

Instytut Rozwoju Wsi i Rolnictwa Polskiej Akademii Nauk

**IRWiR PAN**

# **Transition of farm sector in Poland - impact on land market**

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# Introduction

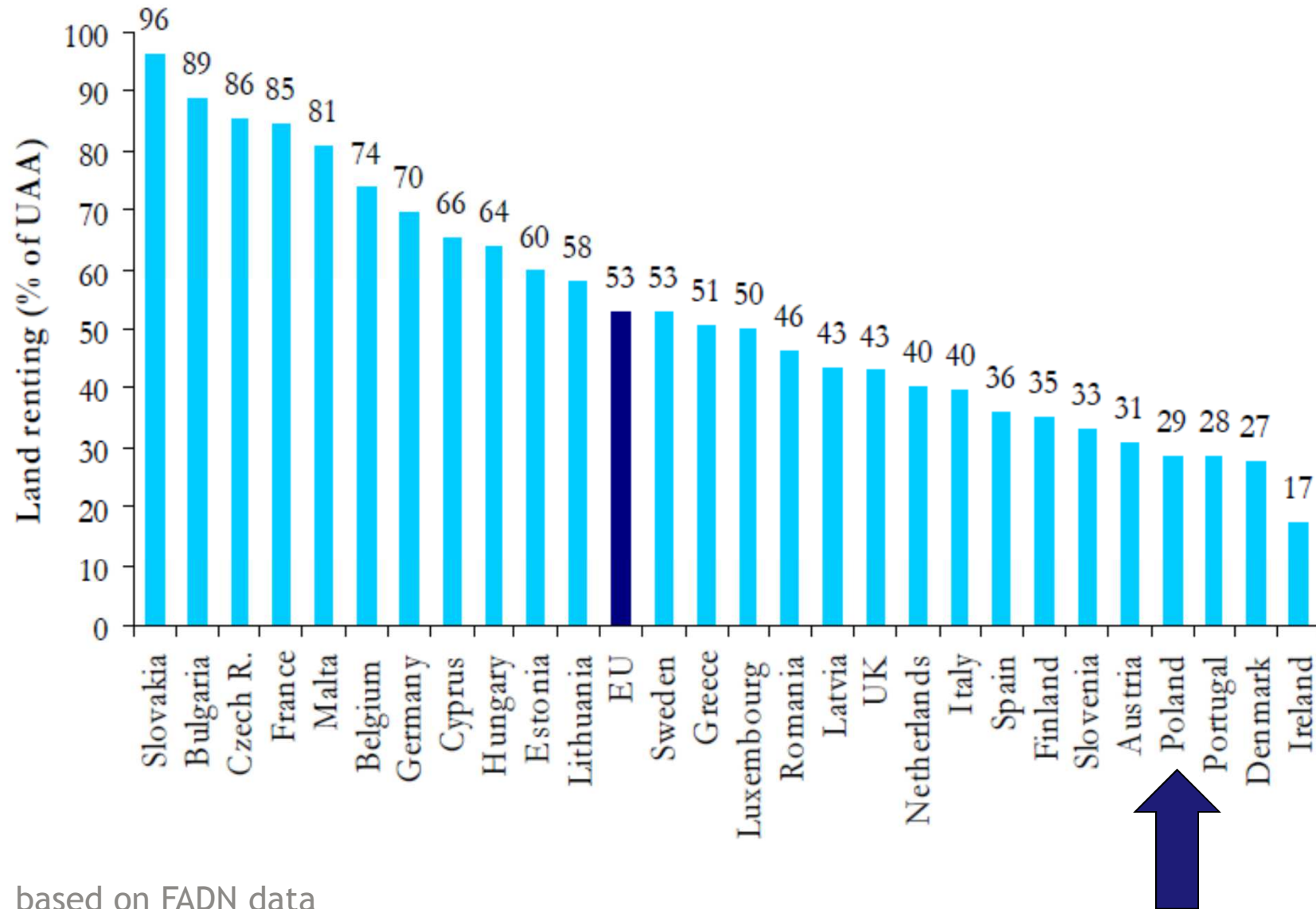
The goal of the presentation is to show:

- the main characteristics and developments as well
- factors determining changes at the Polish land market.

## ■ Specific situation of Poland:

- historically: peasant farms as the largest enclave of private economic activity in the entire Polish economy;
- currently: typically small family farms who own most of their land; 29% of land is rented.

# Land renting in the EU in 2009 (% of UAA)



based on FADN data

Source: European Parliament (2013)

# Introduction

- Systemic and structural reforms in agriculture:
  1. systemic transition (1990-2003)
  2. EU integration (2004-till now)
  
- Agricultural land market in Poland:
  - privately owned farms and
  - land owned by the State Treasury.

# Phase I of the transition: privatization of the state assets

- 1991: Law on Administration of the State Treasury's Agricultural Real Estate
  - Creation of Agricultural Property Agency of the State Treasury (APA)
  - Amendments in 1999, 2003, 2011: preferences for family farmers
  
- 2003: Law on the Formation of Agricultural System
  - APA task to control private land market and improve agricultural land structure
  - to counteract excessive concentration of agricultural property

# Land taken over by the Agricultural Property Agency (in thousand hectares)

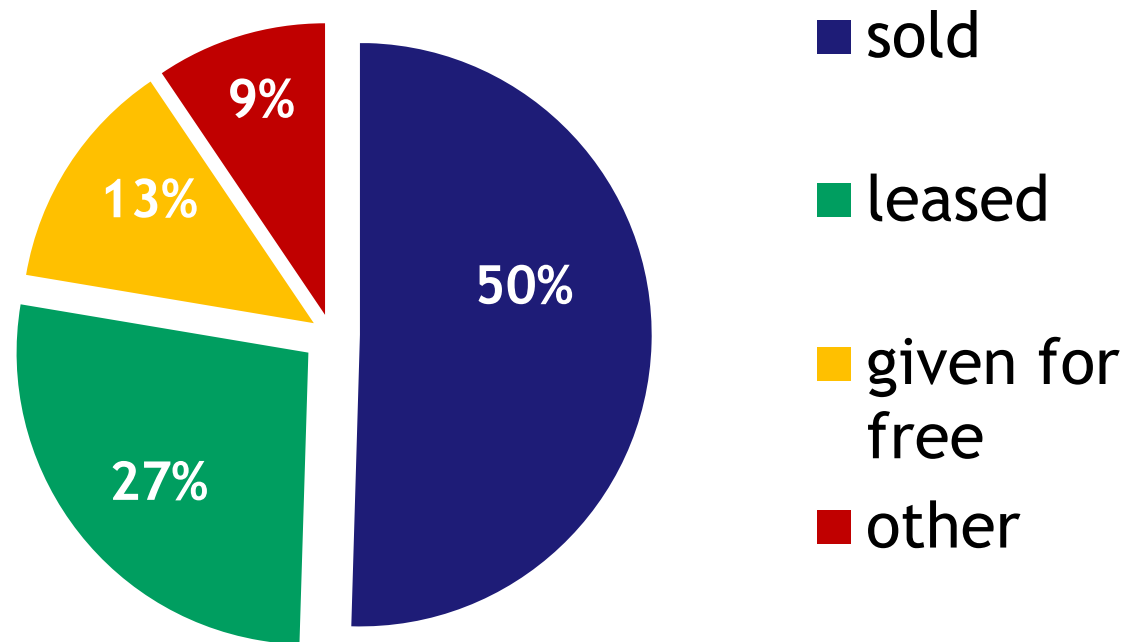


Land acquired:  
4.7 m. ha

- from state farms (PGR): 3.7 m. ha (ca. 19% of farmland)
- from State Land Fund (PFZ): 602 thousand ha

State farms  
Number: 1666  
Average size: ca. 2260 ha

# The redistribution of land by the APA (2013)



As a result of ownership transformation a **share of farmland used by state farms** decreased from **19%** in 1990 to less than **4%** in 2010.

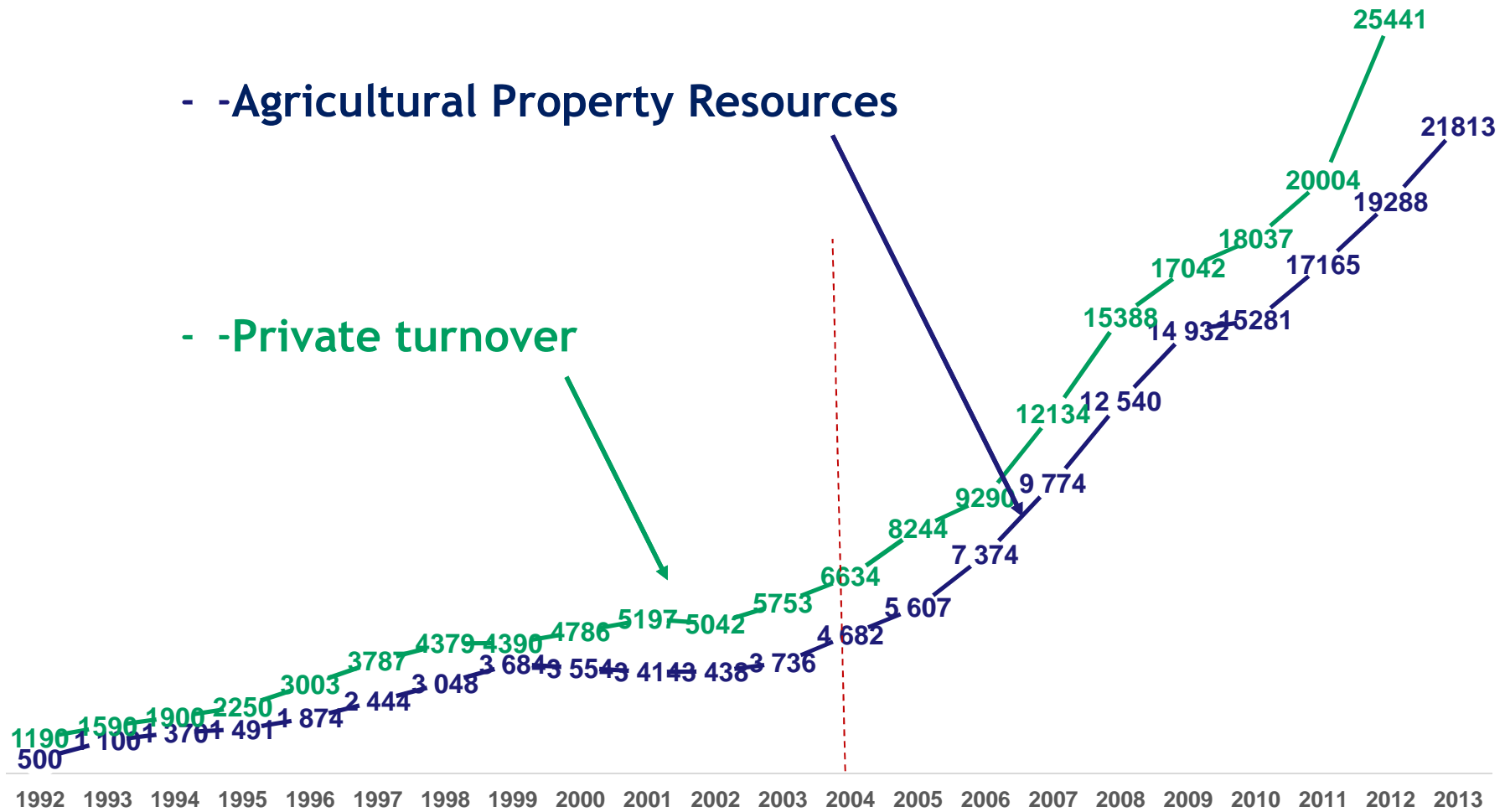
# Agrarian structure of the private sector in Poland

Size of farm in ha	1950	1990	2010	
	<i>as % of total farms' number</i>			
1 - 2	15,0	17,7	21,9	↑
2 - 5	35,9	35,1	33,2	
5 - 7	17,3	14,9	11,4	↓
7 - 10	18,0	14,9	11,1	↓
10 - 15	8,9	11,3	9,7	
15 and over	4,9	6,1	12,6	↑
Average size of farms (in ha)	5,3	6,3	9,8	

Source: Statistical Yearbooks and Agricultural Census (2010)



# Average land prices from 1992 to 2013



Source: based on data from GUS, AWRSP/ANR

# Impact of Common Agricultural Policy: direct payments

- From EU accession till 2012: sales prices of private agricultural and arable land increased by 315%:
  - an average annual increase of 39%;
  - in 1996-2004 increase by 55% (=7% per year).
- A similar trend for agricultural land rental prices:
  - in 2004-2011 increase by 305% (=43% per year);
  - in 1997-2004 increase by 75% (=11% per year).
- Strong correlation between direct payments and land prices (over 85%):
  - stronger correlation with land sales than with land rental prices

Source: Swinnen et al. (2013)

# Impact of Common Agricultural Policy: RegPOL regional CGE model for Poland

- The average annual impact of CAP payments on land prices over 2007-2013 is about + 14,7%.
- Direct payments (Pillar I) impacts on land prices is 4 times higher than that of Rural Development Program measures (Pillar II):

% changes	Total CAP	Direct Payments	Rural Development Programme
Land prices	14.73 %	11.70 %	3.08 %

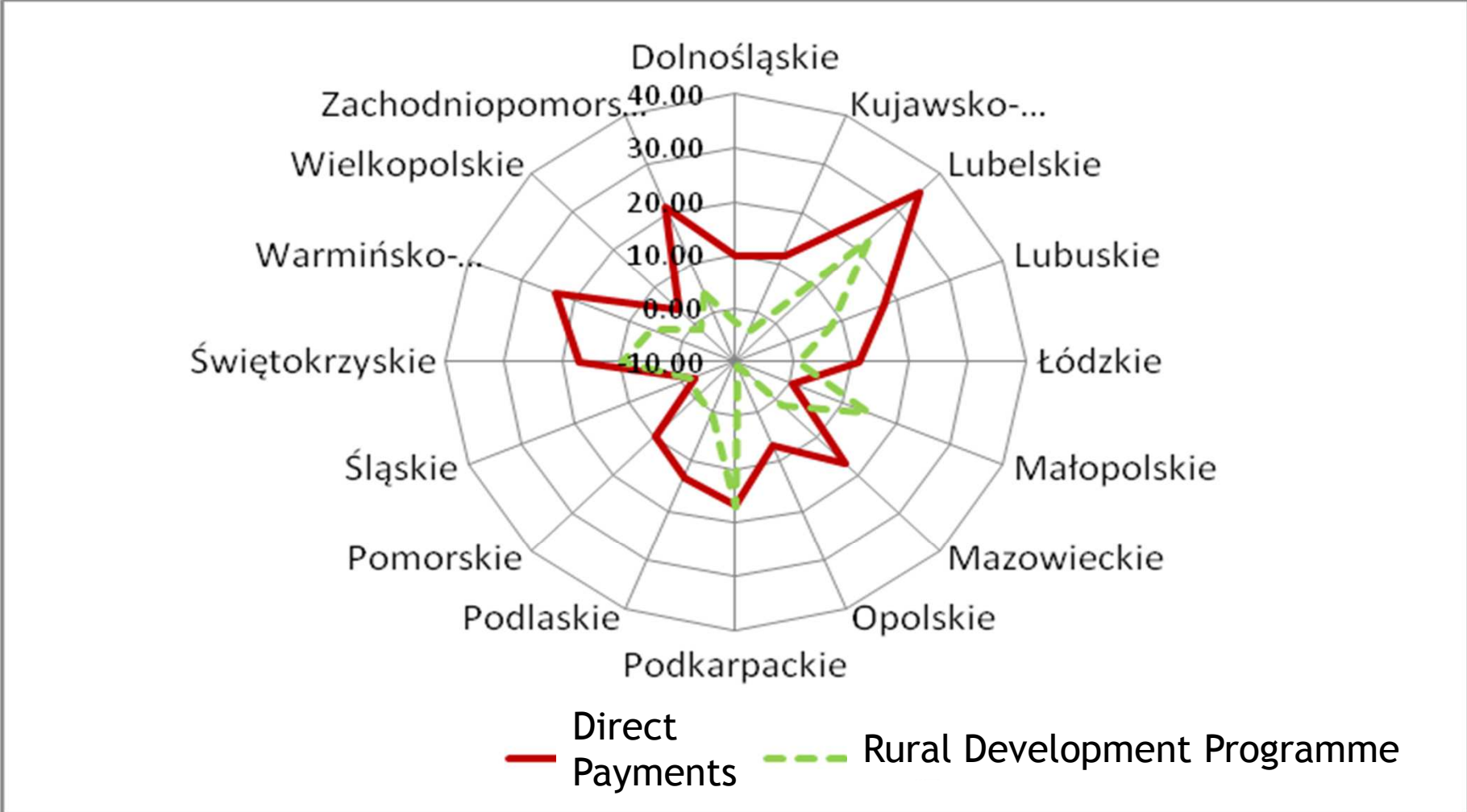
Source: Calculations by Zawalińska based on RegPOL model

- The Rural Development Program measures had very diversified impact on land prices - some examples of RDP measures' impact:

% changes	Early retirement scheme	Modernization subsidies	Less Favoured Areas payments
Land prices	0.27 %	-0.11 %	8.11 %

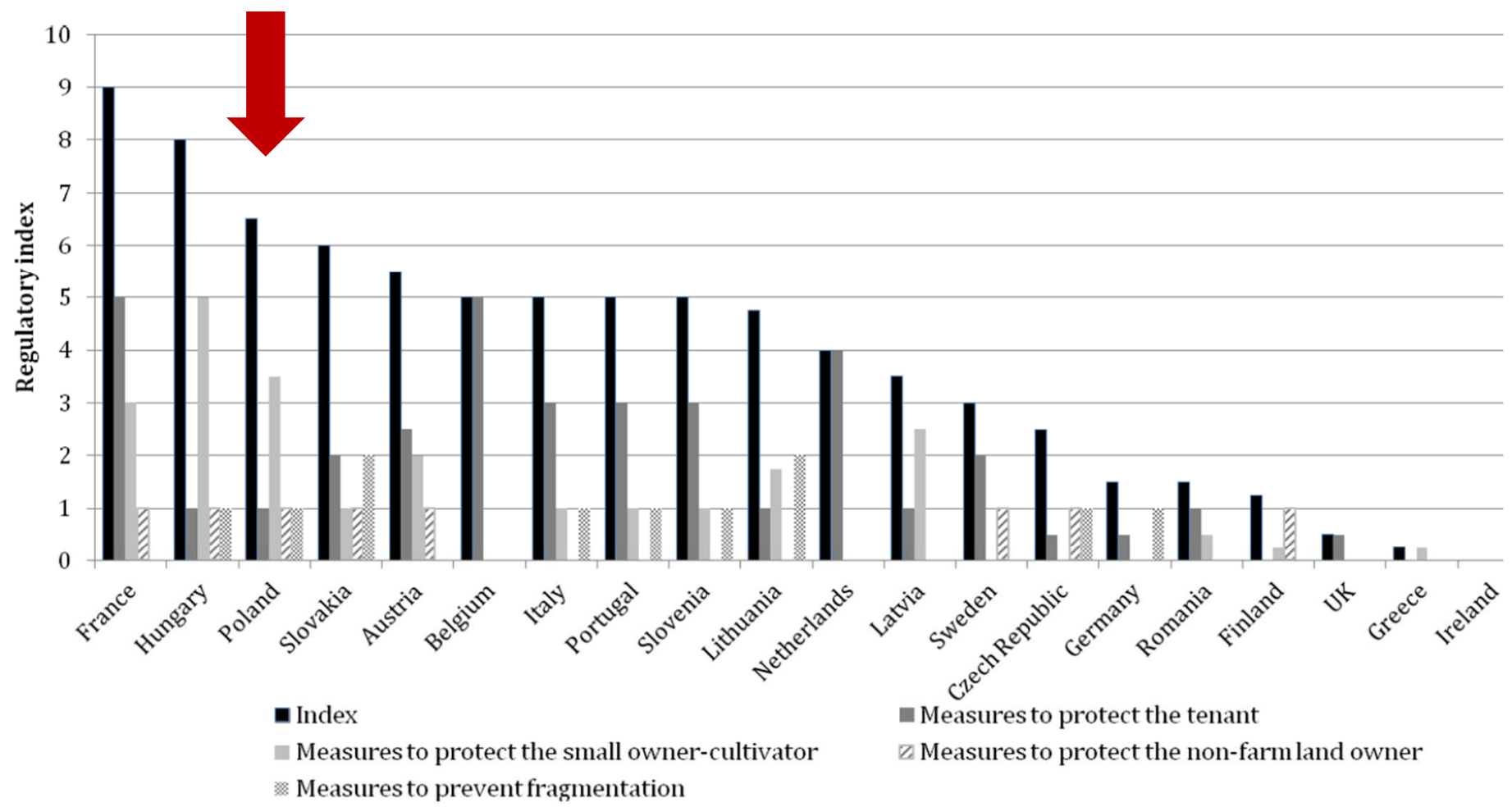
Source: Calculations by Zawalińska based on RegPOL model

# Impact of Common Agricultural Policy: regional land prices



Source: Zawalińska (2011)

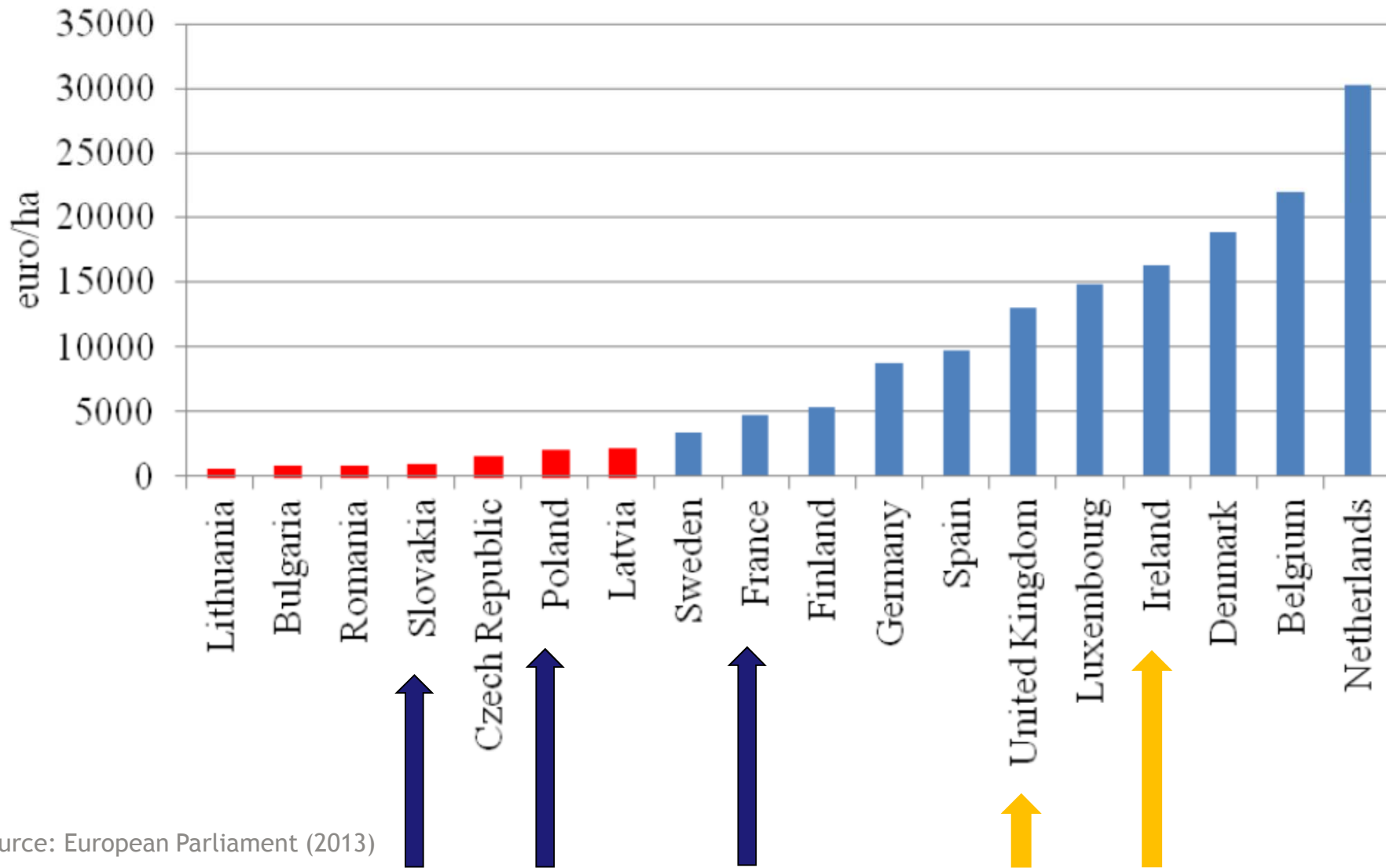
# Impact of regulations: Total Regulatory Indicator (TRI) and its components



Source: Swinnen, Van Herck and Vranken (2013)

# Land prices across EU

Nominal Land Sales Prices in Europe in euro/ha, 2005



Source: European Parliament (2013)

# Conclusions

- Agricultural land market in Poland is shaped mainly by:
  - historical factors (socialist heritage, rapid systemic change etc.);
  - and impact of the Common Agricultural Policy.
  
- The two stages of transition differed strongly:
  - The first stage (1990-2003) characterized by: large ownership changes and relatively steady growth of land prices.
  - The second stage (2004-till now): rapid growth of land prices.

# Conclusions

- But there is also influence of other factors like urban pressures, which would need to be precisely measured and evaluated,
  - Problem of depleting agricultural land despite of growing land prices.
- In the future, it is expected that the situation at the private land market will not change very much due to continuation of CAP.