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## REPRIVATISATION AND STRUCTURAL CHANGES IN THE AGRICULTURE OF POST-SOCIALIST COUNTRIES

*Examples of post-socialist countries show that in a short time the private ownership rights could be recreated. But it does not mean creation of effective agricultural structures. In general the privatization action was based on the liquidation of the states possession and states farms and defining the rules of functioning of the private possession. Destructuralisation action were usually provided without planned strategy changes and without discernment possible consequences. Assumptions, which were established in the initial period of ownership transformation, which tended towards creating powerful economic units in agriculture were not executed at the full. The reprivatization activities brought to the significant distribution of structures and creating dual arable structure. On the one hand, the group of powerful economic units was established. On the other hand, the large group of croft farms were created and in the near future a lot of them will be probably liquidated.*

**Keywords:** *reprivatization, property, land use, post-socialist countries.*

### CHANGES IN THE SYSTEM AS A BASIS OF PRIVATISATION

The process of changes which took place in the post-socialist countries at the beginning of the 1990s was an activity which was forced by the situation since further functioning of the State-controlled economy became impossible in the face of crisis caused by its inefficiency. This was the time of construction and reconstruction of the institutions in the economy including the sphere of property relationships since just the reconstruction of institutions in the form of new property structure and deregulation and reconstruction of the system connected with privatisation were the essence of activities which changed the economic reality.

A dilemma, important from the point of view of efficiency of activities and inconveniences for the society, is the choice of speed with which

reforms are introduced. We can distinguish shock therapy, which is sometimes called a *big bang*, and an evolutionary process of changes. The process of shock therapy consists in the radical and overall changes, which are made parallel to changes made in many other fields at a possibly fast pace. It is thought that although such changes bring many victims, they are better accepted by people who have to bear the results of the short-term radical changes. However, one should remember that rejection of the state paternalism and overestimation of the creative role of the market (*the invisible hand of the market*) is connected with a greater economic risk and can cause more resistance on the part of the society.

The evolutionary process assumes long-term activities connected with adaptation processes within the society and the possibility of slow re-gearing of economic processes. However, in case of slow transformations one can be aware that there must be a temporary solution introduced, expanding of the period of inconveniences and increase of state interventionism. Transformations in most post-socialist countries began at the turn of the 1990s (in Poland earlier) and in the first period were rapid. This was connected with the decline in the efficiency of central mechanisms of managing and planning, which translated into the impossibility of coordinating economic processes. At the same time there were no market mechanisms and institutions which would be capable of regulating the economy. Further transformation activities in the post-socialist states were either slow or dynamic, which depended on the model of economic transformation adopted.

The terms *privatisation* and *reprivatisation* are used in literature on the subject in many meanings, often interchangeably, which does not exactly agree with the range of their meanings. Most commonly the term *privatisation* is used to describe changes in the form of ownership of an economic entity from public to private. The term *reprivatisation* is similar in meaning, nevertheless, one should consider the fact that the process of property transfer occurs in this case optionally. Namely, there is a process of restoration of property rights to former owners or their successors who in different circumstances lost their property to the State, and such actions were at the heart of changes in the post-socialist countries, although in many cases we also had to do with actions of privatisation.

Generally, under conditions of economic liberalism that prevailed in agriculture in the early 1990s the elimination process of the state sector and the creation and transformation of agricultural holdings occurred

without any restrictions, but the methods of the various countries were different and had an impact on the pace and final results of transformations.

## OWNERSHIP TRANSFORMATIONS IN THE AGRICULTURE OF THE BALTIC STATES

### PROCESS OF OWNERSHIP TRANSFORMATIONS IN LITHUANIA

The first conception of reprivatisation changes in Lithuania appeared at the time of so called *perestroika* when a conception of restoration of private farming was announced. A significant act here was an act on peasant's farms of 4 July 1989, which provided that the way of development would be a three-sector agriculture (state, co-operative, and private). In this act the private ownership of land was not regulated since there was no such possibility according to the then Constitution of the USSR. The regulations provided that state land would be allocated free of charge, and that the size of farms established in this way would be between 10 and 50 hectares.

The interest of potential farmers in the possibility of setting up farms was insignificant, which might have been caused both by the loss of tradition of working on one's own account as well as difficulties with the reconstruction of the economic centre and considerable difficulties to collect all the necessary equipment. In this connection Lithuanian authorities took successive steps in order to make rural communities become more active on the road to restore private management in agriculture, and on 26 July 1990 a resolution was made in order to enlarge infields. This resolution provided that agricultural companies' employees and retired persons could have their plots of land increased to three hectares while other working people and those working in rural areas could obtain plots of land of two hectares.<sup>1</sup> The solutions proposed enjoyed considerable interest on the part of inhabitants of rural areas, and the surface area which these plots occupied reached even more than 30% of the total area of farmland in some regions (e.g. Vilnius).

As a consequence, the idea of establishing large and economically strong farms fell into ruin, and inhabitants of villages became involved

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<sup>1</sup> Certainly, this was not an act of granting property, but only granting land for use and in this connection we can speak of a form of leasing of state farmland.

in cultivating larger infields. Owners of larger infields lost motivation to take over larger plots of land and setting up valuable family farms.

One more important factor which appeared in connection with the enlarging of infields should be mentioned here, namely a relative shortage of farmlands in the vicinity of industrial centres. Since the idea of infields was that they should be in close vicinity of industrial centres, the land offered to farmers to set up farms which were to develop were located far from such centres and their quality was significantly lower than that of farmland in the infields. In big agro-towns (main centres of the combined *kolkhozes*) even in cases of enlarging infields there were difficulties with allocating appropriate amount of land, which in case of creating large farms was an extremely difficult task.

The process of thorough land reform in Lithuania began in 1991 and its main idea was to restore private property rights. According to legal acts the aim of the reform was to restore private ownership rights, however, in some special cases state property would be retained. This law said that land should be a private property and should be used as family farms. An important specificity of the solutions that were adopted was a "coerced" privatisation of land and of means of production in agriculture. In the 1991 acts, no role was assigned to *kolkhozes* (collective farms) and *sovkhoses* (state-owned farms), which meant their final liquidation; it became a fact on 1 November 1991 when the activities of management of these institutions were suspended and instead temporary administration was nominated whose task was to carry out their liquidation.

The land reform act did not repeal the one on the increase of infield plots, hence their users could feel safe. Also the regulations went further and defined farms on these plots — they called them personal farms, emphasising at the same time that this was a form of lease of state land. Admittedly, initially in the acts which regulated land reform there were no precepts which would define terms of lease, nevertheless they were passed on 23 December 1993.<sup>2</sup> Furthermore, the decision of the Government of the Republic of Lithuania of 9 March 1994 provided a possibility of discretionary purchase of infield plots while the act of the Republic of Lithuania no. 280 of 14 April 1994 established a mode of leasing state land for farming.<sup>3</sup>

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<sup>2</sup> Act of the Republic of Lithuania Nr 1-354 of 23 December 1993 on land lease, published in the Polish version on 26 January 1994 in *Kurier Wileński* [The Vilnius Courier].

<sup>3</sup> Polish text of the act on the course of land lease was published in *Kurier Wileński* of 7 May 1994.

As the main factor of being included in a group liable to recover land was owning it in 1940. Farmlands could be recovered by their owners or the owners' inheritors. During privatisation operations three ways were made possible. Farmland could be returned in its physical form, former owners could obtain the equivalent of the value of the land and the right to land ownership could be transferred onto another land. The legislators' objectives were difficult to understand: first they offered a very short period to apply for the restitution of land. It was said that the deadline would be 31 December 1991, which meant that farmers had merely two months to collect the necessary documents, which often were not easy to obtain. However, the difficulties encountered when trying to obtain the proper documents made the government prolong the deadline several times.

In the initial period, the demand of compensation in cash was very popular, and until 1 January 1995 around Lit 332 were paid, and this exhausted the money supply available.<sup>4</sup> Since that moment the process of restitution of property rights consisted mainly in the transfer of property rights together with the land and only in some cases compensation in cash was paid. Many opportunities for transgression of laws were created by the regulations which made transfer of property possible. People who were granted property in distant regions, Kowel, Shavel or Ponevetsk, could demand transfer. It is a fact that in a large number of cases such requests were consented to promptly, which was the case particularly in taking over the land in the Vilnius area. Land in "attractive places" was received, apart from persons who transferred it, also by those who were awarded decorations and distinctions and those returning from exile in Russia or their descendants.<sup>5</sup>

The beginning of privatisation in 1991 did not mean an immediate return of land to all those who were potentially eligible because of documents that were issued by Polish pre-World War II institutions. The reason was that these documents were treated as issued by occupiers. This was experienced in particular by Poles who resided in the territory

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<sup>4</sup> This was double the sum of the value of the whole landed estate privatised in Lithuania, *Žemės ūkio politikos apžvalga*. Lietuva, Bandradarbiavimo su Pereinamojo Laikotarpio Kraštų Ekonomikomis Centras, Paryzius Vilnius 1996, p. 77.

<sup>5</sup> Sienkiewicz Jan, *Republika litewska: tradycje Wielkiego Księstwa Litewskiego czy Litwy Kowieńskie* [The Lithuanian Republic: Traditions of the Great Duchy of Lithuania or of Kovno Lithuania], [in:] Bobryk Adam, Jaroń Józef, (Eds) *Polskie odrodzenie na wschodzie* [Polish Rebirth in the East], Katedra Filozofii i Socjologii Akademii Podlaskiej, Siedlce 1999, pp. 55–56.

of Lithuania since almost at the time of the beginning of the reform in the Vilnius and Solechnik regions where there was a large percentage of population of Polish nationality, a receivership was instituted and managers and workers of the communal servicing units responsible for land reform were substituted by other people who were discretionary. Dissidents, who tried to secure the land from its take over by people of Polish origin created a restriction in the form of receivership.<sup>6</sup> The authorities' attitude can be explained by a statement of the vice-chairman of the Supreme Council, Bronius Kuzmickas, at a meeting with a delegation of the Helsinki Committee in 1992: "It is acceptable for Vilnius to be surrounded by an area inhabited mainly by Poles" (quote of Jan Sienkiewicz).<sup>7</sup>

In cases of the assets of agricultural companies being privatised the purchasers of land and means of production through closed auctions could be employees of agricultural companies and civil servants (paid by the state from the budget). Purchasers could pay either with cash or with privatisation coupons, provided that at least 10% of the payment was in cash.

A specific feature of the reprivatisation process in Lithuania was that in numerous cases people living in cities became owners of farmland. This had a negative impact on the possibilities of fast development of the land. However, it positively influenced the farmland market and increased the supply of land both for lease and for sale.

The initial effect of reprivatisation was the creation of an enormous number of small and weak farms, which to a great extent performed a sideway function (their size was below 5 hectares). According to the 2003 Census, there were 170,000 such farms. Beside them agricultural joint ventures were being established of a collective character and individual farms. Since the process of property transformation had already lasted more than ten years, the agrarian structure assumed some specific features, and the tendencies of further transformation are permanent. First of all, a group of typical large farms (over 20 hectares) is being established. This group becomes larger and larger (there are over 20,000 such farms) and it owns larger and larger area of farmland (48.7%). Apart from them, there is also a considerable group of farms of a family type

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<sup>6</sup>Burant Stephen R., *Problematyka wschodnia, Studium porównawcze stosunków Polski z Litwą, Białorusią i Ukrainą* [Problems of the East. A Comparative Study of Relations of Poland and the Ukraine]. Polski Instytut Spraw Międzynarodowych, Warszawa 1993, p. 11.

<sup>7</sup>Sienkiewicz Jan, *Republika...* p. 58.

(they own between 5 and 20 hectares); however, here a downward trend is observed (there are ca. 89,000 of such farms). A group of agricultural companies, and joint ventures was decreasing its number until 2003, but since that time their population has grown, which can be explained by the increase of interest in running of such enterprises. In 2004 there were 630 economic entities, such as manufacturing joint ventures and agricultural co-operatives. And agricultural companies owned ca. 332,000 hectares of farmland.

As a result of long lasting reprivatisation 97.6% of farmland was restituted to private owners until June 2009. Moreover, 50,000 hectares of farmland were sold at auctions. However, attention should be drawn to the fact that in the Vilnius region this process is still much delayed. As a result, 106,000 hectares of farmland have not been returned to their owners and this together with the other land still in the hands of the state in 2009 makes 450,000 hectares.

#### PROPERTY TRANSFORMATIONS IN ESTONIA

Agrarian transformations in Estonia had begun still before independence was regained in 1989, when an act on a peasant farm was passed.<sup>8</sup> Pursuant to this act, potential farmers, who could be all citizens of Estonia, could be given farmland for perpetual use. The realisation of the tasks were difficult since every act of land transfer had to be agreed with the management of socialised farms. If agreement was reached at all, then the moment the act was being implemented was used by socialised farms, it was difficult to start privatisation activities since each act of land transfer had to be given consent of new farmers were usually given farmland which was of poorer quality and was located in inconvenient areas. Cases were also frequent of offering the best farmland to one's acquaintances, and in many cases farmland was transferred to new owners while the previous owners of this land were still alive. As a consequence of such activities, there was a lot of discontent as far as the land reform is concerned.<sup>9</sup>

Chances for full restitution of private property relations in the country appeared in Estonia at the time independence was regained in August 1991, and an expression of the drive for restoration of property

<sup>8</sup> Until that moment members of socialised farms could use 0.6 ha of farmland as infield plots and 1.5 ha as pastures.

<sup>9</sup> Rahnū Marje, *10 Years of Land Private Ownership in Estonia*, [in:] *Land Reform and Land Management '01*. Lithuanian University of Agriculture, Department of Land Management. Kaunas Akademija 2001, p. 87.

rights from before 1940<sup>10</sup> was an act on land reform of 17 October 1991. In connection with the already obvious effects of privatisation activities from previous years the return of farmland to all the former owners was impossible. Thus a decision was made to expropriate all the farmland owned by socialised farms<sup>11</sup> from owning them in order to create reserves which might be used to satisfy potential claims. At the same time started the collection of applications from former owners or their inheritors for the restitution of farmland as well as applications of current farmland users. Nevertheless, privatisation operations were slow since the rules for the restoration of farmland were formulated only in 1993 and precedence was given to the former owners. Since not all land could be returned to former owners, an additional act was passed which supplemented the previous regulations and enabled compensation for the value of the land, which might be paid in privatisation coupons.

Although those eligible were reluctant to take compensation paid in money, in 1995 as a result of the running out of sources of income from the sale of state companies, there started to be a shortage of money to finance the process of land reform. Due to this, in 1996 a stage of the real reprivatisation of farmland was started.

It was resolved in 1998 to introduce more legal regulations on the land market and, in particular, possibilities were looked for to manage the farmland, which so far had not been bought. The aim was to conduct privatisation in the form of closed auctions addressed to local agricultural producers. Unfortunately, difficulties with establishing those legible to take part in these auctions led to conflicts and abandonment of activities in this field. The chaotic and unsystematic character of privatisation activity can be confirmed by the fact that only in 1999 were determined the precise rules of cadastral measurements.<sup>12</sup>

In the initial stage of reprivatisation the average surface area of farms which were set up then was approximate to the average size of the pre-World War II farms. However, the process of increasing the number of small farms, which took place at the end of the 1990s, led to its decrease. Even regulations which provided that a peasant farm can be as large as 300 hectares of farmland, 100 hectares of forest and 3 hectares of city land through purchase of land at open auctions did not prevent it. Moreover,

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<sup>10</sup> In 1939, there were 139,984 farms in Estonia.

<sup>11</sup> The number of socialised farms in Estonia in 1989 numbered 365 entities whose average area was 3600 ha.

<sup>12</sup> Rahnu Marje, *10 Years...*, p. 89.

there were unfavourable changes in the structure of farms themselves. The area of arable land was radically decreased while that of forest was several times larger.

Land reform in Estonia brought considerable increase of the number of private farms. While as of 1 January 1997, 22,722 private farms were registered, their number increased to 51,081 till 1 January 2000. The statistics of the 2001 Census say that ca. 85,300 of agricultural enterprises were in operation, generally in rural areas ca. 176,400 family farms, which should be rather identified with homesteads since most of them did not deal with agricultural production. An important fact, which is also characteristic of Estonia, is the functioning of a considerable number of co-operative and state farms (680 units), which in January 2000 worked on 23.8% of farmland.

The slow pace of reprivatisation in Estonia translated into the fact that until 1999 merely 39.3% of farmland and ca. 11.9% were in the possession of infield plot owners. It should also be mentioned that in 1999 ca. 25% of farmland was not under cultivation (23.2% of farmland and 62.6% of arable land).<sup>13</sup> Activities aiming at reforms resulted in one more thing, which was the decrease of the number of those employed in agriculture. In 1992, 14% of the total number of employees were working in the agricultural sector, while in 2001 this index decreased to 5.2%.

#### PROPERTY TRANSFORMATIONS IN LATVIA

Activities for democratisation of agricultural policy, like in the above discussed other Baltic states, took place in Latvia at the end of the 1980s, and their result was an act of May 1989, which defined the principles of functioning of peasant farms and which eliminated the rigorous restrictions on the size of peasant farms.<sup>14</sup> Nevertheless, the real activities began only after independence was proclaimed on 4 May 1990, and the resolution of the Supreme Council of the Republic of Latvia of 13 June 1990

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<sup>13</sup> Virma Feliks, *О состоянии сельскохозяйственного землепользования в Эстонии*, [in:] *Land Reform and Land Management '01*. Lithuanian University of Agriculture, Department of Land Management. Kaunas Akademija 2001.

<sup>14</sup> Earlier, according to the Agricultural Code of 1970 the private property of a farmer could not exceed 1 ha of farmland and 0.20 ha of a garden around his house together with outbuildings — Locmers Meikuls, Jankava Anda, *Консолидация земель и её место в системе землеустроительных мероприятий Латвии*, [in:] *Land Reform and Land Management '01*. Lithuanian University of Agriculture, Department of Land Management. Kaunas Akademija 2001, p. 61].

on land reform.<sup>15</sup> As the main determinant of the reform privatisation of the land was assumed, taking into consideration both the interests of the former owners and their inheritors and of those who actually used the land, and also a necessity of rational usage of land and raw materials. It was decided that land reform should be conducted as two processes:

1. the first was to last until 1 November 1996 and its task was to hand over the land into private usage;

2. the second was to begin in 1993 and was to consist in giving property rights to former owners and the final allocation of the land for payment.

The main legal act on land reform in rural areas was framed already on 21 November 1990. It was followed by a number of more detailed acts. It is interesting that within land reform a legislation was made which separately defined activities in rural areas and separately for reform in towns and cities. The legal acts precisely defined tasks of appropriate institutions as far as taking inventory and conducting of the adequate privatisation procedures.

Among others it was determined that the sale of land for permanent usage was possible after approval of management projects, which would be compatible with the acts of higher order. This indicates well-considered and long-range activities.

At the time set for the first stage (until 1 November 1996), practically the task was done, as 96% of land was transferred for private persons' usage. At the same time reprivatisation "activities, aiming at establishing property rights were also efficient since as of 1 January 1997, 30.8% of farmland was privatised and as of 1 January 2000 this magnitude rose to 58.0%."<sup>16</sup>

However, in Latvia there is a considerable differentiation of privatisation processes. While in "attractive areas" the privatisation process was very extensive and until 2001 ca. 79–85% of farmland was privatised, at the same time in "unattractive areas" merely 43–59% of farmland went into private hands.<sup>17</sup>

In the Latvian land reform, special attention was paid to ensuring the unity of a farm (the land) and of buildings erected on it. To this end,

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<sup>15</sup> Palabinska Aina, *Динамика распределения земельного фонда Латвии по целям пользования формам собственности*, [in:] *Land Reform and Land Management '01*. Lithuanian University of Agriculture, Department of Land Management. Kaunas Akademija 2001.

<sup>16</sup> Locmers Meikuls, Jankava Anda, *Консолидация...*, p. 63.

<sup>17</sup> Palabinska Aina, *Динамика...*, p. 86.

regulations were passed which introduced the right of preemption as well as regulations which limited the possibility of dividing land. Also within the framework of land reform control of land was carried out all the time in order to introduce rationalisation of agrarian structure. The fact of well-considered and planned activities within the framework of land reform has been confirmed by the number of plots which became part of a farm. Today, the average farm in Latvia consists of 1.7 plot and even large farms (up to 100 hectares) consist on the average of 2.5 plots.

The dynamics of land allocation and its reprivatisation indicates that during one decade important transformations of agrarian structures were made. All things considered, over 90% of arable land went into private hands. The reprivatisation process is slower as at the same time ca. 68% of arable land went into the hands of individual farmers. At the same time, it should be noted that the period of the dynamic property transformations was marked by a considerable decrease of the amount of developed farmland at the beginning of the 1990s. Since the beginning of the 21st century the area of developed farmland has been steadily rising, which has been accompanied by the increase of private property. At the same time a systematic fall in the number of people employed in agriculture could be observed.

In recent years the process of consolidation of farms has been observed and at the same time the area of farmland under development has been increasing. The average area of a farm was 8.4 hectares in 2001 whereas in 2007 it was 15.7 hectares. Therefore, it may be presumed that in the years to come Latvian agriculture will be a subject to further processes of structural changes in the direction of land transfer from the smallest farms to large and very large ones.

## LAND TRANSFORMATIONS IN THE CENTRAL EUROPEAN COUNTRIES

### RESTORATION OF PROPERTY RIGHTS IN HUNGARY

Property transformations in the sphere of agricultural real estate in Hungary, like in other post-socialist countries, led to dynamic changes of property structures and land usage. Before transformation agricultural structure was based on large cooperatives and State-owned farms, and as a supplement to agricultural production were small cultivated plots adjoining the houses.

Agricultural policy adopted at the beginning of the 1990s provided for changes of forms of agricultural enterprises. Those changes went in the direction of creating a new type of agricultural cooperatives which would be capable of facing challenges connected with competition on the liberalised markets, and a special role in the restructuring processes was ascribed to former land owners.

The transformation of the collective economy consisted in the privatisation of the so far socialised farmland and this was a combination of activities consisting in restitution of farmland to its former owners or to their inheritors and the sale of farmland through auctions. The return of land to its owners or their inheritors took place first in agricultural cooperatives and the title to receive land were registers which confirmed the fact of possession of private property. In turn, the compensation system was for those who were eligible to receive indemnification, however, it was paid in bonds (compensation certificates), which could be used to buy land from the state and cooperative farms which were being liquidated. Thanks to such a procedure, the recreation of the old agrarian structure, typical of the post-World War II period, was avoided.

The process of property transformations in Hungary began already in 1987 when regulations were passed on the functioning of cooperatives and they were supplemented by legal norms passed on 1 June 1989 on land property rights. On the basis of these laws private persons were allowed to buy land and to withdraw land from the so far indivisible agricultural cooperatives. Owners of land which was in the hands of cooperatives could withdraw up to 50% of their property, and in cases of bankruptcy of a cooperative it was recommended that payments should be made for the land. Transformations made on the strength of the above regulations were not developed on a larger scale and only the 1990 transformation processes started an obligatory and relatively fast privatisation of the cooperative and state property.

The main activities in the field of privatisation of farmland were conducted by the National Indemnity Office, which was established in 1992. In the first stage, which began on 15 August 1992 and lasted until 1994, farmland was restituted in the agricultural production cooperatives to farmers who could confirm that they had owned the land based on farmland records. The persons who were eligible for compensation were farmers who had lost their land soon after World War II and those owners who were forced to sell their land to collective farms in the 1970s and 1980s. As a consequence of these activities ca. 30% of arable land, which had been used by cooperatives, was returned to farmers.

The reprivatisation and compensation activities in cases of other people consisted in this that the persons first of all reported to the National Indemnity Office with their claims to a concrete plot of land, which in the past had been their property. On this basis an adequate area was separated from the land of the farms and this part went to the compensation fund and this land could then be bought in auctions.

The second stage of property transformations dealt with farmland which as a result of post-war socialisation, became a state property. It lasted from September 1995 to March 1996. Its specificity was that buyers of land were selected during auctions and land prices were established in the so called *golden crown*.<sup>18</sup> All in all, the National Indemnity Office conducted ca. 26,500 auctions and more than 1.1 million people applied (including 707,000 former owners). The result of auctions was conclusion of 19,300 sale contracts. The whole process of property transformations in Hungary resulted in allocation through compensation and privatisation of ca. 8 million hectares of farmland, which went to the hands of almost 2.5 million former or new owners.

In the course of property transformations the material structure in Hungary was broken up. The 2000 Agricultural Census statistics show that the size of the average farm was 6.5 hectares. However, according to this Census it can be said that more than half the farmland area went into the hands of large agricultural enterprises. 4,460 agricultural enterprises and 1,034 cooperatives cultivated 46.6% of farmland 90% of which was gained by them through land lease. In turn, individual farms of an area of more than 100 hectares used the next 18% of farmland, which means that the structure of land use in Hungary is not dispersed.

A relatively low average area of a farm results from the duality of the agrarian structure.<sup>19</sup> On the one hand, in 2000 ca. one million individual

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<sup>18</sup> *Golden crown* (AK) — a conventional unit which was established in Hungary in 1875. It indicates the cadastral net income from a unit of surface area and was used to set land prices in the compensation processes. The AK unit initially signified a widely understood land quality: apart from the physical, chemical and biological properties of the soil, climate and place of cultivation, it included market (economic) factors and to be more exact their influence, to put it differently, the gold crown was nothing else than the index of difference in profitability, a peculiar kind of differential rent. From the postwar times changes in the magnitude of rent have not been registered, which to a great extent changed the value of AK. That is why today this unit is used only to express differences in the quality of land — Vinogradov S., *A Magyar termőföld-piac*, Szent István Egyetem 2003, typescript.

<sup>19</sup> Toth Zuzsanna, Fekete Maria, Szucs Istvan, *Land Market, Prices and Rent in the Agricultural Instead of CEECs*, Roczniki Naukowe SERIA, Warszawa-Poznań-Puławy 2004, vol. VI, fascicle v. 6, p. 80.

farms were operating and their average area was 3.9 hectares and, on the other end, there were about 5,500 agricultural enterprises and co-operatives with an average area of 655 hectares. An important process, which decisively influences structural changes in Hungary is the steady decrease of the number of individual farms. Their number for 2003 was given as 766,000. This means that since 1991 the number of individual farms decreased by 46%.

Large and very large farms (of more than 20 hectares) have a considerable potential since they have been using 57% of farmland, which had been in the possession of individual farms. The reason that a substantial part of farmland cultivated by the largest farms (over 100 hectares) is that the operations of a considerable number of agricultural cooperatives and enterprises is based mainly on the use of leased land. It is estimated that on the whole ca. 70% of farmland is leased.<sup>20</sup>

#### PROPERTY TRANSFORMATIONS IN THE CZECH REPUBLIC

The specificity of property transformations in the Czech Republic was the adoption of an assumption that property laws for the years 1948–1989 had been suspended and in this connection since the moment the transformation activities were started, the procedures consisted mainly in the restoration of property rights and allocation of appropriate farmland. That is why in the years 1991–2003, when the main privatisation operations were conducted, ca. 228,000 restitution claims were sent to the State Land Fund, which is the main institution responsible for the management of the farmland. Of the above number of claims, 98.6% have been solved. Altogether, till the end of December 2005, decisions were made on 1,702,000 hectares of farmland and forests of which 1,307,000 were privatised, and proceedings were still going on as to the rest of the land to establish property rights; part of this land was left as state property to provide land supplies for the possible future claims and for environmental activities.

Generally, the activities of the Land Fund of the Czech Republic were focused on the restitution of farmland, however, when such restitution was impossible, other farmland or compensation in the form of bonds

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<sup>20</sup> Zadura Andrzej, *Zarządzanie gruntami rolnymi w krajach Europy Środkowo-Wschodniej* [Management of Farmland in the Central-European Countries]. Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej Państwowy Instytut Badawczy, Warszawa 2005, Nr 6, p. 51.

was offered. Competences and scope of activities of the Land Fund of the Czech Republic are much wider: it can set up joint ventures which manage farmland, take part in administering farmland, sell state farmland. It can also initiate aggregation and carries out activities in the field of water management and ecological undertakings.

At the end of 2005 the area of arable land in the Czech Republic was ca. 4.26 million hectares, 3.76 million of which was a private property while 0.5 million hectares was state property and was managed by the Land Fund of the Czech Republic. Still it is worth noticing that a considerable area of farmland was undeveloped or there were no applications to the programmes of financial support since, according to the 2004 data, 3,509,000 hectares were used while this magnitude grew to 3,558,000 hectares in 2005.<sup>21</sup>

In case of farmland at the disposal of the Land Fund of the Czech Republic, 98% of this land is under lease. The prevailing part of this farmland is leased by legal persons who use ca. 71% of state-owned land. The remaining farmland is leased to farmers.

The transformation process in the Czech agriculture in their forms of organisation are concerned mostly in the transformation of the previous state farms and agricultural cooperative into trade law joint ventures which are now a prevailing form of economy in agriculture. This is because as a result of many years of structural transformations, the Czech Republic became an industrial country and only 3.7% of the working population are employed in agriculture. Due to this, in spite of the restoration of the private property rights to arable land, there was no pressure on setting up individual farms and 89.3% of land was leased in 2004. Certainly, there is some disproportion as to the scale of leasing. Companies run by natural persons leased about 70% of the land they cultivated, while those run by legal persons leased 96.7% of the land they used.

The structure of land use has begun to change since 2005 and probably is the result of integration processes. It appears that the financial support schemes made a considerable number of owners to take the economic risk and run their own firms. The consequence was a decrease of the scale of leasing, which on the whole was 85.7% in 2005.

Totally, privatisation activities in the sector of state farms concerned 316 entities, which were liquidated, and in 2005 only nine such farms were operating while 12 were under the process of liquidation. The land

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<sup>21</sup> *Summary Report 2005*. Ministry of Agriculture of the Czech Republic. <http://www.mze.cz/en/OutSide.aspx?ch=73&typ=1&val=711&ids=0>, p. 12 (date of access: 10.02.2007).

of the state farms being liquidated was usually put up for sale and this was the main form of disposing of this land. On the whole, in the years 1999–2005 276,000 hectares of state farmland were sold to private owners and the interest in buying land was on the rise. Considerable amount of land was put up for sale, and e.g. in 2005 the average size of a plot of state farmland was ca. 51 hectares.

Historical heritage of the Czech rural areas as far as inheriting farmland is concerned is the result of German influence where the inheritance rights belonged to the eldest child. In this connection, it can be thought that there was no great dispersal of property, however, actually in 1998 in the cadastral registers 2,962,000 property acts for 12,900,000 plots of land were made.<sup>22</sup> Considering that the area of farmland was ca. 4.26 million hectares, the average size of a plot of land was about 0.33 hectares. This indicates how dispersed was the land; and extensive commasation is to counteract it.

The dispersed structure of property does not correspond to the structure of land usage. In the Czech Republic one can observe a constant process of decrease in the number of economic entities in agriculture and this happens mainly as a result of the fall in the number of farms run by individual farmers. The number of such farms in the years 2000–2005 decreased by more than 12,000, and a particularly great decrease in the number of such farms could be observed in a group of farms which were not recorded in the registers of economic entities.

At the same time the number of economic entities run by legal persons was growing and this increase could be seen particularly in the group of limited liability companies. At the same time it should be stressed that in the period discussed here there was a decrease in the number of agricultural cooperatives, which is the evidence of less interest in producing within such a form of economic entities. Nevertheless, by the end of 2004 in the Czech Republic there were 136 companies of the area of more than 3000 hectares (including 62 joint venture companies and 52 cooperatives) and 49 enterprises which used the area of more than 4000 hectares (including 21 cooperatives and 19 joint venture companies).<sup>23</sup> When describing the agrarian structure of the Czech Republic we can speak of its dualism. On the one hand, a considerable group of relatively small entities operates (up to 20 hectares), which comprises 70% of business entities and cultivates only 2.7% of farmland. Its counterbalance is a group

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<sup>22</sup> Zadura Andrzej, *Zarządzanie...*, p. 21.

<sup>23</sup> *Summary report 2005...*, p. 11 (date of access: 10.02.2007).

of large entities (over 100 hectares) which constitute less than 12% of all the businesses in agriculture but they cultivate 90.3% of farmland. Furthermore, the decrease of the number of individual farms translates into the decrease of the share of the smallest farms in farmland development and increasing importance of the commercial law companies particularly those who work on 50–500 hectares.

#### SLOVAKIAN ROAD TO PROPERTY TRANSFORMATIONS

Like in other post-socialist countries, in Slovakia until the moment of transformation of the political and economic system, the whole farmland was collectivised and 31% of this land was owned by state farms while 68% was used by cooperatives. Slovakia (and the Czech Republic) differed in their specific approach to land ownership as realised in the form of its use by socialised farms at the time of socialist economy. It was assumed that in the legal sense the land was still a private property of farmers who were deprived only of its utility. A special terminology was even coined for the needs of this interpretation, saying that the legal owners of the farmland were the so called "lackland owners."<sup>24</sup> It was reflected, among others, in the procedure of transformation activities adopted in which making agricultural enterprises marketable and the restitution of property rights in the form of shares were most important while restitution of farmland which had been expropriated and privatisation of the other assets became only a subsidiary mechanism.

Restructurisation in Slovakia was carried out on the strength of Act no. 229/1991 and until 31 December 2005 more than 38,000 decisions were made. On their strength property rights were restored to 204,720 hectares of farmland of which for 30,648 hectares the compensation payments were made since it was impossible to return them in kind. Moreover, restitution activities also made possible the return of more than 119,000 hectares of farmland to various associations.

At the time when transformation began, agricultural cooperatives were a prevailing form of managing farmland in Slovakia. Their number in 1990 was 680 and they managed 68.6% of farmland while their average area was 2,473 hectares. Activities adopting agricultural cooperatives in Slovakia to the rules of market economy and their transformation into commercial law companies caused the process of their dispersal and a relative decrease in the importance of this kind

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<sup>24</sup> Zadura Andrzej, *Zarządzanie...* [Management...], p. 40.

of managing in agriculture. In 1995 the number of cooperatives reached its highest level of 1,019 entities while their average size decreased to ca. 1,540 hectares. Since that moment a systematic fall in the number of cooperatives could be observed and in 2005 their number was 598. This change was caused by the passing of legal acts on property shares of persons who were not members of cooperatives. Such shares were exchanged for separate cooperative bonds which soon went onto the market. As a result there was a flow of shares to private entities as well as to various joint ventures, which brought a decrease of the average size and the share of cooperatives in managing arable land in Slovakia fell to 45%. State farms were transformed into joint venture companies and on the strength of government resolution no. 327/1997, they were then to be privatised. It should also be remarked that their average area was systematically decreasing and their share in the economic structure was decreasing too. This was caused mainly by restitution activities. Activities the aim of which was the liquidation of the state sector in agriculture were so effective that in 2005 only five state farms were left, which worked on 0.54% of farmland.

Farms run by private persons, which can be described as large farms, are in Slovakia relatively few since in 2005 their number was 6,707. The number of such farms was changing considerably. At the beginning there was a greater interest in running such individual farms and their number was as high as more than ten thousand. And their average surface area was a little more than 11 hectares. A considerable fall in their number occurred at the beginning of the 21st century and since then a systematic growth of their number can be observed, which is a proof of interest in running a farm on one's own. It should be said that these are entities of a considerable potential since their average size in 2005 was 43 hectares and their share in agrarian structures was increasing during the period of transformation – in 2005 they cultivated 15.9% of farmland.

A specific group are farms which have not been registered as production entities in agricultural sector. The number of such entities in 2001 was 63,528 units, and they worked on the area of 55,281 hectares. In the structure of this group entities of less than 1 hectare (75.7%) were most numerous. The average size of farms in this group was ca. 0.89 hectare and due to this they can be called accessory farms.<sup>25</sup> This is confirmed by

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<sup>25</sup> The accessory farms are outside of the main ground of the Slovakian statistical analyses, and farms of up to 9 ha are included to the category of micro-enterprises.

the fact that 89% of them produced to meet their own needs alone. Such micro-farms were for a large group of people (about 160,000) a place to live and enabled them to go through the difficult time of economic transformation.

The process of registration of farm land in cadaster records in Slovakia is very slow since until 2004 the ownership of merely 52% of farmland had been recorded. The largest share was in the private hands, 1,054,128 hectares (43.2%). The state property on records was 99,415 hectares (4%) while legal persons registered ownership of 110,932 hectares (4.5%). The remaining farmland, which was not owned by anybody, along with the state farmland was managed by the Slovak Land Fund<sup>26</sup> and in 2004 the area of this farmland was ca. 600,000 hectares.

Property structure as recorded in the cadaster system in Slovakia shows great dispersal and in this connection the process of property restitution and registration of those who use the land was still going on and was to be completed in 2010.

The mechanism applied was the division of the land among all the inheritors. The formal state is not correlated with the actual land use as it is utilised in the form of compact farming complexes. However, it is a factor which importantly interferes in executing acts of property transfer because it is necessary to make agreements with several or more than a dozen co-owners. The agrarian structure consists of ca. 12.5 million of farmland plots of 0.45 hectare.<sup>27</sup> The situation is complicated as each plot of farmland is in the possession of 12 to 15 co-owners on the average, and this comes mainly from the tradition of inheriting in which a property is divided among all inheritors and it is necessary to agree terms with even more than ten co-owners. In this connection, it is one of the most essential factors which impede the development of land market. The dispersed property ascribed to a considerable number of persons, who many a time live outside of rural areas, makes it that the main form of land management is leasing. It is estimated that in 2005 ca. 90% of arable land was leased and this was both private farmland as well as the one leased by Slovak Land Fund.<sup>28</sup>

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<sup>26</sup> This Fund was established in 1992.

<sup>27</sup> It does not correspond to the actual landscape of rural areas, dominated by large dense fields whose existence is the result of pooling works from the period of collectivisation.

<sup>28</sup> Bandlerová Anna, Laziková Jarmila, Rumanowská Lubica, *Agricultural Land Tenure — the Case of Slovakia*. Faculty of European Studies and Regional Development, Slovak University of Agriculture in Nitra. Typescript 2005.

The factor that plays an essential role in agrarian transformations in Slovakia, but is not described in the literature of the subject is the liquidation of individual farms during collectivisation. In villages today there are mainly residential buildings and there is a lack of outbuildings for agricultural production. In this context, restoration of individual farms is very difficult and also has an impact on the forms of leasing since what is leased is chiefly arable lands.

## CONCLUSION

To conclude, we can say that the processes of restitution of property rights in the Baltic and Central European states took different courses. In the Baltic states the general idea of transformations, apart from restitution of property rights, was the restoration of private farming. Unfortunately, the results of realisation of the goals set before privatisers are not optimistic. First of all, it has not been possible to realise the goals set before privatisation activities, and they were short-term ones. And not always were in line with long-range goals. In consequence, very varied types of farms were set up which were based on different legal acts. A large number of these entities are characterised by a small economic potential and, in this connection, in a relatively short period of time they will probably be liquidated or they will be run to ensure self-sufficiency for the farmers.

An exception in this area is the agriculture of Latvia. Efforts to ensure permanence of farms, rational forming of structure, regulation of borders and creation of compact farms make us conclude that Latvian agriculture went relatively painlessly through the stage of reprivatisation reform. As a result of methodical effort undertaken within land reform in Latvia, it was possible to create stable foundation for the development of private farming.

The general problem that appeared in the course of privatisation in the Baltic countries was the lack of interest in some poor quality farmland and located in places unfavourable for farming. The result was that institutions responsible for the process of privatisation still have at their disposal a considerable amount of farmland.

Privatisation activities in the Central European states were focused on the restoration of property rights, but there were no activities which would endeavour to reconstitute property rights, and the preferred solution was running farms on considerably large areas as co-operatives or

commercial law companies. As a result of this a large number of strong companies and agricultural co-operatives were established which were capable of competing on European markets, the specificity of which is the functioning based on leased farmland. Apart from them, as a result of restitution of land to some inheritors, small and very small farms were set up, which due to the low profits will probably be soon liquidated or will become farms which are run to supply agricultural produce only to their owners.

A very important problem, mainly in the Czech Republic, among a large group of owners should be pointed out. It was a result of a more than ten-year-old tradition of inheritance in which the usual mechanism applied was to share the farm between all the inheritors. Today the result is that one farm is owned by more than ten inheritors. In future, this can inhibit the mechanisms of the farmland market.

Generally, it can be said that the assumptions of farmland privatisation have not been fully accomplished. Still part of the farmland has not found its owners and as a state property is leased to farmers and agricultural companies. It should be said that those who developed programmes of agrarian reforms in most cases overestimated the absorptive power of the market as far as farmland is concerned as well as the society's receptivity of the reformatory activities of the authorities.

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