

CONTINUOUS INCREASE IN THE PRICE OF AGRICULTURAL LAND IN HUNGARY

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***Abstract:** In the last ten years, the price of arable land in Hungary has doubled in real terms, the price trend that has been going on for years has not broken last year, at a more moderate pace, but the price increase continued, only the average price of vineyards fell. At the regional level, most had to be paid for the hectare of arable land in the Southern Great Plain (HUF 1.77 million), the Northern Great Plain was in second place (HUF 1.69 million), but Southern Transdanubia was not far behind (HUF 1.67 million). The region in northern Hungary was still the cheapest, where the arable prices to be paid per hectare still did not exceed one million HUF. At the beginning of 2021, crop prices are still close to their last 5-year highs, so many may question whether a freshly purchased, more expensive land may pay off sooner.*

Keywords: land trade, land price, regional differences, arable land

INTRODUCTION

In the Hungarian Constitutional Court's decision (35/1994. (VI. 24.)), it was formulated that the agricultural land ownership has specific characteristics, i.e. the land is a natural object, and it is available in limited quantity and it can not be produced or reproduced [10]. It was also stated that lands' purpose also given as mainly agricultural cultivation. The legislation of management of agricultural land can not ensure unlimited ownership for everyone, but means a necessary restriction on private ownership by both private and public law. This statement was also being found in the constitution of some other European countries [9]. The economic role of the agricultural production in Hungary is still significant despite the significant decline [8].

Land prices and rents are generally influenced by the quality of the area (gold crown value). (GC: Golden Crown: The value of the Golden Crown is a traditional unit of the quality of arable land in Hungary. Based on an almost 200-year definition, the value of the GC of a given land represents the net income of that area at that time [15].

The value of agricultural land ownership is high, which was increased due to EU funds and area payments [11]. The competitiveness was replaced by subsidies and in the same time, there was strong correlation between increases in land rentals and direct payments [14].

Similar to the Polish and Romanian examples, there was a high foreign demand for land in Hungary, especially near the Austrian border, where previously there were barely legal contracts (the farmland prices are below the prices of lands in Western countries) [6, 5].

The buying and selling of agricultural land since May 2014 have been a highly complex and multi-actor process [2]. Originally, the Land Transaction Act was intended to provide local land committees but now the role has of the National Chamber of Agriculture has been performed as well.

In this work the increasement in the price of Hungarian agricultural lands and their reasons were studied.

MATERIALS AND METHODS

Data were collected during the writing of a PhD. dissertation by interviews with farmers and some professional stakeholders who work in this field, study of the scientific literature and the figures of the Hungarian Central Statistical Office (CSO).

RESEARCH RESULTS

According to the official data of the Central Statistical Office (2019), the proportion of production area in Hungary is 59% of arable land (4,317,000 hectares), 26.5% of forest that is 1,939,000 hectares, 10.8% of grassland (790,000 hectares), 1.3% of grapes, 0.5% vegetable garden, 0.5% fish pond (aquaculture) and 0.5% reed.

80-85% of Hungary's territory is covered by agricultural land, and the size of land per capita is among the highest in the European countries, thus it can be stated that agricultural land is an extremely important natural resource in Hungary. Due to the favourable natural conditions, the proportion of good quality soils is good and the soils with high fertility are significant, but we cannot ignore the fact that the proportion of production areas has been constantly decreasing, mainly due to the expansion of infrastructure and settlements agricultural practices and land use, which ignore natural conditions, have deteriorated.

The rise in the price of arable land has been going on for decades and last year an average of HUF 1.891 million per hectare had to be given to buyers for arable land. Lease fees also increased, the average annual fee per hectare for arable land was HUF 75.003, which is about 4% more than a year ago [16]. Last year, the land was sold for an average of HUF 1.727 million per hectare in Hungary, which is a 7.3% increase compared to a year earlier (which was HUF 1.602 million per hectare). Last year, with the exception of Northern Hungary (where the price per hectare was HUF 1.374 million), all regions were already characterized by average prices above HUF 1.5 million. As in previous years, the highest average price of over HUF 2 million per hectare was requested in the Southern Great Plain (HUF 2.021 million) for land. After Budapest (with a HUF 2.854 million shop per hectare), Hajdú-Bihar (HUF 2.351 million), Békés (HUF 2.279 million) and Tolna (HUF 2.073 million) counties were the most expensive in the county. Land was the cheapest to buy land in Zala County (for HUF 1.194 million per hectare) at an average price of less than HUF 1.5 million, followed by Nógrád (HUF 1.244 million), Heves (HUF 1.356 million) and Borsod-Abaúj-Zemplén (HUF 1.422 million per hectare) counties.

Arable lands

The prices rose in all regions (Figure 1), the most, by 13 per cent in Central Transdanubia and Northern Hungary, while the least, by 8.3 per cent, in the Southern Great Plain. Examining the counties, the fields belonging to Budapest became more expensive (22 per cent), while in Somogy, Veszprém and Komárom-Esztergom counties there was an average price increase of 16-17 per cent, and the smallest increase in prices in Tolna (2.7 per cent) counties. The trend is similar to the Polish and Romanian processes [4, 12, 13].

On January 1, 2021, the law on the liquidation of undivided common property came into force, based on which a level of land movement is expected that has not been seen in the last thirty years. The law affects about 3-3.5 million people, more than one million properties and about 2.4 million hectares, mainly in the agricultural sector.

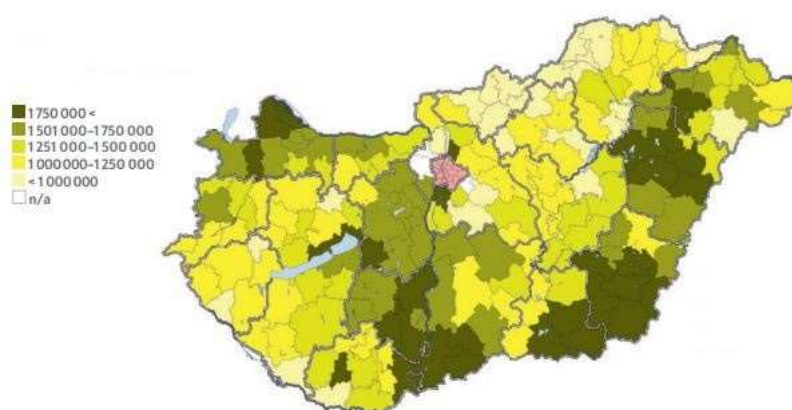


Figure 1. Average prices of arable land in Hungarian districts in 2019 (HUF/hectare), [18]

There are also inconsistencies in the regulation on the liquidation of undivided common property, which can make it difficult to change territories without conflict and quickly [3]. Distribution of agricultural land by the type of property is demonstrated by Figure 2 and 3.

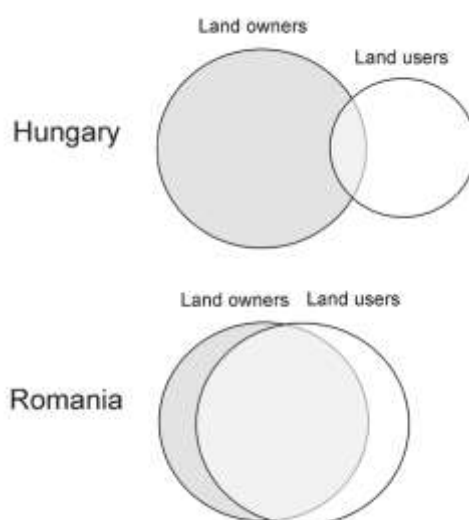


Figure 2: Schematic representation of relations between ownership and land use in Hungary and Romania (based on [2]) (The size of the circle represents the scale of the type.)

Rentals of arable lands

The annual specific rents (in HUF/hectare/year) given in HUF were mainly used to calculate the average rents. In 2020, the average annual lease payment per hectare of arable land was HUF 75,003, which is a 4% increase compared to the previous year (HUF 72,097/hectare/year). The most expensive, on average more than 80 thousand forints, could be rented per hectare of arable land in the Southern Great Plain on an annual basis, while the cheapest, for 62 625 HUF, could be rented in Northern Hungary.

Grasslands

The price of grassland per hectare rose to HUF 1.436 million last year, which is 8.2 percent more than in the previous year (HUF 1.327 million/ha). In this cultivation branch, the highest average price above HUF 2 million was in Central Hungary (HUF 2.175

million/hectare), while the lowest price was in the Northern (HUF 1.194 million/hectare) and Southern Great Plain (HUF 1.206 million/hectare).

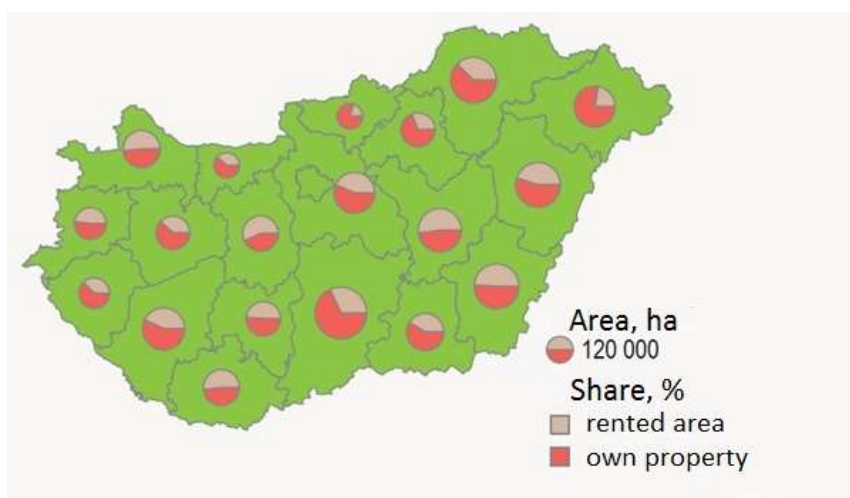


Figure 3: Distribution of agricultural land by property, [17]

Orchards

Last year, the average price of plots of land in the orchard branch, which changed hands at a price of more than half a hectare and less than HUF 10 million per hectare, was HUF 2.385 million. The highest average prices above HUF 3 million were in Central Transdanubia (HUF 3.171 million/hectare) and Central Hungary (HUF 3.04 million/hectare), while the lowest were in Northern Hungary (HUF 2.063 million/hectare).

Vineyards

Vineyard plots with an area of more than half a hectare sold at a specific price of HUF 10 million changed hands at an average price of HUF 2.649 million. The highest average prices of almost HUF 3 million were in Southern Transdanubia (HUF 2.903 million/hectare), while the cheapest was in the Northern Great Plain (HUF 1.568 million/hectare).

CONCLUSIONS

The economic environment was not normal last year, and in addition to the COVID-19 pandemic, market attention has shifted to the elimination of undivided common areas starting this year. Nevertheless, the 30-year unbroken rise in prices did not break; it slowed down in at most one or two cultivation branches, which was also characterized by a smaller increase in the average price of 10 percent.

The main factors in the process are probably the following:

- The price of land is inflexible downwards on the basis of historical experience, that even in recessionary environments up to stagnate.
- In addition to market demand, the available land (such as road construction, industrial park, solar power plant) is constantly decreasing.
- Arable land currently appears to be not only a value-preserving but a value-adding investment.
- The law on the liquidation of undivided common property seems to increase demand side of the land market.
- At the beginning of 2021, crop prices are still close to their last 5-year highs, so many may question the possibility that a newly bought, more expensive land may pay for itself sooner .

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