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**(Polish case)**

**Introduction**

The agricultural land in Poland accounts for 15 957 thousand hectares (ha) of which 96% belongs to private sector within which 89% are family farms. The number of private farms (excluding farms up to 1 ha) is 1 810 thousand of which 1 806 thousand are owned by individual (family) farmers. The average size of a private farm (with an area more than 1 ha) amounts to 8.4 ha.

**Land banking in Polish agriculture.**

The idea of agricultural land bank results from the historical background of Polish agriculture. Despite changes in the political system in the country after World War II, a dominant feature of Polish agriculture was the role of a family farm. Moreover, in 1991 the Polish Parliament decided to privatise public agriculture which occupied 25% of agricultural land and entrusted that task to the Agricultural Property Agency (APA).

Since the beginning of APA activity, i.e. the first quarter of 1992, to the end of 2007 APA took over to the Agricultural Property Stock of the State Treasury (APS) 4.7 million ha of public agricultural land originating mainly from liquidated state farms. That is why APA, in the common understanding of agriculturalists, plays a role of the bank of state land. The function of APA as a bank of private land was defined by the Act on *Formation of the Agricultural System* which came into force on July 16<sup>th</sup>, 2003. Summarizing, those functions can be defined as follows:

Task 1. Selling and leasing state land with priority to creating and enlarging family farms. By the end of 2007 APA sold 1 800 thousand ha and leased 1 840 thousand ha of state land mostly used to expand existing family farms. The significant improvement of the structure of a private farm is observed in the western and northern parts of the country. It was possible due to the availability of land belonged to former state farms which have been located mainly in these regions.

Task 2. Monitoring the private land market for resistance to excessive property concentration and the assurance of agricultural activity by people with proper qualifications and the legal status of an individual farmer (a manager of a family farm). According to Polish law a family farm cannot exceed 300 ha.

Task 3. The transfer of state land to communes for infrastructural investments, to the State Forest Organization, research and development institutions. By the end of 2007 APA transferred to them 386 thousand ha of land (free of charge).

Task 4. Financial obligations to the state budget.

Since 2004 APA provides national budget with money left after having covered the expenses of its statutory tasks.

The task 1 is fulfilled by the use of the following measures:

- Restricted re-distribution of state land. APA can sell state property if as a result of that transaction the total area of agricultural land being in purchaser's ownership does not exceed 500 ha. Furthermore, a separate authorization of APA President is required for the sale of land exceeding 50 ha and estate valued more than an equivalent of 2000 tons of rye (pursuant to provisions on agricultural tax). Intended sale of land exceeding 100 ha must be also consulted with APA Supervisory Board.
- The arrangement of non-open (restricted) auctions for a specific target group of the buyers of state land (mainly individual farmers). The bidders of those tenders can pay for state land much less than bidders participating in public open auctions.
- The land exclusions from existing lease contracts. APA can exclude up to 20% of land which is a subject of ongoing lease contact, with the condition that the size of a leased farm does not exceed 300 ha. That land is distributed among neighbouring individual farmers if they express that need.
- APA has pre-emption and re-purchase rights for state land within 5 years from the date of a sale transaction. The pre-emption right is used when a buyer is going to sell purchased state land within that time. The re-purchase right is used when a buyer is going to sell that land due to speculative motivations for higher price than paid to APA.

In 2003 -2007 APA concluded totally 66 thousand sale contracts for 525 thousand ha of state land and used its re-purchase right only in 70 transactions for 1.2 thousand ha. Although the re-purchase right of state land is used very seldom it meets controversial opinions and currently is the subject of the Constitutional Court's consideration.

The task 2 is fulfilled by the use of the following measures:

- APA's pre-emption (for sale contracts) and re-purchase rights (for other contracts transferring the ownership right) for agricultural land on the private market. However, APA pre-emption right to private land is not applicable in the following cases:
  - a. the leaseholder of land has the pre-emption right to purchase that land,
  - b. the buyer of land is a close relative to the seller of that land,
  - c. the buyer of land is an individual farmer increasing his/her family farm up to 300 ha.

Above mentioned rights are justified if the enlargement of family farms is not implemented as a result of a contract to be concluded. Since 16<sup>th</sup> of July 2003 to the end of 2007 APA received from Notary Offices 408 thousand draft contracts for the sales of agricultural land on the private market. The most of them (80%) concerned property not exceeding 1ha which were not important for the structure of farms in Poland and for that reason they were not considered by APA. However, to the end of 2007 APA used its pre-emption and re-purchase rights in 483 transactions for 12.2 thousand ha on the private market. In comparison to the annual land turnover on the private market estimated at 300 thousand ha, the scale of APA intervention was very moderate. It must be said that the scale of APA intervention on the private market depends on its own financial possibilities which does not allow to devote the essential resources for intervention on the private land market due to APA's financial obligations to the state budget. Since 2004 APA provides the national budget with money left after having covered the expenses of its statutory tasks. To the end of 2007 this sum amounted to 2 397 million PLN. However, hitherto reached experiences point at the psychological effect of intervention law. The purchasers of agricultural land are aware that APA can use its legal measures if somebody tries to act against land law. Also, APA pre-emption and re-purchase rights for state land have the same disciplinary character.

### **Land consolidation.**

Polish agriculture is characterized by the regional differentiation of farms' sizes. In southern Poland the average size of a farm does not exceed 3 ha, in the northwest it reaches almost 20 ha. The largest farms were set up on the former state-owned property. After Poland's accession to the EU (in 2004) agricultural property gained more financial value and

now is treated simultaneously as a financial capital and factor for developing agricultural production. In comparison to the epoch of “centralised economy” growing demand for agricultural land can be observed nowadays. In 2003 the average price of private land totalled 1220 EUR/ha and state land 790 EUR/ha while in 2007 it was respectively 3 173 EUR/ha and 2 729 EUR/ha. In 2004-2007 the prices of land on the private market increased annually by 12%-25% and on the state market by 20%-30%. Prices on the state market are 20%-30% lower than prices on the private market which results from the fact that the most part of state land is sold in the northern and western provinces of the country. Those regions are characterised by the high concentration of former state farms and the relatively low number of private farms.

Consolidation works have been continued on virtue of Law of 26 March, 1982. Since 1999 the execution of land consolidation works has belonged to local governments. In accordance with farmers’ demands land consolidation and exchange works are launched voluntarily on the motion of the majority of farmers owning farms laid on the consolidation area or landowners with total area of land exceeding 50% of the ground within project. The compulsory consolidation and exchange procedure can also be carried out for enabling the flow of land from the State Treasury Stock of agricultural land to family farms (if state land exceeds 10% of the ground within project).

During the best period of 1968 – 1998 the land consolidation and exchange works had been executed on the total area of 339 thousand ha of land i. e. 30% of the total area of agricultural land in Poland. The annual account of land consolidation and exchange works was extremely different - 431 thousand ha in 1978 and 10 thousand ha in 1997.

Since 2000 the average scale of consolidation and exchange works was about 10 – 15 thousand ha per year. The relatively small scope of consolidation works can be explained, among others, by the privatisation of state agriculture which enabled private farms to enlarge their areas and improve their spatial shape.

Since the date of Poland’s accession to EU - May 2004, the land consolidation and post-consolidation works have been supported up to 80% of total eligible costs within Sectoral Operational Program (SOP) “Restructuring and Modernization of Food Sector and Rural Development in 2004-2006”. The continuation of SOP activities on land consolidation is The Rural Development Plan for Poland 2007-13 (the Polish equivalent is PROW 2007-13) in which the consolidation and post-consolidation works support accounts for 100% of eligible costs. The maximum cost of project implementation within the Scheme I – land consolidation depends on its location and amounts to 500 EUR per 1 ha in southern Poland

and 350 EUR per 1 ha in the rest of the country. The Scheme II – post-consolidation works allocates 900 EUR per 1 ha for infrastructure, roads, water management etc. The total allocation for the Scheme I is 160 million EUR and for the Scheme II 440 million EUR. It is estimated that such financial resources enable to cover the costs of yearly consolidation and post-consolidation works on the area of around 50-60 thousand ha. It means that considering EU funds for 2007-13 there is enough money for increasing the scope of present consolidation works by at least 3 or 4 times per annum. The question is what should be done for the implementation of such an increase. Looking for the answer for that question we would like to present the example of Wólka Świątkowska village located near Lublin city in the south-eastern part of the country. That example seems to be typical for many villages in Poland. In Wólka Świątkowska village there were 290 owners of agricultural land which was divided into 2.5 thousand plots. The mayor of the village got an approval for consolidations works from farmers after 12 years of mediations. He could not get it earlier because the old generation of farmers did not accept changes in “our fathers’ land”. The geodesy works lasted 2 years with the important role of a surveyor who was a key person as a mediator among farmers. Finally 460 ha of land was consolidated and the number of land plots was decreased from 2.5 thousand to 1.5 thousand. Moreover, within post-consolidation works 3 concrete roads and accessing roads to all plots of land were built. As a result of consolidation land was divided into two categories – one for agricultural purposes and another one for construction. The value of consolidated land went up very sharply and many people from the city started to build second houses there. The part of land for agricultural production consist of large plots with appropriate infrastructure which enable to use technical equipment in agricultural production, i.e tractors, combines, harvesters.

### **Experiences and lessons for the future.**

1. The results of 15 years of APA operation indicate that its role as land bank has met the obligation to "create conditions leading to rational use of agricultural land in the State Treasury Stock". To-date experience proves that APA strategy improves the structure of farms and creates strong class landowners and the leaseholders of agricultural land.
2. The APA financial obligations to the state budget do not allow to devote the essential financial resources for intervention on the private land market. However, hitherto reached experiences point at the psychological effect of intervention law. The purchasers of land are aware that APA can use that legal measures if somebody tries to act against that law. It

determines us to formulate the opinion that it is not necessary to have large amount of financial means for effective intervention on the private land market.

3. In the opinion of some Polish experts family farms located in the northern and western parts of the country and specialised in grain and milk production can make profits if their areas are not less than 100 ha. In the central part of Poland where most of farms are specialised in horticulture, fruit and vegetables, the area of a farm can be lower than 100 ha. Nonetheless, the process of changes in the structure of Polish farms is accompanied by emotional discussion about the goals, methods and effects of land policy in the country.

5. The biggest farms which use the land of former state farms are located in the northern and western parts of Poland. South-east and central regions of the country still have fragmented agriculture, which needs consolidation and land exchange works. Many Polish farmers are aware that there is possibility to buy the land from APS and, in that way, to improve the size of their farms. At this moment this is the priority for them due to growing prices of land. Therefore, in the regions still rich in state land the consolidation has a secondary role in comparison to the opportunity of purchasing state land.

6. It is very probable that the present problem of land consolidation in Polish regions with fragmented agricultural land has not the economic but sociological character. Local leaders play a very important role in succeeding in consolidation works. It seems to be necessary to take further investigations concerning the motivations and attitudes of farmers in that matter.