THE SOCIO-ECONOMIC FACTORS AFFECTING THE DEVELOPMENT OF AGRICULTURAL LAND MARKET IN POLAND

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Abstract


The study is aimed at the analysis of the situation in the agricultural land market in Poland, including the identification and description of factors affecting the turnover and rules governing trade in agricultural land and the influence of the Agricultural Property Agency on the supply and demand relationships in trade in agricultural land. The main and critical factors affecting the demand-supply relations in the market are identified. Analysis allows to draw the conclusion that

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Land in an agricultural holding is a productive factor of a special kind since, unlike other goods used in the agricultural production process, it does not undergo the process of movement and increasing (Woś, 1998). Apart from this, in recent years because of developing non-agricultural sectors (especially construction) and the development of infrastructure, the process of excluding land from agricultural use has become more intense (Sikorska, 2008). As a consequence, the acreage of land for agricultural use is becoming more limited. In 2008 the area of agricultural land per 1 inhabitant of Poland was 0.5 ha (Statistical yearbooks of the Republic of Poland 2006), while in 1970 it was 0.6 ha (Statistical yearbooks of the Republic of Poland 2008). Because of that, the arable land constitutes one of the most important resources of a farm (Kołoszko-Chomentowska, 2005), and at the same time the most stable outlay in the process of producing agricultural raw materials (Kowalski, 1998). Moreover, other kinds of production outlays are as a general rule adjusted to the size and quality of owned agricultural land and its location (Rudnicki, 2005), and the effects of farming usually relate to this factor (Harasim, 2006).

MATERIAL AND METHODS

The study is aimed at the analysis of the situation in the agricultural land market in Poland, including the identification and description of factors affecting the turnover and the supply and demand relationships in trade, characteristics of parties to contracts of sale of agricultural land. These changes are one of the main factors affecting the modernisation of the agricultural sector and strongly influence the socio-economic development of rural areas.

Research findings presented in the paper are based on various source data available, the main empirical material being data provided by the Agricultural Property Agency, CSO (Central Statistical Office) and the Ministry of Interior and Administration.

Study is also based on the findings from survey conducted by the Department of Social and Regional Policy of IAFE-NRI in 2005. The survey covered 76 deliberately selected villages whose social and economic characteristics were representative of agriculture and rural areas across Poland.
SOCIO-ECONOMIC CONDITIONS OF CHANGES ON AGRICULTURAL LAND MARKET

In the analysis of conditions having an impact on the situation on agricultural land market, first of all it should be taken into account that it is a special good, and its social and economic functions go far beyond its function as one out of three factors of agricultural production. The fact that land is indispensable in every human activity, and its resources can be used in a variety of ways, has an especially crucial importance with relation to its usage for agricultural purposes.

When indicating factors having impact on interest in owning land property, including agricultural land, it should be taken into account that apart from carrying out a production activity, the motivation can also be the wish for profitable capital investment, especially when land prices grow faster than deposit interest rate. Similarly, the calculation relates to a situation when a land owner designates it for lease. Nowadays the process of converting agricultural land for non-agricultural needs (housing construction, motorways, etc.) is becoming more noticeable. Because of that the purchase of agricultural land, especially of low quality, can be motivated by the intention of later changing its status of farm land.

It should also be taken into account that agricultural production technologies undergo changes and the impact of the cultivated land's size on the scale of agricultural raw material production is decreasing. The possibility of placing goods on the market depends to a greater extent on taking into account the so-called production niches determining their attractiveness. In this case the economic success does not always require involving in an agricultural activity carried out a considerable area of land. Topics studied in the Czech Republic by Majerová (2007) and Zagata (2009) are considerably resembling.

On the motivation for owning agricultural land and the way it is developed a strong impact has also the economic policy of a country. In Poland in recent years especially integration with EU and introducing CAP rules have been of considerable importance. Apart from direct advantages due to agricultural land use (land subsidies) it should be expected that also special agricultural and environmental programmes with the aim to promote advantages from such ways of land development which will favour the maintenance of rural areas' natural values will gradually have greater impact on the attitude to owning land.

As a consequence of the above, it should be taken into account that many factors decide about the situation on agricultural land market, from which only a part is directly connected with economic situation in agriculture and agricultural policy. Of crucial importance are changes occurring within the framework of whole national economy, all the more that global processes on principle strongly influence the changes occurring within the agricultural structure.

In Poland in the assumptions of most programmes concerning the supporting strategies of agriculture and rural areas development, as one of the most basic aims of activities is mentioned the necessity for stimulating the improvement of farms' area structure and acceleration of agricultural areas' concentration processes. Such attitude is connected with the fact that the agrarian structure of our agriculture is relatively scattered with relation to the remaining EU countries, and this translates into a relatively big number of agricultural holdings performing mainly residential functions. In 2005 around 32% of Polish agricultural holdings with area from 1 ha of agricultural land placed on the market a very little number of products, and in 13% such production was not carried out at all. The families of their owners only occasionally derive personal income from agricultural production carried out on a small scale, and mainly make their living from gainful employment as well as annuities and pensions. At the same time, a relatively small part of agricultural holdings is equipped with comparatively large production property, especially with land. Now in Poland there is only about 7% of agricultural holdings, which area is from 20 and more ha of agricultural land.

The acceleration of agrarian changes should be connected with the process of leaving agriculture by people. Nevertheless, from the period of political system transformation, more strongly was indicated the connection of changes occurring in agricultural holdings' area structure with a strengthening process of differentiating the used land's functions – from a small auxiliary agricultural holding serving mainly the purposes connected with the place of living and everyday life of a family having crops for their own needs to highly-productive units serving the purpose of increasing income from an agricultural activity carried out and aiming at strengthening their position on the market. From the point of view of the situation on agricultural land market, the first of the mentioned groups was strengthening it mainly from the supply side, whereas the second one created demand, while from the pre-accession period the demand for buying land exceeded its supply dedicated for selling.

In recent years, and especially in 2006–2007 the interest in buying land should be connected mainly with favourable situation in agriculture. The improving profitability of production motivated for enlarging its scale and widening the crops' acreage, at the same time the increasing income, especially of agricultural holdings with strong market position, created the possibilities of financing the investments. Apart from economic advantages connected with widening the productive potential, the CAP support programmes invariably motivated the agricultural holding area's enlargement.

Although motivations for disposing of land were far weaker than reasons for its purchase in 2006–2007, and especially in 2007, the circle of people
inclined to sell it grew. Such movements were favoured by economic trend, and especially by considerable improvement of labour market situation and the growth of consumption. Nevertheless, even in the cases when a basic source of income was work not connected with agriculture, usually it was not decided to sell the whole owned land. Their owners, regardless of forms of economic activeness were not prone to totally liquidate an agricultural holding but to reduce its area at the most. For many land owners, an additional factor limiting the decision concerning disposing of all not productively used agricultural area invariably was the possibility to use pension insurance.

The growing phenomenon of demand and supply imbalance on the land market in Poland should be also connected with shrinking offer of land from State Treasury Resources put up for sale by the Agricultural Property Agency (APA). Most land from ownership changes in state agriculture has already been shared and it will be accessible to a lesser degree in the future. Most agricultural land in Poland is used on ownership basis. In accordance with the Agricultural Census 2002, out of 143. million ha of all agricultural land area, as much as 83% is land cultivated by farmers who are its owners. With relation to the remaining agricultural land around 16% is leased, and 1% is land used in other ways, including mainly the common land.

With relation to land ownership's structure in individual agricultural holdings, it should be mentioned that the overwhelming majority of them included only own land. It can be seen in the statistical data that in 2002, 84% of farm holders had whole land at their disposal. Only 14% of farmers leased a part of cultivated land, and with relation to only 2% of individual agricultural holdings, all used land was from lease. Taking into account data concerning regional land distribution respectively, land was leased most frequently in Lubuskie (in 35% of agricultural holdings), Zachodniopomorskie (in 30%) and Warmińsko-Mazurskie (29%) voivodeships, which largely determine the possibilities and character of agricultural activities. Due to such areas, and to the relatively high concentration of agricultural land.

Relatively least frequently such situations occurred, on the other hand, in Southern areas, which is in Małopolskie (8%), Podkarpackie (9%) and Śląskie (9%) voivodeships, which are characterised by a relatively favourable agricultural structure as well as distinguished by significant agricultural condition, production intensity and farmers' qualifications. It was primarily related to the functioning of the significant number of former state-owned farms, previously functioning in such areas, and to the relatively high concentration of agricultural land.

On the basis of IAFE-NRI (Institute of Agricultural and Food Economics – National Research Institute) cyclical field research carried out on a representative sample of about 4 thousand individual agricultural holdings, it can be stated that changes in attitude to lease and the growth of its function in agricultural activity carried out started to be indicated. This was mainly caused by economic conditions – going out of business of economically weaker units and the growth of agricultural land price as well as the improvement of agricultural situation. Some growth of lease scale has taken place as a result. It should be estimated that in 2007 about 19% of family farms leased agricultural land, and leased land was about 18% of agricultural land. The scale of leasing was considerably higher than in 2000, when corresponding interest was respectively 12 and 9%.

Generally it should be highlighted that leasing is of interest mainly in a situation, when land is expensive and relatively big, maintained in high agricultural culture properties, which guarantee certain income, are presented for leasing. Such way of cultivating land is popular primarily in countries of a high level of agricultural land concentration, whereas in Poland to a greater extent it relates mainly to developing land from Agricultural Property Stock of the State Treasury (WRSP), and in neighbour trade its meaning is quite limited.

In recent years, and especially in 2005–2007, some favourable symptoms were noticed on the agricultural land market. The revival of agricultural land market turnover should be primarily evaluated in this way. Between 2005 and 2006 the number of land buying and selling transactions increased by 10%, and in the following year by next 14%. Such tendencies were very favourable since they triggered the reconstruction process of production structures in Polish agriculture. The existing acreage scattering hinders the development of growing units which have to face the competitiveness on the global market. Nevertheless, a slowdown in the economy which occurred in the middle of 2008, and then more strongly felt results of the global economic crisis inhibited these processes. This was mainly reflected in a smaller number of concluded land purchase and selling contracts. In this period such transactions decreased by 5% compared to the previous year. Despite the decrease in agricultural land turnover observed in 2008 in the form of purchasing and selling land, spatial differences in the strengthening of this phenomenon remained. Still relatively most frequently land changed its owners in areas, where in the past agricultural property market was recovered by floating land from State Treasury Stock.

In 2008, like in the previous years, most of the transactions was concluded between natural persons, and purchase with legal persons (mainly Agricultural Property Agency) covered less than one fifth of such contracts. In terms of 1000 agricultural holdings, in 2008 approximately 50 agricultural land purchase and selling transactions were concluded (in 2007 there were 55), of which 42 were transac-
tions concluded between farmers (previously 44), and 8 were accomplished with participation of legal persons (in 2007 a corresponding rate was 11 contracts per 1000 agricultural holdings).

Although in Polish conditions the symptoms of economic recession were mainly seen in the second half of the year, it should be taken into account that most agricultural land turnover takes place after harvesting, and then it had been already known that 2008 would not be as favourable for agriculture as the previous one. Smaller agricultural income (the margin squeezes indicator was 92 to the detriment of agricultural products compared to the prices of goods and services purchased by farmers, whereas in 2007 it was 107) caused that potential land purchasers were not prone to pay very high price and more carefully than previously related the investment costs to the expected benefits.

On the supply side, the limiting influence had the announcement of global economic crisis and the growth of unemployment. It can be seen from the already conducted research that when making decisions about disposing of land, crucial role is played by a stable macroeconomic situation, especially the growth of earnings in non-agricultural sectors and absorptive labour market creating the view of permanent employment. In the situation of lack of economic stability sense, the security function of agricultural holdings is growing, as a protection of basic family living standards. Moreover, a difficult choice of cash allocation forms, gained from selling land and uncertainty about benefits due to this, caused that even persons making a living from non-agricultural sources were not prone to dispose of not productively used property.

Land prices in Poland were growing since the beginning of privatization process. In the first years, the nominal grow of land prices was eased by high inflation (in the years 1992–1999 the inflation fell from 43.0% to 7.3%). In the years 1999–2003 one can observe some stabilization of land prices, and in the years 2004–2006 they grew rapidly with the inflation level of 6.7%.

The appearing symptoms of unfavourable macroeconomic conditions and worsening of agricultural production profitability were noticed more considerably due to decreasing agricultural land turnover scale than due to its price changes. On private market between 2007 and 2008 land was more expensive by approximately 27% and although this growth rate was lower than in the previous year, when this rate was as much as 31%, it should be recognized that land property was invariably thought of as a very good capital investment.

Certain impact of the global crisis and resulting barriers in the development of Polish economy started to be visible only for a short period in land prices differences between certain quarters of the 2008.

The growth of land prices was common and became visible in the whole country, where the pace of occurring changes was spatially differentiated. Re-
Regional differences in land prices and in their growth rate showed that for their value invariably had influence the features of agriculture of a given area, the attractiveness of the location, general economic development of a region, as well as demand pressure connected with this, and the scope of its superiority over supply of parcels presented for sale. After 2004 the most highly valued agricultural land was that in areas distinguished in respect of agricultural culture, large scale production individual agriculture and the biggest aggregation of wealthy and professionally carried out agricultural holdings. In these areas the agricultural land price in 2008 was by 66% higher than the average nationwide, which proves that when determining the market value of land, the priority of agriculture remains.

In the regions of relatively the cheapest land prices, invariably, socio-economic problems of rural areas depended mainly on general economic conditions, especially the possibility of earning a living. These were areas with a scattered agrarian structure and distinguished by the economic weakness of a considerable part of agricultural holdings. Most owners of the land situated in these areas earned a living beyond agriculture or from annuities and pensions, and owned agricultural holdings were treated primarily as a place of living of a family and a source of self supply in basic food products.

When characterizing the situation on a land market, there should be distinguished post-state-owned areas, which are usually distinguished by particularly low Gross Domestic Product (GDP) per capita, considerably high, often inherited, unemployment, which translates into a difficult economic situation of many rural families and their relatively lower purchasing power. This situation has an effect also on the agricultural market, which can be seen, inter alia, in a relatively low price in agricultural land turnover. The activity of the Agricultural Property Agency (ANR) in these areas, which to some extent softens the demand and supply imbalance on the agricultural property market, is also very important. It should be highlighted, however, that regardless of the described conditions, also in the areas with the mentioned features, land prices have a growing tendency.

Market land turnover plays an important role in shaping structural transformations in agriculture because of a family character of Polish individual agricultural holdings. As a consequence of these conditions, a considerable majority of land together with the remaining belongings is taken over by the next generation in a family. In many cases, the forms of this passing are conditioned by traditions and they have an unfavourable impact on the agrarian structure, not only through delaying land concentration but it happens that they contribute to its further scattering (family sections). When interpreting, from this point of view, changes which took place in 2008, with relation to the previous year, it should be stated that there was a slowdown of favourable processes in agrarian changes in agricultural land

2: Spatial differentiation in average agricultural land prices in PLN for one hectare in neighbour trade in 2008
Source: Elaborated on the basis of the CSO data
market turnover. In 2007 they started to be visible through certain revival in land market turnover, which proved the activation of activities in favour of adjusting owned property to the real production intensions. In 2008 these tendencies were hindered in favour of the non-market value growth, which is mainly family turnover of agricultural land.

In 2008, which was the period of growing global crisis, the number of transactions concerning non-market turnover of agricultural land increased by over 16%. Therefore it should be assumed that in the light of globally worsening macroeconomic situation, persons connecting their economic activeness with work beyond an agricultural holding, were in 2008 not so prone as in the previous period, to resign from habitually appurtenant family possessions. As a consequence, the average number of notarial contracts concerning land owner’s change on the non-market conditions was 43 for 1000 agricultural holdings (when in 2007 it was 37), which means that it was only by 14% less than transactions of the market character (in 2007 the analogous ratio was 33%).

SELLING OF AGRICULTURAL LAND TO FOREIGNERS

A separate segment on the agricultural land market concerns the selling of land to foreigners. Because of that the compulsory principles of purchasing real properties by foreigners and the extent to which they are interested in purchasing land in Poland have an impact on the agricultural land turnover. From this point of view they constitute an important factor which conditions a demand and supply situation on agricultural land market.

The basic principles of purchasing properties by foreigners are conditioned by the Act of 24 March 1920. In accordance with this legal act, concluding such transactions, with few exceptions, requires gaining a permission issued by the Minister of Interior and Administration (MSWiA), with the approval of the Minister of National Defence, and in the case of agricultural land – also the Minister of Agriculture and Rural Development.

Since the accession of Poland to EU, the legal acts regulating the purchasing of land by foreigners have been amended. Citizens and entrepreneurs from EU countries as well as Norway, Iceland and Liechtenstein, which are the member states of the European Economic Area (EOG), can generally purchase properties in Poland without a permission. The ex-
ception is purchase transactions concerning agricultural land and woodland, with relation to which there was introduced a 12-year transitional period, counted from the accession to EU date and the so-called second houses (a 5-year transitional period). These regulations do not concern the cases of purchasing leased agricultural land and land cultivated after legally residing the territory of Poland for 3 or 7 years since the date of concluding a lease contract. Moreover, they can acquire without a permission the so-called second houses with the aim of providing touristic services and in the situation of at least 4-year legal residing in our country.

The liberalisation of legal conditions in purchasing land properties with relation to citizens and entrepreneurs from EEA states, resulted in the growth of land properties purchased by foreigners (Fig. 3). In 2007, which was the third full year from the moment of the accession to EU, foreigners purchased 5.3 thousand of land properties of the area of 6.9 thousand ha. A vast majority (95%) was land taken over without the necessity of applying for a permission. It should also be highlighted that the area of sold land or given to perpetual usufruct in Poland in 2007 was by 37% bigger with relation to 2006, and at the same time three times bigger than in 2003, when 3.2 thousand ha of land was sold to foreigners.

Among land properties, which owners or perpetual lessees became foreigners, permanently dominated non-agricultural land. In 2007 foreigners purchased 346 ha of agricultural land, which is 5% of land area (Ciodyk, Zagórski; 2008). Compared to 2006, the area of purchased land of an agricultural character was by 34% smaller.

**SUMMARY AND CONCLUSIONS**

After 2004 the principal factor shaping the situation on the agricultural land market in Poland was still the increased demand for purchasing of land. The increased interest in purchasing of agricultural real estate resulted both from the intention of some group of farmers to further increase the production potential of their agricultural holdings and from noticeable advantages of having the status of the owner of the land property. The latter resulted not only from the interdependency between the direct subsidies and the total area of land, but also from possible use of the structural funds as resources to invest in agricultural holdings. The increase in demand for land was also related to the increase in profitability of agricultural production observed particularly after the accession of Poland to the European Union as well as the expansion of marketing outlets for agricultural products. Moreover, the observed rise in agricultural land prices fostered the investment purchases. In addition, the macroeconomic conditions had an effect on the situation on the agricultural land market, including particularly decreasing unemployment rate and still growing economic emigration. Amazingly, the growing possibilities to work outside the agriculture had little influence on sale of land as the period was still too short to take definite decisions on choosing a place of living and professional orientation. One should expect that in the nearest future the migration from agriculture will have an effect on the increase in agricultural land trading, particularly as regards leases.

Taking into account that the agricultural land prices in Poland, though rising constantly, are still lower as compared to the other European Union countries, it is expected that this trend would continue in future. Lack of land for sale and financial barriers resulting from increasing prices of land may become an obstacle for the concentration process of land. On the other hand, the high market value of land should foster the gradual increase in the number of persons wishing to sell it as the payment received may allow them to settle in a new place (purchase of an apartment) or to invest in any other type of economic activity. Therefore the macroeconomic conditions and in particular the situation in the labour market, as well as certainty of non-agricultural employment and also the increase in wages and salaries will have a decisive impact on processes within the agricultural land market and, as a consequence, on the transformation trends within the agricultural structures.

Due to the fact that the majority of agricultural land property in Poland is owned by the individual agricultural holdings (nearly 90% of the total agricultural land), the amplitude of agricultural land market processes, in particular the demand and supply relations, mainly depend on attitudes and economic activity of family members. The role of the head of a family is traditionally associated with taking decisions on the future developments and on the main functions of the property – therefore future plans depend on demographical characteristics of particular individuals, particularly on professional ambitions of younger members of the family. For many years it is very common that the younger members of families take over the agricultural holdings, irrespectively of whether they are going or not to commence the agricultural activity. It contributes to the rejuvenation of the group of farmers still living on agricultural holdings.

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1 The requirement of a 7-year period concerns the following voivodeships: Dolnośląskie, Kujawsko-Pomorskie, Lubuskie, Opolskie, Pomorskie, Wałwińsko-Mazurskie and Wielkopolskie as well as Zachodniopomorskie, and 3-year: Lubelskie, Łódzkie, Małopolskie, Mazowieckie, Podkarpackie, Podlaskie, Śląskie and Świętokrzyskie.
agricultural holding managers (at present only every tenth agricultural holding is managed by a person of the postworking age), however it also intensifi es the economic polarization of agricultural holdings into so-called social and production entities. It is expected that social conditions, which limit the market trading of agricultural land, will weaken gradually. This will be mainly linked to the attitudes of young people – due to better education and increasing possibilities of taking up jobs both on Polish and international labour market they will decide more and more frequently to definitely abandon the agricultural activities.

Regardless of the production conditions, the invariable reason of purchasing land is a high capital annuity. The accrual of a purchased land's value was not only considerably higher than the benefi ts from deposits, but also the possibility of its further growth is unavoidable. These circumstances did not only strengthen the demand for land, but also hindered the land supply growth. Taking into account the permanent process of land prices' growth, the decision concerning their distribution was made in special personal or business circumstances. Such movements are favoured by the improvement of labour market situation and the growth of consumption.

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