Land market development after the accession to the EU

Rozvoj trhu s půdou po vstupu do EU

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Abstract: Land market has started to develop extremely in the Czech Republic since 2002. The annual sale and purchase of estates represented 0.2% of the total land resources between 1993–2001. The sale and the purchase have represented 2.9% of total land resources after 2002 and especially after the EU accession of the Czech Republic. These values of sale are the highest from the EU countries. On the other side, land prices decreased slightly in comparison with the prices before the EU accession. Prices of agricultural land are significantly lower than in the EU 15.

Key words: land market, prices of the agricultural land, regional differences in prices

Abstrakt: Trh zemědělské půdy se v ČR začal výrazně rozvíjet po roce 2002. Roční prodej a nákup pozemků představoval po roce 2002 a zejména po vstupu ČR do EU 2,9 % celkových zdrojů půdy. Tyto hodnoty prodejů jsou nejvyšší ze všech zemí EU. Na druhé straně ceny zemědělské půdy se zvýšily ve srovnání s cenami před vstupem do EU pouze mírně. Ceny zemědělské půdy jsou tak stále výrazně nižší než v EU-15.

Klíčová slova: trh půdy, ceny zemědělské půdy, regionální cenové diference

LAND MARKET

There were significant expectations and hopes a long time before the accession of the Czech Republic to the EU regarding the agricultural land market. The land owners, mainly the individuals, expected an increase of market prices of the agricultural land. Also the state via the Land Fund of the Czech Republic mitigated the conditions for the accelerated sale of the agricultural land owned by the state to the Czech citizen so that the land was sold before the EU accession (in 2001 already). With regard to the limited financial means of the future buyers from the agricultural businessmen (individuals and legal entities), the state allowed to grant a subsidy via the Ministry of Agriculture and the Support and Guarantee Farm and Forestry Fund (Podpůrný a garanční rolnický a lesnický fond, a.s. – PGRLF) to cover the interest rate of the mortgage loans provided to agricultural businessmen to buy land initially rented from the non-state subjects. All these facts had an impact on the dynamic development of land market after 2002 (Němec et al. 2006).

The sale and acquisition of agricultural land from 2001 was annually 0.20% of the total land fund i.e. there were sold 1.78% from 1993 to 2001. The sale of agricultural land grew substantially from 2002 to 2005. In average about 2.9% of the agricultural land was sold and bought per year, i.e. in four years time it was 11.6% of the land of the total area of 500 thousand ha (Table 1).

The mass-sale of the state-owned agricultural land and partially the sale of private agricultural land within the PGRLF program "Land" had the impact on the significant revival of the land market. In 2005, there were sold in total 49 thousand ha of agricultural land from the private owners (mainly individuals), then 20 thousand ha of agricultural land within the PGRLF program "Land" and 75 thousand ha of state-owned agricultural land. In total, 144 thousand ha of agricultural land were sold and bought in 2005, i.e.3.3% of the total agricultural land fund. The scope of the sold and purchased agricultural land in the last four years has no analogy in any of the EU 25 countries. From the beginning of the Czech Republic in 1993

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Table 1. Sale and purchase of agricultural land in the Czech Republic in % of overall land fund between 1993 to 2005

Land market	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total 2002–2005
Percentage of Czech land fund	0.17	0.22	0.2	0.2	0.29	0.21	0.17	0.19	0.13	1.84	3.74	2.81	3.30	11.69

Source: VÚZE Prague, 2006

to the first half of 2005, about 664 thousand ha of agricultural land. i.e. 13.47% of the agricultural land fund changed its owner.

The largest plots were more than 5 ha, approximately 58% of the concluded sales from 2000. The smallest areas were up to 0.1 ha (mainly for building purposes). With regard to the amount of sales, the most often sold and bought plots were up to 0.1 ha, i.e. 52% of all transactions, and the lowest amount of purchase contracts were for plots bigger than 10 ha i.e. 1.5% of all transactions.

Sale of state land

The conditions for the sale of agricultural land owned by the state were established by the Act No. 95/1999, Coll., on the conditions of agricultural and forest land transfers owned by the state to other persons (hereinafter the Act on Land Sale). Due to the acceleration of the transfer of state land, an amendment to the Act was passed in 2001 about the land sale (Act No. 253/2001, Coll.[1]). The amendment has allowed for a possibility to reduce the land price in a tender of three rounds to a level of 10% of the price given by the price resolution of the Ministry of Finances (according to the official prices of agricultural land assigned to each Classification Code of soils). The amendment also allowed for the use of preferential right for the sale of land to persons which had alredady farmed it on lease from the Land Fund of the Czech Republic (Němec 2004). The sale and acquisition of agricultural land has significantly increased as a consequence of the above stated arrangements in 2002. The total

Table 2. Market price of agricultural land sold from the Land Fund in the selected regions of the Czech Republic (2000–2005)

Region	Market price (CZK/m^2)			Region	Market price (CZK/m^2)		
	average	maximal	minimal		average	maximal	minimal
Benešov	5.66	42.40	0.60	Louny	5.30	80.86	0.95
Kolín	4.22	5.65	1.80	Ústí nad Labem	2.78	179.24	0.63
Mělník	7.15	70.00	0.60	Hradec Králové	–	–	–
Nymburk	8.45	47.43	3.82	Chrudim	10.77	507.67	0.70
Praha–východ	10.23	111.18	0.52	Náchod	11.76	62.29	3.40
Rakovník	9.44	239.80	1.30	Rychnov nad Kněžnou	2.94	37.76	0.77
Písek	–	–	–	Svitavy	7.78	84.53	1.05
Strakonice	2.90	8.80	0.72	Brno–venkov	8.12	70.00	1.80
Domažlice	3.63	203.00	0.50	Znojmo	14.94	47.11	3.26
Klatovy	2.28	230.95	0.12	Nový Jičín	4.32	64.52	0.22
Tachov	2.95	225.99	0.07	Opava	5.40	670.88	0.28
Chomutov	2.53	145.05	0.34	Šumperk	3.63	353.34	0.42

Source: Selection research of the VÚZE, 2005

[1] Act No. 253/2001, Coll. changing Act No. 95/1999, Coll., on the conditions of the transfer of agricultural and forest land owned by state to other persons and on the change of Act No. 569/1991, Coll., on the Land Fund of the Czech Republic in the wording of the later provisions and the Act No. 357/1992, Coll. on the inheritance tax, donation tax and tax from the property transfer (three taxes), in the wording of later provisions.

Table 3. Market prices of agricultural land sold from the Land Fund according to the size of the sold plots in the selected regions of the Czech Republic in CZK/m^2 (2000–2005)

Period	Land area in ha								Average MP CZK/m^2
	by 0.10	0.10–0.25	0.25–0.50	0.50–1.0	1.0–2.0	2.0–5.0	5.0–10.0	over 10.0	
2000									
2001	2.85		3.84	3.30	7.00				5.36
2002	38.35	11.00	11.00	8.28	4.64	3.17	2.60	2.26	2.77
2003	39.00	15.88	7.47	4.80	4.46	4.05	2.22	2.11	2.74
2004	25.27	12.06	5.89	4.16	2.94	3.58	3.38	3.60	3.71
2005	23.46	7.10	6.37	3.77	3.62	3.66	3.92	4.32	4.24
2000–05	27.29	10.71	6.65	4.29	3.52	3.64	3.22	3.25	3.54

size of the transferred state agricultural land into private ownership for the period from 25. 5. 1999 to 31. 12. 2005 has presented 276 thousand ha, i.e. 55% of the overall estimated offer of the state land (500 thousand ha). Only in 2005, there was sold according to § 7 of the Act No. 95/1999, Coll. in the later wording 75 285 ha of agricultural land. The average area of one sold land plot was around 0.96 ha, the average price per 1 m^2 was around CZK 4.43 i.e. on the level of 85% of official price (Table 2 and 3).

Sale of land within the PGRLF program "Land"

The PGRLF program "Land" was launched in February 2004. The aim of the program is to support the purchase of the non-state agricultural land (from the individual owners) in order to farm on it. The buyer – the subsidy applier – must be agricultural businessmen farming on the land being bought based on rental agreements concluded with the land owners. The subsidy is related to payment of the interests from the credit in the amount of ca 4.5% of the mortgage loan provided form the bank for 25 years. Seventeen banks cooperate currently with the PGRLF.

567 applicants applied for the subsidy on the acquisition of private land as of 28. 6. 2006, of which 418 have a contract for the interest rate subsidy and 65 have a covenant. The total area of the purchased land at the approved applications was ca 20 thousand ha as of 31. 12. 2005 and already 23 thousand ha as of 30. 6. 2006. There are 41 ha in average per one applicant for the subsidy, the average price of the land was CZK 4.08 per m^2, i.e. 77% of the official price of agricultural land.

Table 4. Development of market prices of agricultural land sold from the Land Fund (CZK/m^2) according to the size categories of the sold plots

Land area	2003	2004	2005[1]	2000–2005
Up to 1 ha	10.56	7.32	6.14	7.52
1–5 ha	4.16	3.40	3.65	3.60
Over 5 ha	2.13	3.56	4.20	3.24
Total	2.74	3.71	4.24	3.54

[1] 1st half of 2005

Source: Selected research of the VÚZE, 2006

Land prices

Market prices

The market prices of agricultural land serve the purposes of market with agricultural land, i.e. sale and purchase as well as income tax setting-up from land sales.

Based on an analysis of more than 108 thousands data on market prices carried out in the VÚZE Prague, it can be said unambiguously that the location of the land, size of the land and the purpose of use of the purchased land have an impact on the level of market price (Němec et al. 2006).

The average market price of agricultural land without regard to location, size of the plot and the purpose of use vary in each year from 1993 to 2005. The average market price in 1993 was CZK 13.48 per m^2, i.e. 2.7 times higher than the official price of agricultural land. The average market price in 2005 was CZK 18.43 per m^2, i.e. 3.5 times higher than the official price of agricultural land (Table 5).

A completely different situation is with respect to the assessment of average market price of agricultural

Table 5. Average market price of the sold agricultural land in the Czech Republic (1993–2005)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005[1]	2001–2005[1]
Price (CZK/m^2)	13.5	16.47	19.60	18.26	28.01	31.84	25.42	27.12	34.85	21.24	23.90	19.59	18.43	22.89

Average in 1st half of 2005

Source: Selected research of the VÚZE, 2006

Table 6. Development of market prices of agricultural land (CZK/m^2) according to the size categories of the sold plot

Land size	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005[1]
Up to 1 ha	27.50	34.69	54.43	44.52	124.94	101.94	79.45	92.14	108.18	97.14	116.68	104.24	95.18
1–5 ha	12.96	16.15	14.09	15.25	14.64	17.42	9.60	13.60	19.95	12.90	13.23	13.63	9.53
Over 5 ha	3.68	3.79	4.66	3.71	6.53	4.10	6.57	4.20	5.67	3.40	3.57	3.75	3.58
Total	13.48	16.47	19.60	18.26	28.01	31.84	25.42	27.12	34.85	21.24	23.90	19.59	18.43

[1] Average in 1st half of 2005

Source: Selected research of the VÚZE, 2006

land classified according to the size and estimated use of the bought land. Market land prices were divided according to size into the three basic categories:

– Market land prices of plots up to 1.0 ha. These plots are being bought mainly for other than agricultural use, from 95% for constructional purposes.
– Market land prices f plots between 1.0 and 5.0 ha. These plots are being bought from 45–60% for other than agriculture use, the rest is for agricultural use.
– Market land prices of plots bigger than 5.0 ha. These plots are being bought from 85% for agricultural use for production of market commodities, the rest about 15% is bought for other than agricultural use.

The average market price of agricultural plots with size over 5.0 ha is lower than the average price of agricultural land during most of the period monitored. In 1993, the average market price of agricultural land was CZK 3.68 per m^2, i.e. 73% of a level of the official price of agricultural land. In 2000, the average market price of agricultural land was CZK 4.20 per m^2, i.e. 80% of the level of official price of agricultural land. In 2005, the average market price dropped again to the level of CZK 3.58 per m^2, i.e. to the level of 68% of the official price of agricultural land (Table 6).

On the other side, the average market price of agricultural land with size up to 1.0 ha is significantly higher than average official price of agricultural land. Its development in each year from 1993 to 2003 before

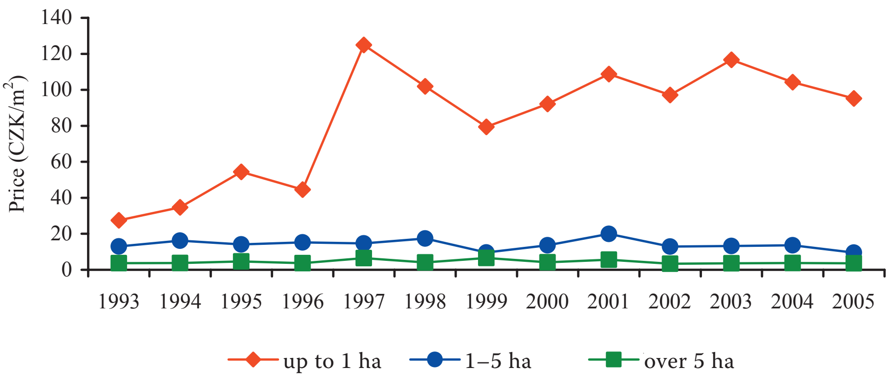

Figure 1. Development of market prices of agricultural land (CZK/m2) according to size categories of sold plots in 1993–2005

[1] 1st half of 2005

Source: Selected research of the VÚZE 2006

EU accession has a progressive trend. After the EU accession the average market land price has a declining trend. The expectations that the land price will increase are not met yet (Figure 1).

Regional differences in land prices

There are very explicit regional differences among the levels of market prices of agricultural land in the whole Czech Republic either based on the regions or each territory. The highest and lowest market prices of agricultural land as well as the average market prices in each selected region of the Czech Republic in the period of 2000 to 2005 is stated in the Table 7.

The comparison of market prices of agricultural land in the Czech Republic with some countries of the European Union where agriculture is on a high technological and economical level shows that the market price and also the official prices of agricultural land in the Czech Republic are on a very low level – see Table 8. Comparing to the neighbour Germany with the old federal states, it is 12.9 times lower, and with the new federal states, 6.9 times lower. Comparing to France, it is 2.7 times, with Sweden 1.4 times and with the unrivalled Netherlands 24.5 times lower. On the other hand, the prices of agricultural land in the Czech Republic are relatively the highest among the prices of the newly accessed countries to the EU. Comparing to Poland, they are 1.2 times higher, with Slovakia 1.7 times higher. Comparing to Latvia,

Table 7. Market price of agricultural land in the selected regions of the Czech Republic (2000–2005)

Region	Market price (CZK/m^2)			Official price (CZK/m^2)
	average	maximal	minimal	average*
Benešov	35.67	5 337.99	0.52	3.95
Kolín	67.76	5 488.64	0.09	8.91
Mělník	30.50	2 014.60	0.25	7.50
Nymburk	36.21	5 000.00	0.04	8.63
Praha-východ	251.31	7 332.82	0.05	7.24
Rakovník	18.86	1 652.17	0.01	4.63
Písek	10.63	3 846.15	0.04	3.90
Strakonice	9.52	1 323.53	0.02	3.46
Domažlice	10.01	2 580.65	0.01	3.06
Klatovy	9.29	6 000.00	0.04	2.13
Tachov	4.02	500.00	0.07	2.73
Chomutov	9.28	4 225.35	0.13	3.63
Louny	5.84	789.47	0.21	6.00
Ústí nad Labem	18.40	3 740.74	0.35	2.94
Hradec Králové	67.85	4 250.00	0.03	9.53
Chrudim	28.89	6 734.69	0.02	5.69
Náchod	20.01	5 813.95	0.05	4.21
Rychnov nad Kněžnou	18.88	3 541.27	0.07	3.37
Svitavy	8.60	5 050.51	0.03	4.74
Brno-countryside	67.58	4 279.60	0.49	7.20
Znojmo	8.03	5 000.04	0.23	8.14
Nový Jičín	14.49	1 166.75	0.03	4.16
Opava	13.34	4 422.60	0.01	5.23
Šumperk	8.13	6 592.11	0.02	3.13

Source: Selected research of the VÚZE

* official prices in line with the public notice of the Ministry of Agriculture No. 456/2005, Coll.

Table 8. Market price of agricultural land in some EU countries and in the Czech Republic

Country		EUR/ha[1]		
		2000	2001	2002
Belgium[2]	arable land	14 145	15 895	:
	meadow	12 335	12 856	:
Denmark[3]	agricultural land	11 001	12 882	13 727
Former West Germany	agricultural land	16 830	17 221	:
Germany[7]	agricultural land	9 081	9 416	:
Greece	agricultural land:			
	– watered	11 871	11 930	:
	– non watered	5 012	5 038	:
Spain	agricultural land	7 292	7 553	8 001
	arable land	8 786	8 979	9 520
	meadow	2 926	3 254	3 424
	agricultural land			
	– watered	18 788	19 046	20 217
	– non watered	5 381	5 684	6 014
France	arable land	3 590	3 710	3 860
	meadow	2 560	2 660	2 750
Ireland[11]	agricultural land	12 683	13 891	13 487
Italy[10]	agricultural land	13 654	14 266	:
Latvia	agricultural land	:	:	551
Lithuania	agricultural land	315	333	469
Luxemburg[6]	agricultural land	97410	100 970	112 270
Netherlands	arable land	36 439	37 500	:
	meadow	35 985	37 100	:
Austria		:	:	:
Poland	arable land	1 194	1 415	1 307
Portugal		:	:	:
Slovakia, official price	agricultural land	895	878	888
Finland	agricultural land	3 933	4 039	4 246
Sweden	agricultural land	1 989	1 988	2 019
United Kingdom:				
England[4]	agricultural land	11 669	11 822	11 041
Wales[4]	agricultural land	8 173	8 367	10 058
Scotland [5]	agricultural land	5 372	4 126	7 426
Northern Ireland[4]	agricultural land	15 207	16 018	:
Czech Republic				
Official price of a.l.		1 619	1 619	1519
Market land prices	up to 1 ha	29 875	35 098	28 170
	1–5 ha	4 367	6 454	3 741
	over 5 ha	1 611	1 275	986

[1] Translation to current course; [2] Weighted average of state and private sales; [3] Agricultural land with buildings (10–100 ha); [4] Sales of agricultural land over (2 ha in Northern Ireland); [5] Prices of farms over 5 ha; [6] Sales of agricultural land for agricultural and non-agricultural purposes (industrial zones, building lands); [7] Includes the former East Germany (DDR)

Source: European Commission, Eurostat, VÚZE, 2005 they are 2.8 times higher and to Lithuania 3.9 times higher (Table 8).

CONCLUSION

The survey of land market and market prices of agricultural land in the Czech Republic is performed by the Research Institute of Agricultural Economics in Prague systematically from 1996 in the selected 24 regions. This inquiry is financed from grant projects of the NAZV, the Ministry of Agriculture of the Czech Republic.

It is showed that in last three years, the sale and purchase of land plots – market with agricultural land – has increased significantly. The expectations of land owners regarding the price increase after the EU accession were disproved, however. The land prices stagnated or rather dropped. It can be demonstrated from the monitored land market that the market prices of agricultural land to be used for agricultural purpose are remarkably lower than the official prices of agricultural land under the BPEJ stated in price reports of the Ministry of Finance. On the other side, the prices of agricultural land for other than agricultural use are mostly several times higher than the official prices of agricultural land. These prices are often similar as the prices of building plots mainly in the case of land in attractive areas and industrial zones.

The sale of land owned by the state and the support of the purchase of land from the PGRLF program "Land" has a very important impact on development of land market in the Czech Republic. The development of land market in the Czech Republic would not be so remarkable without a significant state support of also non-financial type, i.e. the possibility of long- term payments (in the case of state land 30 years, in case of "Land" program 25 years). The sale of land to the foreigners (trading company with foreign capital) in the Czech Republic is entirely insignificant.

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