

Poland case study

Agricultural Land Management in the Process of Accession to the European Union

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Introduction

Poland has the largest agricultural area (16.9 million ha) among the new EU member countries. Almost 95% of that land is used by private sector, of which 87% is by nearly 2 million of family farms. The average area of private farm is 8.3 ha, including 7.4 ha of agricultural land. The size of Polish farms is differentiated from one to several thousand hectares with the growing share of farms in the smallest area group (1.0 – 2.0 ha) and the largest one (15 ha and more).

After the Second World War the State sector occupied 25% of agricultural land. In the period 1992-2003 the large private holdings were established on the former State-owned land without any legal restraints. The limitation of land turnover came into force in 2003 on the basis of the Act on Formation of Agricultural System. The problem of land fragmentation (with significant regional differentiation) occurs solely among private holdings.

Land market

The total area of the sale/purchase of agricultural land (private and state) is estimated at 300,000-350,000 ha per year. Transactions of “farmer to farmer” constitute 80% of all sale/purchase deals. The private land turnover is accompanied by activity of Agricultural Property Agency (APA) responsible for privatisation of State agriculture. APA sells 100,000 - 150,000 ha per year. Since the beginning of its establishment in 1992 up to the end of 2004 APA sold 1,479,000 ha of State land. The former State properties with the area up to 100 ha have increased a size of existing family farms. At the end of 2003 the private purchasers and leaseholders had used 1,355 ha of that land on the basis of 296,000 contracts (4.6 ha per contract on the average).

Land demand: prices

Since 2003, it has been noted a growing interest in agricultural land purchase related to anticipated increase in land demand following accession to the EU. In 2003 the average price, on the private market, totalled 5,753 Polish Zlotys (PLN)/ha, which was up 14% from 2002. In October, 2004 the average price of land on the private market amounted to 6,755 PLN/ha. Similar changes concerned State land where the average price in 2003 was 3,736 PLN/ha in comparison to 4,537 PLN/ha in 3rd quarter of 2004. The most important factors determining price is location and quality of land. The soil of good quality located close to Warsaw city costs, on the private market, 25,000 PLN/ha and more. On the State market, the highest prices are also realised around Warsaw (12,000 PLN/ha), Poznań (8,000 PLN/ha) and Opole city (6,000 PLN/ha).

The anticipated increase of the land prices is also a reason that some non-agricultural businessmen started purchasing the land. Sometimes, it possibly can have a speculative character.

Some groups of Polish society have a feeling of an excessive acquisition of the land by foreigners. In the transition period (2004-2016) the acquisition of real estate (including agricultural land) by foreigners requires a permit issued by the Minister of Internal Affairs and Administration. In 2003, some 129 permissions concerned 398 ha were issued. Moreover, foreigners purchased shares of companies owning 1,390 ha of agricultural land. Therefore, the foreign purchase has marginal importance on the total land market.

Land leasing

In comparison to “old” EU countries the private leasing of land is insignificant. Farmers usually lease small pieces of land (3 ha on the average) on the basis of short-term contracts (3-5 years). According to the market surveys held by Research Institute for Agriculture and Food Economy the payment of land tax or neighbour’s aid are the basis for half of those contracts. Only 2% of farmers operated exclusively on leased land and further 14% on own and partly leased property.

In opposition to the private market, the most common type of the APA land distribution is lease requiring lower cash expense than purchase of land. The APA contracts are concluded for, at least, 10 years with option of prolongation for a longer period (maximum up to 30 years). The annual leasehold rent is expressed in cash or as monetary equivalent of relevant amount of wheat. The rent expressed in cash is subject of valorisation according to the changes in prices of basic agricultural products (grain of wheat and rye, slaughtered cattle, pigs and poultry, cow’s milk). The leasehold rent determined in kind is calculated with use of purchase price of wheat.

At the end of 2004, there were 2,311,000 ha of State land “in state of leasing”. Since the beginning of APA activity the average, annual amount of leasehold rent expressed in wheat fluctuated about 200 kg/ha.

Consolidation and exchange works

The consolidation and exchange of land, existing in Poland since 1923, is an important factor in improving land management especially in the south-east and central regions of the country. The execution of such works is the responsibility of county self-governments in accordance with technical specification prepared by authorised surveyors.

The procedure of consolidation and exchange works can be launched voluntary on the motion of a majority of farmers owning farms within the consolidation area or landowners with total area of land exceeding 50% of the ground within project. The compulsory consolidation and exchange procedure can be also carried out for enabling the flow of land from APA to family farms (if State land exceeds 10% of the ground within project).

After the Second World War the consolidation and exchange works have been executed on more than one-third of agricultural land in the country. In 2003 the figure was 8,800 ha (in 2002 only 6,349 ha). The results of last year are deemed to be inadequate. In 1999 the Council of Ministers provided a schedule of land consolidation works during 2000-2006 for 340,000 ha, which makes 48,000 per year. The reason for the present, smaller scope of works is explained by restricted budget possibilities because, with exemption of works connected to construction of highways, all costs of those works are covered by the national budget.

In 2003 the Ministry of Agriculture and Food Economy prepared a new programme of those works and, with assistance of twinning advisers, organised a training for field experts involving in execution of consolidation works. The consolidation and exchange works has got co-financing within Sectoral Operational Programme for Restructuring and Modernisation of the Food Sector and Rural Development. The financial assistance has a form of reimbursement of 100% of eligible costs, in which 80% comes from EU funds. It is planned that improvement of existing legislation and assistance of EU funds should enable to extend the consolidation and exchange works up to 15 000 ha per year.

Land management: farmers' opinions

After accession to the EU the prices of agricultural land are going up. The main reasons for this are as follows;

- Increasing prices of some agricultural products mainly meat and milk;
- Implementation of direct payment system. Thanks to direct payments the expense on the land purchase can be refunded within 10 years on the average;
- Restricted land supply. Private farmers are not so ready to sell the land. After 13 years of APA activity the stock of State land has been decreased substantially. Some 2.3 million ha of State land is leased and leaseholders have a priority to buy that land. The State farms were located in northern and western part of the country when private farms are concentrated in central part of Poland.

In the best developed, agricultural area “Wielkopolska” one hectare with good soil costs 12,000 PLN and more (on private market). The same is noted in Gdańsk region having the best soils in the country. One year ago it was possible to buy there one hectare of land for 7,000 PLN/ha. At present the same hectare costs 20,000 PLN.

Advanced farmers are the opinion that EU agriculture has to be competitive on the world market and CAP, with highly subsidised agriculture, cannot be continued. There is going to an increase in the size of farms because, they expect some farmers from Netherlands, Germany and United Kingdom will move to Poland at the end of transition period on purchase of land by foreigners (2016). In the western provinces it is still possible to buy much cheaper land and some farmers from Wielkopolska start deploying the field equipment there (movement of equipment a distance of 200 km is considered as profitable).

However, not all of Polish farmers are afraid of foreign competitors. Surveys conducted by the Research Institute “Pentor” demonstrate that more than half of farmers are not concerned about the fact of a foreigner residing in the neighbourhood. The existence of a foreigner would be a concern for 29% of farmers and 16% of occupants of rural areas. Some 65% farmers declare that they will not sell their land to foreigners and 40% oppose it decidedly. Almost 19% express the readiness of sale but only 5% say “yes” with determination.

Conclusions

1. Agriculture plays an important role in Polish social life and national economy. Poland has considerable resources of agricultural land which major part is used by private farmers. During 1989-2003 Polish agriculture has been affected substantial changes resulted from liberal land policy as well as the ownership transformation in the State sector of farming.
2. The increase in the number of farms in extreme size groups resulted from two opposite tendencies; fragmentation and concentration. Most of small farms have been created through fragmentation of bigger units. The biggest farms were created by use of the land of former State farms. The most significant improvement of farm structure is observed in northern and western parts of Poland due to availability of land from former State farms, located in those regions of the country.
3. Fragmented agriculture in the south-east and central regions of the country still needs intensive consolidation and land exchange works. The scope of those works, in the last years, was unsatisfactory due to restricted possibilities of national budget. After Poland’s accession to EU the consolidation works can get strong support within EU structural programmes.
4. Land leasing contributes about 20% of total agricultural land, but the leasing law varies significantly from relevant regulations in the “old” EU countries. APA has implemented a modern standard of land leasing. It is still a strong pressure of leaseholder of State land, on the change of law focused on improving the position of tenants in relation to the State landowner. The draft lease act has already been elaborated but the relevant legislative process has not started yet.
5. Polish farmers were fully convinced that after accession to EU the prices of agricultural land would go up very sharply. However, in comparison to the western standards, the agricultural land in Poland is still cheap (e.g. the average price of land in Netherlands or Belgium is twenty times higher). There is no doubt that process of the price increase, observed in 2003 and 2004, will be continued. In 2003-2004 the growth of the average price was estimated at 2.5% per quarter and presently accelerated up to 5% and more.