



## Viewpoint

## Factors shaping the agricultural land market in Poland

Renata Marks-Bielska<sup>\*,1</sup>

Department of Economic and Regional Policy, University of Warmia and Mazury in Olsztyn, Poland

## ARTICLE INFO

## Article history:

Received 24 June 2011

Received in revised form 6 June 2012

Accepted 10 June 2012

## Keywords:

Agricultural lands

Agricultural Property Agency (APA)

Land market

Lease

Ownership

Polish agriculture

## ABSTRACT

The research aim has been to demonstrate the current state of Poland's agricultural land market and offered perspectives on changes to the market. The agricultural land market in Poland is divided in two parts: privately owned farms and land owned by the State Treasury.

This paper presents the results of a questionnaire distributed in 2008 among 943 owners and/or leaseholders of agricultural land located in all regions of Poland.

According to empirical studies, private and family farm ownership is dominant in Poland, and land is most often acquired due to inheritance – 84.84% of surveyed farmers benefited from a land grant, which was mainly given by their parents or parents-in-law (78.90%). In addition, 80.34% declared that they will pass their land to their children or grandchildren. Notably, almost 100% of farmers reported having children or grandchildren.

The motives presented by leaseholders and agricultural land buyers can be divided in three categories: (1) the desire to expand owned farmland or establish a new farm; (2) an investment on the expected price increase of agricultural land; and (3) to receive benefits from EU funds (i.e., a direct subsidy payment, a subsidy to less favoured areas, production, establishing new farm, activities in the frames of Sectoral Operational Programme).

Moreover, leaseholders indicated that the pre-emption right for leased land was very important to them, as 81.75% leaseholders declared the intention to use this right. According to Agricultural Property Agency (APA) statistics, 57.52% farmers bought land from the APA before it was offered to the public.

The agricultural land market in Poland after 1989 has been shaped by various factors. These include:

- historically based attitudes toward land and its cultural and symbolic value;
- a socialist heritage (although even during socialism in Poland, private ownership was widespread in agriculture);
- a regard for land as a multifunctional good (e.g. production factor, natural good, public good);
- citizens' and in particular farmers' attitude toward land ownership and agricultural leasing;
- changes in agriculture and ownership rights to improve the efficiency of land management;
- integration with the EU and joining the Common Agricultural Policy (CAP); and
- the possibility of obtaining various rents (i.e. economic, land, quality, total, planning, localisation, agricultural, mining, building, rural, capital, EU support, and changing the purpose of the land) (Marks-Bielska, 2010, 7).

State policy in the field of spatial management needs further elaboration and should address a complex system that encompasses both land used for agriculture and land use for other purposes.

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\* Correspondence address: Uniwersytet Warmińsko-Mazurski w Olsztynie, Katedra Polityki Gospodarczej i Regionalnej ul. Oczipowskiego 4/200C, 10-719 Olsztyn, Poland.

E-mail address: [renatam@uwm.edu.pl](mailto:renatam@uwm.edu.pl)

<sup>1</sup> Fields of scientific interest: development of rural areas, market of agricultural land, economic and social policy.

## Introduction

An efficient land market plays an important role in economic development and growth for several reasons. First, it provides access to land for the farmers who are the most productive but who own less land than they require. Second, it allows the exchange of land as the off-farm economy develops. Third, it facilitates the use of land as collateral to access credit markets (Swinnen and Vranken, 2009, 2).

Land is still regarded as the essential production resource in agriculture, even if it is substituted by capital to some extent (Johnson, 2002, 157; Marks-Bielska and Kisiel, 2006, 14). Land, as a production factor, plays a more significant role in agriculture than in other production sectors. It is both a production space, as well as production factor. Therefore, land – plays a double role in that is both the – object and means of work (Poczta, 1994, 61).

Land, as a production factor, has three unique features. First, aggregated land supply is inflexible in the short term (Samuelson and Nordhaus, 2004, 413–414) and insensitive to changing prices. Second, when properly used, land cannot be used during the production process. However, in the long term, the total area of agricultural land can be changed or its quality can worsen due to improper use. Third, land is completely immobile (Heijman et al., 1997, 406–407; Hurrelmann, 2002, 28–29; Czyżewski and Henisz-Matuszczak, 2004, 21). Land's indispensability in agricultural production may give it a high value, but immobility leads to less profitability. Land rent is sometimes not fully realised because land cannot be moved into sectors with higher profitability (Poczta, 1994, 61).

Poland is one of the largest suppliers of agricultural land in the European Union (EU). According to the data from European Commission, the total agricultural land area in the UE-27 countries was 182.103 million hectares (ha), and approximately 16 million ha was located in Poland (9% of the total agricultural land in EU, or 0.42 ha per capita). There are 2.5 million farms in Poland, which constitute – 17% total number of farms in the EU – Poland has the second highest number of farms in the EU after Romania. However, average utilised agriculture area (UAA) per farm was two times larger in EU than in Poland (11.9–6 ha in 2005) (Marks-Bielska, 2009, 240).

After 1989, during transition, many processes associated with ownership transformation occurred in Polish agriculture. The privatisation of collective farms was the one such process. To comply with the act of 19 October 1991, *Management of Agricultural Property of the State Treasury* (Dz.U. z 1991 r., nr 107, poz 465 z późn. zm.), collective farms were liquidated and incorporated into the Agricultural Property Stock of the State Treasury (hereinafter called APS). Land from the State Land Fund (SLF) was also incorporated to the Stock. The APS is managed by a state institution known as the – Agricultural Property Agency (APA), known until 2003 as the Agricultural Property Agency of the State Treasury. The Agency took over 4.7 million ha of land, from which 52.87%<sup>2</sup> was given away through sale or the gratuitous transfer of property (i.e. local authority units, state forest, churches, regional water management units, marshals of the voivodships, R&D units, non-governmental organisations and special economic zones). In total – almost 2 million ha of land was sold. Although the APS holds 2.2 million ha (46.8% of the total land), the majority of its land (1.7 million ha) has been leased out. However, over 0.3 million ha can still be assigned, but the majority of the remaining land is difficult to sell because of its low agricultural usefulness (i.e., low soil quality) (*Report on the Activities*, 2010, VII).

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Poland's access to the EU and, consequently, to the EU fund, for example to co-finance construction of technical infrastructure, stimulated the demand for land under new investments. When Polish agriculture was given the CAP instruments, farmland became a more attractive source of income, mainly because owners (leaseholders) can obtain direct payments. Just by joining the EU, Poland experienced a considerable increase in land prices. The accession conditions, especially the ones related to direct payments, had been known prior to Poland's access (Marks-Bielska, 2010, 189).

On the day of Poland's accession to the EU, restrictions imposed on real estate purchase by citizens and entrepreneurs from the European Economic Area (EEA, the EU states as well as Norway, Iceland and Lichtenstein), other than defined in the EU law and not covered by the transitional periods, were lifted. This means that as of 1 May 2004 foreigners who are citizens or entrepreneurs of the EEA countries are not required to obtain permission of the Minister of the Interior and Administration, except for purchase of agricultural and forest real estate properties – for 12 year since the access of the Polish Republic to the EU, or a second home – for five years since the day Poland accessed the EU (Marks-Bielska, 2010, 189–190).

### Land ownership and leasing in Polish agriculture

The most frequently cited theoretical justification for privatisation is the theory of ownership rights. According to this theory, only private or exclusive and fully transferable ownership rights, can ensure the most effective use of resources (Iwanek, 1992, 8). Therefore, the type of ownership impacts economic results because it imposes a specific system of activities (Tittenbrun, 1995, 19).

In socio-economic terms, the type of ownership of goods and their allocation plays an important role. Ownership can be defined as a set of effectively applied rights that are codified in law or through a constitution that allow an, owner to obtain a particular object. This generally consists of two subsets of rights: (1) the right to use owned property in various ways (i.e. gaining profits), and (2) the right to directly or indirectly share in decision-making processes concerning property use or property management. Practically, the actual use of owned property depends on how the property is managed (Milewski, 2005, 20–21).

Kozłowska-Burdziak (2006, 35) states that, according to ownership rights theory, ownership of production factors, especially land, leads to the most efficient allocation of resources. However, transforming state agriculture into private lands is not always possible due to a variety of obstacles. For example, the limited financial resources of private parties may make land purchase impossible. Moreover, the transferability of ownership rights to land is limited, as a particular plot cannot be used at will. For example transferring property rights to high-quality agricultural land is restricted by law.

Considering the peculiarity of land as a resource, it is possible to define ownership rights that enable the efficient use of state land. Leasing land can offer a solution (Kozłowska-Burdziak, 2006, 35), as it allows parties to freely “enter” and “exit” the market.

<sup>2</sup> Until the end of the 2009.

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