

Structural changes in Hungarian agriculture since EU accession

Land tenure systems



Szabolcs Biro

IERIGZ – AKI Seminar, Warsaw, 19 June 2013

Background

- Land is basic resource for agricultural production.
- Its rational use is essential for the competitive development of the sector.
- In Hungary the level of land use concentration is high. The basis of farming is the flexible land lease system.
- In individual farms the share of own property is decisive.
- Legal entities are excluded from the land market.

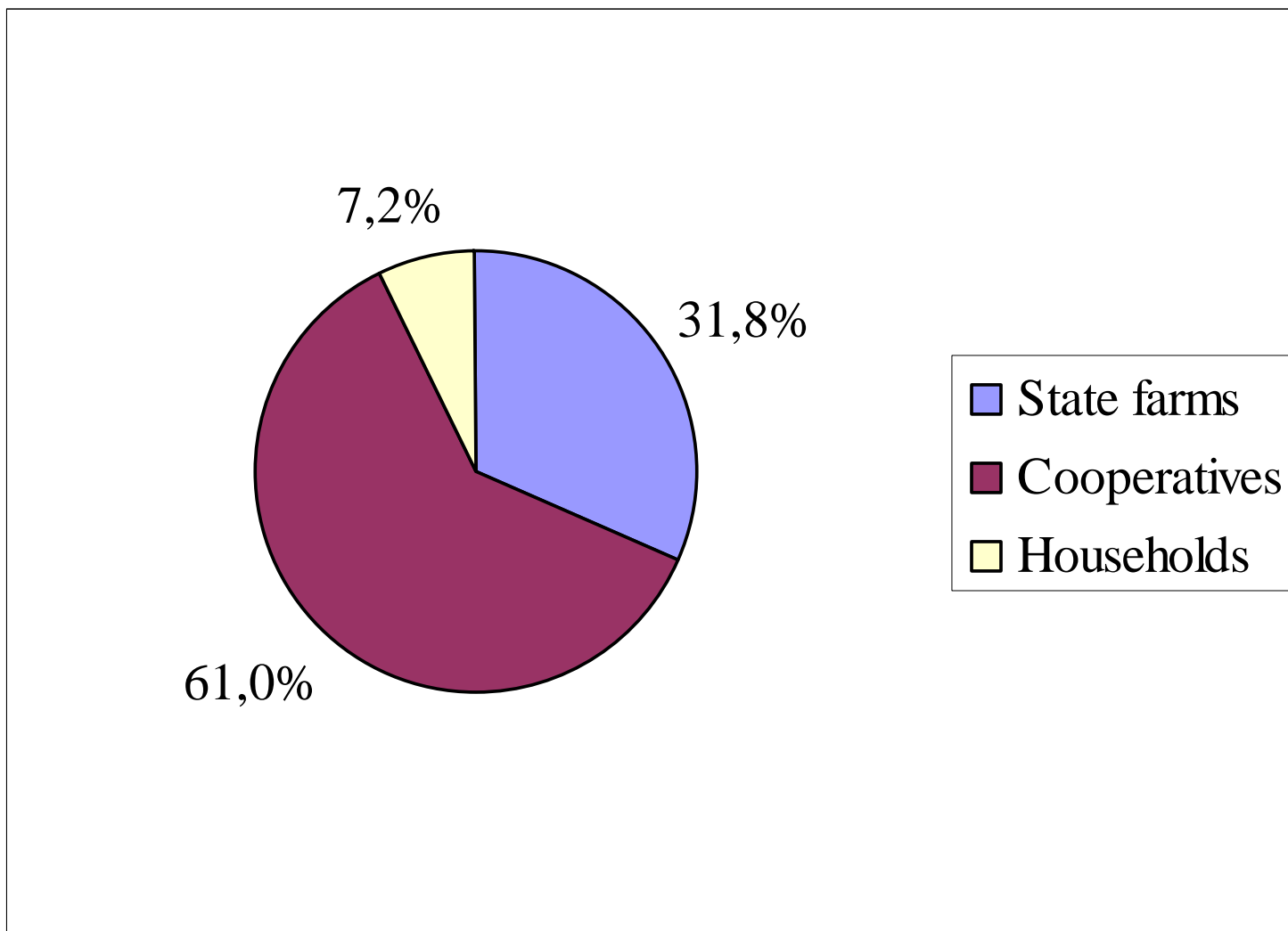
Structure

- Land tenure before transition
- Ownership and land use restrictions
- Land use, land ownership
- Land market
- Vision
- Conclusions

Land tenure before 1989

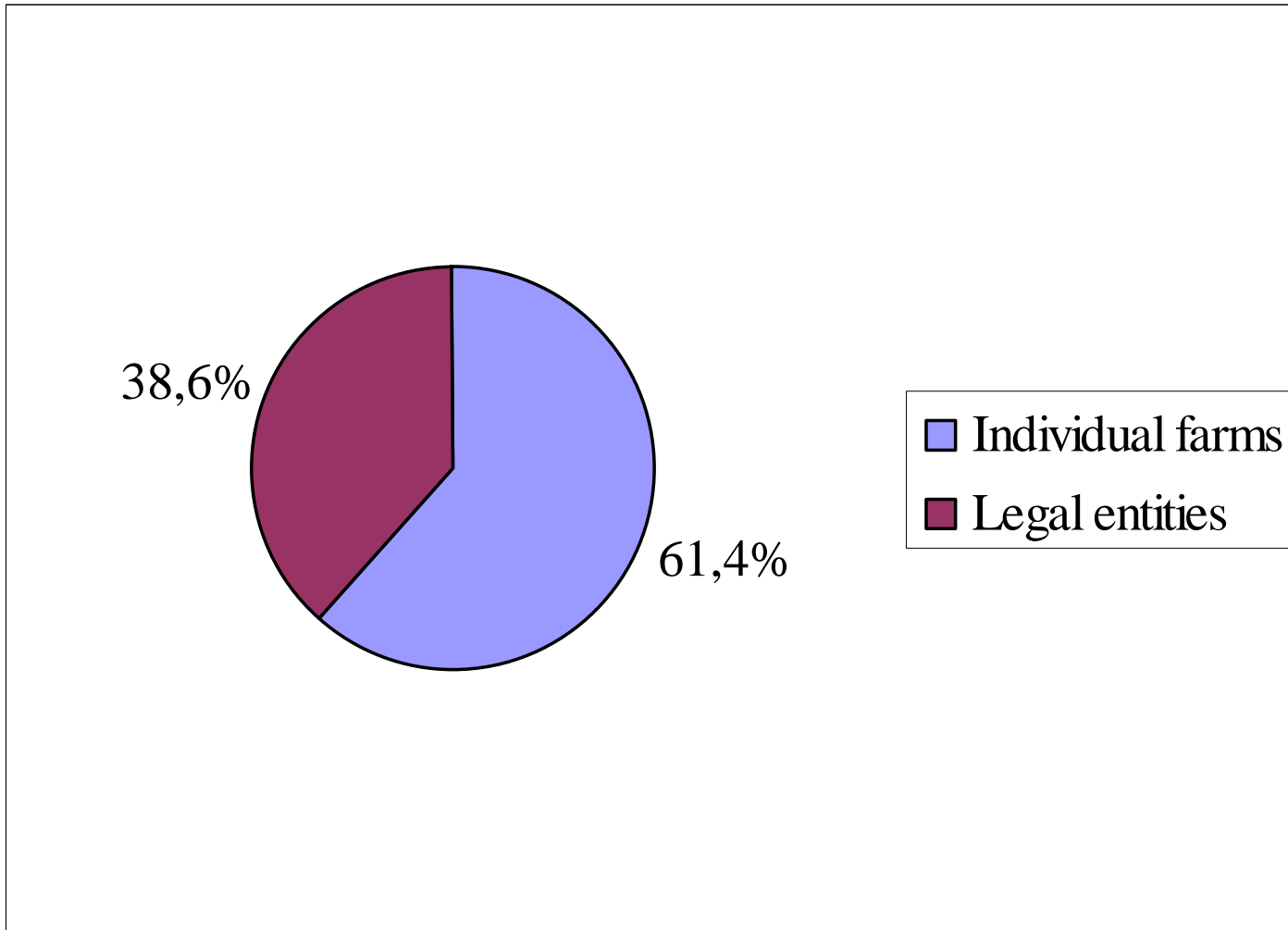
- Central planning mechanism
- Main types of economic organizations in agriculture
 - State farms with an average size of 7,1 thousand ha.
 - Collective farms with average area 4,2 thousand ha
 - Household plots (of collective farms members, state farm workers and other private farmers) average size of 0.6 hectare
- Hungarian model: Symbiosis between large-scale farms and household plots.
- After 1989: land restitution, farm restructuring,.

Distribution of agricultural land, 1989



Source: Mathijs and Mészáros, 1997

Distribution of agricultural land, 2011



Source: Agricultural and Rural Development Authority, 2008

Land ownership and land use restrictions

- Act 55 of 1994 on Productive land
- Restrictions: equalized development of individual farms, with prevention of formation large-scale holdings (latifundia).
- Different restrictions apply to
 - domestic individuals,
 - domestic legal persons, and
 - foreigners

Land ownership restrictions

- Domestic private person may acquire land of not more than 300 hectares (§ 5.)
 - The property of private individual and a close relative may not exceed a quarter of the total land area of the municipality or a thousand hectares.
 - Right of first refusal (§ 10.) for Hungarian State (National Land Fund), local leaseholder.
 - (in the order of family farmer, a primary producer, individual farmer) local resident neighbour, local resident, leaseholder.
 - No rights of pre-emption apply between close relatives and co-owners.

Land ownership restrictions 2

- No domestic legal person may acquire ownership of productive land. (§ 6.)
 - Exceptions Hungarian State, local government, public foundations.
- Foreign individuals and legal persons may not acquire ownership of land. (§ 7.)
 - Exception EU nationals according to the rules on domestic private person.
 - Self-employed farmer, lives continuously and legally in Hungary for three years.

Land use restrictions

- Domestic private person, legal entity, unincorporated enterprise may lease 300 ha. (§ 22.)
- Corporate farms (economic association and cooperative) may lease 2500 ha.
 - Exception land leased from cooperative members, shareholders of economic association, and National Land Fund not included.
- Foreign individuals and legal entity may lease 300 ha.
- Pre-lease order (§ 21.) for the former leaseholder, operator of the livestock farm (or fishpond), and
 - (in the order of family farmer, and primary producer, private farmer) the local resident neighbour and local resident.
- Lease may be up to twenty years. (§ 13.)

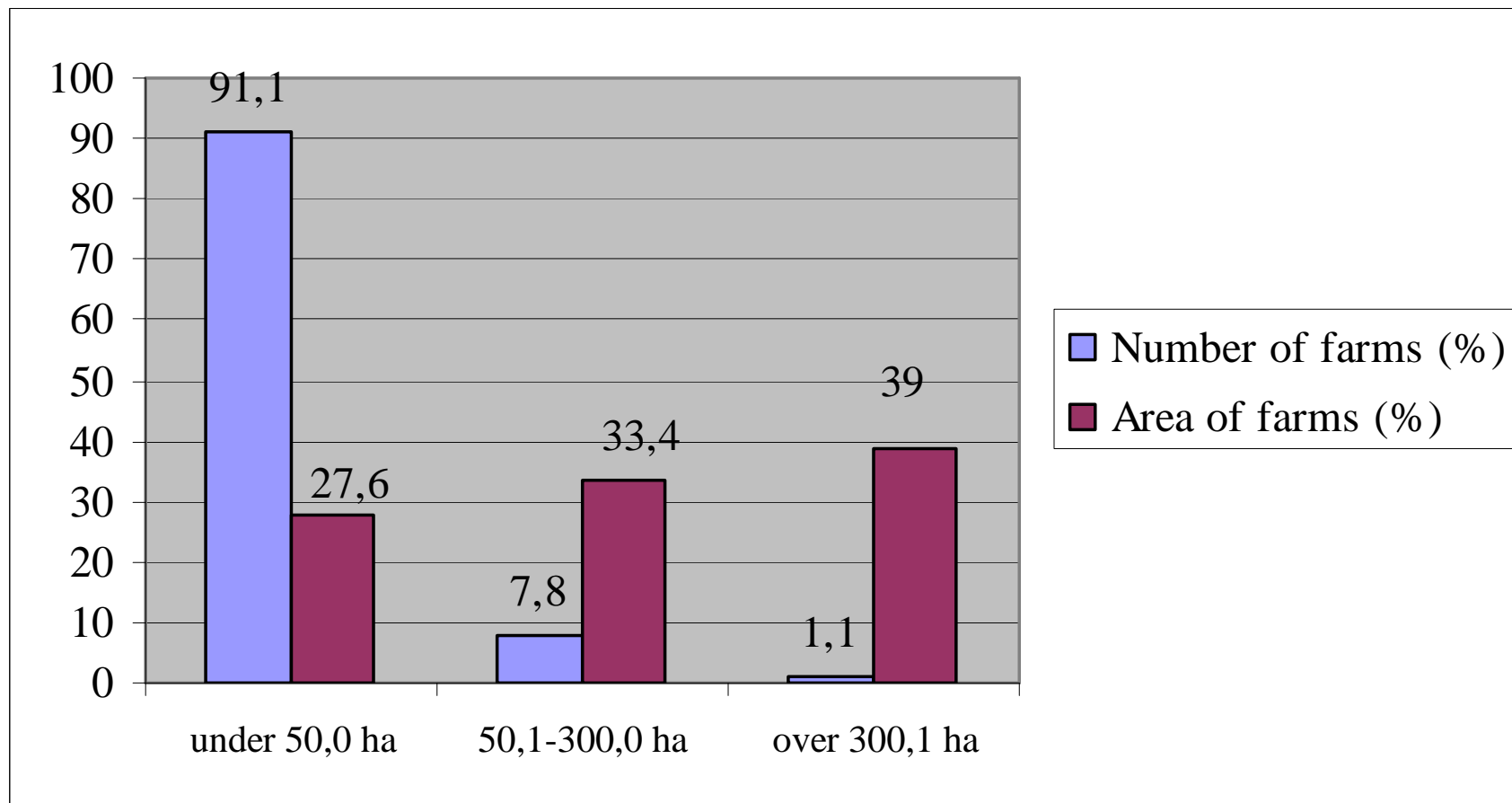
Land use

- The Hungarian farm structure is radically different from the characteristics of the viable family farm structure of the EU Member States.
- Land use concentrated. 2.6% of all farms use 73.6% of the farmed agricultural area with the average of 248.7 hectares.
- Number of small individual farms is disproportionately high. 71,5% use less than 1 ha.

Land use 2

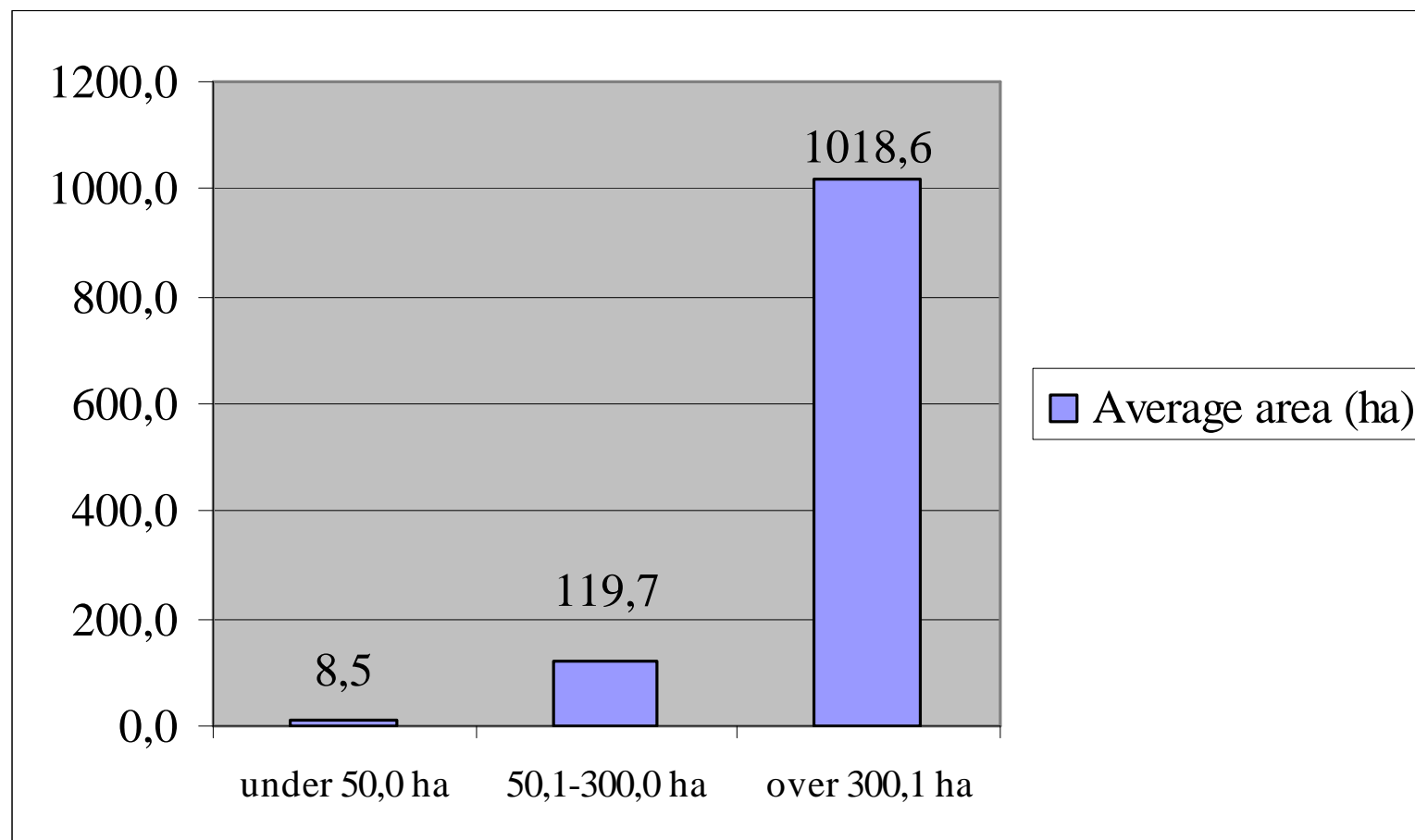
- Holding structure is bipolar: Amongst the various forms of agricultural holdings the individual farms and the corporate farms predominate, which show opposite trends in terms of their numbers and land use.
 - The number of individual farms (527.2 thousand) rapidly decrease, while average area (4.6 ha) grows. 98 per cent occupy less than 50 hectare.
 - The number of legal entities (6.8 thousand) grow, while average area (322.4 ha) decrease. 52 per cent cultivate more than 50 hectares.

Distribution of farms and land by main size groups, 2011



Source: Agricultural and Rural Development Authority, 2012

Average area of farms by main size groups, 2011

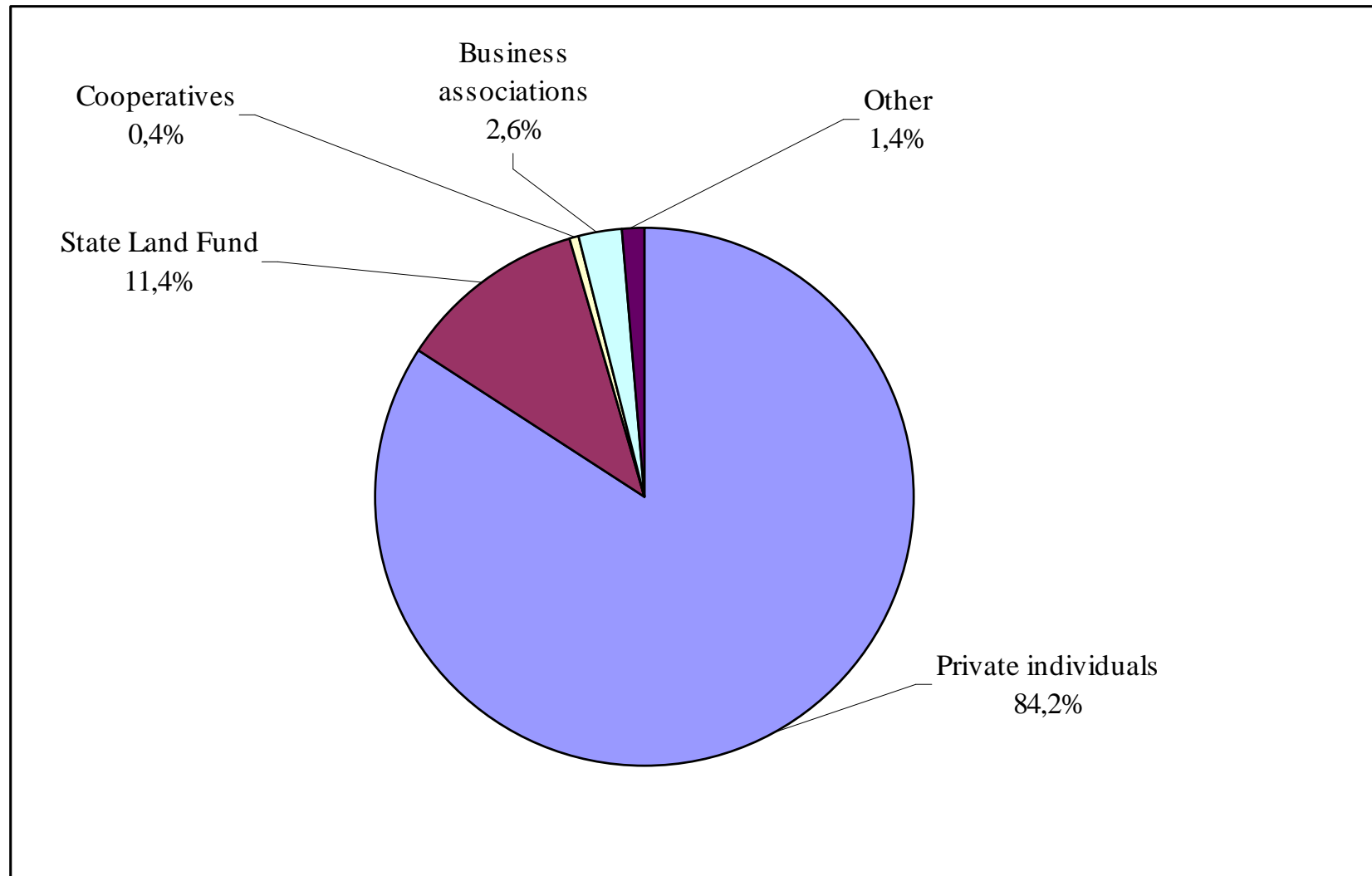


Source: Agricultural and Rural Development Authority, 2012

Land ownership

- In Hungary private ownership of agricultural land dominate.
- Land property is fragmented, land ownership and land use are separated.
- Changes in ownership (mainly inheritance) have increased the range of owners: most owners are not bound to agricultural production and activities, and rent out their land, mainly to large scale economic organizations.
- In the cases of undivided properties (1.3 million ha) the purchaser can mostly be the tenant, but speculative transactions can also be seen to get the pre-emption right for the whole property.

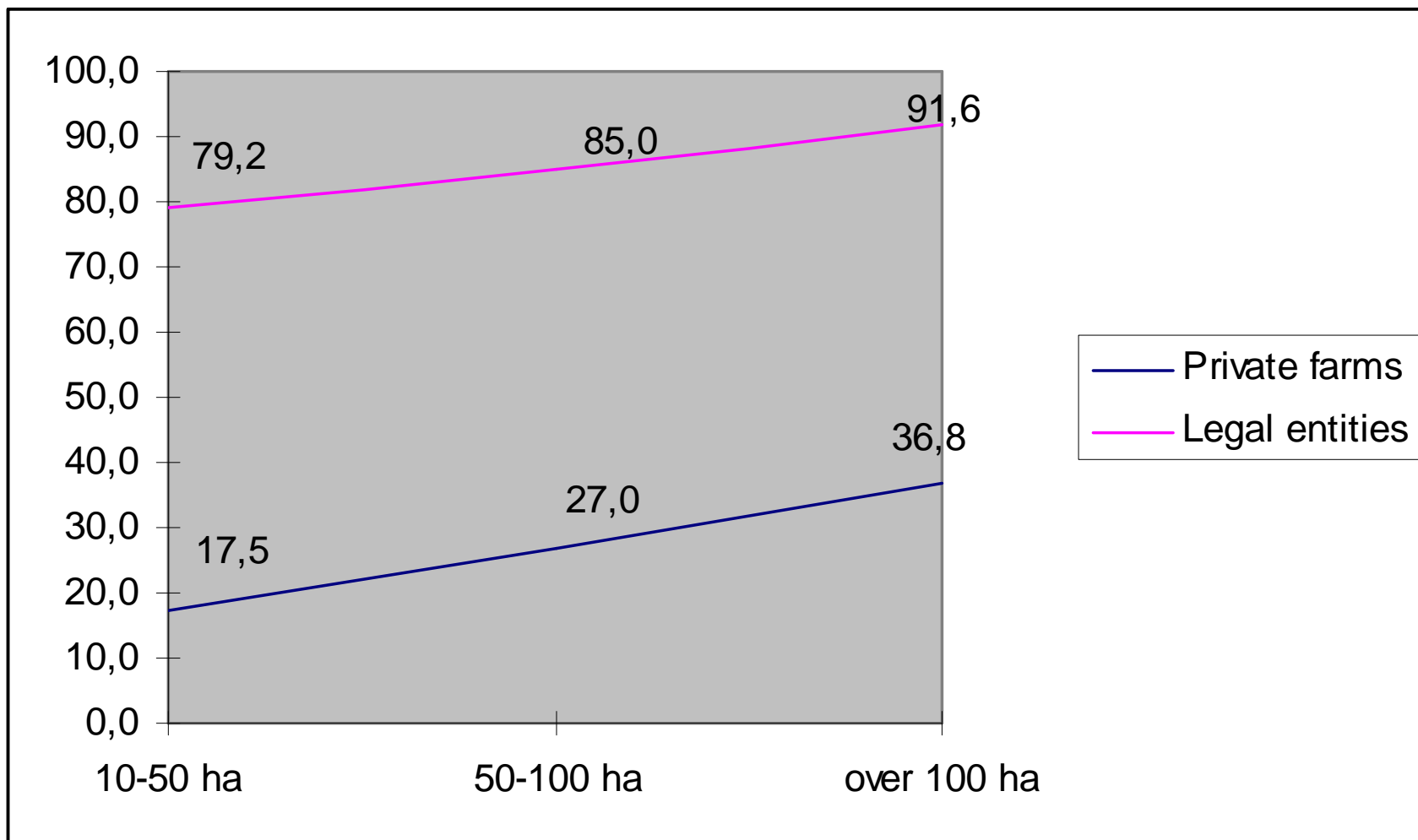
Ownership structure of agricultural areas*, 2011



Remark: *Outskirt areas

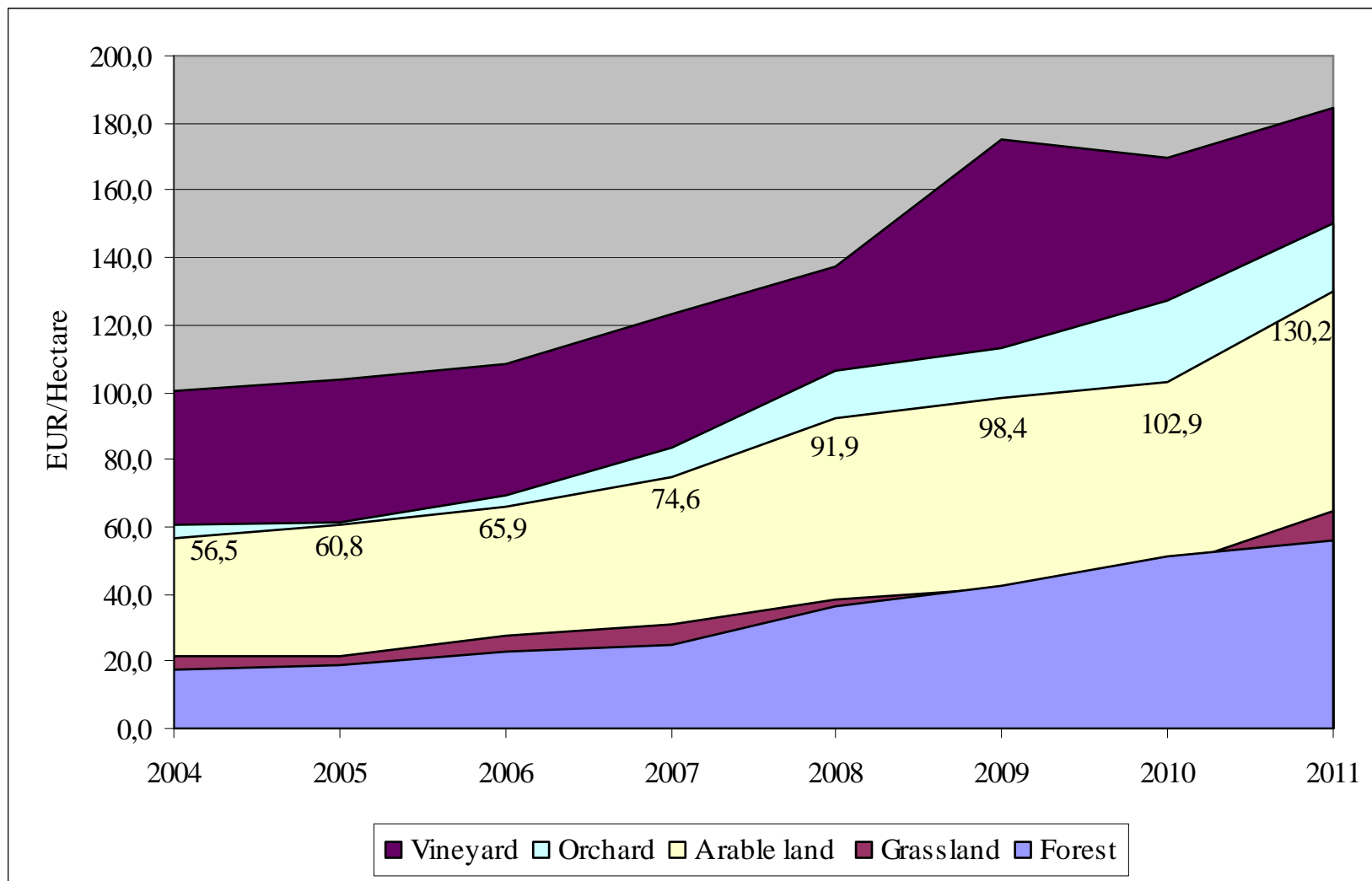
Source: Based on Central Property Register, January 2011

Share of rented area by size group of farms, 2010, (%)



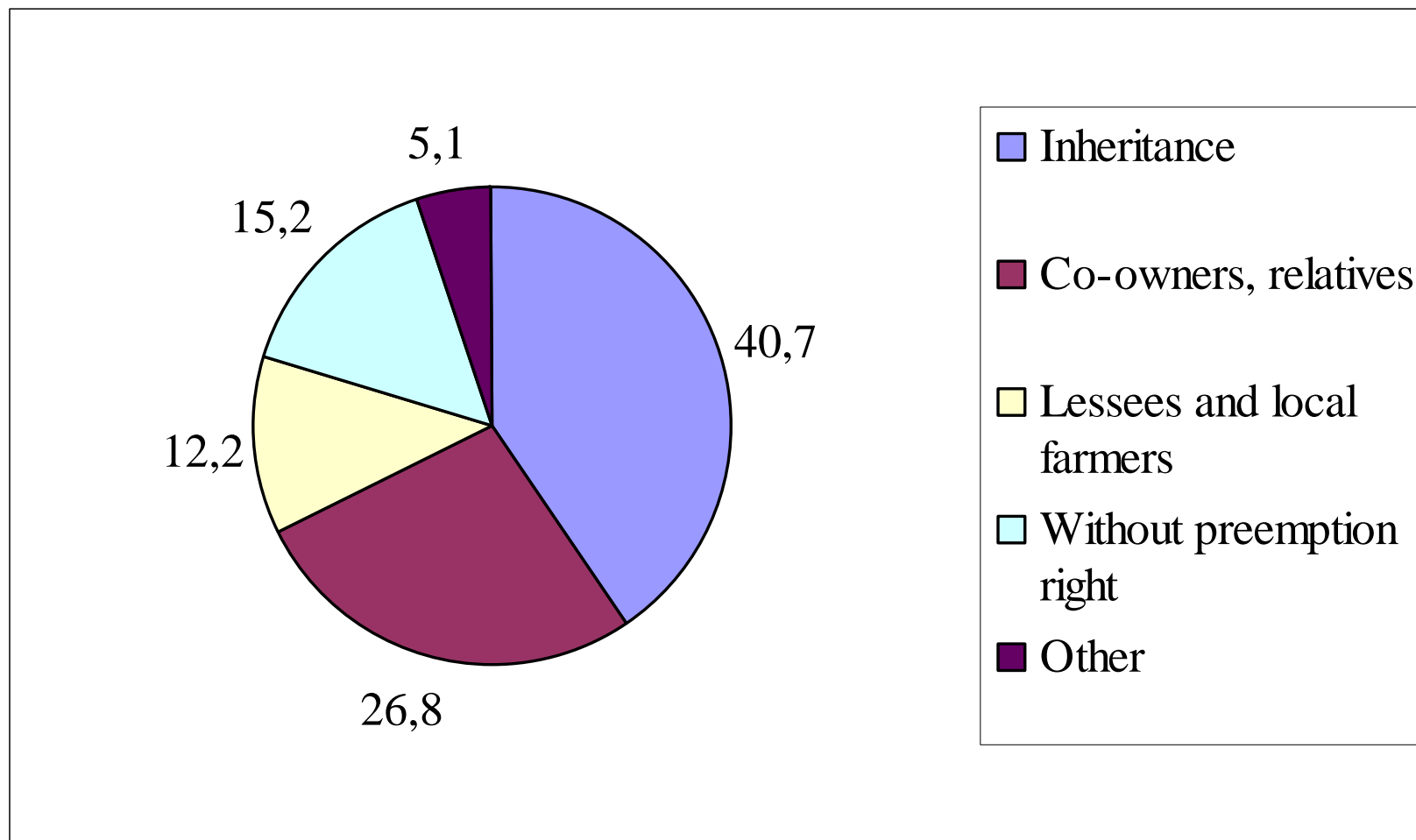
Source: HCSO, 2012

Land rents by main cultivation lines (EUR/ha)



Source: Hungarian Central Statistical Office, 2012

Distribution of land turnover by main groups, 2010, (%)



Source: Own estimation on Ministry of Rural Development
Property turnover database, 2011

Arable land prices by land quality groups and regions

(2013 january, thousand EUR)

Region/land quality	Poor	Average	Good	Excellent
	(under 17 GC/ha)	(17-25 GC/ha)	(25-30 GC/ha)	(above 30 GC/ha)
Central Hungary	1,0-2,4	2,1-3,5	2,8-5,2	3,5-6,2
Central Transdanubia	1,4-2,8	1,6-3,5	2,2-4,3	3,5-5,5
Western Transdanubia	1,2-3,1	2,6-4,5	2,8-5,5	2,9-7,6
Southern Transdanubia	1,2-3,1	1,4-4,7	2,1-5,9	3,3-6,9
Northern Hungary	0,7-1,2	1,0-3,1	1,6-4,1	1,7-4,5
Northern Great Plain	1,2-3,8	1,7-5,2	2,2-6,2	2,8-8,6
Southern Great Plain	0,9-2,1	1,4-2,4	1,7-3,8	2,8-6,9

Source: Based on data from National Food Chain Safety Office, 2013

Vision of the future

- National Rural Strategy, 2012-2020 focuses the land policy on viable family farms.
- To meet the land requirements of small - and medium- scale farms, the plan is to introduce regulations on agricultural holdings, re-allot undivided properties, and start land consolidation.
- The Strategy will be implemented through the national land programmes: Land consolidation, Demographic, Social, and Land use restructuration, landscape management programmes.

Conclusions

- In land policy complex approach is required, since land is a production tool suitable for profit generation and at the same time it is a national resource providing subsistence for the local society and communities
- Development and encouragement family farming is also necessary.
- Viable family farm structure can result social benefits: maintaining and generating employment capacities; renovating the population retention capacity, and managing the social depression of rural areas.

Dziękuję za uwagę!