná trhovú cenu trvalých trávnych porastov bola s hodnotou 0.48 €/m² dvanásťkrát vyššia v prípade slovenských subjektov, ako priemerná trhovú cenu pôdy v rovnakej kategórii zahraničných subjektov. Priemerná trhovú cenu poľnohospodárskej pôdy sa v prípade zahraničných subjektov pohybovala na vyššej úrovni, ako v prípade slovenských subjektov. Zahraničné subjekty sa podieľali na transakciách s pôdou podielom 0,03%, takmer 60% transakcií bolo realizovaných slovenskými subjektmi a vo viac ako 40% všetkých transakcií nie je preukázaný pôvod.

Introduction

The land question is currently being reappraised worldwide. More highlighted importance is linked to agricultural land ownership, land leasing, its taxation, evaluation, as well as protection. Land and resource policy is the key to future economic and social development. The outbreak of land conflicts is only an indicator of a more complex process. Functioning land tenure systems are crucial for efficient agricultural production, more diversified land use in rural areas and the dynamics of sectorial change and urbanization. Focusing on economic efficiency should not, however, obscure the crucial role of land tenure and land policy for equity and social balance as well as environmentally sound development. Land tenure plays also a vital role in achieving sustainable rural development. In each country the agricultural land tenure is the result of long lasting development of the society. Individual legal institutions originate and exist under certain historical conditions. We agree with FAO Land Tenure Studies (2002) that security of tenure is the certainty that a person's rights to land will be recognized by others and protected in cases of specific challenges. People with insecure tenure face the risk that their rights to land will be threatened by competing claims, and even lost as a result of eviction. Without security of tenure, households are significantly impaired in their ability to secure sufficient food and to enjoy sustainable rural livelihoods.

In the initial stages of privatisation there prevailed an opinion that agricultural land will be gradually used directly by its owners. Neither restitutions nor landowners who regained in Slovakia their right to use the land did not vastly use their possibility to take their land from agricultural cooperatives that have used it to start their own activities, but let it in the usage of the cooperatives or leased it to new commercial

enterprises and other businesses. Only a fraction of the land owners began to manage it alone. Thus in Slovakia dominant superiority over the proprietary right of use was obtained.

Materials and Methods

The aim of this paper is to analyse and evaluate the situation of the agricultural land ownership and land market after 9 years from the entry of Slovakia into the EU. In the frame of the main aim the paper presents also the basic information necessary for understanding the process on how the agricultural land tenure is influenced in Slovakia.

Our focus on the situation in Slovakia is presented from the perspective of the most common problems of the access to agricultural land. We are not looking for to be exhaustive but rather reflect what we have discovered by “good practices” for sustainable rural development. Paper reflects the increasing recognition that access to land is frequently critical if vulnerable households are to enjoy sustainable rural livelihoods. Secure access to land, is necessary for rural households to enjoy sustainable livelihoods, and is an important part of sustainable development. Land tenure problems are often an important contributor to food insecurity, to restricted livelihood opportunities. Secure access to land should thus be considered when designing solutions to specific rural development or food insecurity situations. This requires recognizing and tackling land tenure related problems. By access to agricultural land we mean issues within legal accessibility such as identification of land, willingness of sale/purchase, and lease. Thus our main focuses can be defined as follows:

- Is the legal regulation a guarantee of the access to suitable land?
- Does the legal regulation efficiently protect the owner?
- Are the conditions for agricultural land market favourable for domestic farmers as well as for foreigners?
- Are the land prices transparent?

In order to meet answers to these questions a multiple sources information and data platform have been used such as: databases of Eurostat (2010), corporate documents, academic, trade journal articles and interviews. As for the legal point of view we focused especially on the agricultural land market relations. Basic data source for assessing this partial aim came out of results obtained by the research carried out by:

- the Department of Law, of the Faculty of European Studies and Regional Development (hereinafter such as FESRD) of the Slovak University of Agriculture in Nitra (hereinafter such as SUA) - project VEGA No. 1/0357/08 „Variable value of agricultural land“,
- the Research Institute of Agriculture and Food Economics (hereinafter such as “RIAFE”) within the Report 2012,
- The Slovak Land Fund within the Annual report 2012.

While meeting the set aims the paper took into consideration the following main pillars of professional references and opinions:

- specialized literary sources of the researched problems,
- declarations of the Government of the Slovak republic,

- professional opinions of Dale and Baldwin (2000) under which a functioning land market requires transparency in the ownership, appropriate management of the ownership, minimum limits on land use, smooth transfer of ownership, availability of capital and loans to purchase the land.

Methodology consisted of the corporate level carried out survey conducted by the “RIAFE” and by the analysis and monitoring of sale/purchase contracts carried out by the Department of Law, of the FESRD, SUA in Nitra. The data transformation and processing was carried out by “RIAFE” by the UNIX Operation System, INFORMIX database system and by the Structured Query Language (SQL). For statistic evaluation the analytic tools of Excel programme as well as NCSS software (Number Cruncher Statistical Software) were applied. Obtained results led to joint analysis and synthesis with subsequent proposal to identify questions for future research. The research results could help further direction of agricultural land tenure thus creating a better business environment in rural areas.

Results and discussion

Agricultural land ownership

According to the data received from the Statistical Office of the Slovak republic the total area of Slovak republic represents 4903613 ha (1.1.2012). Almost the half of this area (49.2 %) is represented by agricultural land, forest represents 41.03 %, water areas 1.93 %, built-up areas 4.73 %, other areas represent in total 3.135 %. On the basis of the specified acreage and growth of population data show that the share of agricultural land is 0.44 ha and of arable land is 0.26 ha per 1 citizen¹. The structure of the total land area showing partial areas in hectares is demonstrated by the Table 1.

Table 1. Land area in Slovak Republic (in ha)

Tabuľka 1. Výmera pôdy v Slovenskej republike (v ha)

Type of the land	Acreage in ha	Share of total area
Total area of the land in SR	4903613	
– out of this <i>agricultural land</i>	2410812	49,16%
– out of this <i>arable land</i>	1415653	28,87%
– hop-gardens	520	0,01%
– vineyard	26997	0,55%
– gardens	76563	1,56%
– orchards	16558	0,34%
– permanent grassland	874224	17,83%
– forest land	2012336	41,04%
– water area	94764	1,93%
– built-up areas	231967	4,73%
– other areas	153733	3,14%

Source: Buday, Š., Vilček, J., (2012)

¹ Statistical yearbook of Statistical Office, Slovak Republic, 2004

In 2004 75% of agricultural land was owned by private persons (physical persons and legal entities). The Slovak Land Fund managed during this time even 25 % of agricultural land. Out of this share 5 % was owned by the State and 20 % was defined as the land of unknown owners². Such a distribution of the ownership of agricultural land was not sustainable from the long-term point of view and influenced the agricultural land market, as well as the lease of agricultural land. This was a reason why the State has adopted various measures aimed at eliminating the high number of land owned by unknown owners. New legislation was adopted which facilitated the partial improvement of the current situation in this field. According to Annual Report of the Slovak Land Fund (2012) it is evident that the number of unknown owners has decreased by app. 6 % and at the present 13.58 % of agricultural land has unknown owners. Under the state control there is still app. 19 % of agricultural land which we consider rather a very high percentage. Thus this "Slovak Case" reveals the high share of land which cannot be still subject of agricultural land market even though measurements for decreasing the percentage of state owned land were adopted. In spite of this procedure we assess the achieved improvements as not sufficient and still adoption of legislation that would enable to include "currently state owned land" into the land market - is required. Special feature related to agricultural land case in Slovak republic is underlined by the problem of agricultural land fragmentation (Lazíková and Dimitrova, 2008). Analysing this issue there is a need to specify two forms of land fragmentation: land ownership fragmentation and physical (natural) fragmentation of the land, when the owner owns the land at various locations.

Slovak republic is one of the Central European countries with the most scattered ownership of agricultural land. This fact is expressed also by the opinions of Blarel et al. (1992); Dijk (2003) according to which the land fragmentation, where a single farm comprises numerous individual parcels of land is a common agrarian feature of many transition economies as well as developing countries. Such a fragmentation of land ownership and physical fragmentation causes serious problems for agricultural businesses. Naturally the reasons of this fragmentation and problems resulting from this are reflected also in farming the land where in case – and this is the most frequent – it is concluded by a lease contract, it must be concluded with large number of persons what is obviously connected with searching for owners also with high costs connected. According to the OECD (1997), in 1993 approximately 9.6 million plots were registered in Slovakia, roughly 0.45 ha per plot, and each plot was owned by on average 12 to 15 people. Thus the form of co-ownership absolutely prevails the direct ownership of agricultural land. This legal fact has significant restrictive impact on the sale and purchase of agricultural land as well as on the decision making process regarding the sale of the land. This is valid due to the legal situation according to which in Slovak republic there is a right of first refusal present for the other land co-owners. These are consequences from the past heritage system based on the Hungarian Law. By such a historical past Slovak republic records the greatest fragmentation of plots and the highest number of co-owners of real-estates among the EU member states (one property sheet per a plot has app. from 5-30 owners). Reflecting this situation it is evidently needed to identify mechanisms which would

² Unknown owner is either the owner, whose name is known, but his place of residence or domicile is not known, or the owner is not known, for example because the land book in the village was lost

enable buying up shares from the part of entities farming on the land in order to integrate the agricultural land ownership effectively.

Physical (natural) fragmentation of the land is the result of development of economic, social and legal phenomena in Slovak republic. A 40-year period of collective or state administration of land, in which the ownership rights were only formal, prevented from the process of consolidation motivated by economic reasons. The fragmentation of plots represents the serious problem in land registration but due to legal complications connecting the shared ownership and last but not the least represents the obstacle in selling as well as leasing of agricultural land. Prior to 1989, the vast majority of agricultural land was used by the entities managing it including state farms and agricultural cooperatives. The vast majority of landowners had preserved their legal land titles during socialism. They were only deprived of the right to use their land, as the legal provisions adopted prioritised collective land use (Blaas, 2001). Owners, however, received no rent for their land used by either cooperatives or state enterprises. Other land that has been deprived of natural and legal persons by nationalization was transferred to state ownership, under the management of agricultural cooperatives or state farms. In these cases, even the formal ownership right was taken away from original landowners.

After 1990 there was a complex situation, when it was necessary to remove the illegal status and property damage caused to the owners of agricultural land. In Slovakia, the general rule of ownership is described in the Civil Code No.40/1964 Coll. as subsequently amended.

In 1991, the Act no. 229/1991 Coll. came into force and effect to modify the ownership of land and other agricultural property, also called the "Law of the Land" or the "First Restitution Law". Its aim was to mitigate the consequences of certain property injustice that occurred to owners of agricultural land and forestry in the period 1948 to 1989, to improve the care for farm and forestland restoration of original ownership of land and change the ownership of land in accordance with the interests of rural economic development and in accordance with the requirements for landscaping and the environment. In order to eliminate the fragmentation of the agricultural land the legal regulation on Land Consolidation No. 330/1991 Coll. was adopted. The content of the land consolidation consists of the rational and spatial arrangement of land ownership. Their long-term aim addresses the enhancement of the operational conditions on the agricultural land. From the short-term point of view the following aims are considered to be significant ones:

- decreasing the land ownership fragmentation,
- decreasing the amount of co-ownership shares,
- to make all plots available from the public communications point of view,
- to remove the conflict between the record at the real estate's cadastre and the real status in the territory.

Undisputed contribution and benefit arising from land consolidation is definitely the arrangement of land ownership in the territory in order to facilitate the further rural development, as well as the determination of the purpose of the use of appropriate plots. Land consolidation aims mainly at the creation of the blocks of land from the aspect of the use. Thus its meaning is significant for the creation of more favourable conditions for the opening land market but on the other hand they generally increase the price of the land. In 421 cadastre areas there was evidence on land consolidation processes out of which 186 were already terminated. Land consolidation was carried

out the acreage of 136982 ha and are still being carried out on the area of 288035 ha (data valid to June 30th, 2012) (RIAFE Annual Report, 2012).

The price of the agricultural land

The price of the agricultural land in Slovak republic is lower in comparison with price levels in EU member states. The difference is also evident when comparing the price of land lease. We can assess the process of determination of agricultural land prices as chaotic at the present since there is no uniform price regulation available which would determine the price of agricultural land. Depending on the purpose what the agricultural land price is required for there are two types of prices defined:

1. Administrative (regulated) prices
2. Market prices

1. Administrative (regulated) prices

Administrative price of the agricultural land is applied mainly for the purpose of payment of property taxes - regulated by Act No. 582/2004 Coll. as amended by Act No. 465/2008 Coll. on local taxes and fees for municipal waste and small construction wastes. In the Annex No. 1 of the Act there are average administrative prices of agricultural and arable land declared according to appropriate cadastral areas of Slovak republic. These administrative prices serve as the basis for the determination of the agricultural land taxes in appropriate communities.

In accordance with the Act No. 465/2008 Coll. the average value of arable land in Slovak republic is app. 0.53 €*m⁻². The overall values range from 0.06 €*m⁻² to 1.2 €*m⁻².

The determination of the value of land for the purposes of land consolidation, for the minimum rent for the use of agricultural land, for the payment of contributions for temporary or permanent withdrawal of agricultural land and for the calculation of the fee for fragmentation of land under the Act No. 180/1995 Coll. land prices are determined by the *Decree of the Ministry of Agriculture No. 38/2005 Coll.*. This Decree sets the land value based on the soil quality– Ecological Credit Units (ECU) - and does not reflect the current market price of the land. ECU expresses the quality and the value of production – ecological potential of the agricultural land. The agricultural land is thereby qualified into 9 clusters of Ecological Credit Units. The value of the appropriate plot of agricultural land is thus determined by ECU and relevant tariff rates stated in the Annex 1 of the Decree. Under this Annex, the rate of agricultural land per square meter varies depending on the designation of the certain soil-ecological units. Prices determined by soil-ecological units range from 0.0049 €*m⁻² up to 0.4166 €*m⁻².

When comparing the legal regulations, we find out that the official land price calculated under the rules that determine the value of arable land for tax purposes³ of real estate is on average 2.15 times higher than the official price of agricultural land determined in accordance with Decree No. 38/2005 Coll.

The next legal regulation concerning the administrative price is the Decree of the Ministry of Justice No. 492/2004 Coll., establishing the general value of assets. Expert pricing is mainly used in judicial proceedings but also in setting a price for taking out mortgage, at inheritance processes as well as at property rights of land settlement.

³ Act no. 582/2004 Coll. on local taxes and fees for municipal waste and small construction wastes

2. Market prices

For the purpose of the purchase contracts on agricultural land concluded between natural and legal persons the market price is applied. These are prices which are mutually agreed by the contracting parties in the purchase agreement. Agreed price is not subject to legal restrictions. It is independent of the official price of land designated under any of the laws governing the price of land. The exemption when in the purchase of agricultural land the administrative price is used instead of market price is the process when purchasing party is represented by the State (or legal entity established by the state). Additionally we could admit that administrative prices are essential when serving as informative prices at concluding purchase contracts and at forming the level of agricultural land prices.

By the comparison of the average price of the arable land in 2011 not differentiating the purpose of its use it was found out that the market price was in selected evaluated districts of Slovak republic (Figure 1.) 6.8 times higher than the administrative price (RIAFE, 2012). The market price of the agricultural land with a precondition for further agricultural production was in all selected districts 2.5 times higher than the administrative price. When comparing the levels of market and administrative prices the results confirmed the outcomes of the survey of the RIAFE: smaller acreages of the arable land – up to 1 ha – are sold on higher prices than plot above 1 ha. This fact proves that plots up to 1 ha are determined for other than agricultural use. According to the survey carried out by the RIAFE (2012) the average market price of the plots within arable land of foreign entities was 1.95 €*m⁻² while in case of Slovak entities the average market price of arable land was 0.37 €*m⁻². The average market price for permanent grass-lands of the value of 0.48 €*m⁻² in case of Slovak entities was 12 times higher than the average market price of the land of the same category in case of foreign entities. The average market price of the agricultural land was at higher level than in case of Slovak entities.

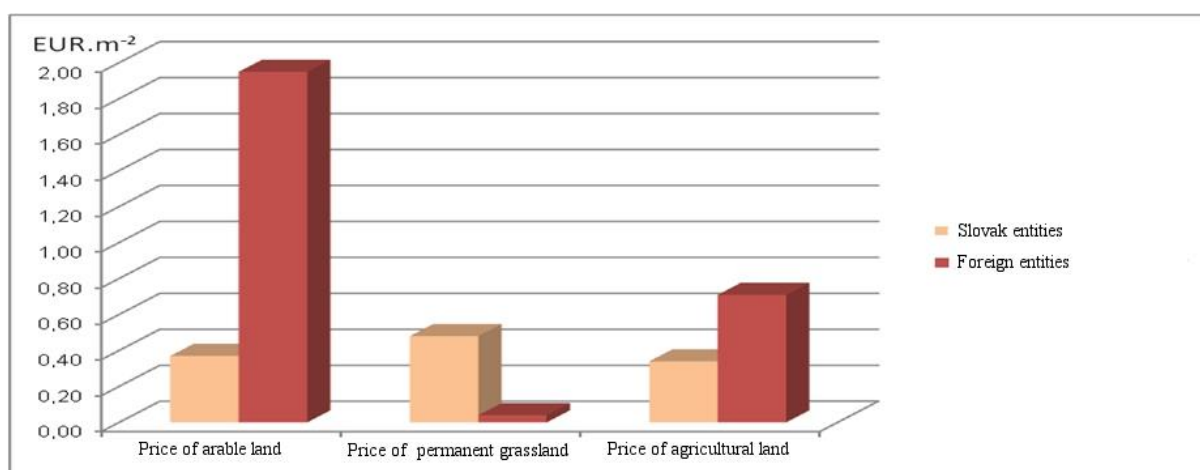


Figure 1. The average market price of the arable land, permanent grass-land and agricultural land of foreign and Slovak entities (Nitra and Žilina district) in 2011

Obrázok 1. Priemerná trhová cena ornej pôdy, trvalých trávnych porastov a poľnohospodárskej pôdy zahraničných a slovenských subjektov (okres Nitra a Žilina) v roku 2011 (Source: Research Institute of Geodesy and Cartography in Bratislava 2012, own calculation)

Non-existence of agricultural market price maps additionally causes the fact that prices are formed mainly by the influence of their allocation on production areas, anticipated return of the agricultural land, the size of the selling plot and the existence of the individual ownership or co-ownership.

According to Lazíková and Takáč (2010) the average rental price of the land where land consolidation took place or already started consolidation was 32% higher than in cases of land without land consolidation. Land consolidation is economically a process of reducing transaction costs, as the owner of several parcels after land consolidation received one integral parcel of the same quality and with the possibility of access to this parcel. The results of the research proved that the price of the agricultural land sold in the area where the land consolidation went through is significantly higher.

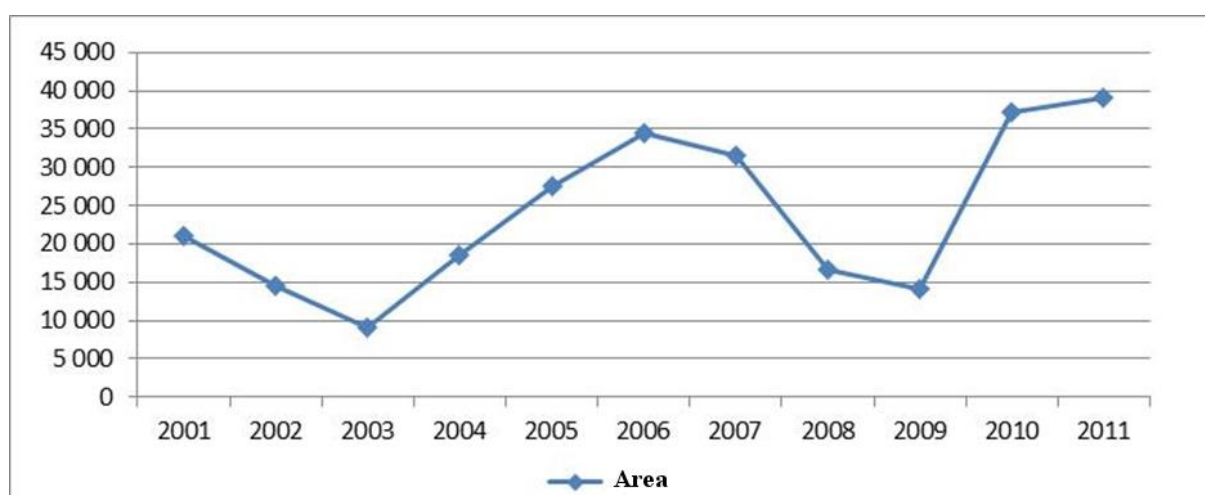


Figure 2. Development of the acreage of the sold land during the period 2001 – 2011 (in thousand m²)

Obrázok 2. Vývoj výmery predávanej pôdy v období rokov 2001 - 2011 (v tis. m²)
(Source: Research Institute of Geodesy and Cartography in Bratislava, own calculation, 2012 Report of RIAFE)

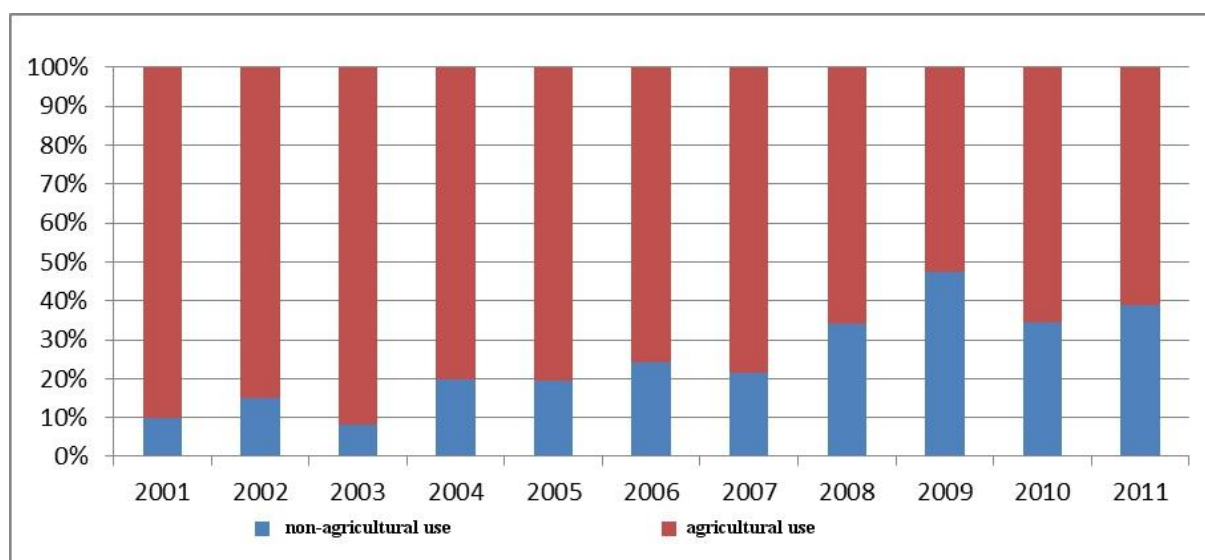


Figure 3. The share of the acreage of the sold agricultural land according to the purpose of its further use

Obrázok 3. Podiel výmery predávanej poľnohospodárskej pôdy podľa účelu jej ďalšieho využitia (Source: Research Institute of Geodesy and Cartography in Bratislava, own calculation)

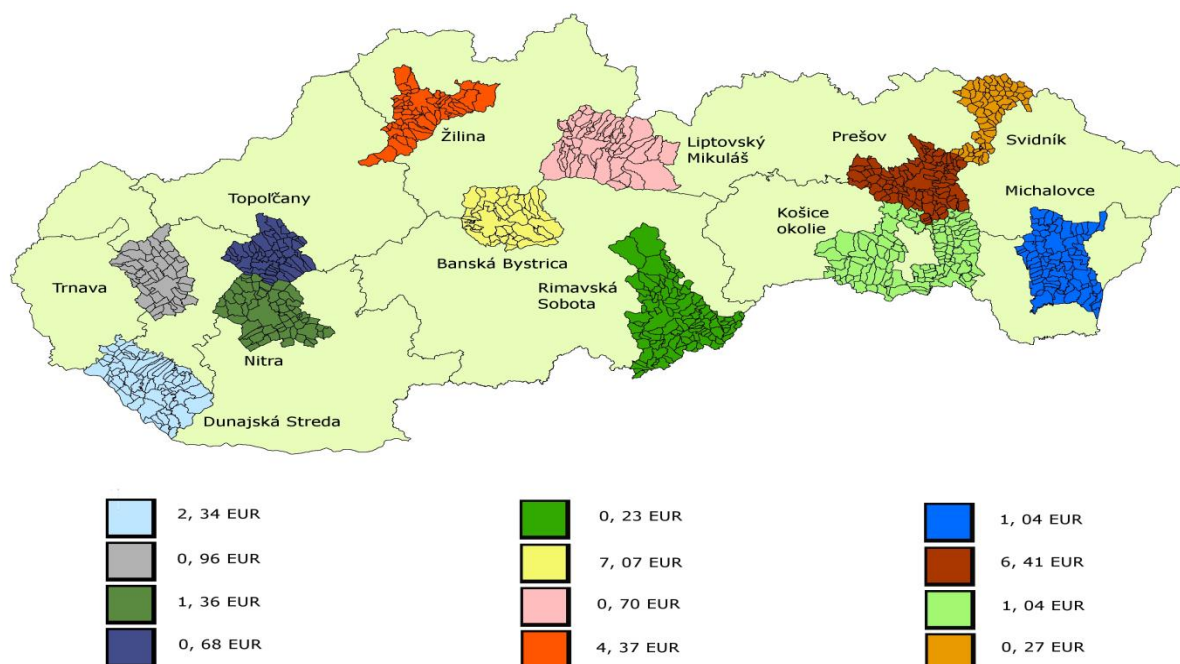


Figure 4. The overview of market prices of agricultural land in selected districts of Slovakia in 2011

Obrázok 4. Prehľad trhových cien poľnohospodárskej pôdy vo vybraných okresoch Slovenska v roku 2011

According to the results of the RIAFE as well as according to the results of the research carried out by the *Department of Law of the Faculty of EU Studies and Regional Development* the willingness to sell the agricultural land of the surveyed respondents depends on the price offered. Only 3.64 % of the owners strongly refuse to sell the agricultural land. According to our estimation the owners are mainly those ones who manage their land themselves. The realized research also proved the increasing interest in the purchase of the agricultural land with the most apparent problem in this process related to the negotiation on the price of the land. In spite of the gradual agricultural land market development after 2004 the agricultural land sales only represent a small fraction of all land transactions in Slovak republic. The importance of Rental contracts remains still at the significant level. Accordingly the situation is being present also in other EU member states (Ciaian et al., 2012). The rent of the land belongs to very important form in the frame of the land transaction process in several developed countries. Significant variation in the importance of land rent is possible to be observed. According to the *Eurostat data in 2005* – 68 % of agricultural land in Belgium was rented, 59 % in Hungary, 39 % in the Netherland, 86% in Czech Republic. The lowest share of agricultural land is rented in Poland (22 %) and Italy (26 %). Slovak republic belongs to those countries where more than 90

% of agricultural land is rented, thus where the owners of the land manage their own land.

This fact is confirmed by the results of the Report of RIAFE (2010) based on which the total area of land used by the reference set of 12 regions for 2007-2012 shows that only 4.16 % belonged to the property of individuals or corporate users and up to 95.84 % was formed by the land rented. This information is confirmed by various surveys conducted by *the Department of Law of the Faculty of EU Studies and Regional Development* within their research projects⁴.

According to Ciaian (2007) land rents paid by corporate farms are generally much lower: most vary between 50% and 20% of the rents paid by family farms.

Foreign ownership of agricultural land in Slovak republic

According to Swinen and Vranken (2009) the exchange of land, including the purchase of land by foreigners, will improve productivity, enhance access to capital, technology and knowledge, and hence stimulate economic development. These insights underpin the principle that accession to the EU implies the integration of the accession countries into a single free market, also with respect to land.

Seven new member states – the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland and Slovakia were granted transitional periods during which they could maintain existing provisions of their legislation restricting the acquisition of agricultural land or forests, in derogation of the freedom of capital movement enshrined in Art. 56 of the EC Treaty, as detailed in Annexes V, VI, VIII, IX, X, XII and XIV of the Act of Accession of 2003. In that context, a midterm review of the transitional measures was stipulated, to determine whether the transitional periods should be shortened or terminated. In Slovakia according to the legal regulation, it is possible to divide foreign citizens into two groups in terms of competence of acquisition of ownership of the agricultural land. The first group includes foreigners who are citizens of the EU member states and the other group foreigners, other than EU member states.

An exception, however, are those of them who have acquired such land by inheritance (§ 19a, Coll. No. 202/1995 Exchange Act, as amended), and if married with Slovakian partner (by exercising pre-emptive rights in the case of co-ownership (Civil Code No. 40/1964 Coll. 20 as amended by later regulations) and foreigners from the first group who has been staying and farming in the country for at least 3 years the particular plot that he/ she has been renting, can be bought. It is true that if a foreigner decides to acquire agricultural land, it can be done even today by the establishment of a legal entity established in Slovakia. In accordance with foreign law, the legal person is considered to be a domestic entity regardless of its founder, and nothing prevents such a person from buying agricultural land. In Slovakia, where foreigners can buy agricultural land relatively easily by setting up a legal entity, foreigners own approximately 20 000 ha or 1% of the utilised agricultural area (Swinnen and Vranken, 2010). As a comparative example of Hungary there is not possibility to buy the agricultural land neither by foreigners (physical person) nor by legal companies (Takács-György, 2012).

Based on the opinion of Hajnal, P. (Ministry of Agriculture and Rural Development of SR, interview “Új szó”, 24.1.2013) almost 10000 ha of the land is owned by foreign –

⁴ Research project VEGA no. 1/0357/08 „Variable value of agricultural land“

mainly Dutch, Dane and Italian – farmers via domestic legal entities. Legal entities purchased on own names 30000 ha of agricultural land, most likely with a speculative view. Slovak republic turns to be a convenient destination for foreign investors – even from China – due to the relatively inexpensive Slovak arable land. Lack of the transparency in transactions on the agricultural land market related to physical and legal entities is given by the absence of functional survey and functional information networks. Access to documents – individual purchase contracts - based on which the ownership was changed is not allowed in spite of the fact that the land registry is public. Reflecting this fact the real status is possible to be defined only by the results received from the questionnaire survey.

According to the data of the Research Institute of Geodesy and Cartography in Bratislava (RIGC, Bratislava) the purchase of land has been evaluated (by the RIAFE) from the aspect if the buying entity was the national of Slovak republic or the foreigner. Buying entities are considered in this aspect those entities from EU member states which are allowed to buy agricultural land used by them according to the lease contract 3 years continuously with consequent purchase. Foreign entities allowed to purchase agricultural land are considered those ones which have right to purchase land based on the exemption of legal regulation. The RIAFE has monitored for several years the purchase of the agricultural land in 12 selected district of Slovak republic⁵. The monitored districts represent of the total area of agricultural land with an acreage of 153859.91 ha. Based on the analytic survey carried out by the RIAFE (⁶ in 12 district of Slovak republic in 2011 the following outcome was proved: transactions of the agricultural land market were in the share of 59.13 % realized among Slovak entities. Foreign entities participated in the transactions of land by the share of 0.03 %. The rest of 40.84 % of transactions there was no evidence if the entity's nature was Slovak or the foreign one.

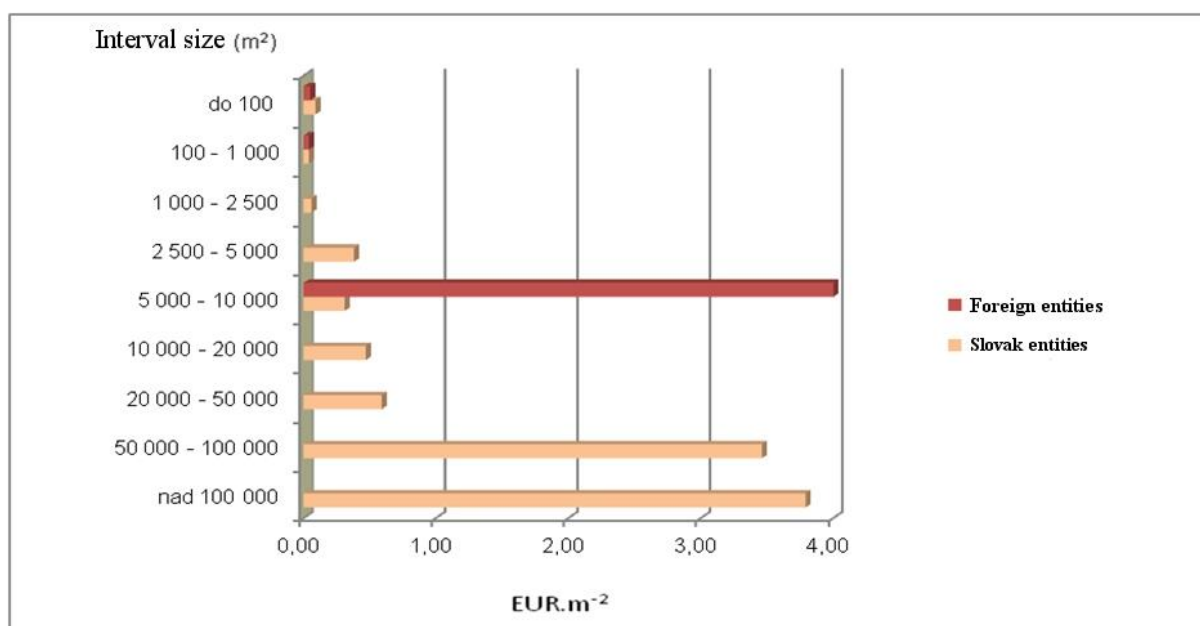


Figure 5. The average agricultural land market price of Slovak and foreign entities by size intervals in Nitra and Žilina districts in 2011

⁵ See the Figure 4

⁶ Annual report of RIAFE 2012

Obrázok 5. Priemerná trhovú cenu poľnohospodárskej pôdy českých a zahraničných osôb podľa veľkostných intervaloch okresoch Nitra a Žilina v roku 2011) *Source: Research Institute of Geodesy and Cartography in Bratislava, own calculation)*

Conclusion

Council meeting of the European Union on Agriculture in 1997 stated that European Agriculture as an economic sector must be versatile, sustainable, competitive and spread throughout Europe (including the less-favoured and mountain regions). It must be able to maintain the countryside, protect wildlife and pose a major contribution to the vitality of rural life, and be able to respond to consumer concerns and demands regarding quality and safety. Wide range of options for implementation of Common Agricultural Policy in Member States demonstrates the importance of national decisions on the impact of reforms on agriculture. Different forms of implementation will to vary degree bind payment to factor markets, especially in the land market. This can have lasting effects on adjustment of agriculture and its competitiveness in the EU. Adoption of a number legislative amendments relating to land ownership, the lease of agricultural land, its price, the acquisition of ownership by foreigners, as well as the National Strategic Rural Development Plan for 2007-2013 anticipated that legislation will have a positive impact on the development of the market in agricultural land, farming business and contribute to the promotion of economic activities in rural areas.

The increasing interest in the purchase of the agricultural land has been proved with the most apparent problem related to the negotiation on the price of the land. In spite of the gradual agricultural land market development after 2004 the agricultural land sales only represent a small fraction of all land transactions in Slovak republic.

Nevertheless, even after 9 years after accession of the SR into the EU shows that the agricultural land market is mainly influenced by instability of legal regulations, fragmentation of land ownership, uncompleted land arrangements, complicated and chaotic determination of administrative agricultural land prices, tax burden, up to now an unsolved problem of non-identified land (land of unknown owners), moratorium on sale of agricultural land to foreigners.

Acknowledgment

This paper has been published with the support of the VEGA project No. 1/0872/13 - The influence of agricultural holdings and farms association into producer organisations on increasing the competitiveness of agricultural sector.

References

- Act no. 582/2004 Coll. on local taxes and fees for municipal waste and small construction wastes
- Blaas, G., (2001) Agricultural reform in Slovakia: Changing Institutions and structure. [Online]. In The New Structure of the Rural Economy of Post-Communist Countries, International Workshop, October 26-30th, Lomnice nad Luznici in Czech Republic. Available at: <http://src-h.slav.hokudai.ac.jp/kaken/ieda2001/pdf/blaas.pdf>. [Accessed: May 2013]

- Blarel, B., Hazell, P., Place, F., Quiggin, J., (1992). The economics of farm fragmentation: evidence from Ghana and Rwanda. *The World Bank Economic Review* 6 (2), 233-254.
- Buday, Š. - Vilček, J., (2012) Classification and Evaluation of Agricultural Land in Slovakia.
- Buday, Š., Vilček, J., (2013) Kategorizácia a hodnotenie poľnohospodárskych pozemkov na Slovensku - Clasifiction and Evaluation of Agricultural Land in Slovakia. Brno: MZLU.
- Ciaian, P. (2007). Land Markets: Theory and Evidence from Transition Countries. Nitra: Slovak University of Agriculture.
- Ciaian, P., Kanacs, A., Swinnen, J., Herck, K., Vranken, L. (2012). Sales Market Regulations for Agricultural Land in EU Member States and Candidate Countries, In: Food Security and Development Policy, Factor Markets Working Papers. Brussels: CEPS.
- Dale, P., Baldwin, R. (2000). Emerging land markets in Central and Eastern Europe. Structural Change in the farming Sectors of Central Eastern Europe. Warsaw: World Bank.
- Dijk, T. (2003) Scenarios of Central European land fragmentation. *Land Use Policy*. 20 (2), pp. 149-158. DOI: 10.1016/S0264-8377(02)00082-0.
- European Comission, (2010) Agricultural statistics, Main results 2008-2009, Brussels: Publications Office of the European Union.
- Food and Agriculture Organization of the United Nations, (2002). Land tenure and Rural Development. FAO Land Tenure studies 3. Rome: FAO.
- Hajnal, P. (2013) Külföldiek veszik a hazai termőföldet. In: Új szó, 24.1.2013.
- Lazíková, J., Dimitrova, V. (2008). Land ownership in Slovakia and Bulgaria. Entrepreneurship on agricultural land in EÚ-27. Nitra, Slovakia.
- Lazíková, L., Takáč, I. (2010) Právne a ekonomické aspekty nájmu poľnohospodárskej pôdy. Nitra: Slovak University of Agriculture.
- OECD (1997), Review of Agricultural Policies, Slovak Republic, Paris: OECD.
- Research Institute of Agriculture and Food Economics, (2012) Annual Report. Bratislava: RIAFE.
- Statistical yearbook of Statistical Office, Slovak Republic, 2004
- Swinnen, J.F.M. Vranken, L. (2009) Land and EU Accession: Review of the Transitional Restrictions by New Member States on the Acquisition of Agricultural Real Estate, Brussels: CEPS.
- Takács-György, K., Erdélyi, T., Magda, R., Takács, I., Sadowski, A. (2012) Land use and property changes in Hungary and Poland after EU accession. IN: *Journal of Agricultural Science and Technology*. Libertyville: David Publishing.