

## **SOME REASONS THAT INFLUENCE AGRARIAN LAND MARKET DEVELOPMENT – CASE OF SLOVAKIA**

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### **ABSTRACT**

Situation and structure of land relations is in each state result of long-term development of society. Structure of agricultural land ownership in Slovakia is likewise as also in other EU states different from structure of agricultural land use. In administration of the Slovak Land Fund it is still at present (2005) app. 25% of agricultural land. The agricultural land market is marked with previous period and it is up to now poor developed. The reasons are economic as well as legal one. The general situation on agricultural land market may be briefly characterized especially with that that there is not completed the restitution process, it lasts fragmentation of land ownership (1 parcel of land x owners), the offer for the time being exceeds the demand, there are sold above all the building sites and pieces of land of smaller acreage, there are not established real market prices, there are missing long-term credits at acceptable interest rate. Above all the economic effectiveness of land farming, completion of restitution process, elimination of fragmentation of ownership relations, support and creation the financial stimulation for support of land market (advantageous credits with lower interest rate), support and creation of tax stimulation for agricultural land market, but also ending of negotiated seven-year moratorium on sale of agricultural land to „the foreigners” will play the decisive task in further market development. With respect to situation in the area of agricultural land market there will be suitable to look for inspiration for legislative in legal regulations of other states where the agricultural land market operates and where developed regulating systems are aimed at ensuring the continuity of land using. Here the legislative instruments play and also in the future will play one of the most important tasks in intervention in this process.

### **KEY WORDS**

Agricultural land market, price of land, land leasing, land ownership, structure of ownership, restitution, legal regulation

### **INTRODUCTION**

Situation and structure of land relations is in each state result of long-term development of society. There were established individual legal institutes and they are maintained under the certain historic conditionalities. For agriculture the land is specific basic means of production and it is also the part of national economy. It is know to everybody that management of agriculture without land is unthinkable namely whether it is plant production or animal breeding as well as the whole complex of processing industry for ensuring of population nourishment.

By granting equal rights to ownership forms after 1990 the property right of all owners received the equal legal content and form. Transition to market economy required the complex arrangement of land ownership. For the future the high fragmentation of land, great number of co-owners portions, incompleteness of land register, inaccessibility of pieces of land in Slovakia but also the high percentage of agricultural land that is under state control represent the problem. Approximately 25 % of agricultural land (January 2005) is administered by the Slovak Land Fund.

## GOAL, MATERIALS AND METHODS

The aim of this contribution is to call attention on situation in ownership and use relations to agricultural land in Slovakia, on causes and obstacles of slow agricultural land market development and at the same time to propose the measures that would support the growth of this market. The problems were processed on the basis of analysis of present situation in the area of agricultural land ownership and land use for the purpose of finding out which factors significantly affect the agricultural land market. In contribution elaboration we draw primarily on results of research of Department of Law, Faculty of European study and Regional Development (FESRD) at Slovak Agricultural University (SAU) (2004), on particular rules of law regarding ownership, agricultural land leasing, land consolidation, but we also rely on knowledge of specialized literature that relates to the problems in question on studies of World Bank (2002), on research report of the Research Institute of Economy of Agriculture and Food Industry (2004), annual reports of cadastral departments in Slovakia (2003), on declarations of the Government of SR) as well as on opinions of experts in this area Štefanovič (1997), Blaas (2000), Buday (2004), and on final report of project APVT -27-004402 VÚEPP (2005).

## RESULTS

### 1. General characteristic of land fund in Slovakia

Majority of states of European countries the policy of which follows the maintaining of balanced economic development creates conditions supporting the land market development. In connection with requirements for change in land use (mainly in connection with rural area development) it is necessary to understand that there is a relation between the request for physical renewal of land and change of legal regulations, social relations in connection with social opinions and land administration.

Territory of the Slovak Republic occupies 4 903 423 ha, from this agricultural land represents 2 380 000 ha (48,54 %), forest land represents 2 002 774 ha (40,84%), water areas 92 845 ha (1,89 %), built-up areas and other areas represent together 427 804 ha (8,73%). On the basis of specified acreage and growth of population it falls 0,44 ha of agricultural land and 0,26 ha of arable land per 1 citizen. (Source: Statistical yearbook, 2004).

Development of acreage of agricultural land fund (ha)

Table 1

Land	1990	1996	2002
Agricultural land	2 448 600	2 444 500	2 438 000
From this: arable land	1 509 500	1 475 600	1 433 544
% of ploughing	61,5	60,4	58,8
Hop-gardens	1 500	1 300	46 322
Vineyards	31 400	29 100	
Orchards	20 000	18 800	
Gardens	77 900	78 000	75 578
TTP	808 300	841 700	882 556

Source: Zelená správa, 2004

Special cultures – hop-gardens, vineyards and orchards represent insignificant share of agricultural land (3,1%) and their acreage for the period that is subject of monitoring slightly

decreased. From 1996 to 2002 the arable land decreased by 42 056 ha primarily by its reclassification to grassland. As for the land fund structure the Slovakia has in comparison with EU the low representation of permanent cultures. Within the evaluated CEFTA countries there is in Slovakia the largest portion of meadows and pasture land and therefore also the lowest portion of arable land in land fund. As for forests, the Slovak Republic ranks with its forest coverage 40,84% (2 002 774 ha) among the countries of Europe with the highest share of forests to the area of state. The higher forest coverage reach only Finland (77%), Sweden (69%), Austria (46%). (Source: Statistical yearbook, 2004).

#### Agricultural land fund and its structure

Table 2

Country	Share of agricultural land in the total area in %	Area of agricultural land in thou. ha	Arable land in %	Perm. grass covers in %	Permanent crops in %	Gardens in %
Czech	54.2	4 273	71,8	22.7	0.6	4.9
Hungary	63.1	5 867	77,0	18.1	3.2	1.7
Poland	59.1	16 899	77,3	21.1	1.6	-
Romania	62.2	13 939	64,3	33.2	2.5	-
Slovenia	24.9	486	35.1	58.7	6.1	-
<b>Slovakia</b>	<b>49.7</b>	<b>2 438</b>	<b>58,8</b>	<b>36.2</b>	<b>1,9</b>	<b>3.1</b>
EU-15 *	42.4	140 318	52,1	39.9	7.9	-

Source: Country report, Slovakia 2004 ,CANSTAT Statistical Bulletin 2003/2004 Annual land Statistic in Slovakia 2002

\* Data for EU 15 for the year 2001

## 2. Ownership and use relations to agricultural land.

As there is no uniform land code in Slovakia, the land relations are included in several legal regulations: Civil Code, Land Act No.229/1991 Coll., Act No.330/1991 Coll.on Land consolidation, Arrangement of Land Ownership, Land Offices. Land Fund and Land Associations, Act No.162/1995 Coll. on Cadastre, Act No 504/2003 Coll.on land leasing, Act No. 503/2003 Coll.- second restitution act etc.

In the light of structure of ownership relations to agricultural lands in Slovakia that is different from structure of use relations it is possible to state that it is in private ownership the land with acreage of 1 854 973 ha what represents app. 76% from the total acreage of agricultural land in Slovakia. (Source: SPF, 2002, VÚEPP, 2002). It is necessary to add that app. 65% (Csaki and collective, 2002) of total agricultural land acreage was in private ownership during the whole period of socialism. During this period the owners of agricultural land could not use their own land because this was associated in cooperatives or in state farms that cultivated it. It was the matter of so-called „naked owners“ because the land was used without any compensation.

After 1990 43 965 authorized restitutents in Slovakia in accordance with the first restitution Act No. 229/1991 Coll. asked for restitution of agricultural land expropriated prior to 1990 who claimed the agricultural and forest land. (Source: VÚEPP, 1999). They were the original owners the land of which or their heirs was expropriated after 1948. According to sources of Ministry of Agriculture (2004) within the meaning of the Act No. 229/1991 Coll. there was restituted to physical persons on the basis of their applications 29 476 ha of agricultural land in form of substitute pieces of land from the land administered by the

Slovak Land Fund. The Slovak Land fund is a legal person /entity/ which was established by law after 1990. It is a state administrative body. The task of the Land fund is to administrate agricultural real estates which belongs to the state ownership but also such ones the owners of which are not known (their ownership is not documented).

The Slovak Land Fund gave to land associations<sup>1</sup> in form of substitute pieces of land 15 596 ha of land. Totally it was restituted 45 071 ha of land in form of substitute prices of land. There was restituted to original owners – physical persons 204 000 ha of agricultural land and to land associations approximately 117 000 ha of land what represents together 321 000 ha agricultural land.

#### Present structure of agricultural land ownership

Table 3

	in thous. ha	in % of agricultural land
Land in state ownership	115 993	4,75
Land in ownership of unknown owners	526 233	21,6
Total private land	1 854 973	76,0
Total agricultural land	2 439 408	100

Source: World Bank 2001, SPF 2002

According to records of real estate cadastre there is recorded in 3525 cadastral areas of Slovakia the ownership of the Slovak Republic – in administration of the Slovak Land Fund in the volume of 115 993 ha of agricultural land what represents 4,75% from total acreage of agricultural land in Slovakia. 515 233 ha of agricultural land (21%) belongs to the land where for the time being it is not possible to identify the owners and so it is possible to state that the Slovak Land Fund administers app. 631 226 ha of agricultural land (25,8%) (Source: World Bank, 2001, SPF, 2002). Here it should be noted that the different statistical sources state the different data. In spite of different statistical deviations the fact is that approximately 25% of agricultural land (2004) remains in control of state. This fact was one of the reasons for adopting the Act No. 503/2003 Coll. on restitution of ownership to pieces of land (so-called renewed restitutions). The act solved two important questions. Except for restitution of land to original owners or their heirs it solved also the issue of ownership of land of unknown owners.

Within the meaning of this act it was again possible analogously as it was allowed previously also by the Act No 229/1991 Coll. to put in a claim for restitution of ownership to pieces of land by 31 December at the latest to those authorized persons that have not used this possibility up to now for different reasons. As of 31.12.2004 in accordance with the second restitution act there was put in totally 45.004 restitution claims in SR. It is more applications than in case of the first restitution act. The given numbers are obtained from sources of the Ministry of Agriculture of the Slovak Republic ( March 2005) that the Ministry updated monthly on the basis of reports of individual districts. Data as to how many of these applications are authorized (as well as information on acreage that the authorized persons

<sup>1</sup> Land associations (Urbariate in Slovak) were originally created after the abolition of serfdom in 1848 when peasants were compensated for the loss of traditional use rights in landlords land with land plots assigned in shared ownership. In 1949, law transferred this community land to farming cooperatives and land associations were reinstated in 1991 by law 330/1991 Coll. Association members never had a title to a specific demarcated plot and were only entitled to a share of communal land. Restitution claims therefore had to be submitted by the association on behalf of its thousands of members.

claimed) is not possible to find out for the time being as many of applications are incomplete. At present the district land offices send the calls for their completing or they expect their completion (in many cases there was stated neither cadastral area and nor the lot numbers of pieces of land. This information will be known only after settlement of all restitution applications and after the issued decisions become effective. As of 31.03.2005 it was found out (source: MPVŽ, 2005) that the Slovak Land Fund has already given in accordance with the second restitution act in form of substitute pieces of land to physical persons whose application were authorized, 438 ha of land and to land associations only 1 ha of land. Within the meaning of the Act No. 503/2003 Coll. as of 31.3.2003 there was restituted to original owners app. 730 ha of land and to land associations app. 293 ha of land. That is it was restituted as of 31.3.2005 during the first three months totally 1023 ha of agricultural land. Up to now it is not known to which number of ha the applications relate. These include at most the lot numbers but not their acreage. As the restitution process has not been completed yet, there is an expectation that acreage of restituted land as well as number of persons to whom the land will be restituted, will be increased.

But restitutions alone were not able to solve definitively the problem of land of unknown owners. In this connection there was still remaining the question what would happen with land of owners who will remain unknown also after 2005. Practically all-Slovak political parties agreed that the land ownership must be recovered and the shares of the virtual (unknown) owners must be settled not later than 2005. There was a heavy debate, what should happen with the land of owners who will remain unknown also after that deadline. There were two options:

1. The unclaimed land is to be nationalized and then utilized by the state;
2. The unclaimed land will be first nationalized and then transferred to ownership of municipalities.

Finally the second option was adopted in Act 503/2003 and thus after the 31 August 2005 the unclaimed land will be nationalized and after 31 August 2006 the unclaimed land will be by law transferred to the ownership of municipalities.

That is according to the act the municipalities will become a new owner. But the act restricted the disposal right of municipalities as a new owner of land in that way that it prohibited them during ten years to transfer this land to the other subject ownership. If we consider that it is the matter of app. 10% maybe 15% of agricultural land of Slovakia we may only state that this limitation will not be useful to agricultural land market development in Slovakia.

Originally it was expected in 2004 that the Ministry of Agriculture lobbied the act that would mean for farmers the starting of public sales of state agricultural land but finally this privatization process was not realized. At the same time the sales of hundreds of thousand hectares of state land should have activated the stagnant agricultural land market what is one from the tasks of program of government and to which the World Bank encourages the Slovakia already for longer period. According to the expression of Minister of Agriculture (Trend, 2005) the state will need its land for other intentions: for exchange of private pieces of land expropriated in building of state roads, for building of industrial parks, the part of them must be given in renewed restitutions in form of substitute pieces of land etc..

### 3. Subjects farming the agricultural land

The area of land representing the property of unknown owners cannot be sold on the market. The Slovak Land Fund can manage only the sale of the land that is a property of the state. The present situation of owners of land in Slovak republic defines the following subjects: Natural persons and legal persons corporate entities - companies, cooperatives, state, church. According to data as of 31.12.2003 the greatest part of agricultural land was cultivated by agricultural cooperatives (635) that occupy 1 016 691 ha of agricultural land with the average acreage of 1601 ha what represents 48,89% of share in agricultural land in the Slovak Republic. Commercial companies (834) cultivate 778 577 ha with the average acreage of 934 ha with 37,44 % share in agricultural land in SR. Physical persons in total number of 6 099 cultivate 258 771 ha of agricultural land with average acreage of 42 ha with 12,44% share in agricultural land (Source: Zelená správa 2004).

Agricultural enterprises and their acreage

Table 4

Legal form	Number of agric. enterprises		Average acreage of enterprise in ha		Acreage of agricul. land in thousand ha		Percentage of acreage of agricul. land in Slovakia	
	1998	2003	1998	2003	1998	2003	1998	2003
State enterprise	4	5	3 546	3 383	14,2	16,9	0,58	0,81
Cooperative	831	635	1 583	1601	1 315,3	1 016,7	53,80	48,89
Commercial company	529	834	1 154	934	610,6	778,6	24,98	37,44
- S.c.	71	99	2 113	1 684	150,0	166,7	6,14	8,01
- Ltd	451	734	1 015	833	457,8	611,5	18,73	29,40
- Copartner ship	7	1	399	420	2,8	0,4	0,11	0,02
Other legal persons	0	62	0	142	0	8,8	0	0,42
Physical persons	16 909	6 099	11,4	42	192,6	258,8	7,88	12,44

Source: Zelená správa Ministerstva pôdohospodárstva SR 1999 -2004  
 (Green report of Ministry of Agriculture of the Slovak Republic 1999 – 2004)

In Slovakia not only physical but also legal persons may become owner of agricultural land (what is not acceptable for example in Hungary where only physical persons may become the owner of agricultural land). After Slovakia's access to EU there was negotiated transitional seven-year period during which the agricultural land may not be purchased by foreigners with permanent residency outside territory of Slovakia namely for the reason of fear of land sale abroad. As a compromise it was adopted the provision in the Foreign Exchange Act No. 202/1995 Coll. as amended by later regulations according to which the transfer of agricultural land to the foreigner's ownership is possible in Slovakia only under the conditions stipulated by this act. It enables the purchase of agricultural land to the nationals of the member state of the European Union if they have on the basis of their registration the right to temporary stay provided that he is farming this land at least three years after effective date of the Agreement on access of the Slovak Republic to the European Communities and to the European Union. That is the agricultural and forest land in Slovakia may be purchased by citizens of the European Union in May 2007 at the soonest. But if the foreigner who decides to carry out business on the territory of Slovakia is registered in

business register as entrepreneur he becomes within the meaning of our act the foreign exchange inlander and so he may acquire the ownership to agricultural land. But as for making leasing contracts at present there are no restrictions valid for foreign exchange inlanders and so they conclude primarily the leasing contracts and only in very rare cases there is occurred the conclusion of purchase contracts.

#### **4. Land market and agricultural land lease market**

The legal system of agricultural land plots lease is governed by several regulations. Except for Civil Code as a general legal regulation it is the Act No. 229/91 Coll. as amended, entitled also the Act on land that regulates the cases of so-called obligatory lease to agricultural land and Act No. 504/2003 Coll. on lease of agricultural land plots, agricultural enterprise and forest plots. The aim of this act is to stabilize the long-term lease of land and provide protection to landholders. It is possible to state that it is aimed primarily at lessee's protection more than at owner's protection what is obvious also with respect to the fact that agricultural land is used at present more by lessees than by the agricultural land owners themselves. The largest part of agricultural land namely irrespectively of it whether it is the land in administration of the Slovak Land Fund or the agricultural land in private persons ownership, is leased and only very small percentage of owners also uses the agricultural land. This tendency that is possible to notice in Slovakia is the Europeanwide tendency (Tatík, 2003). The analogous situation is also in the European Union countries. In Germany it is leased 62,1 % of agricultural land, in Belgium 67%, in France 64,9% (Jozef Tatík, Peter Kniebugel 2001). In spite of the fact that the majority of Western European countries creates prerequisites – the different financial and tax incentives supporting the stated intentions for agricultural land market development – in the many Western European countries the farmers are to a greater extent farming the leased land. It is for that reason that the rent represents the part of operating costs thereby they decrease the tax base for income tax. In case that the transferee reclaims for agricultural purposes the sloppy soil or he forests the outfield areas, there are valid for such land the different tax allowances or complete exemption of such land from land tax for the period of 20 or 25 years. The Slovak farmers who are farming the leased land consider payment of land tax in their present economic situation to be discriminating. Therefore the Slovak Agricultural and Food Chamber made effort for its cancellation. It was neither succeeded in doing it but the more after adopting of fiscal decentralization, determination of its amount comes within the scope of municipalities. During this year (2005) it was carried out the assessment of influence of decentralization of land tax on change of tax burden of entrepreneurs in agricultural basic production in selected regions of SR. The local government reviewed totally 621 cadastral areas in 24 regions while it found out that the tax burden of entrepreneurs regarding land changed very differentiatedly in connection with the effectiveness of the Act No. 582/2004 Coll. on local taxes. In several cases the land tax was increased during the year by 100 to 500 % (Oravec, I Roľnícke noviny 13/2005, p. 7). On the basis of index comparison for the whole assessed area it was found out the tax increase by 41% what represents the serious interference in business environment. If we compare the results published in the report on agriculture and food industry in SR for 2003 and 2004 we may find out that the total amount of land tax paid by the farmers has been increased during the year only by 1.4 or 2.1 %.

The land represents for entrepreneurs in agrarian sector the basic production mean from which it is not paid the tax by any other sector.

There is even no compliance in EU countries in this respect. Somewhere it is paid the land tax elsewhere not. Similarly it is also in Vysehrad Four countries. While in the Czech Republic and in Poland it is collected by authorities, in Hungary the owners or occupiers of land are exempted from it.

In many countries the land purchase is supported by more advantageous credits that means the credits with lower than commercial interest rate. Credit repayments are carried out directly from earned surplus (after taxation) and interests for provided credit represent the item of financial costs. In neither Western European country it is possible to classify the possible expenses for land purchase as cost item affecting (decreasing) the tax basis for income tax. At the same time it is not possible even the direct tax allowance regarding income tax in connection with land purchase. System of leasing right is suitable and is cheaper than direct land purchase.

In EU countries prevail the long-term leases where the plots owners lease the land to farmers for period of 15 to 20 years. At present the agricultural land in Slovakia is leased generally for 5 years and in some cases for 10 years (it should be stressed that according legal regulation Act No 504/2003 Coll the minimum period of leasing of agricultural land is 5 years if the land is leased for commercial purpose). There is an assumption that as a result of continuous internal transformation of agricultural subjects it will be extended the lease duration to 10 and more years what will have an influence to increasing of internal stability of subjects.

At the beginning of privatization process prevailed the opinion that in the area of agriculture the land will be gradually used by plots owners. In spite of the fact that in Slovakia is more than 70% of agricultural land in private owners hands that within restitutions the agricultural land was restituted to the original owners or to their heirs that results of research show that agricultural production is more effective with self-farmed farmers in comparison with entrepreneurial activity of legal persons (Fandel, 2002) the reality remains that expectations of government were not fulfilled and agricultural land owners have no interest to farm the land but they are interested in land sale or advantageous leasing.

Up to now a long time expected agricultural land market is developed in Slovakia very slowly. The contrary tendency is shown in case of leasing where it is possible to observe the expansion of agricultural land lease market. The increased interest in land leasing is especially in lucrative areas where it is growing the private entrepreneurial activity not only on part of our entrepreneurs but also on the part of foreign entrepreneurs. But also the land lease market is not without complications what is caused in this way that the Slovakia belongs to those European countries the land of which, ownership to this land, is the most fragmented. Extreme fragmentation of land ownership represents one of the most serious problems of land management in Slovakia. It is different from Czech Republic, Germany where historically the ownership to land went in another direction where the legal regulation ensured in inheritance the ownership of one usually the oldest from children of the testator. In Slovakia similarly as in Hungary it was valid the Hungarian act where the legal regime ensures inheritance to each of survivors what resulted to great fragmentation of land ownership. 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 leasing contract, it must be concluded with great number of people what is obviously connected except for searching for owners also with high costs that incur in this connection. At present it is registered in Slovakia app. 9,6 million parcels of land. The average area of parcel represents 0,45 ha and it is in the ownership of 12 – 15 people. This situation is result of development of economic,



social and legal phenomena in Slovakia. 40-year period of collective or state administration of land in which the ownership rights were only formal, prevented from 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 of agricultural land when it is necessary to negotiate with several owners and when only the larger areas are attractive for the investors and farmers.

In the interest of preventing the fragmentation of agricultural land plots and forest plots situated outside the build up territory of municipality the legislative states the precise procedure that is necessary to observe in ownership transfer as well as in change of ownership. If there should be generated a piece of land of acreage from 2 001 m<sup>2</sup> to 5 000 m<sup>2</sup> in case of agricultural land plot and from 5 001 m<sup>2</sup> to 10 000 m<sup>2</sup> in case of forest plot it is imposed on new transferee the obligation to pay levy in the amount of 20% from plot price and 10% from plot price if there should be generated the agricultural land plot of acreage from 5 001 m<sup>2</sup> to 20 000 m<sup>2</sup> or forest plot of acreage from 10 001 m<sup>2</sup> to 20 000 m<sup>2</sup>. The levy represents the income of the State Fund of Protection and Cultivation of the Agricultural Land Fund.

Though the repeated fragmentation of ownership structure came about this fact did not resulted in fragmentation of agricultural activities (just the contrary the agricultural large-scale production in Slovakia is one of the largest among the Middle and Eastern Europe countries). For the time being the agricultural land attracted buyers only in cases if there was a possibility to reach the profit by using the land for non-agricultural purposes. But the amount of these transactions can be not at all taken into account as an indicator of market value of land the using of which is limited to agricultural purposes.

## **5. Land price and price of agricultural land lease**

The situation in Slovakia regarding the state and use of agricultural land as for the owners is not sufficiently transparent. The non-transparency in ownership structure and in structure of agricultural land use in the ownership of physical and legal persons is caused by non-existence of functional statistical surveys and statistical information networks. In Slovakia it is nearly impossible to find out the situation regarding the agricultural land as for the number of change of ownership relations (number of purchase contracts, substitution contracts the subject of which is agricultural land) regarding the agricultural land other than that that is in administration of the Slovak Land Fund. The access to documents on the basis of which the ownership change has occurred (such as concrete purchase contracts, deeds of donation or substitution contracts) in spite of the fact that the land register is public is more or less impossible. Finding out the changes in ownership relations regarding agricultural land would be possible only provided that it would be possible to examine the individual contracts and to separate in this way the contracts the subject of which are real estates other than agricultural land from the contracts the subject of which is exclusively the agricultural land. As for the records on lease relations the situation is more transparent as the part of land register are also data on lease rights to plots if the lease rights last or should last at least five years. But these records are inaccurate because not all lessees fulfil their obligation to report the lease lasting more than 5 years to the land register. The situation regarding records on concluded lease contracts as for the agricultural land in administration of the Slovak Land Fund is transparent and so we know that the Slovak Land Fund leases more than 500 thousand ha in the property of state and unknown persons on the basis of 2.500 contracts (Slovak Land Fund, 2002) Since 01.07.2004 the internal instruction of general director of the Slovak Land Fund no. 11/2004 came into effect according to which it is increased the rent

amount with effectiveness from 01.01.2005 for plots leased by the Slovak Land Fund from present range 0,6 – 1,0 % to the rent in the amount of at least 1,5% from land price according to site quality-ecologic units. Through this measure there were fulfilled at the same time the respective provisions of the Act No. 504/2004 Coll. on leasing of agricultural land, agricultural enterprise (cooperative) and forest plots and on amendment of some acts according to which the rent amount is stipulated at least at the level of 1,0% from agricultural land price – leased plot determined according to site quality-ecologic unit.

It results from informal surveys performed in selected regions that the agricultural subjects farming under better natural conditions (for example Dunajská Streda, Galanta, Nitra etc.) rarely agree the rent amount irrespective of amount of average agricultural land price in the respective cadastral area. This rent amount generally exceeds the limit of 2,5% from average agricultural land price and in some exceptional cases as much as 3% of land price. The higher rent is usually agreed in case of leasing of land of larger acreage from one owner as the lessee tries to motivate such lessor to leave him his land in lease.

This fact is confirmed also by data from the research of Department of Law at SAU (2004). The analyst of the Vienna Institute for International Economic Comparisons (WIIW) Zdenek Lukas reminds that the growing rent price will soon affect the economic results of the Slovak agricultural companies. While in his opinion during the first years after Slovakia's access to EU they will be in better position due to increase of purchase prices for agricultural products but later they will have the increased costs due to rent growth. „And this will have extraordinary strong influence especially on large enterprises farming mainly the leased land as opposed to small private companies,“ he suggests. And in his opinion this increase of costs will be reflected into food prices. (Trend, 2004).

In Slovakia the agricultural land is several times cheaper than in some European Union countries. There is the difference also in price regarding agricultural land leasing. Determination of agricultural land prices is at present complicated and chaotic.

While in the past (by 2004) the administrative price of land was determined according to classification into site quality-ecologic units pursuant to decree no. 465/1991 Coll. at present after its cancellation there are several legal regulations depending on purpose for which the land value is determined. For purchase and sale between the physical and legal persons it is valid the price agreed mutually by contracting parties. This agreed price is not subject of any other legal restrictions and is not dependent on agricultural land plot value calculated according to the expert opinion or according to other valid legal regulations.

For determination of arable land value for the purpose of payment of real estate taxes it is used the Act No. 582/2004 Coll. on local taxes and local fee for municipal waste and small building waste. Pursuant to annex to this legal regulation the average value of arable land in Slovakia is 15,90 SKK per m<sup>2</sup>, arable land value for example in village Báč, in district Dunajská Streda is 34,90 SKK per m<sup>2</sup>, in district Nové Zámky in village Dvory nad Žitavou is 25,82 SKK per m<sup>2</sup>, in village Preseľany in district Topoľčany is 20,36 SKK per m<sup>2</sup> (1 EUR app. 39, - SKK 2004).

For determination of land value for the purposes of land arrangements it is valid the decree of the Ministry of Agriculture of the Slovak Republic No. 38/2005 Coll. on determination of value of land plots and plantations on them for the purposes of land consolidation. The annex to this decree forms the table with value of land plot that represents agricultural land. Pursuant to this annex the tariff of agricultural land in crowns per m<sup>2</sup> ranges depending on classification into site quality-ecologic unit from 0,65 halers to 12,10 SKK per m<sup>2</sup>.

In other cases for example if the buyer is state organization or the Slovak Land Fund, it is used for determination of value an expert opinion executed in accordance with valid decree No. 492/2004 Coll. on determination of general value of assets. For the purposes of agricultural land protection there are applied the following legal regulations: the Act No. 220/2004 Coll. on protection and utilization of agricultural land amended by decree of the Ministry of Land Management of SR No. 508/2004 Coll.

The amount of agricultural land price may not be in contradiction with the Act No. 68/2005 Coll. that amended the Act No. 18/1996 Coll. on prices. It was extremely necessary to introduce the clear system in agricultural land assessment.

According to Eurostat (2002) the average market prices of agricultural land were for example in Belgium 15 895 EUR per ha, in Italy 13 180 EUR per ha, in Germany 9 416 per ha, in Spain 5 686 EUR per ha, in France 3 613 EUR per ha (these prices represent the market prices of arable land), in Czech Republic 1 282 EUR per ha, in Poland 874 EUR per ha and in Slovakia 877 EUR per ha. But as for Slovakia it is difficult to say on real market prices for agricultural land when the agricultural land market is developed very weakly.

After access of the Slovak Republic to EU also for Slovakia results the obligation to build up the comprehensive information system recording the financial operations regarding agricultural land. This necessity will be solved within the prepared comprehensive information system that is at present at the ministry in the stage of preparation.

Factors that affect at present the market prices of agricultural land in purchase and sale between physical and legal persons are mainly: demand and offer in place of land location, macro-position of land plots (position of districts within republic), micro-position of land plots that means position of land plots within district, access to piece of land, infrastructure, productive ability - site quality. The purchase price of land that is sold is established primarily on free market depending on offer and demand. The market prices of agricultural land irrespective of purpose of its next utilization are higher mainly in agricultural productive districts and districts with developed tourism. The average market price of agricultural land is different in individual areas, according to Buday (2005) it ranges from average official land price to its triple value. According to results of research of the Department of Law (2004) the good quality land in region of Nitra is sold at app. 80 000 SKK/ha (app. 2015 EUR/1 ha). The higher price may be reached in case of sale of land of smaller acreage intended for agricultural purposes.

The experts expect increasing of market price of land in the future. It is logical that it will be different in different areas. The most expensive land should be in the most fertile areas. Also other factors will play a role. For example it is expected that the most interest will be in purchase of land plots in border areas with Austria, Hungary and Czech Republic. The growing land prices will reflect also in growing pressure of land owners on cooperatives and commercial companies that are farming this land in order to pay them higher rent.

## **DISCUSSION**

Agricultural land market is not developed enough actually. Situation on agricultural land market may be characterized as follows:

- Agricultural land sale relate mainly to the land plots with smaller acreage (up to 5 ha)

- It is sold primarily the land for building purposes or for other than agricultural utilization
- Sale relates to land plots in productive areas
- Offer exceeds demand;
- Non-existence of advantageous credits for agricultural land purchase;
- Up to now uncompleted restitution process;
- Uncompleted land arrangements
- Fragmentation of land ownership
- There were not created the real market prices in the environment of non-existing demand;
- Up to now existing problem of non-identified land (land of unknown owners);
- Seven-year moratorium on sale of agricultural land to foreigners.
- Tax burden
- Instability of legal regulations

For the purpose of development of agricultural land market it will be necessary to search for ways how to revive the agricultural land market, remove the obstacles and concentrate the attention on its support. State and law play here un fungible role while they have to allow suitable and purposeful forming of agricultural land market while respecting at the same time the requirements of environment.

For development of land market as well as agricultural land lease market and for the purpose of protection and cultivation of land fund it will be necessary:

- To complete as soon as possible the restitutions process
- To complete solving of problem of unknown owners. Though according to the new legal regulations the land of unknown owners that will not be subject of restitutions will pass into the municipalities ownership the fact remains that the municipalities will not may to sell such land for the period of 10 years.
- To make the situation in the area of ownership structure and land use more transparent by creating of comprehensive information system recording financial operations regarding agricultural land;
- To eliminate problem regarding the extreme fragmentation of agricultural land;
- To accelerate the process of land arrangements;
- To remove the seven-year moratorium on agricultural land purchase by foreigners as a factor that prevents land market development;
- To establish the system that make situation in determination of agricultural land price more transparent when at present it is valid „that there is valid the different legal regulations for different purpose of land utilization, amended several times;
- To support and create the financial stimuli for support of land market as for example provision of more advantageous credits with lower interest rate;
- To support and create the tax stimuli for land market activating as for example to remove the land tax or provision of tax allowances or total exemption from tax in case of fertilization or forestation of land; in case of permanent cultures planting such as orchards, vineyards, hop-gardens;

With respect to situation in the area of agricultural land market it will be suitable to search for inspirations in legal regulations of other states where the agricultural land market operates and where developed regulating systems are aimed at ensuring the continuity of land utilization.

If there are no changes in the area of ownership relations to the agricultural land we do not suppose any changes in the production structure. This may cause in our opinion stagnation of activities connected with the rural development. The land market plays a very important role because:

- It is an indicator of investment into the rural development;
- It enables the structure changes in the countryside;
- If there is a decrease of agriculture production the land can be used for example for agro tourism purposes and new job possibilities can be created;
- It will influence the level of infrastructure;
- It will keep rural population and the demographically development will improve.

The new owners will be expected not only to invest and create new job opportunities but their interest in ecological functions. Of course this will not be possible without the government support and without changes in legal regulations. The state and the law play an un fungible role and they have to allow suitable and purposeful development of the country with respect to the requirements of the environment. Legislation represents and has to represent in the future one of the most important instruments that can influence the process of the development of rural districts. If there is limited land that can be utilized by people, it is essential that people do their best in its utilization. Above all it is necessary to make an inventory of the existing natural resources which will show which territories have representative, unique land parameters and show variety. These territories should be protected against any further human activities. A healthy economy can only be developed if there is a healthy ecological situation. The territories should not be assessed only from the point of view of land utilization and from the point of view of preservation of natural values, but also from the point of view of their influence on the development of the rural districts.

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