



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Role of state administration in updating land-estate and farm-size conditions

MARIA FEKETE-FARKAS, JOZSEF MOLNAR, ISTVAN SZUCS

Szent Istvan University, Faculty of Economics and Social Sciences, Pater K. 1.
Gödöllő, Hungary, H-2103

E-mail: farkasne.fekete.maria@gtk.szie.hu, szucs.istvan@gtk.szie.hu,
molnar.jozsef@gtk.szie.hu,



**Paper prepared for presentation at the 104th (joint) EAAE-IAAE Seminar Agricultural
Economics and Transition:**

**„What was expected, what we observed,
the lessons learned.”**

Corvinus University of Budapest (CUB)

Budapest, Hungary. September 6-8, 2007

Copyright 2007 by Fekete-Farkas, M., Molnar, J., Szucs, I. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

ABSTRACT

The structure of land estates and farm-sizes are the basis of a competitive agricultural production, hence these questions belong to the evergreen themes both of theory and practice also on international level. In Central and Eastern European Countries (CEECs), the change of political and economic regime virtually tore into the agriculture in beginning of 1990s, destroying the existing structure of land estates by the privatization, restitutions or restoration of ownership rights resulting in fragmentation of land ownership. Over the past 10-15 years this situation has not undergone any fundamental changes. Due to economic and political situation in the transition countries market forces can not function as primary engine for land consolidation. For that very reason the land-estate policy is of utmost importance nowadays in these countries. The main goal of this paper is to show the process of agricultural reforms driven mainly by land estate policy in connection with their outcomes in CEECs.

Keywords: land estate policy, land ownership, land use,

INTRODUCTION

In the society the land has different function which can be divided into three main groups as economic, social and cultural ones. The structure of land estates and farm-sizes are the basis of a competitive and sustainable agricultural production, hence these questions belong to the evergreen themes both of theory and practice also on international level. However, while the development of family farms in the United States and in Western-Europe has been resting on unbroken, calculable and safe basis, the development of land estate and farm conditions in the Central and Eastern European countries has survived unexpected and incalculable breaks after the World War II (SZUCS et al, 2003).

The land reform after the war distributed large share of the estate lands to small holders in these countries. The agrarian transformation brought about fundamental changes in the ownership system parallel with social class relations. They were motivated by political and social goals with less economic consideration.

In Hungary the land distribution was a vital and burning issue even before World War II. The land reform started in 1945 transformed the characteristically large and medium sized estate centred Hungarian agricultural structure to characteristically small scale farming system. Prior to land distribution land's ownerships larger than 200 cadastral yokes, which was made up of third of all estate ceased to exist. In Hungary as a result of the land reform the agrarian structure became characterised by a dual structure with many small-scale farms (Table 1). 2003, SZAKACS 1998).

Table 1: Land reform and small scale farm agriculture

| Estate group by cadastral yoke | before the reform | | after the reform | | | |
|--------------------------------|-------------------|--------|------------------|----------|-----------|------|
| | number | area % | number | number,% | area | % |
| 0,5 | 73 | 12.9 | 1.403.315 | 68,5 | 2.866.215 | 22.5 |
| 5-10 | 12.6 | 11.7 | 387.312 | 18,9 | 3.382.019 | 26.5 |
| 10-20 | 8.8 | 15.9 | 174.205 | 8.5 | 2.769.647 | 21.7 |

| | | | | | | |
|-----------|-------|------|-----------|-----|------------|------|
| 20-50 | 4.4 | 16.5 | 68.385 | 3.3 | 2.261.748 | 17.8 |
| 50-100 | 0.8 | 6.7 | 12.212 | 0.6 | 1.104.791 | 8.6 |
| 100-200 | 0.2 | 4.1 | 2.986 | 0.2 | 368.180 | 2.9 |
| 200-1000 | 0.2 | 10.2 | 21 | 0.2 | 5.670 | 0.0 |
| 1000-3000 | 0.03 | 7.2 | - | 0.0 | | |
| 3000- | 0.016 | 14.8 | - | | | |
| Total | 100 | 100 | 2.048.636 | 100 | 12.758.270 | 100 |

Source: Szakacs, 1998

Agricultural policy in CEECs was largely dominated by the centrally planned economy and the socialist political model with a strong emphasis on production increase from the beginning of 1950s. This was based on the principle of common use of land (regardless of its ownership) and industrialization can be mentioned as the overriding priority of agricultural policy. Collectivization of farming took place over very large areas. In Hungary for example 80% with an average size of 4000 hectare, in Czech Republic, 60% of land belonged to co-operatives and further 38% to state farms with an average size respectively of 2,500 and 9500 hectare. Only Poland is unique in the region. Polish collectivization failed completely, and as a consequence of it the agricultural sector became a margin and it was kept from development. Despite of common used the private ownership of land was never abolished in these countries and continued to coexist with state ownership uniquely also cooperative ownership (LERMAN at al., 2004).

Radical political and economical changes which occurred in the Central and Eastern European Countries at the beginning of the 90s led to a sharp economic decline and originated the formation of new agricultural policy and a new agricultural structure built on private ownership. The process of land reform can be better understood by the theoretical framework of institutional change by applying the approach of new institutional economics.

1 THEORETICAL BACKGROUND OF TRANSITION AND INSTITUTIONAL CHANGES

Property rights specify relations concerning the use of things among those who have various rights and those who have duties to honour the rights (ZAWOJSKA, 2004).

According to Weimer (WEIMER, 1997), three categories of property right theories of institutional change can offer important conceptual foundation for studying the transformation of property rights: neoclassical or efficiency theories, public choice and distributional theories

Neoclassical institutional economists focus their attention on economically efficient resource allocation. The main hypothesis of the efficiency theories is that institutional change is an evolutionary process following a transaction cost minimizing principal and enhancing the collective benefit of the society. Efficiency theories generally ignore the role of politics and policies in the process of institutional change.

Changes in land institution also imply redistribution of wealth and income and often of economic power and political influence. According to public choice theory of institutional change, political actors motivated by self-interest (to win elections, become leader of an association, etc.) to offer institutional changes to clientele groups. Subsequently, institutional change is a political process that changes formal institutions mostly by legislation (ZAWOJSKA, 2004).

Agriculture is a special type of activity in the sense that it guarantees qualitative and quantitative food security and being multifunctional in nature, occupying a large area, and having importance in employment especially in Central and Eastern European Countries

(CEECs), it contributes to economic, social and ecological equilibrium (FEKETE-FARKAS et al. 2005). The political influence of rural electorate on politics is especially substantial (SWINNEN, 1997). The political conflict over land reform was obvious in these countries and as governments were changed the land estate policies were changed as well, however with different rate by time and countries.

Distributional theory emphasizes how the institution changes or does not change depending on consideration of surplus appropriation of dominant class. Institutions may change spontaneously and they are a by-product of strategic interaction (ZAWOJSKA, 2004).

According to the so called property right school a clear assignment of property right is a precondition economically efficient resource allocation and eventually, environmental sustainability. Two characteristics of land features set apart the land from other goods. Those are immobility and a virtual indestructibility which makes it ideal collateral in financial market transaction. To realise this potential it is necessary that land be endowed with secure, clearly defined and easily transferable property rights (HO AND SPOOR 2006).

The main benefit from well defined and secure individual property rights related to (i) greater incentives for long term resources conservation and the associated increased demand for investment; (ii) improving transferability of land to those who have resources to make better use of it on issues that depend on the presence of economies of scale and the disincentives to rental; and (iii) ability to use land as collateral in formal credit markets (DEININGER AND FEDER, 2001). The ability to exchange land rights affects the efficiency of the land market.

These advantages need to be measured against following disadvantages: a highly unequal distribution of land, risk of losing of land serves as a social safety net in the region with limited alternative income possibilities, possibilities of negative effects on landscape and biodiversity and social ownership of water and other scarce resources.

The collectivity has always been vindicating more right of land estates being in private property than of movable properties. The state, as safeguarding body of public interests has to maintain the possibility to warrant – even to the injury of private property – for the advantages of land possession or at least of land tenure to those people, to them it is most of all due, out of public interest. (IHRIG, 1968). Interrelated social, institutional and political factors involved in land make it an asset different from other.

The land-estate policy can serve the protection or modification of existing structure of land-estates. A land-estate policy has to be valid for long term, land issues and conflicts are deeply embedded in social, economic and political history of country therefore it requires a nationwide understanding. The land estate policy reform must be based on a clear analysis of the problems to be dealt with, and shared agreement amongst the principal stakeholders on aims and objectives and good knowledge of field situation (EU LAND POLICY GUIDELINES, 2004).

A review of literatures indicates that power and distortion in agricultural land relations have implications for the potential success on land reform and the emergence of functioning land market (BISWANGER ET AL. 1993).

At the beginning of the transition process the most common view was the strong belief that once the central planned system had been dismantled farm structure would go back to their “normal” trajectory, namely smaller individual/ family type farm (CSAKI AND LEMAN, 1996). On economic grounds, this assumption has been based on the view that family farms are more efficient than co-operatives and other types of corporate farms. The superiority of family

farms over other organisational types in agricultural production has been justified on the basis of the need to minimise both production and transaction costs.

According to Christiaensen and Swinnen (1994) it need to be kept in our mind that historically the process of the development of family farms in the EU was not the one of self-organisation only, but it was strongly shaped by politics and policy. In exchange for support, conservative parties have historically promoted policies that have benefited small individual farmers. Therefore, the family farms were not considered as the best structure for organising agricultural production per se, but rather they became “a political goal in itself” (CHRISTIAENSEN AND SWINNEN, 1994,).

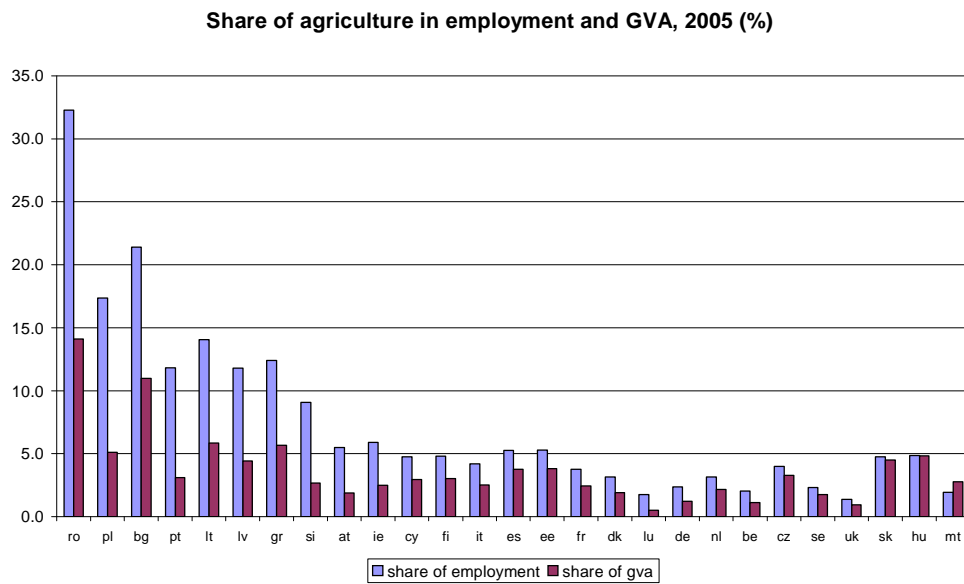
The theory of agricultural contracting tries to explain the different contract choices between agent (owner and user of land) and principals of use. Anderson, 1995 examined the economic implication of vast differences in bargaining power between landlord and the land user. This especially the case when land can be transferred though transaction in land market and both agents are assumed be risk averse and face both price and production risk. Furthermore, asset price risk i.e. recognizing the fact that the price of land at a future point of time is uncertain, has not been considered in previous analyses of power and distortions of land relations (ANDERSSON 1995). In the examined countries group these issues are of relevance both in the context of privatization process and in the EU accession process and even nowadays when the improvement the low or its application on land consolidation and land exchange work have been on the table yet.

1.1 Role of agriculture in the Central and Eastern Europe

Farming is not isolated from the external economic and social environment. During the transition period the farm structure change was determined by political and legal developments, and property claims as well as economic performance such as relative productivity and higher profitability behind on or just because of lack of other income possibilities.

According to their historical background production potential and level of development of CEECs was much lower compare to member countries of EU-15. Additionally due to the transformation crises the whole economy went down in beginning of 1990s. Despite of decreasing in the GDP during the transition the Central and Eastern European Countries faced to other two problems: as high inflation and unemployment rate. CEECs have about 25 to 70% of EU average GDP per capita. As a consequence, labour costs vary significantly as well. CEECs are characterised by large areas, which are threatened to a relatively small extent by urbanisation and transport. It increases the demand of land for purpose other than agricultural. The living standard in the rural area depends much on the land use policy. The proportion of rural people is about 20% of the total in the countries of EU-15. Central and Eastern Europe is not so strongly urbanised; more than 40% of population lives in rural areas. As poverty is characteristic for some rural and especially agriculture-dominated areas, it is very important to work out efficient rural developing programs, including land consolidation programs and creation employment and alternative work possibilities (FEKETE-FARKAS et al. 2003). During the transition period the share of agriculture decreased rapidly, however its role in the economy remained much more important comparing it with the EU -15. (Figure 1).

Figure 1: Role of agriculture in the economy



Source: Eurostat, 2005

1.2 Aims and consequences of change in land property rights

In CEECs land reform has a mixture of purposes:

- the need to move to a market economy;
- to give priority of individual farm;
- increase economic efficiency and to raise revenue from private property;
- the restitution of rights to former owners that were expropriated by the state;
- and social justice for farm workers.

Agricultural land reform in former socialist countries revealed numerous contradictions. The restitution program, which was based on the outcomes of the land reform implemented after World War II was common used in CEECs. The choice of restitution over the distribution for farm was probably a strictly political decision driven by the memory of private landownership and by the desire to make clean break with the socialist past (LERMAN ET AL., 2004). Only in two countries, in Hungary and in Romania was used a mixed system: most of land was resituated to former owner or their heirs and some of it was distributed to agricultural workers in interest of social equity and justice. There were two ways of restructuring of farm sector: one of them is when the land and farm assets were distributed in physical form to the original or new owners, and the other one is the form of “paper shares”, representing certificates of entitlements to jointly held property. In the CEECs countries the physical distribution of land parcel was more common. Consequently, this process has contributed to the current situation of fragmentation of land ownership. In Bulgaria the reform created over 2 million landlords with many plots, where each owning on average 3,8 plots with size of 0,53 hectares (DIRIMANOVA, 2005). In Hungary land privatisation impacting on more than 50% of the total area of the country, creating approximately 2,5 million new properties and through a process involving compensation and land privatisation affecting some 20% of the population with 2.2 ha in average. Only a small number of the new owners were actually able and willing to rely on agriculture as their main occupation. (SZÜCS at al. 2003a). Poland entered the transition era with 76% of its agricultural land cultivated by family units, so the issues of privatization

and restitution of land played much less role than in other countries, but it face the high fragmentation problem as well especially in central and eastern regions of the country.

The land fragmentation is an effect of breaking the collective structures into private farms or new type of cooperatives (DIJK, 2002). In Hungary a great part of cooperatives and state farms -similarly with other countries was transformed into joint stocks, liability companies or new type of cooperatives at the beginning of 1990s. These enterprises rely mostly on lands leased from small holdings or from their members; this fact decreases their competitiveness or viability. On the other side, this process allowed a large part of former state or old cooperatives farms managers to become owners or leaseholders of sizable farms. A typical corporate farm is much smaller on average than the traditional cooperatives or state farms.

The liberal Inheritance Law, which applied in CEECs and provide equal share rights to heirs - is one of the main driving forces behind current process of land fragmentation in term of ownership and this is what may worsening the situation in the future. For this reason the leasing is an appropriate mechanism during this period of structural adjustment.

According to several authors (SWIMMEN, 2000; LERMAN et al, 2004; MOLNAR, 2000; SZUCS et al. 2003a), land fragmentation is a common phenomenon in CEECs. However the optimal farm size is a debated issue both in the scientific economic literature and political practice. It has to be addressing to production structure and preferences of whole society as well (SZUCS et al. 2003b).

By the liberal point of view on a well functioning market the free flow of production factors can allocate them efficiently. The structural change is ideally guided by market signal which convey information about the social preferences and production possibilities. However, due to economic and political situation in the transition countries market forces is not functioning as a primary engine for land consolidation. Most of CEECs introduced some restriction according to land ownership. As an example Hungarian land law of 1994 makes the land ownership possible only for state and individuals up to 300 ha, and not allows to have own land and for foreigners and the legal entities.

We can mention as common feature that land market does not function properly. The reasons of this - beside of official restriction - can be find both on demand and supply side of the market. The unclear property rights, the low price of farmland, high unemployment rate and lack of alternative income possibilities, in the uncertain and low income, landlords' sentimental value to their family land, expectation of increasing subsidy and price of land after the EU accession, the low productivity in the agriculture, uncertainties in the agricultural policy can be mentioned as the main constraint for well functioning land market (TOTH et al, 2004.)

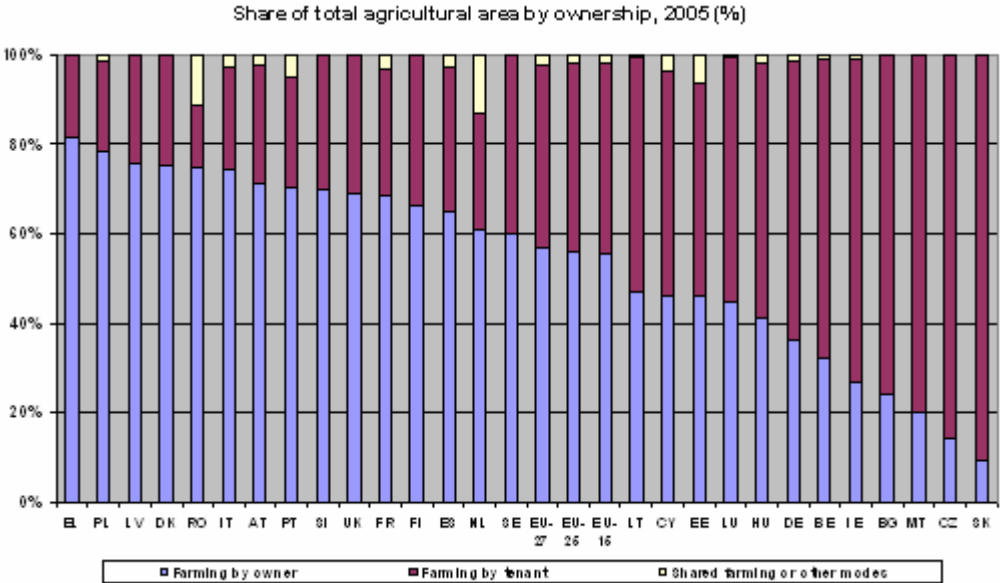
Land fragmentation is a barrier of sustainable development for sustainable development of agriculture, farm efficiency and resource allocation and also land transaction can be more complicated and more expensive (SZÜCS at al. 2003b).

For the reason of required policy formulation the land fragmentation has to be measured more detailed. The number of user is the second widely used indicator of land fragmentation. The actual use of agricultural land can be more consolidated through land lease. Especially in the Czech Republic, Slovakia and to a lesser extent Hungary, the land use structure is much better than the ownership statistics suggest. Enterprises have succeeded in acquiring tenancy on large amounts of leased land, typically hundreds of hectares. At the moment in Hungary about 60% of cultivation area is rented by other farmers or corporate organization, but in Slovakia or Czech Republic even more (Figure 2).

The Polish farms rely almost entirely on their own resources. Less than 10 per cent of labour input is accounted for by hired labour and only about cent of total land is rented. So, the number of users is the second indicator of fragmentation, addressing the production structure (DIJK 2002, SZUCS et al. 2003a).

Third indicator of the number of parcels used one owner or one person. According statistical census and experts' estimation one person may use may use 2-15 plots or more, and some of them can be quite far from others.

Figure 2: Break-down agricultural area by ownership in EU-27



Source: Eurostat, 2005

Land fragmentation i.e. non contiguous landholdings can cause significant level of production loss due to high supervision cost and increased time requirement. In many countries especially in Poland and Romania the subsistence farms service as a social net, providing supports for unemployed families. In Hungary the social factor is extremely important for retired people. Most of the individuals, who have obtained their land property, were too old to farm, some of landlords died earlier and their land right was transferred to their heirs, and lots of them have no working association with land. Large number of absentee-owner and their future expectation also has large effect on land market. If the parcel is too small to sell they may abandon that. Land abandonment is the other serious issues connected with situation described above.

The owners of small parcels of land have been living the business by land leasing or offering their land for sale on the market or directly to state, in Hungary to National Land Fund. The main aim of creating the National Land Fund, which was established in 2001, is to create the economically cultivable land size and to keep back the land speculation, the illegal land purchase and land use. Similar land institutions operate in other CEECs,

The land fragmentation with the demographic issue and lack of capital can be mentioned as the main reason of productivity gap between CEECs and old countries of EU (Table 2).

The most visible result of agrarian reform is the change of agricultural structure according to farm size, number and legal status of farmer enterprises.

A broad range of literatures has discussed the existence of various forms of farmer enterprises according to their size and legal status. The research studies of farm performance at the beginning of transition focused on the issue of whether individual (family) farms are superior to corporate structures (DAVIDOVA et. al, 2001). Based on 15 years experiment can not be said that any farm organizations are superior to others. The farm performance much depend on other factors, as management skills, access to factor markets, actual policy, land quality and farm size than on their legal status. In Estonia for example the average size of company – based on utilized agricultural area – was on average 6.2 times larger than average size of family farm This leads comparative advantage of large scale farms over the small scales (MATVEEV, 2005). As the world became more global and liberalized the crisis of the model of the conventional family farm is indicated by the polarization of farm in respect of size (MOLNAR, 2000).

Table 2: Partial CEECs/EU comparison of factor endowment and productivity in agriculture

| 1998 | Employ Million AWU | UAA Million ha | Employ./100 ha | | GVA/AWU | | GVA/UAA | |
|----------------|--------------------------|----------------------|----------------|------------|---------------|------------|--------------|------------|
| | | | AWU | EU % | ECU | EU % | ECU | EU % |
| Poland | 2 926 | 18.2 | 16.1 | 320 | 1 770 | 8.4 | 285 | 27 |
| Hungary | 0.279 | 6.2 | 4.5 | 90 | 7 011 | 33.4 | 315 | 30 |
| Czech.Rep | 0.267 | 4.3 | 4.8 | 96 | 3 501 | 16.7 | 217 | 20 |
| Slovenia | 0.103 | 0.8 | 12.8 | 256 | 4 942 | 23.6 | 636 | 60 |
| Estonia | 0.061 | 1.04 | 58 | 116 | 2 869 | 13.7 | 168 | 16 |
| Slovakia | 0.180 | 2.4 | 7.5 | 150 | 2 661 | 12.7 | 200 | 19 |
| Romania | 4 342 | 14.8 | 29.3 | 586 | 1 187 | 5.7 | 348 | 33 |
| Bulgaria | 0.795 | 6.2 | 12.8 | 256 | 2 256 | 10.8 | 289 | 27 |
| CEEC-10 | 9 478 | 59.9 | 15.8 | 316 | 1 784 | 8.5 | 282 | 27 |
| EU-15 | 6 891 | 136.4 | 5.0 | 100 | 20 968 | 100 | 1 059 | 100 |

Source: Baker, 2002

However the average size is much larger in old members of EU than new members but the new members often have dualistic farm structure. Data of Table 3 provide more information about the farm structure in CEECs. When we try to evaluate the level and impacts of fragmentation of land use we need to consider the crop structure as well. The higher share of arable and especially cereal production makes the fragmentation problem more serious.

Table 3: Dualistic Farm structure in CEE countries

| Country | Year | Share of UAA used by family farms/household plots (%) | Average size of family farms (ha) | Average size of private and state- owned holdings (ha) |
|------------|------|---|--------------------------------------|--|
| Slovenia | 2001 | 94 | 6 | 290 |
| Poland | 1996 | 82 | 7 | 426 |
| Romania | 1997 | 67 | 3 | 2 491 |
| Hungary | 2000 | 55 | 9 | 312 |
| Czech Rep. | 2001 | 27 | 28 | 1 035 |
| Bulgaria | 1999 | 26 | 1 | 519 |
| Slovakia | 2000 | 23 | 4 | 1 399 |

Source: EAA, 2004

Due to the accession process the increasing convergence with EU policy also took place during this period. According to the main goals of CAP reforms and the multifunctional

services of agricultural of takes on over increasing importance of policy regulation. The free movement of capital within the European Union was fully achieved in 1992. The new members-according to the very low land price compeering with EU-15 average – granted a transition period of 7 or more years concerning the property acquisition by foreigners. Maybe it is not so known, that most of EU member states allow the land purchase of foreigner only with the same conditions as for the natives. According to this the permanent settlement, the personal cultivation of land, and the agricultural qualification are necessary. In every developed country – included Western Europe – the land is much more protected than for example in Hungary, but it is different that it works through regulations or through self governmental actions.

The prices of agricultural land are significantly lower than those in the old members of EU . It was expected that after a number of years of EU membership these huge difference of price level will diminish, but this process not accepted to be quick. Price of land on the well functioning land market created by both of demand and supply side but land market should to be active. In order to make the land market more active some of current restriction has to be abolished, crucial change could be for example the increasing of security of land use rights and giving tenants more rights and allowing enterprises to own land.

In the part of paper is including some suggestion to the framework of future tenure policy in Hungary. The ideas based on experiment of discussion of Agricultural and Rural Development Round Table and on the own research results of authors.

2 SUGGESTED LAND POLICY IN HUNGARY FOR THE FUTURE

It is the mission of land tenure policy to turn the dominating, chaotic processes in socially correct direction. *The land tenure and development policy concentrates to farm units that are viable or can in medium term be really turned into viable operation.* The Hungarian land tenure policy accepts the scale of values of agricultural model of EU Common Agricultural Policy, therefore it considers that the prevention of population's migration from rural areas, the protection of environment and of landscape, as well as the improvement of living conditions of rural population have the same kind of importance, like the efficiency and competitiveness of agricultural production. Its direct objective is the establishment of land-estates and organizational forms, which can assure the most favorable use of agricultural resources, first of all by means of regulation of land market.

The Hungarian land tenure policy has to reckon with different types of agricultural production, with due regard to differing natural conditions of each region

- Competing and profit-oriented agriculture
- Production on advantaged crop land (Our special wine-districts, traditional regions of fruit and vegetable production)
- Extensive agriculture for making use of marginal areas
- Employment-improving, social-type agriculture, producing for family-needs. It can be applied in such areas, where the maintenance of production can be justified by social policy arguments
- Farming on less favored area, dwindling agriculture. In Hungary there are 700 thousand hectares of agricultural land, where the soil quality is so weak that a traditional agricultural production (food production) could not be maintained even in essentially more favorable conditions
- Agriculture with environmental and landscape-protection function

One important objective of land possession policy is to *promote the safe functioning of land-renting or leasehold system*. Efforts are to be made to find such solutions as follow:

- facilitate reasonable land use;
- facilitate and speed up the concentration of land units, but impede the formation of undesirable farm sizes;
- in the regulation of land rent, first of all the interests of leaseholder have to be protected in an increased degree, but the owner's interests must not be neglected either;

The most important elements of regulation are:

- Its duration has to be minimum 5 years and maximum 20 years (forest and plantation as for the time being),
- The rental value depends on demand-supply conditions, but it is advisable to announce rental values with orientate character,
- The prolongation possibility of rental contract has to be regulated.

In the opinion of the author of the present study, in case of a land rent larger than 50 hectares, the stipulation of local residence of the land user would be worth considering.

From the strategic points of land-property acquisition, it is not reasonable to maintain the upper limits of land acquisition of natural (Hungarian) persons and family farms (300 hectares or 6.000 golden crowns per person). After the expiration of derogation, the natural persons and organization will have the same conditions in land acquisition. *The total area of an agricultural farm (property and leasehold together) cannot surpass 20 percent of agricultural area of a settlement*. This applies equally to renewal of rental contract and to the sale of state owned lands. In the interest of local population, the further regulation of acquisition conditions in conformity with EU legislation is also advisable (e.g. how many farms can be obtained by one entrepreneur). It is to be remarked that the opinions of Hungarian specialists differ in the question of farm-size limits. Many of them do not agree with 20 % limit in case of rented land, others consider important the prevention of monopolistic positions. The author insists on the 20 % area limit.

After the lifting of derogation for land property, the land acquisition of economic organizations has also to be made possible.

A particular problem of Hungarian tenure policy is to *safeguard the forage production area for livestock*. In this regard our proposition is as follows:

- The National Fund of Agricultural Land has to give preference to land acquisition by livestock-keeping companies. In order to do so, the position of National Fund of Land has to be confirmed.
- In order to facilitate the solution, the voluntary exchange of land properties has to be encouraged.

Until the expiration of derogation, foreigners cannot acquire land property. But *after the expiry of the derogation period, we have to warrant the same conditions of acquisition for foreign citizens, like for Hungarian ones*. With the regulation of agricultural activities, the conditions of land acquisition have also to be specified: local residence, special qualification level and suitable practice in agriculture. Young people (under 35) cannot get exemption from the special qualification requirements. The condition of local residence has to be made more stringent.

The state facilitates the development of correct (desired) farm structure by indirect and direct means in the regulations of land tenure policy.

In the field of reparcelling landed property, the *state can play a direct role* in buying up the dwarf estates, in the prevention of a further fritting away of farm units and in urging spontaneous land concentration. An important and urgent objective is the prescription of compulsory exchange of properties or their sale in case of estates less than 2 hectares and wedged in between in major land blocks.

Hungarian land tenure policy does not ignore that larger or smaller enterprises seek the *more simple or more subtle forms of co-operation*. Those formations based on voluntary initiatives can properly complement the direct land tenure regulation of the state. The development of land tenure relationship has to be closely connected to the objectives of rural and regional development and to the protection of environment, and it has to facilitate the *establishment of different types of lease holding associations*, offering the possibility of land-using co-operations at different levels and characters to producers.

CONCLUSION

The land tenure policy forms an inseparable part of the prevailing agricultural policy. It can be established that with our EU-accession, a well-considered and consequent land tenure policy constitutes an immediate precondition to the development and modernization of agriculture in all CEECs. To solve above problems clear concept land policy and comprehensive land consolidation procedure is needed, which requires definite political wish, legal and institutional framework, sufficient financial sources and consensus with stakeholders.

ACKNOWLEDGEMENTS

This paper was elaborated with support of Projects: NKFP-2004/014

REFERENCES

- ANDERSSON, H. (1995): Landlords and farmers: implication of disparities in bargaining power for tenancy in agriculture, *Agricultural economics*, 12(1995) pp 151-162.
- BAKER, D. (2002): Agriculture in the EU's Eastern enlargement-current status for CEECs Fødevareøkonomisk Institut, Report nr. 144, København
- CHRISTIAENSEN, L., SWINNEN, J. (1994): Economic, Institutional and Political determinants of Agricultural production Structures in Western European Countries, Department of Economics, Catholic University of Leuven, *Working paper 1994/1*
- CSAKI, C., LERMAN, Z. (1996): Agricultural Transformation in Central and Eastern Europe and Former USSR: Issues of Land reform and Farm Restructuring. Paper presented in the VIIIth Congress of the European Association of Agricultural Economics, Edinburgh.
- COUNCIL OF THE EUROPEAN UNION (2004): EU land policy guidelines to support land policy design and reform process in developing countries, Brussels, 25, October
- DAVIDOVA, S., GORTON, M. RATINGER, T., ZAVALINSKA K., IRAIZOZ, B., KOVACS, B. MIZO, T. (2002) An analysis of competitiveness at farm level in CEECS Research Section of Agricultural Economics and Business Management, University of London

- DEININGER, K., FEDER, G. (2001): Land institution and land market In: Handbook of agricultural economics Volume 1 A Editors: Bruce L. Gardner and Gordon C. Rausser, Elsevier, pp. 287-324
- DERIMANOVA, V. (2005): Land market with fragmented Landownership Rights in Bulgaria: An institutional approach. Paper prepared for presentation at 94th EAAE seminar, Ashford,
- DIJK, T. v. (2002): Scenarios of Central European land fragmentation, *Land use policy* 20 (2003) pp. 149-158.
- FEKETE-FARKAS, M., KAMPHORST, E., ROUNSEVELL, M., AUDSLEY, E. (2003): The role of policy in scenarios concerning European agricultural land use change in the coming century, Paper prepared for presentation at 80th EAAE Seminar, Ghent, Belgium.
- HO, P., SPOOR, M. (2006): Whose land? The political economy of land titling in transitional economies *Land use policy*, Vol. 23, pp. 580-587.
- IHRIG, K. (1968): Rent and value of agricultural land in the market economies (in Hungarian : A földár és földérték a kapitalizmusban, Budapest, MTA Közgazdasági Intézet
- LERMAN, Z., CSAKI, Cs. FEDER, G. (2003): Agriculture in transition, Land policy and evolving farm structure in Post Soviet Countries, Lexington books.
- MATVEEV, E. (2005): Evaluation of the Efficiency of agricultural holdings in view of structural change in Estonia, Paper prepared for presentation at 94th EAAE seminar, Ashford, UK.
- MOLNAR, J. (2000): Land property and Land Use, *Gazdálkodás Vol. XLIV.4. pp. 30-36*
- SZAKACS, S. (1998): From land reform to collectivization (1945-1956), in: GUNST (eds.): Hungarian Agrarian society from the Emancipation of Serfs (1848) to the Re-privatization of land (1998), Columbia University Press, pp. 257-297.
- SZUCS, I.(ed.) (2003a): Land estates and economics of scale, Agroinform, Hungary
- SZUCS, I., FEKETE-FARKAS, M., MOLNAR, J. (2003b): Predictable trend of changes in land property and farm structure, *Gazdálkodás, XLVII. 5th. Special issue pp.26-31.*
- SWINNEN, J. F., (1997): Political economy of agrarian reform in Central and Eastern Europe, Ashgate Aldershot
- TOTH, Zs., FEKETE-FARKAS, M., SZUCS, I. (2004): Land market, prices and rent in the agriculture of CEECs. *ANNALS of The Polish Association of Agricultural and Agribusiness Economists. Vol. VI, 79-83.pp.*
- ZAWOJSKA, A.. (2004): Process of land reform in Poland, *Electronic Journal of Polish Agricultural Universities* <<http://www.ejpau.media.pl./volume7/issue1/economics/art-01.html>>.
- WEIMER, D. L. (1997): The political economy of property rights, Cambridge University Press