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**PROBLEMS RELATING TO DEVELOPMENT  
OF AGRICULTURAL LAND MARKET:  
CASE OF SLOVAKIA**

**Introduction**

In every country, the quality and structure of land relations result from a long-term development of the society. Individual legal institutions originate and exist under certain historical conditions. The transformation process in the Slovak republic has begun after 1989 and involves wide restructuring activities not only in the economy, but also legislation, civil service, finances and social security administration.

From the very beginning the equalisation and restitution of ownership relations in Slovakia have been challenged by a considerable chaos existing in the land ownership titles. The chaos has resulted especially from the fact that for a long time the dealing with the land of real owners had been frozen and the land registers had been kept only about the user relations, mostly concerning only large and whole plots of land.

**Material and Methods**

Analytic and comparative methods are applied in the addressing the ownership of agricultural land and land fragmentation as a result of is a result of economic, social and legal phenomena. The paper focuses on legal regulation of the land ownership consolidation, restitution process and agricultural land use, including the analysis of obstacles of agricultural land market. In addition to current legal regulations, the paper also draws on the research conducted by the Department of Law of the Slovak University of Agriculture in Nitra which focused on land ownership

and lease of agricultural land after 1990, on case reports of the Ministry of Agriculture (2000, 2001, 2002, 2003), annual report of Land Fund (2002), annual report of cadastral departments in Slovakia (2001), particular laws dealing with ownership, lease of agricultural land and land consolidation. The paper draws also on the ideas of Bandlerová, A., (2002, 2004), Štefanovič, M. (1997), Blaas, G. (2000), Hagedorn, (2002) dealing with legal regulations of ownership and user relations with farmland.

## Discussion and Results

Slovakia is a small country with a total land mass of 49,035 square kilometres. Agricultural land in Slovakia comprises 49,9% of the total area 40,8% is forested, 9,6% is other land uses.

The share of agricultural land of the total area in Slovakia (49,7%) is higher than in EU countries (42,4%) but in comparison with the selected countries is still lower. For example Hungary (62,9%), Poland (59,2%), Romania 62,3%. Czech Republic 54,3% (except of Slovenia – 34,1%) – as it is seen in table 1.

Table 1. Agricultural land fund and its structure

Country	Share of agr. land in the total area in %	Area of agr. land in thou. ha	Arable land in %	Perm. grass covers in %	Permanent cultures in %	Gardens in %
Czech	54,3	4 284	72,7	24,1	1,8	3,7
<b>Hungary</b>	<b>66,5</b>	<b>6 186</b>	<b>77,0</b>	<b>18,6</b>	<b>2,8</b>	<b>1,6</b>
Poland	59,0	18 434	76,9	21,5	–	–
Romania	62,1	14 802	63,3	–	–	–
Slovenia	38,0	900	40,0	60,6	–	–
<b>Slovakia</b>	<b>49,8</b>	<b>2 442</b>	<b>59,8</b>	<b>34,7</b>	<b>3,2</b>	<b>3,2</b>
EU	39,8	128 691	52,6	38,0	0,3	0,3

Source: Country report, Slovakia 2003

One of the serious problems complicating the transformation of the society to the one based on market economy is a high level of disorder in the land fund and the ensuing difficulties with the proving of ownership rights to the land.

The post-socialist land reform of the 1990s had to deal with three distinct categories of land. The largest category comprised agricultural land that had always remained in the ownership of identifiable private individuals it was 65% of the total acreage of agricultural land in Slovakia. However, the owners did not use the land, because it was cultivated by agricultural cooperatives and state farms which did not pay any rent for the use of land to its real owners. The land was united and used without any compensation (Takács, Bandlerová, 2003). The owners of agricultural land never got any rent for use of their land. We would term them „naked owners“. The second category comprised land that was expropriated from „enemies of the state“ (e.g., Nazi collaborators, ethnic Germans) during the so-called

„second“ land reform implemented immediately after World War II in 1945–46 (the „first“ land reform had taken place in 1919). The third category comprised land expropriated from „socially undesirable elements“ (e.g., relatively large land-owners) after the communist take over in February 1948. In February 1948 act on new land reform No 46/1948 was adopted. This act liquidated the property of land of each person who owned more than 50 ha of land.

Land in the first two categories did not present any special ownership problems during transition. Thus, land in the first category had to be retitled and possibly restored to individual use, when desired by the owner. Land in the second category would remain in state-ownership: there was no intention of restoring it to pre-1945 owners. Land in the third category, however, was judged to have been “illegally expropriated” by communist governments and thus became the subject of restitution. Title to land expropriated after February 1948 was to be returned to the former owner, or to their heirs who would thus move to the first category and subsequently have to decide if to withdraw the restituted land for individual use from the cooperative or state farm that had been using it since 1948.

The Restitution Act 229/1991 Coll. allowed authorised persons in Slovakia to apply for return of land to the hands of original owners. As a consequence, they received 280 358 ha of agricultural land. This was 11% of the total area of agricultural land. The land of unknown owners was still substantial – 480,000 ha. (Source: Štefanovic, 2003).

Recently the Parliament passed Act no. 503/2003 Coll. on return of land ownership and on amendment and supplementation of the National Council of the Slovak Republic Act no. 180/1995 Coll. (2<sup>nd</sup> restitution Act) which up to 2004 allowed to apply for a return of ownership rights to lands which have not been issued under Act no. 229/1991 Coll. Ownership rights to lands which make up agricultural or forest land fund are returned.

On the basis of this Act, 45 004 entitled persons claimed by 31 December 2004 for a return of their ownership rights to land. The Regional Land Offices are empowered according to the Act No. 518/2003 Coll. to decide on the return of the land since not all claims are substantially and legally justified.

After 2005 the land of unknown owners will become state ownership, and within a year after the acquisition of the ownership by the state, the land will go to the ownership of municipalities (except for certain defined cases) on whose cadastral territory they are situated. The municipalities will be able to transfer (sell) such land to another owner not sooner than 10 years from the time the Act becomes effective.

At present approximately 75% of agricultural land in Slovakia is owned by private persons (mostly natural persons and legal entities) the state-owned land of 130 684 ha (Pravda, Supplement Ekonomika, 2003) as well as the land of unknown owners – that is the land whose owners are not known, or they are known but we cannot identify their permanent place of residence – reaching the acreage of 578 535 ha (Pravda, Supplement Ekonomika, 8.12.2003), are managed by Slovenský pozemkový fond (The Slovak Land Fund), which is a legal entity established by

law. It decides on its use, lease, etc. The fact that the Slovak Land Fund controls more as 20% of agricultural land in Slovakia is some anomaly and it should be solved by a fast privatisation.

In early 1990 the Slovak government expectation was that agricultural land would be cultivated in particular by its owners, has not come true.

The reality is that the agricultural land is cultivated mainly by tenants. This usual trend present in Slovakia is considered to be the „european“ one. There is reason, why in Slovakia was accepted a new legal regulation related to agricultural land lease, that came into effect on January 1, 2004. The aim is to stabilize the long-term leasing of agricultural land and to provide the relevant protection to tenants.

The indicators by 31 December 2002 (Country report 2003) show that most agricultural land is farmed by agricultural co-operatives (715). They cultivate 1 131 428 ha of land with an average acreage of 1 582,4 ha, that is 53,77% share in the SR's agricultural land area.

As to the business companies most of them are limited liability companies – 627 – which use 549 900 ha (26,14%) of the overall acreage of the agricultural land, which is 877 ha per limited liability company . Joint-stock companies – 94 – use 173 148 ha (8,23 % )of the overall acreage agricultural land, which is 1974 ha per joint-stock company. Individual Farmers (natural persons) 5 473 – use 214 562 ha, 10.20% of the overall acreage, which is about 39,20 ha per farmer on average. At present, there are about 9.6 million plots of land registered in Slovakia. An average plot reaches an area of about 0.45 ha and is owned by 12 to 15 people. The situation is a result of economic, social and legal phenomena which have taken place Slovakia.

The disintegration of land ownership is one of the most serious problems of farming in Slovakia. The situation is different than that in the Czech Republic or Germany, where land ownership developed in a different way in the past and where legal regulations guaranteed that the land was inherited by one, usually the eldest, child of the testator. In Slovakia, and likewise in Hungary, the valid Hungarian laws and legal regulations secured the succession to each of the heirs, which in consequence meant an enormous disintegration of the land. Naturally, the consequences of disintegration and the resulting problems have been reflected in the farming. For example, if a lease or sale is agreed, it has to be agreed with a large number of people, requiring a costly search for the owners.

The problem of land ownership fragmentation should be solved by the Act No. 330/1991 Coll. This legislative introduced a simplified procedure for the identification of ownership rights holders. The reason for land reorganisation is the arrangement of the ownership and user conditions and the removal of obstacles of their enforcement caused by historical development. In addition to land reorganisation, the Act provides for the execution of simplified and faster arrangement of user conditions.

The problem is being solved also by financial help of EU Funds (SAPARD) which can help by land consolidation. Till end of 2003 – helped only

a little – did not fill the aims of the Programme as it is defined in Regulation EC 1268/99 – which does not solve the problem of disintegration of land ownership. At present (2003) in Slovakia there are – 3 538 cadasters – up to the end of 2003 in total only 1.8% of cadasters was solved and the amount of 6.342.911 EUR (AS 2003) was drawn out. It is supposed that the programme can help to solve the problem of 50 further cadasters.

The land ownership fragmentation (itself or related with other circumstances) makes difficult, in some cases even excludes, its recording, taking decisions concerning ownership, public administration decision-making, establishment of contractual legal relations between the owners and other persons (for example users) as well as the creation of rational economic units.

After all, the land ownership fragmentation is one of the most serious brake of the land market development.

The overall situation in the land market can be characterized briefly as follows:

- the offer and purchase refer mainly to the grounds whose acreage is small and whose quality of land is average or low;
- sales are agreed in the case of building sites and grounds whose acreage is less than 5 ha;
- the supply is higher than the demand at the moment;
- in the case of non-existent demand real market prices are not set;
- long-term credit with acceptable interest rates is missing;
- the price gap is widening; subsidies to agricultural production have been reduced;
- weak economic performance have caused a lack of available capital for purchasing agricultural land;
- the restitution process is not finished;
- the rate of interest on savings is higher and the land revenue is lower, which of course means that the economic interest in purchasing agricultural land cannot exist;
- disintegration of land ownership (one plot – several owners).

Among the factors that influence the market prices of agricultural land are:

- supply and demand in the area where land is located;
- macro-location of land (location of districts in the country);
- micro-location of land, i.e. the location of land within a district;
- access to land, infrastructure;
- production abilities – quality of the soil.

The reason why should be paid attention to the land market is, if land market does not work, it is one of indicator that agriculture is stagnating and this sources the stagnation of enterprise and rural development. (Bandlerová, 2002).

If there are no changes in the area of ownership relations to the agricultural land any changes can be supposed in the production structure. This can cause stagnation of activities connected with enterprise and the rural development.

The land market plays a very important role since:

- it is an indicator of investment into enterprise,
- it conducts to stability in enterprise,

- it enables the structure changes in the countryside,
- it will influence the level of infrastructure,
- it will keep rural population and the demographically development will improve.

The new owners will be expected not only to invest and create new job opportunities but their interest in ecological functions. Of course this will not be possible without the government support and without changes in legal regulations. Similar situation is in our neighboring countries, especially in Hungary and in the Czech Republic.

## Conclusion

The land in Slovakia is owned by natural persons, legal persons-entities (companies, cooperatives, Churches, Land associations) and state. From the very beginning the equalisation and restitution of ownership relations in Slovakia have been challenged by a considerable chaos existing in the land ownership titles. The chaos has resulted especially from the fact that for a long time the dealing with the land of real owners had been frozen and the books had been kept only about the user relations, mostly concerning only large and whole plots of land. Legal acts adopted after 1989 relating to land ownership consolidate the land, define the regime how to settle the ownership of land until 2005 so that time each parcel in the country will have a defined owner. There should be no lands without fixed ownership in the land register. The continuing process of settling the ownership of land is part of the transition process to the market economy.

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