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## **The Current Issues of Agricultural Land Market in Slovakia**

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*A mezőgazdasági földpiac aktuális kérdései Szlovákiában*

### **Abstract**

*This paper reports on the findings of the study related to the agricultural land purchases in the Slovak Republic from June 1, 2014 till September 30, 2015. The situation is analysed according to the new legislation for the period after the expiration of the moratorium on the purchase of agricultural land by foreigners. We focus on the agricultural land supply and land prices in particular Slovak regions related to the land which has been offered for sale via the Register of Publication of Offers of the Agricultural Land at the web side of the Ministry of Agriculture and Rural Development. Our results show that new legal regulation Act no. 140/2014 Coll. on acquisition of ownership right to agricultural land directly favours certain groups interested in purchasing of land, and limits not only foreigners but also domestic persons interested in purchasing of agricultural land. The land supply prices are higher than the administrative ones in all Slovak regions.*

**Keywords:** agricultural land supply, agricultural land purchases, acquisition of agricultural land, sale of agricultural land

### **Absztrakt**

*A cikk egy mezőgazdasági földterületek vásárlására vonatkozó tanulmány eredményeiről számol be, amely a Szlovák Köztársaságban volt elvégezve 2014 június 1-től 2015 szeptember 30-ig. A helyzetet az új jogszabályozás szerint elemeztük a lejárt moratórium időszak után, amely a mezőgazdasági földterületek vásárlásához a külföldiek által vonatkozik. Mi elsősorban a termőföld kínálatára és a földárakra összpontosítunk szlovákiai régiók földterületein, amelyek eladásra kínáltak a Szlovák Földművelésügyi és Vidékfejlesztési Minisztérium - Termőföld Ajánlatok Nyilvántartási web oldal - által. Eredményeink azt mutatják, hogy az új - 140/2014 számú jogi szabályozás bizonyos érdekelt csoportoknak közvetlenül kedvez a föld beszerzését illetően és határokat szab meg nemcsak a külföldiek számára, hanem a hazai érdekelt személyek számára is. A földkínálati árak magasabbak, mint az adminisztratív jellegű árak minden szlovákiai régióban.*

**Kulcsszavak:** mezőgazdasági földkínálat, termőföld vásárlása, a mezőgazdasági földterület megszerzése, mezőgazdasági földterület értékesítése

## INTRODUCTION

Rural land is an asset of the greatest importance in many parts of the world, both developing and developed (EU Commission, 2004). The agricultural land is a key resource of agriculture (Takács - György et al., 2012), which ensures the food self-sufficiency as well as the economic independence of a country (Dirgasová, 2015). Sustainable development requires governments to provide public facilities and infrastructure that ensure safety and security, health and welfare, social and economic enhancement, and protection and restoration of the natural environment. An early step in the process of providing such facilities and infrastructure is the acquisition of appropriate land (FAO, 2009). The acquisition of land has always been and is not only in Slovakia but also in other countries a delicate issue and definitely an area filled with tension. Agricultural land markets in the EU are subject to institutional regulations. The Article describes the existing regulations related to sale on the agricultural land market in Slovakia after the expiration of the moratorium on the purchase of agricultural land by foreigners (May 1, 2014). The Slovak Parliament has adopted the Act no. 140/2014 Coll. on the acquisition of ownership right to the agricultural land. This law focuses on the agricultural land protection and securing the prior rights for farmers to receive the agricultural land. The differences in the regulatory framework between the agricultural land acquisition and the ownership by entrepreneur in agriculture are analysed. The paper presents particular restrictions for transaction (both parts - sellers and buyers) of agricultural land, actual trends in volume of transactions, as well as, the supply prices in respect to the new legislation.

## MATERIAL AND METHODS

This paper does not seek to be exhaustive. The materials consist of data from the offers of agricultural land published via the Register of Publication of Offers of the Agricultural Land at the web side of the Ministry of Agriculture and Rural Development as well as the new legal regulation concerning the acquisition of

ownership of agricultural land and amending and supplementing certain laws (no. 140/2014 Coll.). We rely on the opinion from literature related to relevant topic (Ciaian - Kancs - Swinnen, 2012), (Drabik - Rajčániová, 2014). The paper uses the method of analysis of the new Act no. 140/2014 Coll. on the acquisition of ownership of agricultural land and amending and supplementing certain laws, which entered into force on June 1, 2014. Legal regulations based on grammatical, logical, systematic and teleological interpretation as well as comparison of offers and their prices of agricultural land development in particular Slovak regions at NUTS III. According to the results obtained we arrived at a conclusion.

## RESULTS AND DISCUSSION

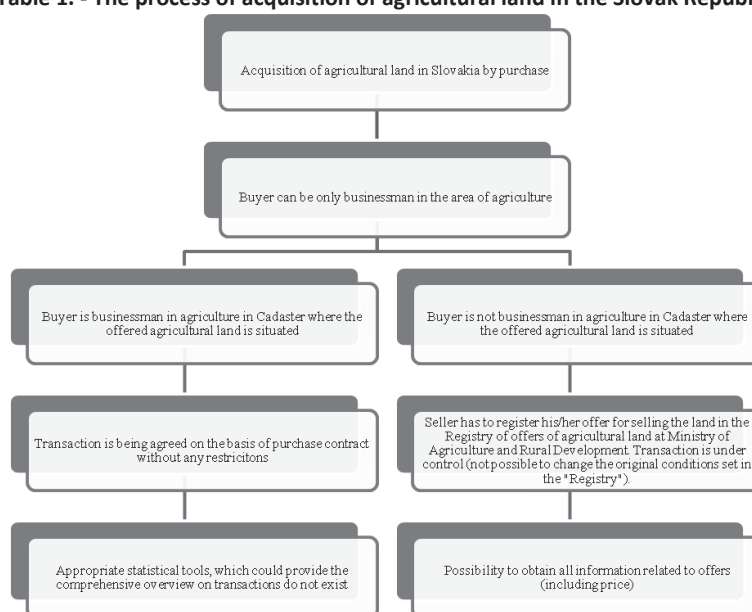
The new legal regulation allows the purchase of agricultural land only to a certain group of citizens - regardless of the nationality; this explicitly specifies that the purchaser of agricultural land can be just a businessman in the field of agriculture. The Act requires him/her to carry on business in the agriculture for at least three years and to have either a permanent residence (in the case of a natural person) or a registered office (in the case of a legal person) in the territory of the Slovak Republic for at least ten years before the date of the conclusion of the contract on the transfer of ownership of the agricultural land (this requirement is not required in the case of a young farmer in the field of agriculture, because of the interest of our state in a support of young farmers).

The Act on the acquisition of ownership of agricultural land distinguishes the sale of agricultural land in the cadastre where a buyer - businessman carries out agricultural production, and the sale of agricultural land in a cadastre different from the one where a buyer carries on his/her business. In these cases, when the person interested in the purchase of the agricultural land is the businessman from different cadastral area than the one where offered agricultural land plot is located, the seller has an obligation to publish his/her offer for sale of agricultural land plot through a

complicated procedure via the Register of Publication of Offers of the Agricultural Land, which was created for this purpose. So if the buyer is interested in buying agricultural land outside the cadastral area where he/she carries on his/her business, he/she should do so just via the Register of Publication of Offers of the Agricultural Land at the web side of the Ministry of Agriculture and Rural Development

of the Slovak Republic. If a person interested in the agricultural land plot which is located in the same cadastral area where he/she carries out agricultural production as a business, there are no obstacles on the purchase of agricultural land. This businessman can easily conclude the contract on the transfer of ownership of the agricultural land and acquire the ownership to the agricultural land (Table 1).

**Table 1. - The process of acquisition of agricultural land in the Slovak Republic**



Source: own processing.

The situation on the agricultural land market in the Slovak Republic is not transparent. There are no statistical tools that would precisely monitor how many contracts on the transfer of ownership of the agricultural land (with what acreage and price) were concluded. The method of monitoring is complicated. There is just one exception - the agricultural land plots administrated by Slovak Land Fund that manages state land and land of unknown owners, which are sold via the Register of Publication of Offers of the Agricultural Land at the web side of the Ministry of Agriculture and Rural Development of the Slovak Republic.

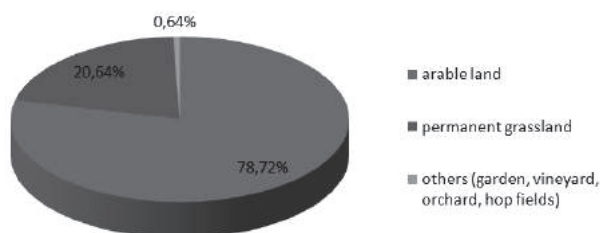
We agree that in any case, an increasing number of data on the agricultural land offers is very useful to analyse the developments in the Slovak land market as currently there is no publicly available data source of land market prices (Drabik - Rajčániová, 2014).

That is the reason why, within the research project, we started to map the situation in the supply of the agricultural land via the Register of Publication of Offers of the Agricultural Land at the web side of the Ministry of Agriculture and Rural Development of the Slovak Republic.

In the period from June 1, 2014 to September 30, 2015 in the regions of Slovak Republic, an agricultural land to the total acreage of 4 155 ha was offered for sale. From the total acreage the arable land amounted to 3 271,2 ha and the permanent grassland amounted to 857,7 ha.

The rest was represented by other types of the agricultural land (garden, vineyard, orchard, hop fields). The share of offered types of agricultural land from the monitoring period is presented in Figure 1.

**Figure 1 - Share of offered types of land from June 1, 2014 to September 30, 2015**



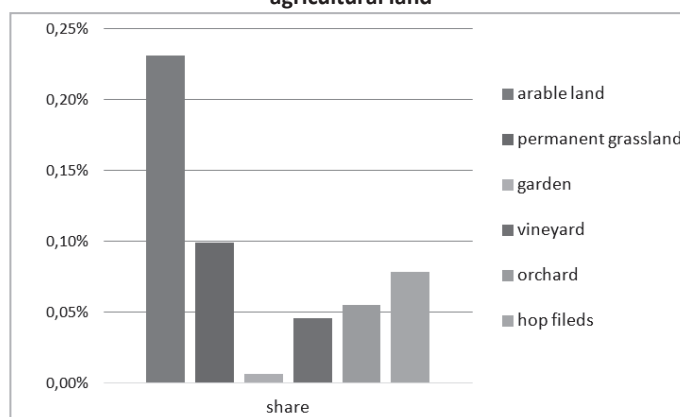
Source: Register of Publication of Offers of the Agricultural Land, own processing.

During the monitoring period from June 1, 2014 to September 30, 2015 we observed the offers which were published in the Register of Publication of Offers of the Agricultural Land. Thanks to our research, we found out that the most offered type of agricultural land is the arable land.

The share of the offered agricultural land on the total acreage of agricultural land in the Slovak Republic was 0,23 %. In the case of permanent grassland, which is the second best-selling type of agricultural land in all NUTS III

regions as well as in the Slovak republic as a whole, the total acreage of permanent grasslands offered for sale via the Register of Publication of Offers of the Agricultural Land was 0,10 % from the total acreage of permanent grasslands in the Slovak Republic. During the monitoring period, just 0,01 % of the total acreage of gardens was offered for sale. Figure 2 illustrates the share of all types of the agricultural land offered during the monitoring period on the total acreage of agricultural land in the Slovak Republic.

**Figure 2 - Share of offered types of land from June 1, 2014 to September 30, 2015 on total area of agricultural land**

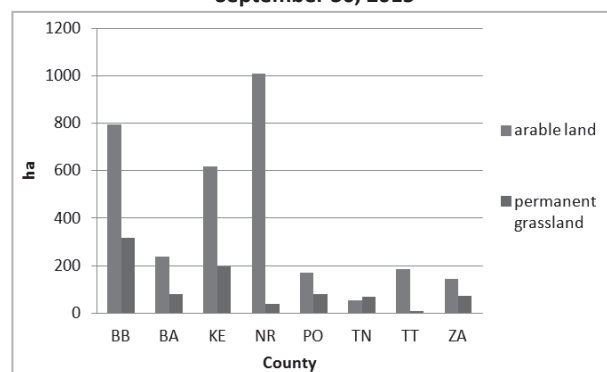


Source: Statistical Yearbook, 2014.

The total acreage of arable land offered for sale via the Register of Publication of Offers of the Agricultural Land during the period from June 1, 2014 to September 30, 2015 sums to 3 271.2 ha. The largest acreage of that offered arable land was offered for sale in Nitra county (1 007.3 ha, which represents 30.79 % of the total acreage of offered arable land); in Banská Bystrica county (795.4 ha, which represents 24.32 % of the total acreage of offered arable land) and in Košice county (617.3 ha, which represents 18.87 % of the total acreage of offered arable land). So, we should conclude that these three counties could be considered as a base of arable land market because of the fact that almost 74 % of the total acreage of arable land was offered for sale precisely in the cadastral areas of these three counties.

Analogously, the total area of permanent grasslands offered for sale via the Registry during the monitoring period stood for 857.7 ha. The largest acreage of offered permanent grasslands was published in Banská Bystrica county (316.6 ha, which represents 36.91 % of the total acreage of permanent grassland offered for sale) and in Košice county (195.3 ha, which represents 22.77 % of the total area of permanent grassland offered for sale). Thus, in conclusion almost 60 % of the total acreage of offered permanent grassland has been available in cadastrals of these two counties, which makes them a base of market with permanent grasslands. The overview of offered area for selling of arable land and permanent grassland during the monitoring period is shown in Figure 3.

**Figure 3 - Offered area for selling of arable land and permanent grassland from June 1, 2014 to September 30, 2015**



Source: Register of Publication of Offers of the Agricultural Land, own processing.

\* BB - Banská Bystrica, BA - Bratislava, KE, Košice, NR - Nitra, PO - Prešov, TN - Trenčín, TT - Trnava, ZA - Žilina

The average supply price of arable land required by sellers in their offers published in the Register of Publication of Offers of the Agricultural Land during the period from June 1, 2014 to September 30, 2015 was 10 600 €/ha. During this monitoring period, the average price of arable land according to Act no. 582/2004 Coll. on local taxes and on local fees for municipal waste and minor construction waste (hereinafter referred to as Act on local taxes and fees) was 4 100 €/ha. Based on that,

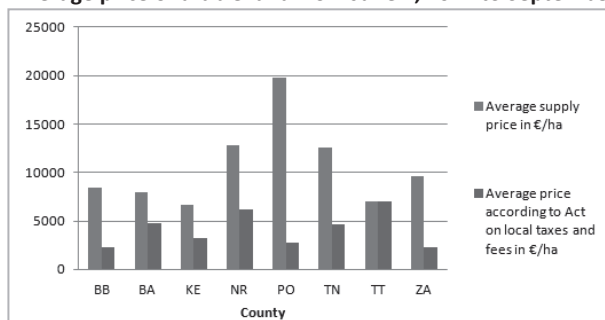
we can conclude that the average supply price of arable land per 1 ha which is required by the sellers via their offer published in the Register of Publication of Offers of the Agricultural Land is more than 2.5-times higher than the average price according to the Act on local taxes and fees.

The highest average supply price required by sellers for 1 ha of arable land was recorded in Prešov county (19 800 €/ha), Nitra county (12 800 €/ha) and Trenčín county (12 600 €/ha).

At the same time, the highest average price according to Act on local taxes and fees was recorded in Trnava county at price 7 000 €/ha and in Nitra county at price 6 200 €/ha. Figure 4

shows the average supply price of arable land and average price of arable land according to Act on local taxes and fees during the monitoring period.

**Figure 4 - Average price of arable land from June 1, 2014 to September 30, 2015**



Source: Register of Publication of Offers of the Agricultural Land, Act on local taxes and fees, own processing.

\* BB - Banská Bystrica, BA - Bratislava, KE, Košice, NR - Nitra, PO - Prešov, TN - Trenčín, TT - Trnava, ZA – Žilina

**Figure 5 - Average price of permanent grassland from June 1, 2014 to September 30, 2015**



Source: Register of Publication of Offers of the Agricultural Land, Act on local taxes and fees, own processing.

\* BB - Banská Bystrica, BA - Bratislava, KE, Košice, NR - Nitra, PO - Prešov, TN - Trenčín, TT - Trnava, ZA - Žilina

The average supply price of permanent grasslands required by sellers due to their offers published in the Register of Publication of Offers of the Agricultural Land during the period from June 1, 2014 to September 30, 2015 was 8 200 €/ha. In the same period, the average price of permanent grasslands according to Act on local taxes and fees stood at 780 €/ha.

Thus, we can assume that the average price of permanent grasslands according to Act on local taxes and fees is almost 11-times lower than

the average supply price of permanent grasslands required by the seller via the Register of Publication of Offers of the Agricultural Land. The highest average supply price per 1 ha of permanent grasslands required by sellers during the monitoring period was recorded in Prešov county with price around 17 600 €/ha and in Trnava county with price around 13 300 €/ha. Simultaneously, in the same monitoring period, the highest average price of permanent grasslands according to Act on local taxes and fees was

recorded in Nitra county (1 300 €/ha), Bratislava county (1 100 €/ha), Trenčín county (1 000 €/ha) and Trnava county (1 000 €/ha). The average supply price of permanent grassland and the average price permanent grassland according to Act on local taxes and fees during the monitoring period is presented in Figure 5.

## CONCLUSION

The development of land relations in the Slovak Republic is influenced by the land policy of the relevant period and its result is the current state of land law relations. There is no doubt that the new Act no. 140/2014 Coll. on the acquisition of ownership of agricultural land affects the disposal right of the owners of agricultural land; it limits not only foreigners but also domestic persons interested in purchasing agricultural land; and it directly favours certain groups interested in purchasing land. The results of our research show, that the land supply prices are higher than the administrative ones in all Slovak regions (except Trnava County). The smallest difference between the supply land prices and administrative land prices are in Bratislava County. The practice applied will show whether the new legal regulation will meet the objective set by the legislator in order to justify the adoption of the Act, which is: strengthening the legal instruments of the protection of the agricultural land focusing not only on the protection against its degradation and the deterioration of its biological and physical characteristics, but also on creating a legislative framework for the protection of land by defining the criteria, mainly those of professional nature, which will be required to be fulfilled by the acquirers of its ownership.

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