

# THE AGRICULTURAL LAND MARKET IN POLAND AND ITS CHARACTERISTICS

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## Summary

*The article takes the problem of agricultural land market in Poland. Its purpose is to present the specifics of that market. It is well known that the agricultural land market is one of the most important markets of productions factors. Transactions on it concluded are reflecting and at the same time determining the transformation of the agrarian structure and the process of the concentrations of agricultural land. From the article considerations it follows that the agricultural land market in Poland is composed of three segments: 1) so-called "inter-neighbor market", on which the sale and purchase transactions include farmers, 2) market where traded land belonging to Treasury Resources, 3) "non-market" transactions of the land, which include primarily transactions such as donations, inheritances and contracts for life imprisonment. A detailed analysis of the phenomena taking place on these segments of agricultural land market in Poland allows to declare that, the specific characteristics of this market is not only its complexity, but also enduring an imbalance of demand over supply and large regional and local diversity.*

**Keywords:** agriculture, agricultural land, market, Poland

**JEL code:** Q15

## Introduction

In economic theory, land, next to labor and capital, is considered to be one of the most important production factors. Its specific characteristics as a production factor determine the particular importance of the land in agriculture. First of all, land is the production area. This means that production in agriculture is characterized by space allocation; therefore, a large part of the activities in this sector of the economy comes down to traveling distance, both on the farm and beyond. Secondly, land has certain physical, chemical and biological properties that allow the course of life processes in living organisms. [DUCZKOWSKA-MALYSZ 1985]. Although the possibilities of impact on these characteristics have considerably extended (e.g. through fertilization, drainage, treatments), still, the quality of the land determines production decisions and results in agriculture. Besides production, land also has cultural and symbolic importance. In Polish literature the social and sociological role of land associated with the historically shaped ties of the Polish farmer with land are also emphasized. It is worth noting that in the postwar years, despite the pressure of communist authorities, more than 70% of the agricultural land resources remained in the hands of individual farmers, which made it possible to maintain the special structure of the Polish countryside, but also agrarian (large fragmentation of agricultural holdings) and ownership (next to private lands, there were state and cooperative lands). Moreover, the importance of land as a multifunctional good, especially public and environmental, is increasingly emphasized, which determines the specific way in which land is treated by state and agricultural policy [PRZYGODZKA 2006].

The process of transformation of Polish economy, especially ownership transformations in agriculture and transformation of property rights, mainly related to the liquidation of unprofitable state agricultural holdings, and later inclusion of Poland into mechanism of the Common Agricultural Policy and the emergence of the accompanying additional sources of

the land rent (direct, environmental payments etc.) have significantly influenced the development of the market of agricultural land in Poland. This market includes all purchase-sale, lease and transfer of land transactions and related to them transfer of ownership or periodic change of the land user. In 2014, more than 72% of all transactions of land properties were transactions of agricultural land worth over PLN 10 billion (more than 53% of total trade value). Agricultural land market transactions are concluded in three specific segments: on the market related to turnover in land belonging to the State Treasury Agricultural Property Stock, on the so-called inter-neighbor market, where the turnover in land is made by farmers between themselves, and within the so-called non-market land turnover.

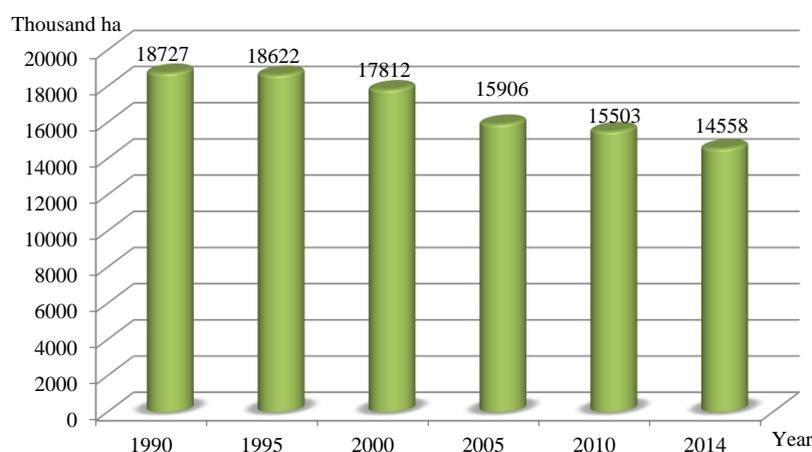
## Material and method

The aim of the article is to present the characteristic of the agricultural land market in Poland. Implementation of the aim required to carry out a study on source literature, analysis of legislations, collection and analysis of statistical data from the Central Statistical Office and Agricultural Property Agency, and analysis of studies and reports on a range of prices and transactions concluded on the agricultural market. As a research method the descriptive method, cause-effect analysis and descriptive statistic methods, mainly indices of structure and dynamics, were used. Data is presented in graphs and tables.

## Results

### Agricultural land resources in Poland

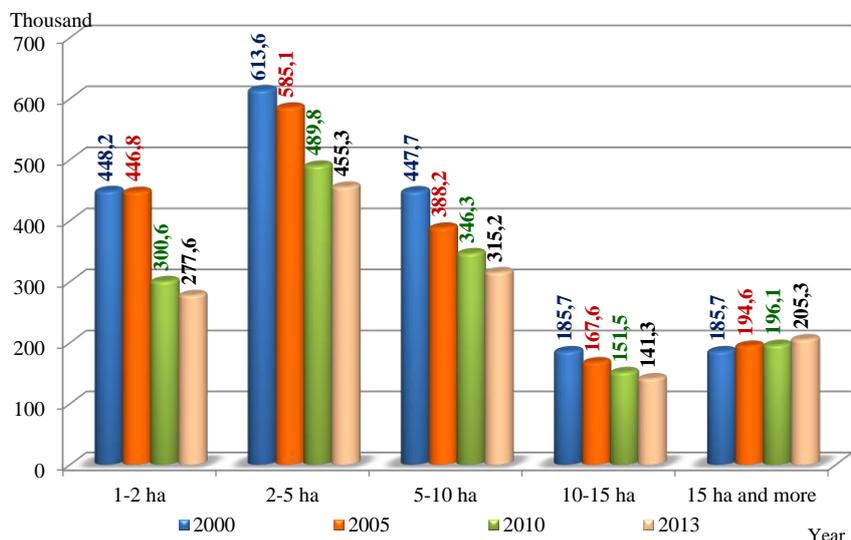
Basically, the agricultural land resources are determined by the agricultural area (UR). The term, in accordance with Polish regulations [Rozporządzenie 2001] means arable land, orchards, grassland, built-up agricultural land, land under ponds, ditches, land covered with trees and shrubs, and wasteland. The analysis of data contained in chart 1 indicates that in the last 25 years the area of agricultural land in Poland has been steadily declining. While in 1990 it was 18.7 million ha, in 2014 it amounted to 14.5 million ha, so it has decreased by 22.4%. Thus, the share of agricultural land in the total area of the country has decreased from nearly 60% to 46.5%. The principal cause of these changes is “loss” of land from agricultural to other usage. Even so, the average area of UR per one citizen of Poland is 0.39 ha and is at an average level in the European Union.



**Figure 1. The area of agricultural land in Poland in 1990-2014**

Source: Rolnictwo (2008); Rolnictwo (2014)

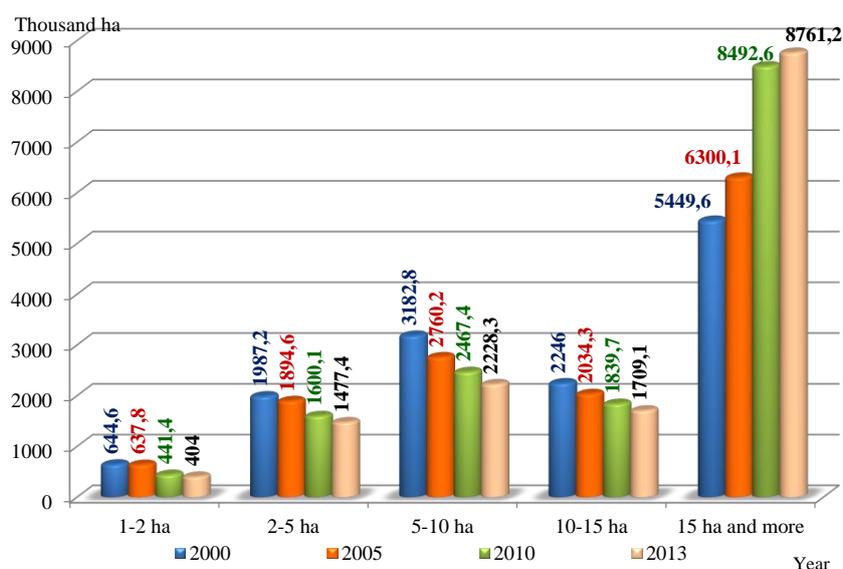
Agricultural area, constituting the main production factor in agriculture, is used by agricultural holdings. In 2014, their number was about 1.4 million, and the average area of agricultural land was 10.3 ha [Rolnictwo 2014]. Despite the observed increase of the concentration of land in agricultural holdings (figure 2), still around 30% of the total number of agricultural holdings have UR of 5-10 ha. They have about 10% of total UR.



**Figure 2. Structure of agricultural holdings in Poland in 2000-2013**

Source: Rolnictwo (2008); Rolnictwo (2014)

However, the reduction of UR used by small farms and their taking over by larger-area farms is taking place. While in 2000 about 40% of UR was in farms with over 15 ha, in 2014 they accounted for more than 60% of UR (figure 3). In this group, more than 72 thousand farms (5.2% of total population) are characterized by an area of more than 30 ha of UR and have slightly more than 6 million ha of UR, i.e. 41.3% of agricultural land [Rolnictwo i gospodarka..., 2015]. Only 2.4% account for farms with over 50 ha, and their number is approx. 33 thousand.



**Figure 3. The area of UR in particular types of agricultural land**

Source: Rolnictwo (2008); Rolnictwo (2014)

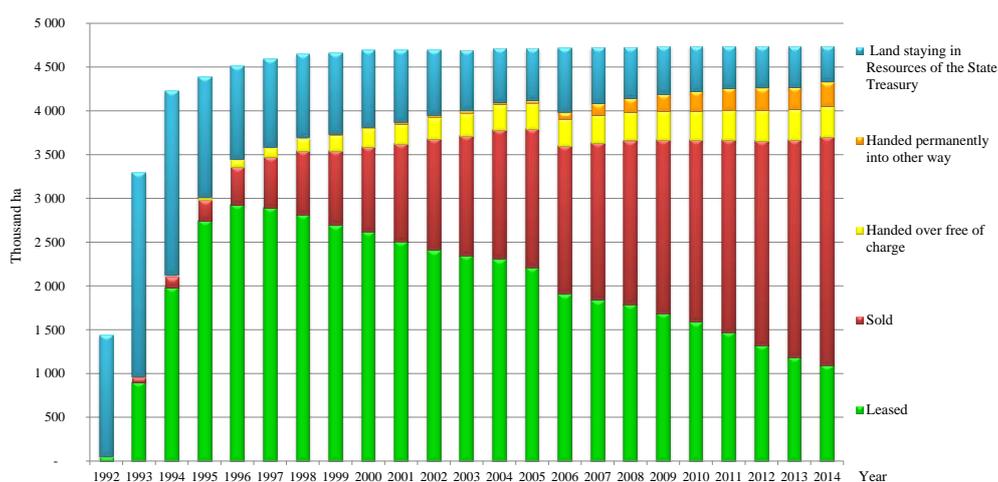
## Turnover in land of the State Treasury

Changes observed in Polish agriculture, in particular:

- decrease in the total area being used as agricultural holdings and their allotment for non-agricultural purposes (e.g. infrastructure);
- systematic reduction of the number of farms and enlarging their average size at the same time;
- significant transformation of the agrarian structure, including in particular all significant changes in the structure of agricultural holdings, including decrease of 49.4% in the number of the smallest farms (with an area of 1-2 ha), decrease of 27.4% in the number of farms from the group of 2-10 ha, 19.4% from the group of 10-15 ha and decrease of 10.2% from the group of 15-30 ha, with an accompanying significant increase of the number of larger farms (with an area of 30-50 ha by 25.1% and by 66.8% of farms with an area of 50 ha and more) [Rolnictwo i gospodarka... 2015],

determine the land market operation. Basically, the supply of land in Poland comes from two sources, i.e. agricultural holdings and the Treasury Agricultural Property Stock (SP Stock).

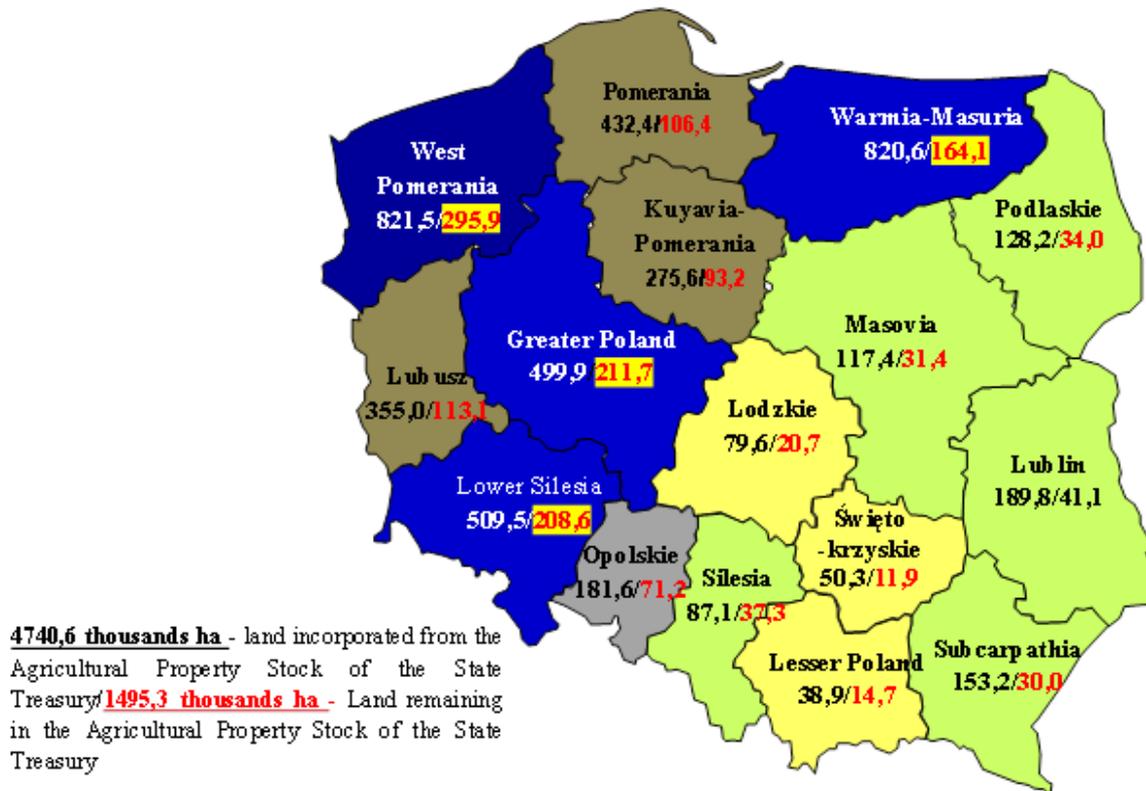
The institution closely related to turnover of land belonging to the SP Stock is the Agricultural Property Agency (ANR). It was established in 1992 and since then it manages Treasury Stock property entrusted to it on its own behalf and on its own account (surplus funds obtained from this activity are transferred to the state budget). Since 2003, ANR has also become a participant of the private market, being able to acquire agricultural properties (min. threshold is 5 ha) from private owners to, for example, resell them in connection with the enlargement of family farms. In the course of its activity, ANR has taken from the SP Stock about 4.7 million ha of land, of which more than 80% came from liquidated state agricultural holdings (company buildings, apartments were also taken over). Until the end of 2013 of the 4.7 million ha incorporated to SP Stock, ANR allocated in a sustainable manner (transferring ownership) about 66% of land, more than 3.1 million ha, including the sale of about 2.5 million ha (about 52%) [SIKORSKA 2014]. ANR currently has in its stock about 1.6 million ha of land, of which 1.2 million are in lease (figure 4).



**Figure 4. Allocation of land from the Treasury Agricultural Property Stock in 1992-2014**

Source: own study based on reports on the activity of Agricultural Property Stock of the State Treasury for the year 2014

The activity of ANR is regionally very varied (figure 5). Its biggest commitment can be noted in the provinces of West Pomerania, Warmia-Masuria and Lower Silesia, i.e. the regions referred to as “recovered territories” where, after the end of the Second World War, the majority of state agricultural holdings were created. It is estimated that the Agency in these regions significantly influenced the change of agrarian structure (the biggest average farm area in Poland is present there) [MIODUSZEWSKI 2015; MIODUSZEWSKI, SADOWSKI 2015].

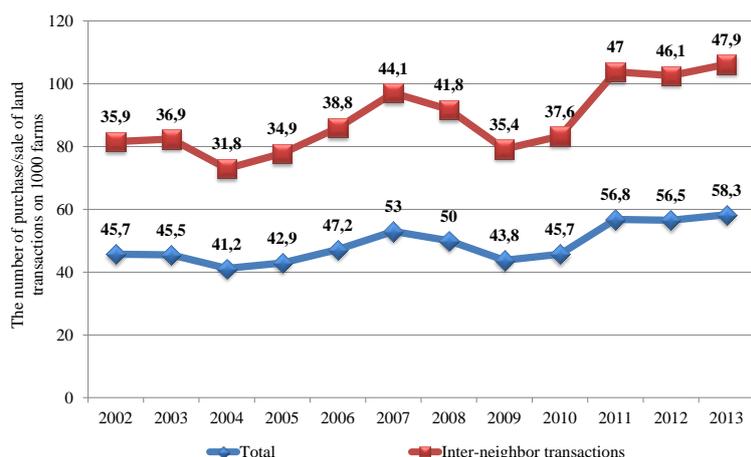


**Figure 5. Results of activity of the Agricultural Property Agency in taking over and management of lands (according to the data from 31 XII 2014)**

Source: own study based on reports on the activity of Agricultural Property Stock of the State Treasury for the year 2014, Warsaw

### Inter-neighbor market

Despite the importance of the State Treasury Stock and ANR on the agricultural land market, the vast part of transactions is concluded on the so-called inter-neighbor market. It accounts for about 80% of total transactions (chart 6). Over the last 25 years, turnover in agricultural properties showed considerable variation and ranged from 150 thousand to 230 thousand transactions. In 2014, the number of concluded purchase/sale transactions of agricultural land exceeded the number of 160 thousand and covered approx. 197 thousand ha with a value of more than PLN 10 million [Obrót 2015].

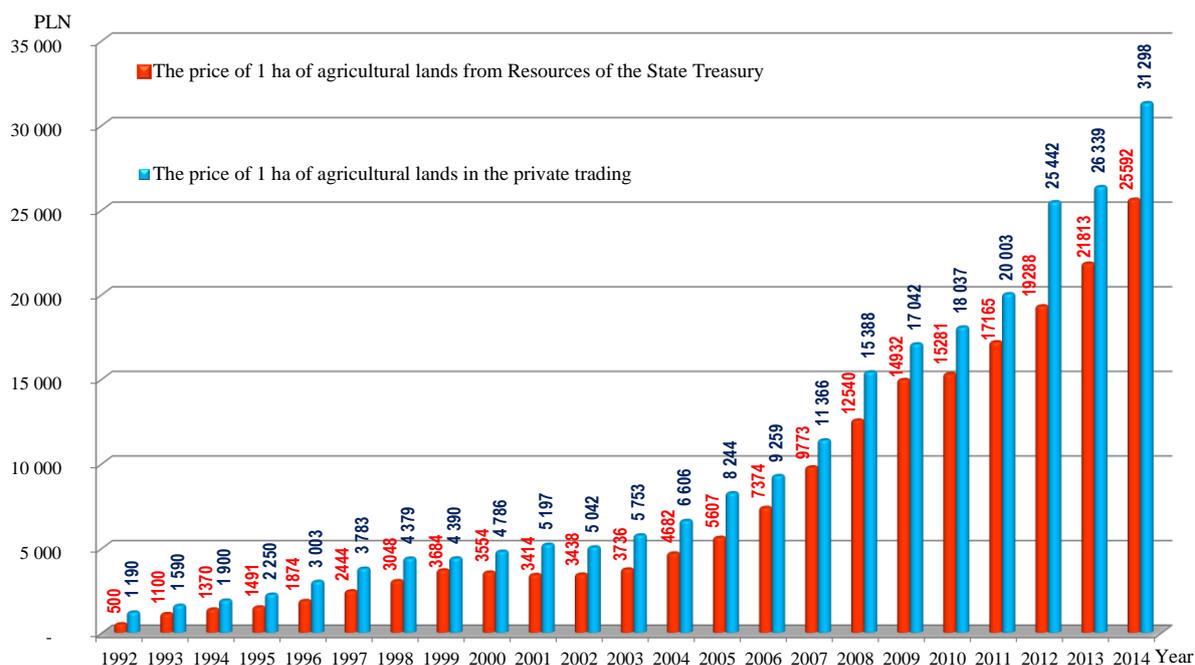


**Figure 6. Purchase/sale of land transactions in 2002-2013**

Source: SIKORSKA (2014)

A characteristic feature of the Polish agricultural land market is undoubtedly its regional diversity. It is reflected not only in the spatial diversity of the State Treasury Stock, which has already been mentioned. The intensity of trade in agricultural properties as well as their prices are subject to this diversity. The greatest number of transactions is noted in western, northern and north-eastern Poland. Processes of agriculture concentration in the greatest extent also occur there.

The resultant impact of the supply and demand of each market is the price. In the case of agricultural properties its value over the last 25 years has repeatedly increased, both in nominal and real terms [SIKORSKA 2015], with the highest dynamic of price growth after 2004, i.e. after the Poland's accession to the European Union. The consequence of the occurrence of the two segments of the agricultural land market is also a duality of prices, i.e. prices occurring in the trade of land from the State Treasury Stock and prices occurring in private trading. The former are generally lower than the latter. In the first case, prices are determined by independent experts appointed by way of a tender under the applicable law. They cannot be lower than the value of the property determined on the basis of analysis of the local market using methods provided in the Property Management Act. Prices of the Stock land are rising almost from the beginning of the privatization process. In 2014, the average price was 25.5 thousand/ha which means more than a 10-fold increase compared to 2003 and more than 50-fold compared to 1992 (figure 7). The increase of prices was noted in all provinces, but the regional diversity is visible here. In 2013 the highest prices were in the provinces of Opole, Silesia and Mazovia (more than PLN 30 thousand per ha) while the lowest in the provinces of Lublin and Małopolska (about PLN 13 thousand per ha).



**Figure 7. Prices of sale of agricultural land in the turnover in land of State Treasury and Inter-neighbor market in 1992-2014**

Source: own study based on reports on the activity of Agricultural Property Stock of the State Treasury for the year 2014, Warsaw

In private trading prices are at a higher level. In 2014, the average price was about PLN 31.2 thousand per ha and was greater than the price of land from the State Treasury Stock by 22%. The highest prices were recorded in the provinces of Wielkopolska, Kuyawy-Pomerania and Opole (more than PLN 35 thousand per ha), while the lowest in Podkarpackie, Lubuskie, Lublin (about PLN 17 thousand per ha). Thus, the relatively higher demand for land is in regions with a higher intensity and scale of agricultural production. This relationship is confirmed by the results of A. Jakubowska's studies [JAKUBOWSKA 2013]. The studies of IERiGŻ also show that the price increase applies to all types of land, where prices of land with poor soil increase faster [SIKORSKA 2014]. This proves that the demand for land is not only affected by economic pressure related to scaling up the production but also additional benefits of agricultural policy instruments, especially direct payments. Undoubtedly, the projected further growth of prices makes the land a valuable capital investment.

### Non-market transactions

Non-market transactions include donations, inheritance and family divisions, contracts of annuity, transfer of property for pension. While market transactions usually lead to the process of land concentration, the transfer of ownership on the non-market principles is conducive to stagnation in the agrarian structure and often results in multiplication of semi-subsistence units. Research conducted by IERiGŻ in south-eastern Poland, in the region with fragmented agrarian structure, shows that up to 74% of changes in ownership of agricultural land were made on the basis of family trade (total in the provinces of Podkarpackie, Małopolska and Świętokrzyskie) [SIKORSKA 2014]. In 2009-2013, an average annual number of transactions concluded on this market was about 65 thousand; however, what is important, their share in the total number of agricultural properties transactions decreased from 47.5% in 2009 to 28.4% in 2013. This is a positive direction of changes. Still, there are

significant variations across the regions, which may lead to the increase in differences in income and the financial situation of agricultural holdings.

## Conclusions

The considerations conducted in the article show that:

- there is a systematic decrease in agricultural land resources in Poland;
- as a result of transactions on the agricultural land market the agrarian structure is systematically changing: there is a decrease in the number of agricultural land, the number of small farms is decreasing, the area of larger-sized farms is systematically increasing, i.e. there is an increase in land concentration;
- the agricultural land market in Poland consists of three segments: trade of the land from the State Treasure Stock, inter-neighbor trade and non-market trade;
- transactions related to trade of the land belonging to the State Treasure Stock, conducted by the Agricultural Property Agency, primarily take the form of sale and leasing; their share does not exceed 20% of total transactions, and the average price is lower than on the private market;
- among the purchase/sale transactions, the transactions on the private market dominate, and dynamic growth of land price proves the lasting supply and demand imbalance;
- share of transactions in non-market trade is systematically decreasing; however, it is still high in some regions with fragmented agrarian structure.
- variation of land prices in particular provinces correlates with the historically and socio-economically shaped nature of the agricultural economy;
- the benefits of the mechanisms of the Common Agricultural Policy increase the value of the land not only as a production factor but also a capital investment.

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