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ACQUISITION OF AGRICULTURAL LAND IN SELECTED EUROPEAN UNION COUNTRIES

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Key words: agricultural land, land sale, usufruct lease of land, land acquisition.

Abstract

The agricultural land market is being gradually unified in spite of the fact that it still functions in radically different way in two groups of countries. The first one includes 15 old EU member states which acceded to the EU before 2004. The second group comprises the remaining European states which abandoned the system of state and collective management of agricultural land in the 1990s (including 7 new member states which joined the EU after 2004) (*Rynek ziemi rolniczej* 2006, p. 44). This paper is an attempt to analyse the conditions and criteria for agricultural land acquisition by foreigners in selected countries of the European Union. National statistics concerning the prices of land sale and usufruct lease as well as Eurostat data have been used in this study. The trends in the development of agricultural real property markets, particularly in relation to the prices of land sale and usufruct lease, have been analysed.

The agricultural land prices did not undergo significant variations in the newly admitted countries before their accession and just after it in 2004. This situation started to change from 2005, when land prices rose significantly in Poland, Latvia, Slovakia and Hungary.

NABYWANIE GRUNTÓW ROLNYCH W WYBRANYCH KRAJACH UNII EUROPEJSKIEJ

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Słowa kluczowe: grunty rolne, sprzedaż gruntu, dzierżawa gruntu, nabywanie gruntów.

Abstrakt

Rynek ziemi rolniczej w Europie zaczyna ulegać stopniowej unifikacji, mimo że nadal jeszcze funkcjonuje w zasadniczo odmienny sposób w dwóch grupach państw. Do pierwszej należy 15 starych państw członkowskich UE, które przystąpiły do UE przed rokiem 2004. Do drugiej grupy należą

pozostałe państwa europejskie, które w latach dziewięćdziesiątych ubiegłego stulecia porzuciły system państwowej i kolektywnej gospodarki gruntami rolnymi (w tym siedem nowych państw członkowskich, które przystąpiły do UE po roku 2004) (*Rynek ziemi rolniczej* 2006, s. 44). W opracowaniu podjęto próbę zbadania warunków i kryteriów nabywania nieruchomości rolnych w wybranych krajach Unii Europejskiej przez cudzoziemców. Do badań wykorzystano krajowe statystyki cen sprzedaży i dzierżawy gruntów oraz dane z Eurostatu. Przeanalizowano kierunki rozwoju rynków nieruchomości rolnych, zwłaszcza w odniesieniu do cen sprzedaży i dzierżawy gruntów.

Przed akcesją oraz tuż po niej, czyli w 2004 r., w nowo przyjętych państwach UE ceny gruntów rolnych nie zmieniały się w znaczącym stopniu. Sytuacja ta zaczęła się zmieniać od 2005 r., kiedy ceny ziemi znacząco rosły w Polsce, Łotwie, Słowacji i na Węgrzech.

Introduction

The scope of national powers vested in the states belonging to the European Union encompasses regulation of the issues of immovable property acquisition by foreign subjects. The European Union does not exert an impact on the formation of the system of interrelations in a particular country. However, it is inadmissible to create a national pattern of ownership in a totally unrestricted way. It is required that the functioning of a specific ownership system in a given country is not in conflict with the accomplishment of the fundamental European Union goals entered in the Treaty of European Community. They include:

- 1) freedom of the movement of workers,
- 2) freedom of the running of business,
- 3) freedom of rendering services,
- 4) freedom of capital movement (HARTWICH 2004, p. 27).

A free movement of capital constitutes one of fundamental liberties guaranteed by the European Union law. It covers immovable property investments from transition periods established for land purchase (*Sprawozdanie...* 2008). An immovable property (according to its name) is “immovable”. It does not change its borders¹. It is the capital that is contributed to a particular country and invested in an immovable property, although in certain situations the possession of the rights to an immovable property can be a capital.

Aim and methodology

The aim of this study is an attempt to investigate the conditions and criteria for agricultural immovables acquisition by foreigners in selected (seven post-communist and five old fifteen) countries of the European Union.

¹ Cases have been confirmed of a demolition of French monumental castles exported across the Atlantic to the USA and reconstructed.

National statistics of the prices of land sale and usufruct lease as well as Eurostat data have been used in the research. The time scope of the research covers the years 2001–2007. The trends in the development of agricultural real property markets, particularly in relation to the prices of land sale and usufruct lease, have been analysed. Horizontal analysis (the number and burden of restrictions and facilities, and their influence on prices and rent) and vertical analysis (the formation of phenomena over time) have been applied. The findings are presented in tables and graphs.

Results

The 7NMS' legal restrictions in agricultural immovables acquisition by foreigners are presented in Table 1. It results from the table data that Hungary is the only country which does not recognize companies as owners of agricultural land. As far as the conditions of acquiring the right to property are concerned, each of the 7NMS permits agricultural land acquisition by foreigners who have cultivated a given land as residents for at least three previous years. The Czech Republic and Lithuania have even generally allowed such people to acquire agricultural land. On the other hand, Estonia, Lithuania and Slovakia permit acquiring land by companies in which most of the shares are owned by foreigners if they have their registered office in these countries. In the case of Estonia restrictions do not concern plots smaller than 10 ha, while in Poland – below 1 ha (except border regions). In Hungary, acquisition of very small farms (below 0.6 ha) is permitted.

Legal restrictions related to agricultural land acquisition in the selected countries of the “old fifteen” are presented in Table 2. The EU countries enjoying full freedom of immovable property acquisition by foreigners include Portugal, Great Britain and Holland. The EU member states also comprise countries where the principle of the government's minimal interference in the matters of the conveyance of immovable property with a share of foreign subjects is in force. They are: Belgium, Germany and France. On the other hand, the EU states which apply legal regulations in acquiring immovable property by foreign subjects include: Austria, Denmark, Finland, Greece, Spain, Ireland, Luxemburg, Sweden and Italy (SOBOL 2007, pp. 27–33). Restrictions applied in selected European Union Countries (“Old Fifteen”) are described below.

It results from Table 3 data that the lowest land sale prices were in Estonia and Lithuania and they did not exceed 500 EUR/ha in 2006 and 2007. Much higher prices were recorded in Latvia, Poland and the Czech Republic, while the highest price level kept up in Latvia (3591 EUR/ha).

Table 1
Legal restrictions related to agricultural land acquisition in the 7 NMS*

Description	Countries						
	The Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Slovakia
Can an EU citizen buy agricultural land?	Yes if the spouse is Czech If he/she lived and ran a farm in the Czech Republic for at least 3 years, they can buy any plot	Yes plots < 10 ha; there are no additional conditions. Plots > 10 ha; Yes if the spouse is from Estonia if he/she lived and ran a farm in Estonia for 3 years, they can buy a leased plot	Yes if the spouse is Hungarian and ran a farm in Hungary for 3 years, they can buy a leased plot	Yes if he/she lived and ran a farm in Latvia for 3 years, they can buy a leased plot if the spouse is Latvian – according to the principle of co-ownership	Yes if the spouse is Lithuanian if he/she lived and ran a farm in Lithuania for 3 years, they can buy any plot there	Yes Plots < 1 ha beyond the border zone: if he/she has lived in Poland for 5 years if the spouse is a Polish citizen Other plots: if the spouse is a Polish citizen and if he/she lived and ran a farm in Poland for 3 years, they can buy a leased plot	Yes if the spouse is Slovak if he/she lived and ran a farm in Slovakia for 3 years, they can buy a leased plot
Can legal persons purchase agricultural land?	Yes	Yes	No	Yes	Yes	Yes	Yes
Can legal persons with a registered office in a given country, whose shares belong to EU citizens, buy agricultural land?	Yes, if EU citizens have minority interest	Yes	No	Yes, if EU citizens have minority interest	Yes	Yes, if EU citizens have minority interest	Yes

* 7 NMS – seven new member states

Source: prepared on the basis of *Sprawozdanie...* 2008, p. 8.

Table 2
Legal restrictions related to agricultural land acquisition in selected "old fifteen" countries"

Description	Countries			
	Denmark	Germany	France	Holland
Can an EU citizen purchase agricultural land despite restrictions?	Yes after satisfying the following conditions at least 18 years of age, having Danish, EU or EFTA state citizenship, not possessing immovable property abroad, settling in the immovable property within 6 months, managing an immovable property in person, having proper qualifications recognised by the Ministry of Agriculture	Yes upon receipt of a permission of agricultural administration to purchase an immovable property. Every region has specified regulations concerning the acreage of farms and ways of the usufruct of an immovable property	Yes upon receipt of a permission of a competent public institution SAFER, which safeguards the optimization of the size of farms. A permission in the form of an administrative decision is issued by a department prefect. In the case of a vineyard purchase, a submission of a report at the Ministry of Finance, Economy and Industry is required.	No restrictions
Can legal persons purchase agricultural land?	Yes, when: shares give the right to majority of vote and at least 10% of the capital, the duty of self-dependent management does not concern an enterprise, an acquisition occurs for specific purposes: social, experimental, educational, research,	As above	As above	No restrictions
			Yes If a buyer does not live in the territory of Sweden, a receipt of the permission of an agency representing the state authority in the region where the acquired immovable property is located is required. An application must be submitted within 3 months from the date of purchase, otherwise the purchase is null and void by operation of law. Relieved from this duty are: foreigners with a domicile in Sweden, having lived in this country for the last 5 years or married to a person who does not have to have a permission.	Yes, as, above

cont. table 2

Description	Countries			
	Denmark	Germany	France	Holland
Can legal persons with a registered office in a given country, whose shares belong to an EU citizen, purchase agricultural land?	the remaining stock/shares are owned by members of the major shareholder's family, a pension fund, or an insurance company, in the case of joint stock companies all shares must be registered. Yes, as above	As above	As above	No restrictions
				Relieved are legal persons established on the strength of Swedish law on condition that at least 40% of the capital and 20% of the vote are owned by foreigners

Source: Prepared on the basis of *Nabywanie nieruchomości...* 2002, p. 51–61.

Table 3
Agricultural land selling prices in 7NMS and in old EU countries in euro per hectare

Description	Years							Average
	2001	2002	2003	2004	2005	2006	2007	
The Czech Republic	1556	1403	1528	1522	1561	1621	1625	1545
Estonia	–	218	–	297	–	464	–	326
Latvia	–	–	546	526	1031	2301	3591	1599
Lithuania	294	321	468	390	406	536	734	450
Hungary	–	–	–	–	676	742	1550	989
Poland	1194	1415	1307	1308	1465	2049	2385	1589
Slovakia	895	878	888	912	946	981	1017	931
Average	985	847	947	826	1014	1242	1817	
Denmark	10330	12211	12920	14669	15995	18787	22791	15386
Germany	9081	9427	9184	9233	8692	8909	8909	9062
France	4913	5384	5778	6079	6567	–	–	5744
Holland	35713	37150	40150	34160	31432	30235	31290	34304
Sweden	1989	1988	2019	2126	2455	3351	3706	2519
Average	12405	13232	14010	13253	13028	15321	16674	

Source: prepared on the basis of data from Eurostat 2001–2008 and *Sprawozdanie...* 2008, p. 9.

Average agricultural land selling prices are presented in Figure 1. It shows that despite the upward tendency in the agricultural land price over the recent period in 7NMS there is still a considerable difference between the land prices in the countries newly admitted to the EU and the countries belonging to the Old Fifteen.

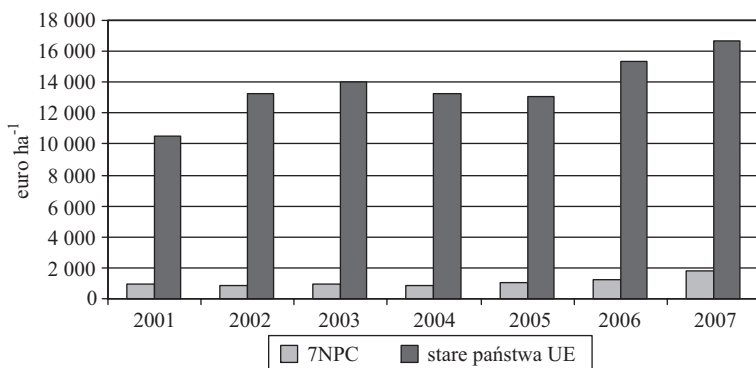


Fig. 1. Average agricultural land selling prices

Source: prepared on the basis of the data from Eurostat and *Sprawozdanie...* 2008, p. 9.

On the other hand, the formation of the land rent for agricultural land in particular countries is presented in Table 4. At the end of this research, the price of land usufruct lease was the lowest in Slovakia and amounted to 18 EUR in 2006. In the Czech Republic, Lithuania and Poland the prices were 32 EUR, 33 EUR and 41 EUR per hectare (2007). The highest usufruct lease price was 67 EUR/ha in Hungary in 2007.

Table 4
Agricultural land rent in 7 NMS and in old EU countries in euro per hectare

Description	Years							Average
	2001	2002	2003	2004	2005	2006	2007	
The Czech Republic	15	20	24	24	27	32	32	25
Estonia	–	–	–	–	–	–	–	–
Latvia	–	–	–	–	–	–	–	–
Lithuania	9	12	13	14	17	22	33	17
Hungary	–	41	45	53	57	63	67	54
Poland	29	26	25	26	43	35	41	32
Slovakia	–	7	9	10	14	18	–	12
Average	18	21	23	25	32	34	43	
Denmark	328	346	368	391	399	397	456	384
Germany	–	164	–	174	–	176	–	171
France	124	123	124	123	122	–	–	123
Holland	405	443	445	445	447	462	466	445
Sweden	107	104	108	110	110	108	110	108
Average	241	236	261	249	270	286	344	

Source: prepared by the author on the basis of the data from Eurostat 2001–2008 and *Sprawozdanie...* 2008, pp. 9–10.

It is noteworthy that usufruct lease is a common form of agricultural land use in the “old” EU countries. Figure 2 presents average prices of agricultural land usufruct lease. During the period of investigation, a systematic but small increase in the land lease rent was recorded in the countries newly admitted to the EU. Like in the case of an average agricultural land selling price, there is a large difference between the land prices in the countries newly admitted to the EU and the countries belonging to the Old Fifteen.

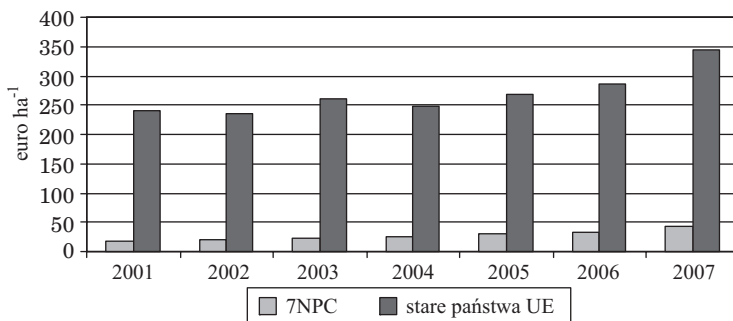


Fig. 2. Average agricultural land lease rent

Source: prepared on the basis of data from Eurostat and *Sprawozdanie...2008*, pp. 9–10.

Conclusion

In 2004, before the accession and just after it, the prices of agricultural land did not change significantly in the 7NMS. It was only in Lithuania in 2003 and in Poland in 2002 that the cost which had to be incurred for agricultural land purchase was higher, which might be connected with the pre-accession processes.

In all newly admitted countries the price of land started to go up from 2005. The highest increase was recorded in Latvia, Hungary and Poland. The entry of these countries into the structures of the EU was conducive to the growth of interest in purchasing land mainly for two reasons:

- 1) direct farm subsidies,
- 2) western companies' investments in places of lower prices of the fundamental farm production factor – land.

Average prices of land and lease rent in 7NMS are nearly 10 times lower than in the old fifteen countries. Sweden, where natural conditions are much more difficult and do not favour farm production and the population level is low, is an exception.

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