



## The main issues of land consolidation in Hungary, with special regard to the voluntary exchange of lands

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### SUMMARY

Land ownership and company structure is much more stable in the agriculture of West-European countries than in Hungary. Therefore the lack of established land policy, land consolidation and farm regulation play the key role on the Hungarian agriculture's "map of problems". These are strongly correlated and tasks urgently to be solved. These measures could help to raise the international competitiveness of Hungarian agriculture, positively influence the population supporting and keeping ability of the agricultural sector, and enable an environmentally sound management.

The question of land consolidation – considering the legal possibilities regarding the voluntary exchange of lands – has not moved from standstill since the birth of the Land Act 14 years ago. Whereas a general land consolidation would have a lot of advantages; which would go as far as the establishment of viable farming units, expansion of rural employment facilities, cost reduction, improvement of profitability, stabilization of the corporate system of agriculture and land market.

**Keywords:** land ownership, land structure, land consolidation, land policy.

### INTRODUCTION

Ownership – especially land ownership – and company structure is much more stable in the West-European countries' agriculture than in the domestic one. Therefore the lack of established land policy, land consolidation and farm regulation play the key role on Hungary's "map of problems". Using these implements on one hand could help the producers to keep the agricultural land in hand, and on the other hand could improve the Hungarian agriculture's dual characteristics: according to it the common presence of a few too big and a lot of very small land sized farming units has described the agriculture for a long

time. It has to be seen clearly that the implementation of merely legal means doesn't offer any possibility or offers only little chance for medium sized farming units to raise their importance. Only the implication of appropriate economic means – mainly the increase of the subsidies' importance – makes it possible. So the more accurate pull has to be an important part of the "national self-defence" within the EU rules. Special attention should be given to the attainment of European Union sources – subsidies. Beyond EU sources, the Directorate-General for Agriculture and Rural development has to be asked for the authorization of the national subsidies aiming this purpose.

Within the determination of the agricultural policy's object and means systems defining the directives of land policy as well as the implementation of land consolidation and farm regulation are strongly correlated and are urgently to be solved. These could help to raise the international competitiveness of Hungarian agriculture, positively influence the population supporting and keeping ability of the agricultural sector, and – last but not least – enable an environmentally sound management.

### THEORETICAL BACKGROUND

The meaning of the relevant definitions has to be clear; what do the often very similar terminologies cover.

The land policy is the aggregation of agricultural policy principles and government measures relating to rational arable land ownership and usage. Land policy can serve the protection as well as the change of the properties in hand (*Ihrig* 1968). The state can maintain the right as the protector of "national common interest" to interfere in the system of land ownership and land use – with either direct or indirect methods. Land policy can change the land ownership and land use relations, which is followed by the reform of farm size and form after a while.

Possession is the incarnation of proprietary rights, "the illusion of ownership." Land property has a dual meaning: on the one hand it is a land based farming unit, on the other hand it is used in the context of the actual reign over the land. The right of possession includes the right of land use and usufruct, but – if the proprietor is not the owner – it doesn't cover the power of disposing of the object. Therefore property can exist without ownership (*Szűcs* 1998).

In contradiction to it the land ownership is also the right of disposal over the land ("ownership triad"). (In the connection of land property and land use – in case of agricultural land – the right of use/utilization is more important than the right of disposal.)

Land structure is to understand as the division of land between the size categories and the forms of operation of the farming units.

According the Pallas Big Lexica "land consolidation is the action which is carried out with official contribution, regularly technically and its' aim is to enable modifications in ownership or property conditions in some community's boundary or in economically independent boundary parts when ownership order modifications or economic demand occur." (*Márkus* 2004)

Land policy has a significant importance in the European Union – especially in its western part. The land policy is determined by the Common Agricultural Policy (CAP) and the national agricultural policy of the member states in the EU. The community rules – acknowledging the special importance of land ownership and land use – don't regulate the land use directly or rather just exceptionally. Therefore land policy lines up for several – often – contradictive aims. The rank of aims is different in the member states; it modifies as time goes by and circumstances change. The main efforts according to *Szűcs et al.* (1997) are the following ones:

- Establishing, sustaining and modernizing family farms with viable size;
- Preserving the population supporting ability of rural regions in terms of agriculture, according to this the stabilisation and development of small and medium size farming units;
- Protecting the land (environment) as well as limiting the land use (production increase).

Land is mainly in private ownership in countries with a developed agriculture like the European Union member states. Primarily the predominance of national regulation is characteristic for the situation of land ownership in the EU, which on one hand side guarantees the suzerainty of ownership right; on the other hand the owner (tenant) has to strictly meet the social, economic and ecologic needs resulting from land use. (*Vajda 1997*) Therefore land ownership and land lease is regulated with different degree restrictions in the member states. The state regulations can go as far as land ownership size and acquisition, farm size, production structure and technology, land use, trade, as well as quantity and quality protection to enforce national interest.

There are three general rules within the EU considering land ownership (*Burgerné 1998, Posta 2002*):

- Limitation of land property acquisition in order to avoid monopolies;
- A rule which holds up fragmentation for land property viability reasons;
- Each country's regulation has to be valid for the other member states' citizens, too.

The first and second aim has to be underlined. The later refers to the limitation of land property acquisition; the rule of minimal land property size which has to be kept together and each member state regulates it – at a different degree. Besides the regulation of inheritance, the land redistribution procedure is the efficient antidote to fragmentation in the whole EU, which is assured a normative subsidy by the Union. Advantages from land consolidation are positive for both farmers and national economy: production costs sink and efficiency grows as the cut up areas are terminated. (*Kacz 2007*)

*Tanka* (2000) refers to the following national land right which has made the agricultural plant the common regulation unit for land ownership and land lease in many member states. In this system the state interferes in the conditions of land ownership acquisition and land lease in order to realize land policy aims. *Glatz* (2004) says: "...land property has to be agricultural plant centred".

## MATERIALS AND METHODS

Data collection and statistical data analysis for this study has been made with the involvement of several sources and points of view. Data of the Agriculture and Rural Development Agency (ARDA) as well as some county land registry offices has been used, along with the information of the competent organizations at the agricultural administration. Parallel to this – mainly within the frames of deep interviews – the opinion of the group mostly affected has been examined, too. (The surveys refer to land owners as well as the main legal forms (primary producer, private entrepreneur, family farm) in the round of private farms.) It was a relevant possibility to survey the proprietary/employee level with land ownership at agricultural enterprises.

Collection and analysis of – partly primary and partly secondary – data fits the statistical demands, though it is not representative.

## RESULTS AND DISCUSSION

It is generally characteristic for EU member states especially for Hungary that the person of land user and land owner is more and more separated according to land ownership and land use. It has more reasons in Hungary, but two of them have to be stressed (*Nagy* 2008):

1. The (subjective and areal) limitation of ownership acquisition;
2. Due to land privatisation – e.g. compensation – on one hand side persons with not appropriate qualifications and entrepreneur abilities have gained land ownership, on the other hand the property system has fragmented, as well as several co-tenancies have developed.

There are 7,829,012 ha of arable land in Hungary – of which 7,639,332 ha are outskirts and 189,680 ha are garden-plot – is consolidated in 3,868,279 properties. (There are 1,154,626 garden-plots and 2,713,653 outskirt properties.) Average land size is 2 hectares (*Figure 1–2*).

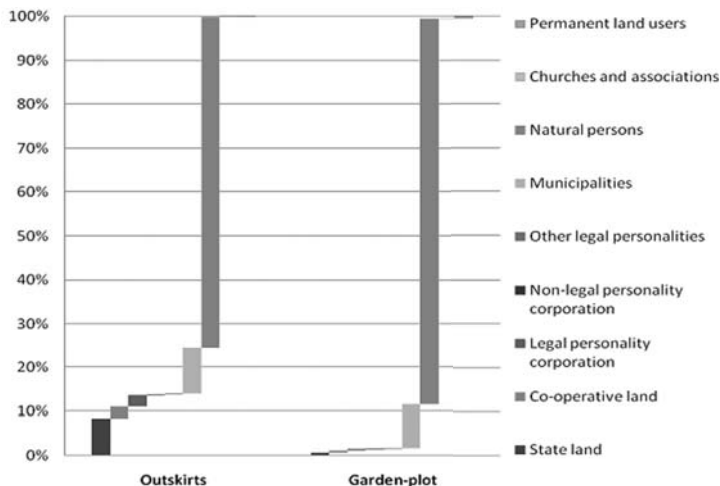
Considering the result of compensation (*Table 1*), (until July 2004) the 2,141,445 ha size and 39,255,936 Golden Crown (GC) worth arable land which has become property of 759,787 natural persons (owners) also refers to a consolidated land ownership structure. (*Alvincz* 2008a)

Altogether the land use structure is broader and more concentrated than the ownership structure. It is known that the land structure has dual characteristics: the coexistence of few farming units with big land and small farming units hardly reaching viability size characterises the Hungarian agriculture. The lack of medium sized farming units concludes from it. This situation cannot be seen as favourable.

Data concerning average farm size at the sectoral division also prove this. According to the data of the Hungarian Central Statistical Office (HCSO) the average land use of economic organization was 487 ha in 2005, in case of "private farms" the land size was close to 3.5 hectares. The registry at the Farm Accountancy Data Network (FADN) of the

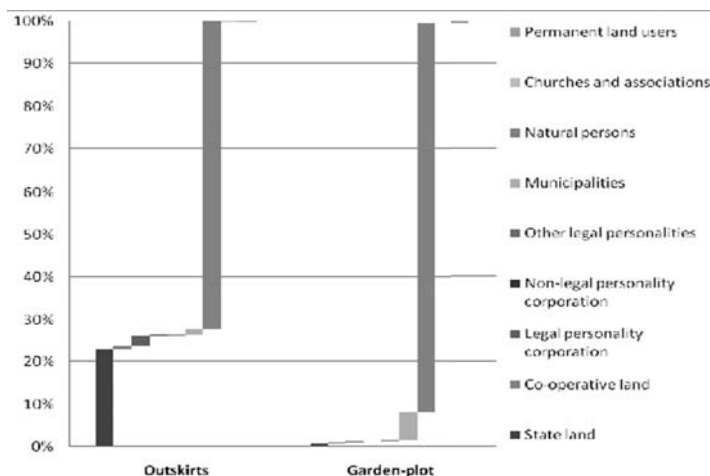
Agricultural Economics Research Institute contains the weighted average data of farms bigger than 2 European Size Units (ESU), it shows that the land size in 2005 considering private farms was 25.0 hectares, and in case of economic organizations 378.3 hectares. The 2006 values were considering private farms 25.3 hectares and in case of economic organizations 372.5 hectares.

Figure 1. Land division between the owner groups (number of properties, piece)



Source: MARD notification, 30. May 2007.

Figure 2. Land divisions between the owner groups (arable land, hectares)



Source: MARD notification, 30. May 2007.

Table 1. Summarized data of compensation (July 2004)

Name	I. (corporate)	II. (state)	Compensation total
	Compensation land base		
Given into ownership			
– area (hectares)	1,975,458	165,987	2,141,445
– ratio of the area (%)	92.3	7.7	100.0
– Golden Crowns (GC)	37,496,169	1,759,767	39,255,936
– land fragments			
– number total (piece)	852,754	207,395	<b>1,060,149</b>
– average area (hectares)	2.3	0.8	<b>2.0</b>
– average GC value (GC/hectares)	44.0	8.5	<b>37.0</b>
Persons gained ownership (head)	612,010	147,777	759,787
Per owner			
– land fragment (piece)	1.4	1.4	<b>1.4</b>
– area (hectares)	3.2	1.1	<b>2.8</b>
– GC value (GC)	61.3	11.9	<b>51.7</b>
Number of auctions total (piece)	21,345	5,412	26,757

Source: Calculation made on the basis of MARD Main Department for Land and Geographical Information Systems data

The characteristics of economic organizations are that parallel to the decline of their average land size their number grows slightly, whereas considering the private farms, their number declines, their average size grows slightly. The concentration of land use slowed down in the previous years, fewer farms used in average a little bigger land, while the number of users with 50 hectares and more has moderately increased. It is particularly a positive tendency considering the private farms, beside the general lay-offs, not only the ratio, but the number of farms bigger than 50 hectares increases.

Notwithstanding it is important to note, that in Hungary farming units with more than 100 ha make up approximately 1% of the agricultural organisations, though they utilize almost 70% of the agricultural area. These rates are in case of the EU-15 more favourable, in former order 3 and 40 percent. (Fuchs 2002) The concentration process – which affects both the circle of agricultural farms and farmers, and in a smaller amount the land ownership and land use – matches the earlier agricultural characteristics of our Western neighbouring countries elementarily.

Concerning the official land use records at the registry of title deeds private persons farm on an average 9 ha while the economic organization on an average of 300 ha (with exceptions of areas smaller than 1 ha and forests). (Nagy 2008) The land use records have been used since January 1 2000 and have been declared as official since December 31 2007. It will surely play an important role in a future general land consolidation process.

The listed data clearly underline the necessity of land consolidation. The valid, several times modified Act LV of 1994 on Arable Land (Land Act) Sections 26–35 deal with the voluntary exchange of lands. It has to be seen that this process cannot pass without state assistance – political will – and the contribution of the Ministry of Agriculture and Rural Development (MARD). (Alvincz 2008b)

The target of the voluntary exchange of lands with the purpose of integrating land properties is: the union into property-plots through the fusion of outskirt land. The fusion into one property-plot is not a definite legal term, but it is important to establish unified property-plots, ever more of them. If unified property-plots are not created, then it will be an ordinary barter, one kind of trade. It is still not a property-plot, if the agricultural lands get closer to each other, but still remain distant and scattered. In order to establish one or more property-plots the owners of the in-between areas have to be involved in the process. It is not necessary to become direct neighbours, but land consolidation would mean it in case of smaller areas. (If bigger areas get closer to each other, it could mean land consolidation.)

The term property-plot (plot of land property) is not a legal, but an agronomical definition (category). The result of voluntary exchange of lands with the purpose of integrating land properties is: the change(s) results directly in property-fusion.

Unfortunately the Section 26 (1) paragraph of the Land Act – regulations of a separate Act are normative in case of the general land consolidation procedure – has not become actual as the mentioned rule has not been framed yet. That is why the possibility composed in the (2) paragraph is important, according to it until the land consolidation rule is not framed voluntary exchange of lands can be initiated for land consolidation.

Surveys carried out so far have shown that the voluntary exchange of lands does not fill its primary function, namely the aims of land consolidation, and serves mainly as evasion of charges due. Its reason can be traced back to the financial benefits of malpractice and the costly land consolidation based on field change. (The voluntary exchange of lands is on one hand side accompanied with a significant lawyer fee, on the other hand the registry of the land forming, the (new) land property is rather cost worthy, too. The recited two items can cost the affected parties – together and pro hectares – approximately 15–20 thousand Forints.) On the other hand it has to be seen that the numerous, atomized land owners do not possess any kind of self-organizing power or ability to enforce their interests. Mainly the bigger land tenants are not interested in realization of land consolidation. That is why the initiative role and the active participation of the MARD would be absolutely necessary in the process.

The quantification of speculative land change is because of ethical reasons is not possible. It can be concluded from the information gained from the registry of title deeds that this is the aim of the majority of the recorded land changes. This method helps to avoid the publicity of land trade and the legalisation of forestalling defined in the Land Act. Since the validated modification of the Land Act from August 1 2008 it is only possible to change land into land, and the interests of the local person and the land consolidation has priority.

The question of land consolidation – considering the legal possibilities regarding the voluntary exchange of lands – has not moved from standstill since the birth of the Land Act 14 years ago. The question is raised why this has not occurred yet, although land consolidation is financially supported by the European Union agricultural policy. Concerning this, the Council Regulation (EC) No. 1698/2005 of 20 September 2005 about the rural development subsidies from the European Agricultural Fund for Rural Development (EAFRD) is normative. Although the regulation (*expressis verbis*) doesn't name this

subsidy possibility, but the agricultural experts – the MARD – could have asked for EU money for land redistribution procedure with the framework of “improving and developing infrastructure related to the development and adaptation of agricultural and forestry” measurement package. The land consolidation as an aim is not included neither in the New Hungary Rural Development Strategic Plan (which was sent to Brussels), nor in the Operative Programme. This means also, that Hungary cannot apply for money concerning land consolidation from Brussels until the end of the 2013 budget period of the European Union. (Though for example Romania, which joined the European Union later asked for financial sources for land consolidation.)

It is obvious, too, that the farmers using bigger land – mainly the economic organizations, but the private farms with bigger land – are – to a certain grade – not interested in the strengthening and spreading of family farms and medium-sized farms. They already realize land consolidation for themselves through land use, so hence force there is no need for it. Moreover, if the ownership based fragmentation of the structure would be transforms into a viable property for the present owners, the price of land would grow by necessity, which would – could – involve the – more significant – increase of land tenancy fees, which would not be favourable for the present tenants. The more valuable land made by contraction could be let to someone else, or could be sold to e.g. to family farms by the owners (Alvincz 2008b).

The switch to the Single Payment Scheme at MARD confirms the government’s interest in the maintenance of the present status quo in case of land structure. The aim is “*to facilitate the development of the agricultural production, thereby to strengthen the security of the farmer by stabilizing the present land use relations and maintaining a balanced land market.*” (Nyujtó *et al.* 2007) The so called stabilization of the “present land use relations” would serve for the subsistence of the present dual land- and economic structure, because of its lack the maintenance of the “balanced land market” is not possible. It takes an effect against the later one, as after the establishment of SPS, the subsidiary authority goes for ever as a gained right to land users at the rule’s coming into force. (So, if the tenancy ends, the real owner gets his land without the subsidiary authority from the former tenant back. Still, it is true, that the land owners enforce higher and higher fees in the newly contracted leases to compensate it partly.) In this case land trade will be significant for only few of them.

## CONCLUSIONS

The related reasons clearly underline the fact, that an urgent land consolidation is pressingly important concerning the land owners. A general land consolidation would have a lot of advantages; we would like to stress the following ones:

- More viable farming units could be established, this would lead to better employment and livelihood possibilities in the rural areas.
- The expectable (high) cost reduction could move the income generated by the agriculture in a favourable direction.



- The company system of the Hungarian agriculture would become more stabile.
- A farm structure compatible with the EU subsidy system would be established.
- Land consolidation would make land market more transparent and stimulate it, this process would be beneficial for the land prices, too.
- Farming conditions and other agricultural interventions would improve.
- Bigger possibilities would open for the organic farming.
- Regional farming conditions would improve.

Without the establishment of the agricultural farm regulation system the listed advantages can not be applied. We can outline, that the general land consolidation and the farm regulation can be explained as a process based on each other regarding agricultural management. That is why the establishment of both rules must be a determining part – main aim – of the future government’s agricultural policy.

### **A birtokrendezés főbb kérdései Magyarországon, különös tekintettel az önkéntes alapon történő földcserére**

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### **ÖSSZEFOGLALÁS**

A nyugat-európai országok mezőgazdaságának a földtulajdoni és vállalati rendszere sokkal stabilabb, mint Magyarországon. Ezért a magyar mezőgazdaság „problématérképén” – kulcsproblémaként – fontos helyet foglal el a birtokpolitika, a birtokrendezés és a mezőgazdasági üzemszabályozás kiépítésének a hiánya. Ezen feladatok megoldása egymással is szorosan összefüggő és sürgető tennivaló. Az intézkedéssorozattal növelni lehetne a magyar mezőgazdaság nemzetközi versenyképességét, kedvező irányba befolyásolni az agrárágazat népességeltartó- és megtartó képességét, valamint környezetkímélőbb gazdálkodást tenne lehetővé.

A birtokrendezés kérdése – figyelembe véve az önkéntes földcserére vonatkozó, jogszabály adta lehetőségeket is – a földtörvény megszületése óta eltelt több mint 14 év alatt nem mozdult el a holtpontról. Egy általános birtokrendezés ugyanakkor számos előnnyel járna, amelyek az életképes gazdaságok létrejötte és a vidéki foglalkoztatás-bővüléstől a költségcsökkenésen és jövedelemtermelő-képesség javulásán át a mezőgazdaság vállalati rendszerének, valamint a földpiacnak a stabilabbá válásáig terjedne.

**Kulcsszavak:** földtulajdon, birtokszerkezet, földrendezés, birtokpolitika.

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