

# The State of Land Fragmentation and Land Management in the Czech Republic

## Legislation Relating to Land Management

The basic legal regulations of the Czech Republic relating to the land law include:

- Act No. 229/1991 Coll., on Regulation of Ownership Relations to Land and Other Agricultural Property, as amended (Land Settlement Act)
- Act No. 284/1991 Coll., on Land Consolidation and Land Settlement Offices, as amended
- Act No. 569/1991 Coll., on Land Fund of the Czech Republic, as amended
- Act No. 334/1992 Coll., on Protection of Agricultural Land Resources, as amended
- Act No. 344/1992, Coll., on Real Estate Cadastre of the Czech Republic, as amended (Cadastral Act)
- Act No. 95/1999 Coll., on Land Sales, as amended

## Ownership and User Relations to Land Resources, Land Fragmentation

The land resources of the Czech Republic are considerably fragmented in the sphere of ownership relations. By 1 January 2003, they were registered on 4 875 860 deeds of ownership. They are divided into 15 146 737 land plots. The total area of the agricultural land resources of the Czech Republic makes 4 273 thous. hectares, which is approximately 54 % of the total acreage of the CR land resources. Managed in an enterprising manner are 3607 thous. hectares of agricultural land. The major part of the agricultural land (more than 3 500 thous. hectares) is owned by natural persons or by various types of business companies and associations. Approximately 700 thous. hectares of agricultural land are in the State ownership. The above land is managed by the Land Fund of the Czech Republic.

Structure of Managing Subjects according to Agricultural Land Area

Area Group (in hectares)	Number of Subjects	Agricultural Land Area	Proportion in Agricultural Land Total (%)
0	2754	0	0,00
0-1	13614	5137	0,14
1-3	13479	23210	0,64
3-5	4940	18592	0,51
5-10	6225	43317	1,19
10-20	5345	74434	2,04
20-30	2319	56162	1,54
30-50	2060	78616	2,16
50-100	1844	128595	3,53
100-500	2007	444410	12,20
500-1000	752	555146	15,24
1000-2000	743	1046879	28,74
2000-3000	278	667552	18,32
3000 and more	127	501111	13,75

The Agricultural Land Fund manages approximately 54 158 subjects. Of that number, approximately 51 473 are natural persons, and 2 685 are legal entities.

Natural persons – individually managing farmers – manage almost 26 % of the agricultural land. The remaining 74 % of the agricultural land is managed by legal entities:

- Limited liability companies (22%),
- Joint-stock companies (22%),
- Cooperatives (30%)

In the course of the recent years, the large agricultural cooperatives, each managing an area of several thousand hectares, have mostly been transformed into smaller entities. State Farms have been gradually privatized by both legal and natural persons. A new form of agricultural enterprises managed by natural persons – individually managing farmers – has come to life.

#### Ownership Form Structure of Agricultural Land Managing Subjects

Legal Form	Agricultural Managed Land				Agricultural Enterprise Average Area (ha)	
	ha		%			
	1995	2002	1995	2002	1995	2002
Natural Persons	822 518	934 137	23,2	25,8	39,5	38,8
Legal Entities	2721518	2680683	76,8	74,2	1136,3	1036,2
of which, limited liability companies	714358	783707	20,2	21,7	755,9	669,3
joint-stock companies	268899	779707	7,6	21,6	1205,8	1502,3
Cooperatives	1665724	1059444	47,0	29,3	1507,4	1465,3

*Agrocensus*

The most dynamic form of enterprise in Czech agriculture has been joint-stock companies, whose share in the total area of managed land has grown threefold in the course of 7 years. During the nineties, the substantial part of the cooperatives were transformed into joint-stock companies, and the share of the cooperatives fell down by almost 8 %. At the same time, the share of all legal entities fell down by 2.6 %, and that in favour of natural persons whose share exceeded one fourth of the agricultural land managed.

The development of the enterprising structure in the period of 1995 – 2002 was marked with significant changes in the area pattern. Overwhelming was a trend toward the decrease in the average area of agricultural enterprises, i.e., from 153 hectares down to 136 hectares. The decrease has occurred both in legal and natural persons. Some growth only takes place in privately, i.e., individually managing farmers (from 39 up to 42 hectares), and in joint-stock companies (from 1206 up to 1502 hectares).

#### Agricultural Land Market

It can be stated that the agricultural land market in the Czech Republic was in stagnation till the year 2002, even if the legislation was prepared fairly well. Certain revival was brought about in consequence of state-owned land sales.

#### Land Market Volume in the Years 1993 - 2002

<b>Land Market</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Percentage of CR Agricultural Land Fund (ALF = ZPF)	0,17	0,22	0,20	0,20	0,29	0,21	0,17	0,19	0,13	1,70

*Agrocensus*

In 2002, the selling agricultural land made a total of 74 thous. hectares. In the last 10 years, approximately 164 thous. hectares, i.e., 3.83 % of ALF, exchanged their owners. The agricultural land market has revived, in particular, where the buyers have a chance to transform the agricultural land into building sites, especially in the surroundings of large urban agglomerations and in recreation areas.

### Agricultural Land Lease

Land owners in the Czech Republic mostly do not carry out farming on their lands, and they rather lease the grounds. Of the total area of farmed agricultural land, 3 317 thousand hectares are leased, which makes 91.95 % .

The contrast between the ownership and the use of land shown through an extremely high proportion of leased land in agricultural enterprises is a remnant of collectivization. This is a specific feature of the present agriculture in the Czech Republic, which has no analogy in the European Union.

The height of the rental is regulated by the law in the Czech Republic, and it makes 1 % of the official price of agricultural land., unless the owner agrees with the lessee otherwise. In 2002, the average amount of the rental made in practice 1.5 % of the official price of the lease, i.e., 794 CZK/ha (24.50 EUR/ha). A relatively low rental eliminates the economic difference between the own land and the leased land, and, in consequence, motivation impulse leading to land purchase is lacking. After the CR accession to the EU, the higher agriculture subsidies are supposed to generate a stronger pressure on the land owners' side toward increasing the rentals of the agricultural land as it is usual in the other EU countries. Such trend is already obvious at the present time.

### Restitution Process

The restitutions of agricultural and forest properties have been in course under the Land Settlement Act since 1991, in which process one of the two pilot activities of the Land Settlement Offices has been involved along with the land consolidation. In total, 231 841 restitution applications have been filed from 1991 to the end of 2003, while 228 644 cases, i.e., 98.6 %, were solved by the same date. To finish the process, there remain cases of the so called compensations for the lands that cannot be surrendered under the Land Settlement Act. In such cases, in consideration comes either financial compensation, or surrender of supplementary lands. This already falls into the competence of the Land Fund of the Czech Republic. The above process was complicated in the Czech Republic through the adoption of the Land Sales Act, which preferred sales of land to municipalities and also to lessees of the lands held in long-term lease from the CR Land Fund, to the transfer of lands to persons eligible in the framework of the restitution process. The final solution to the restitutions constitutes the basic order in the ownership of land and of agricultural property in general, and conditions practically other activities including the land consolidation.

## Land Consolidation

The land consolidation is the main instrument of the ensurance of real and identifiable ownership, and it tops the restitution process and restoration of private ownership of land. At the same time, it ensures the conditions for the improvement of the environment, for the protection and fertilization of the land resources, for water management and upgrading of the ecological stability of the landscape.

The results of the land consolidation serve the renewal of the cadastre and as binding underlying documents for land planning.

In the Czech Republic, the land consolidation has been carried out since 1991 by the Land Settlement Offices under the Act on Land Consolidation and Land Settlement Offices. The said Act discerns two types of land consolidation: the simple and the complex ones.

The simple land consolidation is being realized as an exchange of ownership rights to lands in a territory smaller than is one cadastral territory. As a rule, this concerns an exchange of lands between and among several owners, or it may involve the land consolidation under an urgent landscape-forming measure (e.g., erosion control and flood control measures, access roads, etc.), when it is not necessary to consolidate lands in the whole cadastral territory. In the first half of the nineties of the last century, a relatively widely used institute of simple land consolidation was the one of temporary use. Such consolidation form did not solve the consolidation of ownership relations, but it was only based on a temporary free-of-charge use of third party's lands. Such practice was necessary in the initial stage of the transformation of agriculture in order to make it possible for those interested to carry out farming.

At the present time, the complex land consolidation is the most frequent form of land consolidation realized in the Czech Republic. It gives complex solution to the whole cadastral territory, both from the aspect of a new settlement of lands and from the aspect of landscape forming. A part thereof is the so called polyfunctional skeleton of the landscape, which involves erosion control, flood control, water-management, communication, ecological, and other measures.

The state of the commenced and realized simple and complex types of land consolidation in the Czech Republic by 31 December 2003 is shown in the following table.

State of Realization of Land Consolidation in the Czech Republic

Form	Stage	Number		Area (ha)	
		2003	in total	2003	in total
<b>Simple</b>					
	Commenced	394	4553	17992	197321
	Finished	284	2729	14714	133771
<b>Complex</b>					
	commenced	149	584	61315	268744
	finished	109	407	41553	151879

*Ministry of Agriculture – Central Land Settlement Office*

In general, the land consolidation has been finished in 285 650 ha, which makes less than 8 % of managed agricultural land in the Czech Republic.

The land consolidation in the Czech Republic is financially covered by the State, which means both the preparatory work and the proper realization. Since 2000, the realization of the land consolidation has been co-financed in part from the EU means, concretely, from the means of the SAPARD Programme. After the CR accession to the EU, such co-financing is

supposed to come from the EAGGF. The expenses relating to the land consolidation in the individual years since 1991 are shown in the following table.

Expenses Relating to Land Consolidation in the Czech Republic in the Years 1991 - 2003

<b>Years</b>	<b>Expenses of land consolidation in total (thous. CZK)</b>	<b>Expenses of simple land consolidation (thous. CZK)</b>	<b>Expenses of complex land consolidation (thous. CZK)</b>
1991	40000	-	-
1992	100856	-	-
1993	289548	-	-
1994	542600	-	-
1995	605396	-	-
1996	515321	294766	220555
1997	556048	226397	329651
1998	628701	184323	444378
1999	662629	153456	505956
2000	651365	152127	499238
2001	530512	100146	430366
2002	634536	119094	377442
2003	808363	152133	656227

*Ministry of Agriculture – Central Land Settlement Office*

Of the total amount spent on the land consolidation in 2003, the expenses of preparatory work made 295412.9 thous. CZK (36.5%), the expenses of making digital cadastral maps reached 11792.2 thous. CZK (14.6%), and the expenses of the realization made 395029 thous. CZK (48.9%).

The number of the land consolidation actions commenced in the Czech Republic does not correspond by far to the needs of the stabilization of ownership relations and of the solution to the problems of the agricultural landscape, while this deficit continues to grow every year. The problem does not lie in an insufficient preparedness in the fields of legislation and institutions or in the field of human resources, but in the lacking political will to give a sufficient amount of financial means to the land consolidation. This state is supported by a strong lobby from the side of big agricultural enterprises which profit from the lack of clear insight into the ownership relations to the land, and, by implication, from the lack of interest and knowledge of land owners who even do not often know that their land is being managed by another subject.

#### Institutional Arrangement

As of 1 January 2003, a new Act on Land Consolidation and on Land Settlement Offices came into effect. In the framework of the public administration reform in the Czech Republic, and with the cancellation of the District Offices as of 1 January 2003, the part of which the Land Settlement Offices were since 1991, the latter were incorporated into the organizational structure of the Ministry of Agriculture.

The system of the Land Settlement Offices of the Ministry of Agriculture consists of 77 Land Settlement Offices whose factual contents of activities are given by the Act on Land Consolidation and on Land Settlement Offices. The said contents of the activities continue to rest in the completion of the restitution process and in the realization of the land consolidation. Beyond the framework of the above Act, the Land Settlement Offices

participate in the illustration of the state lands, and further, in the preparation of the IACS system that will be used in granting aids and subsidies from the EAGGF.

The methodological management of the Land Settlement Offices has been entrusted to the Central Land Settlement Office, which is also a part of the Ministry of Agriculture. In general, the exercise of the state administration in the field of the land consolidation is safeguarded roughly by 1 400 staff workers.

The business sphere, which participates in the proper projection and realization of the land consolidation, has been consolidated in the whole and transformed into larger companies covering evenly the CR territory. Under the Act on Land Consolidation and on Land Settlement Offices, the persons who design the land consolidation must comply with professional capabilities. The respective authorization certificates are issued by the Central Land Settlement Office. At the present time, 450 persons dispose of such certificates. In general, about 1200 persons participate in the designing and preparation of the land consolidation.

### CR Land Fund

The CR Land Fund was established in 1991 by the Land Fund Act. The Fund manages the real estates in the ownership of the State, namely the agricultural land, forest land, housing and farming structures of agricultural estates including built-up lands.

The Land Fund takes over the lands and other real properties from the former users – state enterprises, identifies the property in the ownership of the State, concludes contracts of lease of real properties under its management.

In the framework of the restitution process, the Land Fund provides compensations in the form of surrendering substitute lands, substitute real properties or compensation securities to persons to whom their original agricultural property could not be surrendered in the framework of the restitutions.

In accordance with the Land Sales Act, the Land Fund carries out the privatization of agricultural real estates and sales of State properties. The Land Fund may also establish joint-stock companies or other business companies and participate in the management thereof.

The Land Fund as administrator of State lands is a significant factor in the land consolidation. Along with the fact that from its revenues it covers partially the expenses of the land consolidation, it exchanges the lands with other owners in the territory, and the State land is consequently used within the „common measures in land consolidation“, which are, e.g., field paths, biocentres and biocorridors, water-management installations, and others. By doing so, the Land Fund significantly facilitates and accelerates the whole process of the land consolidation.

However, this situation has recently been complicated due to the decreasing area of the State land in the individual cadastral territories. In addition to the decreasing area of the State land in consequence of the restitution process, the Land Fund is obligated, under the 1999 Land Sales Act, to sell the land to persons who have lands on long-term lease from the Land Fund. In addition, through an amendment of that Act, the State significantly decreased the price of the State agricultural land.

In consequence of the above measures, the sales and purchases of agricultural lands increased in 2002. Against the year 2001, the number of the sold lands reached approximately a threefold increase, i.e., from 11 076 plots up to 32 332 plots. The area of the sold lands even reached a thirteenfold increase, i.e., from 9 054 ha in 2001 up to 37 762 ha in 2002. An average area of a single sold plot was 1.2 times larger than in 2001, but the average price of 1 m<sup>2</sup> decreased from CZK 5.56 down to CZK 4.46, i.e., down to 80 % of the 2001 market price. By August 2003, the total of 86 545 ha of the State agricultural land was sold.

The above measures, which on the one hand gave a significant impetus to the land market in the Czech Republic, also have their negative impact. On the one hand, this complicates and retards the completion of the restitution process in the form of surrendering substitute plots, and, on the other, the State loses the land which it urgently needs for finishing the solution to certain injustice in property cases, as is the settlement of the lands located under the networks of communications, railways and other structures.

The same case is also the land consolidation for which no reserve area of the State land is kept at present in the individual cadastral territories for the purposes of common landscape-forming measures. Under the Act on Land Consolidation and on Land Settlement Offices, in case of lacking State land for common land consolidation measures, the municipal land shall be used, and after the exhaustion thereof, the lands of the individual owners shall be used. The consequence thereof shall be a further retardation in the process of the land consolidation for the reason of disagreement by land owners, and, possibly, of necessary purchases of the land by the State, yet which will be much more expensive than is the price at which the State at present gets rid of the agricultural land in a non-systematic, and often highly non-transparent way.