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AGRICULTURAL LAND PRIVATIZATION IN POLAND

Key words: agriculture, agricultural land privatization, family household, land market

ABSTRACT. The aim of the article is to present the process of agricultural land privatization in Poland, taking into account the role that this policy has played in terms of shaping the Polish agricultural model, based on family households. The purpose of the agrarian system shaping policy is the protection and development of family households. To this end, the said group of agricultural households is being granted privileges in terms of access to agricultural land. From an economic point of view, it translates into replacing market allocation with political decisions. The sale of agricultural land on behalf of the state was conducted by the Agricultural Property Agency (APA), which on 1 September 2017 was merged with the Agricultural Market Agency and transformed into the National Center for Agricultural Support. Between 1992 and 2017, a total of over 2.6 million ha of agricultural land (amounting to 55% of all acquired land) was sold. Natural persons acquired a total of 81% of privatized agricultural land, 19% of which was acquired by legal entities. In the years 2005-2017, the prices of agricultural land demonstrated an upward trend. The prices obtained by the Agency were very close to private market prices. The average price amounted to EUR 4,504 per 1 ha in the case of state-owned land and EUR 4,716 per 1 ha in the case of private land.

INTRODUCTION

The basic type of ownership in a market economy is private (individual) property. It is also one of the most important institutions in socio-economic life. Private property is understood as the right to use and dispose of an object with the exclusion of other people, in accordance with the economic and social intended use of objects and within the limits set by the rules of social coexistence¹.

The aim of the article is to present the process of agricultural land privatization in Poland, taking into account the role that this policy has played in terms of shaping the Polish agricultural model, based on family households. The analysis was concerned with state land resources, the scale of land sale, its distribution and prices.

¹ In the Polish law, ownership is defined in art. 140 of the Act of April 23, 1964 – the Civil Code.

MATERIAL AND METHODS

The statistical information presented in the paper refers to the sale of state-owned agricultural land in Poland. The data from the report on the activities of the National Support Centre for Agriculture (NSCA)² as well as the publications of the Central Statistical Office (CSO) and the National Bank of Poland (NBP) were used in empirical studies. The research period covers the years 1992-2017, i.e. from the beginning of the Agency's activity to the year to which current data on the issue under consideration refers.

The paper has a theoretical-empirical character. The applied research methods include: primary source analysis, deduction, verbal logic, and statistical measures and indicators. Statistical methods were used for the purpose of a strict analysis of changes in the structure of privatized agricultural land, and the evaluation of agricultural land price dynamics in the Polish economy. Changes in the analyzed categories were studied on the basis of annual data.

PRIVATE PROPERTY AND THE AGRICULTURAL SYSTEM

In the theory of economics, private property is one of the key issues, because it is the main criterion distinguishing economic systems and determines management efficiency. Private property is treated as a natural human right (next to the right to life and freedom) and is necessary to preserve social order. As the Scottish economist David Hume stated in the *Treatise of Human Nature* [2005], private property emerged in the process of social evolution, as an institution that would resolve conflict over access to scarce resources. Due to a constant collision of human interests, a series of behavioural norms have evolved that were intended to enable and consolidate peaceful cooperation. Therefore, the role of property law is, as a matter of fact, to ensure the stability of possession. In turn, the stability of possession is a necessary condition for the emergence of a developed economy based on production and exchange. This implies that development processes in the economy, consisting of saving and investing, can only be initiated under social norms that allow to preserve the effects of entrepreneurial activities. The importance of property rights in the economic process was particularly emphasized by Austrian economists [Mises 1920, Hayek 1948, Kirzner 1973, Huerta de Soto 2010]. These economists showed that the individual right to property and freedom is a prerequisite of unleashing human entrepreneurship. Creative and unhampered human activity results in a number of important consequences, such as discovering information about human needs and ways of satisfying them, passing on this information and launching adaptive behaviours. These are phenomena that constitute the essence of market processes, which, as it turns out, are the only effective way of human activity in a world of uncertainty and limited knowledge. The effectiveness of market processes is primarily due to the fact that dispersed and hidden knowledge in society, in conditions of the protection of ownership rights and the freedom of contracts, will be disclosed and disseminated in the form of a system of market prices. These, in turn, form the basis of economic calculation, without which it is impossible to run a rational economy.

² In the years 1992-2003, the Agricultural Property Agency of the State Treasury (APAST), in the years 2003-2017, the Agricultural Property Agency (APA).

The type of ownership is also an important issue in the field of the agrarian system structuring policy. The agrarian system comprises ownership relations and forms of production organization in agriculture [Czechowski et al. 2002]. The basis of the agrarian system of most European countries, including Poland, is a family farm based on the private land ownership and other means of production. Supporting this form of farming in agriculture is associated with the development of a specific agrarian structure, and thus with the occurrence of a number of restrictions on trading on agricultural land.

In Poland, a family farm, as the basic form of farming in agriculture, was established in art. 23 of the Constitution of the Republic of Poland of April 2, 1997. In addition to the Constitution, the most important regulations shaping the agricultural system in Poland are: the Act of April 11, 2003 on shaping the agricultural system and the Act of October 19, 1991 on the management of agricultural property of the State Treasury. According to these regulations, a family farm is a farm which: (i) is run by an individual farmer, (ii) has a total area of agricultural land not greater than 300 ha. An individual farmer is considered to be an owner, perpetual usufructuary, independent possessor or lessee of agricultural properties whose total area of arable land does not exceed 300 ha, who has agricultural qualifications and has, for at least 5 years, lived in the commune, where one of the agricultural properties belonging to the farm is located, and who ran the farm personally during that period.

As part of the policy of shaping the desired agricultural system, the state conducts interventions aimed at: (i) improving the area structure of agricultural holdings, (ii) preventing the excessive concentration of agricultural property, (iii) ensuring that agricultural activities are carried out on farms by persons with appropriate qualifications. These activities are carried out in the form of a ban on the purchase of agricultural properties by persons who are not individual farmers. This limitation applies to all agricultural properties³ with an area of 1.0 ha, excluding properties designated for spatial development plans for purposes other than agricultural. Acquisition of agricultural land by a person who is not an individual farmer requires special consent. The obligation to run a farm personally for 5 years is also imposed on the buyer. Currently, control over the land market is carried out on behalf of the State by the National Support Centre for Agriculture. For this purpose, the NSCA was equipped with such rights as the right of pre-emption and repurchase. The right of pre-emption consists of the fact that, in situations specified by law, the NSCA has the right to enter into a transaction and purchase agricultural property at a price and on the terms specified earlier by the seller and the buyer. The right of repurchase has similar consequences as the right of pre-emption. It allows the NSCA to acquire agricultural property in the case of contracts transferring ownership other than a sales agreement, such as, for example, a donation, contribution-in-kind of an agricultural property to a commercial company, divisional agreements, and property exchange. By executing the right of pre-emption and repurchase, the NSCA may prevent the purchase of agricultural properties by natural persons who are not private farmers, and by legal persons.

³ Art. 46 [1] of the Act of April 23, 1964 – the Civil Code defines agricultural property as real estate that is or may be used to conduct agricultural manufacturing activity in the field of crop and animal production, including horticultural, fruit and fish production.

Compared to other European Union countries, Polish agriculture is characterized by significant potential of land and its large fragmentation. At the same time, the gross added value of farming, per one employee, is one of the lowest in Europe. Under these conditions, the desired process is enlarging the farm area, because it optimizes the proportions between production factors and leads to an increase in labour productivity [Maśniak 2008]. Therefore, enlarging the farm area has become the main direction of structural changes in Polish agriculture initiated in 1990 along with the political transformation of Central and Eastern European countries. The pace of structural changes in agriculture depends on the efficiency of the land market. An important source of land for farms in Poland was, apart from the private land market, the sale of state-owned land, acquired from former state farms. Thus, the privatization of state-owned land is an important factor in the structural changes of Polish agriculture.

AGRICULTURAL LAND PRIVATIZATION

In Poland in 1990, which was when the system transformation began, agriculture was dominated by private farms, unlike in other economic sectors. This year private farms occupied 14,228 thousand ha of agricultural land (76.3% of total agricultural land), state-owned farms constituted 3,490 thousand ha (18.6%), and production cooperatives 696 thousand ha (3.7%) [GUS 1991]. State-owned farms, despite their 45 years of existence in the socialist system, occupied a relatively small part of agricultural land in the whole country. They were mainly located in areas taken over by Poland from Germany after the Second World War. These are located in western and northern Poland, primarily in the following voivodships: West Pomerania, Lubusz, Lower Silesia, Pomerania and Warmia-Masuria.

The transition to the market economy, one of the main features of which is private ownership, and the implementation of an economic policy that radically limits state intervention in the economy, including agriculture, marked the start of privatization of state-owned agricultural land [Marks-Bielska 2010]. Among other things, for this purpose, the Agricultural Property Agency of the State Treasury was established in 1991 (since 2003, the Agricultural Property Agency, and since 2017 the National Support Centre for Agriculture). It took over the land and then managed it, mainly by selling it to private buyers. By the end of 2017, the Agency took over 4,742 thousand ha from all sources, mainly from former state-owned farms – 3,762 thousand ha (80% of all land taken over). The Agency completed the takeover of the majority of farms in the mid-1990s [ANR 2017]. In addition, land from the State Land Fund and other types of agricultural land owned by the State Treasury were taken over too, on the basis of other acts, among others, on shaping the agrarian system and the social security scheme for farmers.

According to the Agency's declarations, the development of state-owned agricultural land was aimed at accelerating the improvement of the area structure of private family farms. This was to be achieved by selling or leasing agricultural properties to enlarge existing ones and create new family farms [AWRSP 1994]. The main form of permanent distribution of state land was its sale. Until the end of 2017, the Agency sold 2,708 thousand ha of land (57% of all land acquired), and transferred 659 thousand ha of land (14%).

It means that it permanently developed 3,367 thousand ha of land (71%). The agency handed over the land to: regional water management boards and voivodship marshals (233 thousand ha), state forest administration (154 thousand ha), church legal persons (90 thousand ha), local government units (58 thousand ha) and other entities (124 thousand ha). The agency sold 2609 thousand ha of agricultural land (55%) [KOWR 2018]. It should also be mentioned that agricultural land was also sold by other state entities, e.g. higher education institutions or research and development units. However, these were marginal figures. After almost 30 years of transformation in a country that had the ambition to build an economy based on private ownership, especially in agriculture, such a result is not positive. The privatization of land was too slow. The causes of such a state include: a lack of determination of political authorities, transferal of land for lease (until the end of 2017, the area of leased land was 1,034 thousand ha – 22%), poor quality and inconvenient locations of land owned by the Agency, and unregulated ownership issues [Jędruchiewicz, Maśniak 2018].

In the years 1992-2017, the Agency was selling, on average, 104 thousand ha of agricultural land annually. Figure 1 shows that the most was sold in 1996 (193 thousand ha) and 2002 (160 thousand ha). The least (9 thousand ha) was sold in 1992, that is in the year of establishing the Agency, and in 2017 (3.5 thousand ha). Last year, the Act of April 14, 2016 on suspending the sale of properties included in the Agricultural Property Stock of the State Treasury, came into force. The sale of state-owned land was suspended for 5 years, excluding agricultural properties of up to 2 ha and intended for non-agricultural purposes. In 2017, individual farms exploited 13,439 thousand ha of arable land (92% of arable land in total) [GUS 2018]. Altogether, private farms and private legal persons used approximately 13,900 thousand ha of arable land (about 96%). Private farms owned about 13,200 thousand ha (about 91% of agricultural land in total), and the state agricultural land accounted for about 1,200 thousand ha (about 8%). This is primarily the effect of privatization of state-owned farms and the outflow of agricultural land to the statistical position “agricultural land not constituting farming enterprises” [Dzun 2015].

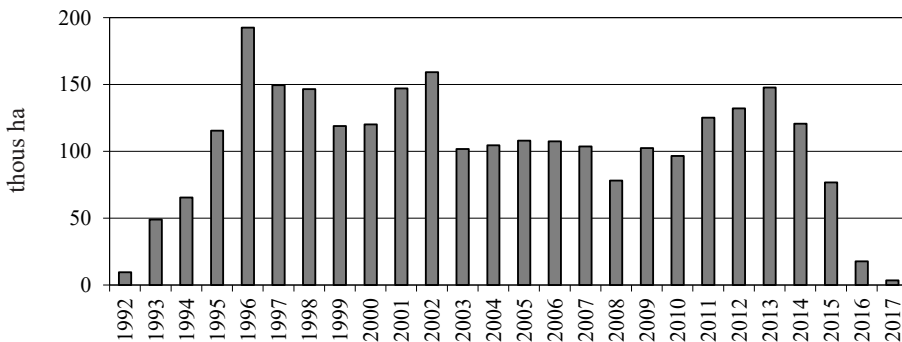


Figure 1. Annual sales of state-owned agricultural land in Poland

Source: [AWRSP 1994, ANR 2017, KOWR 2018]

Table 1. Area of sold state agricultural land until the end of 2017 by area groups

Area group [ha]	Total [ha]	Natural persons [ha]	Legal persons [ha]	Share in agricultural land [%]
Up to 2.00	128,388	126,301	2,087	4.9
2,01-4,99	146,420	142,744	3,676	5.6
5,00-9,99	181,414	175,129	6,285	7.0
10,00-19,99	289,137	274,651	14,486	11,1
20,00-49,99	692,894	623,038	69,859	26.6
50,00-99,99	220,834	188,309	32,524	8.5
100,00-499,99	701,759	471,785	229,974	26.9
500,00-999,99	187,484	89,437	98,047	7.2
1,000.00 and more	60,639	16,622	44,017	2.3
Total	2,608,968	2,108,014	500,953	100.0
Overall share in agricultural land in 2017 [%]	17.8	14.4	3.4	-

Source: [ANR 2017, KOWR 2018, GUS 2018] and own calculations

In Poland, land can also be purchased by foreigners, once they obtain necessary permits. By the end of 2017, foreigners bought 2,054 ha (0.1% of the sold land in total) from the Agency. It is estimated that Polish entities with foreign capital, non-foreigners, bought approximately 66 thousand ha of land (2.4%) from the Agency [KOWR 2018].

The Agency sold state agricultural land of various areas (Table 1). In the first years of its operation, mainly middle and small state farms were sold, as they were easier to privatise. In the following years, also large and very large farms were sold, due to the need to obtain income quickly [Podgórski, Świętochowski 2013]. The Agency did not apply any special area norms when selling land, although the development of family farms was included in the act. In that period, agricultural properties were bought by capital owners. The Act of May 6, 1999 amending the act on the management of agricultural property of the State Treasury imposed the obligation on the Agency to support the development of individual farms and limit the development of large-area farms, which focused on the lease of state-owned land. Limited tenders for the purchase of land were introduced. The largest group, in those tenders, were farmers willing to enlarge family farms. By the end of 2017, most of state-owned land was purchased by natural persons – 2,108 thousand ha (14.4% of total agricultural land in Poland in 2017 and 80.8% of agricultural land sold by the Agency). Of which 230.4 thousand ha were sold by limited tenders for farmers who intended to enlarge their family farms (1.6% and 8.8%, respectively) [KOWR 2018]. Legal persons purchased 501 thousand ha (3.4% and 19.2%). The majority of privatized land lots had an area of 100 to 500 ha, with total area amounting to 702 thousand ha. They also constituted the largest share in land sold by the Agency (26.9%). The sold land lots, with an area of 20 to 50 ha, amounted to a similar total area – 693 thousand ha – and a similar share (26.6%).

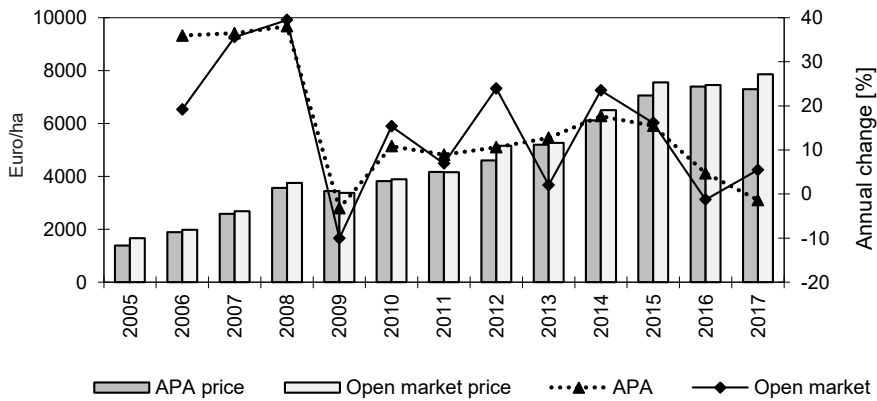


Figure 2. Level (EUR for 1 ha) and annual dynamics (%) of prices of agricultural land sold by the Agricultural Property Agency and on the open market in Poland

Source: own calculations based on [ANR 2017, KOWR 2018, NBP 2019]

In Poland, in 2005-2017, prices of agricultural land sold by the state showed an upward trend (Figure 2). Prices expressed in zlotys increased almost each year. They only fell in 2017. In contrast, prices expressed in euros decreased in 2009 and 2017. This was mainly due to changes in the exchange rate and lack of a large offer of land. The annual growth rate of the analysed prices varied. The fastest growth occurred in 2006-2008. The reason for that was the rapid increase in demand for agricultural land, which resulted from Poland's accession to the European Union in 2005. The pace of the price increase also depended on the economic situation [Maśniak, Jędruchiewicz 2014]. The prices obtained by the Agency were very similar to prices on the open market in trade between farmers. In the whole analysed period, prices of the sold state-owned land, expressed in EUR, increased by 424%, and prices of sold private land – by 372%. The average annual price of state-owned land amounted to 4,504 euro for 1 ha, and private land – 4,716 euro for 1 ha. In 2017, state-owned agricultural land was sold on average for 7,294 euro per 1 ha.

CONCLUSIONS

State-owned land privatization is an important factor of changes in Polish agriculture aimed at improving management conditions. Broadening the scope of private property should be considered a beneficial phenomenon.

At the same time, the purpose of the current agrarian system shaping policy is the protection and development of family households. It consists of shaping the predetermined agricultural model within the framework of the private sector. This policy creates privileges in terms of access to agricultural land for those agricultural households which have the status of family households. Such regulations result in directing the transfer of land irrespective of economic rationality, which means that access to land is not determined by economic efficiency but instead by the status of the buyer. From an economic perspective this means that the market distribution of land has been replaced with political decisions.

The sale of agricultural land, on behalf of the state, was conducted by the Agricultural Property Agency. Between 1992 and 2017, a total of over 2.6 million ha of agricultural land (amounting to 55% of all acquired land) were sold. Initially, the selling process was open with no area restrictions. Since 2003, changes have been introduced which allowed the Agency to counteract the excessive concentration of land and facilitate access to land for family households.

Natural persons acquired a total of 81% of privatized agricultural land, out of which 19% was acquired by legal entities. The largest group, for which the Agency organized limited tenders, were farmers who intended to enlarge their family households. They bought a total of 230.4 thousand ha of land, amounting to 8.8% of privatized agricultural land.

In the years 2005–2017, the prices of agricultural land demonstrated an upward trend. The prices obtained by the Agency were very close to the prices on the private market. The average price amounted to EUR 4,504 per 1 ha in the case of state-owned land and EUR 4,716 per 1 ha in the case of private land.

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PRYWATYZACJA ZIEMI ROLNEJ W POLSCE

Słowa kluczowe: rolnictwo, prywatyzacja ziemi rolnej, gospodarstwo rodzinne, rynek ziemi

ABSTRAKT

Celem artykułu jest przedstawienie procesu prywatyzacji ziemi rolniczej w Polsce z uwzględnieniem roli, jaką odegrała ta polityka w kształtowaniu polskiego modelu rolnictwa, opartego na gospodarstwach rodzinnych. Zadaniem polityki kształtowania ustroju rolnego jest ochrona i rozwój gospodarstw rodzinnych. W tym celu stwarza się przywileje w dostępie do ziemi rolniczej dla tej grupy gospodarstw rolnych. Z ekonomicznego punktu widzenia, stanowi to zastąpienie alokacji rynkowej decyzjami politycznymi. Sprzedaż ziemi rolniczej w imieniu państwa prowadziła Agencja Nieruchomości Rolnych (ANR), która 1 września 2017 roku została połączona z Agencją Rynku Rolnego i przekształcona w Krajowy Ośrodek Wsparcia Rolnictwa. Od 1992 roku do 2017 roku sprzedano łącznie ponad 2,6 mln ha gruntów rolnych (55% wszystkich przejętych zasobów). Osoby fizyczne zakupiły łącznie 81% sprywatyzowanych gruntów rolnych, a 19% nabyły osoby prawne. W latach 2005-2017 ceny ziemi rolnej wykazywały trend wzrostowy. Ceny uzyskiwane przez Agencję Nieruchomości Rolnych były bardzo zbliżone do cen na rynku prywatnym. Średnia cena ziemi państwowej wyniosła 4504 euro za 1 ha, a prywatnej – 4716 euro za 1 ha.

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