

## 4 Access to land in Hungary. Privatization of Farmland (Imre Kovách, Boldizsár Megyesi, UNIDEB)

### 4.1 Introduction

In Hungary, land privatization has gone through three stages. First stage was that, since 1992, privatisation has led to a very strong concentration of land use and land ownership, one of the highest in Europe, which is still the main factor influencing rural development and opportunities. Second stage is that in 2015-2016, when all the land still owned by the state was auctioned (380,000 hectares). All arable land in Hungary is 4.7 million hectares; so, this has been a large operation. And third stage is the regulation of the approximately 900,000 hectares of undivided common property. Politics tends to consider the issue of land property as the most important dimension of rural development in Hungary, although this is not fully justified. The question is whether next to the large concentration of land ownership that happened in the first stage deviations can be found which may provide more access to land for new generations or that there is generally a continuity of land privatisation towards large landholdings over all three stages.

### 4.2 Context: Re-privatisation of land property in 1990s

The current strong concentration of land ownership and use is the result of an era beginning with the 1991 land compensation. The legal framework for land ownership was set out in the Compensation and Cooperatives Act. The manner and duration of land privatization were determined by political intentions that also met social needs, while economic considerations were pushed into the background (Kovách, 1994). The number of beneficiaries exceeded 1,500,000, according to others to 2 million. There was not enough land to achieve the goals of compensation. Claims for compensation were submitted for 2,430 thousand hectares. 2 million hectares were privately owned and used by family farms. In the first phase of the land reprivatisation, which lasted until 1994, 340,000 claimants received land worth 27.5 million crowns. The average size of land acquired during compensation was 4.4 hectares. Two-thirds of the new owners were retired or non-agricultural occupants (Harcza *et al.*, 1998). The 1994 Land Act 1 excluded the ownership of land by legal entities and non-Hungarian citizens and maximized the size of land that could be acquired in 300 hectares. Leaders of the successor organizations of producer cooperatives, who were waiting to strengthen the larger farm size, accelerated the privatization of land and means of production still in community use and ownership from 1995 onwards in response to the passive agricultural policy of the Socialist government (1994-1998). By 1996, 94 percent of the designated lands had been auctioned. Three-quarters of the arable land was thus privatized, so that one and a half million became landowners. The amount of land transferred to family farms doubled between 1994 and 1996. Land property compensation was completed by 2000 with land registry entries and the issuance of shareholdings.

The structure of land ownership was characterized by the predominance of small estates in the 1990s. Units of less than five hectares accounted for 40 percent of the area, and farms of less than 10 hectares accounted for nearly sixty percent of all farms. As a consequence of the fragmented tenure structure, the structure of ownership and land use (hence the farm structure) is in the first two thirds of the decade, there was little overlap. The agricultural nearly two-thirds of the area was used as leased land. The larger, 50 hectares individual farms above. were also unable to gain access to more extensive land ownership, and they rented two-thirds of the land they cultivated, which significantly increased their production costs.

As a result of economic processes and political intervention, rapid land use concentration began in the second half of the 1990s, with hundreds of thousands of lands of smaller family farms being transferred to the ownership or use of larger farms (Kovács, 2007).

The structure of land use has, in essence, already shown signs of strong concentration by the time of EU accession. According to the 2007 CSO Economic Structure Survey (HCSO, 2008), farms larger than fifty hectares used eighty percent of the arable land. As a sign of concentration, the number of economic organizations has been steadily increasing, but there has also been a significant increase in land use in larger farms since the turn of the millennium. By 2007, half of the land used for individual use was cultivated on farms larger than 50 hectares. The largest lands were already in the use of economic organizations as early as the first decade of the 21st century. The number of individual farms has declined rapidly. In 1992 1395800 family farms were registered, by 2000 only 958500, by 2013 446 000 (Kovách, 2012; 2016).

In 2010, 13,830 farms, just over two and a half percent of all production units, used three-quarters of the agricultural area. 1752 farms cultivated 44 percent of the land, 2032474 hectares (Kovách, 2016). Three quarters of the agricultural area in Hungary in 2010 was 13,830 organization and family farms, i.e., just over 2.5 percent of all production units were in use. 1752 individual farms and different legal status organizations cultivated 44 percent of the land, 2,032,474 hectares. By 2013, the number of individual farms and organizations engaged in agricultural production fell from 533,940 to 453,070, but the land used decreased by only 20,895 hectares. The number of farms over fifty hectares increased to 20,206 (Kovách, 2016). The average land use per farm increased from 8.7 hectares to 9.3 (in the 1990s). The average land use per farm increased from 8.7 hectares to 9.3 (1 hectare in the early 1990s and only 2 hectares near the turn of the millennium). The cultivated land increased mainly on farms between 50 and 500 hectares (on average from 133 to 173 hectares). Farms larger than five hundred hectares although the average land use changed to a lesser extent (from 1387 hectares decreased to 1347), but in 2013 a total of 1,656,168 hectares, all land was 34 percent of the cultivation of this 1229 economic organizations (Kovách, 2016).

It seemed that the period after 2004, till 2010 brought a consolidation in land use, and after clear and rapid concentration farmers will enter a different development pathway: using the different subsidies and projects to intensify and diversify their farm holding. As we will show in the following the processes described by Kovács (2017) and her co-authors (Csurgó *et al.*, 2019), that after 2004, the EU accession, there was a consolidation, and stabilization of the Hungarian agriculture, proved to be false (Gonda, 2019). In the following we present the main dynamics influencing Hungarian agriculture in the last 10 years. These processes are not much

different from the earlier ones, but there are no signs of the consolidation, and certain interviewees; experts and farmers, but also news (Szabó and Szlavkovits, 2021), suggest that further concentration of the land use, and the stronger integration (Kelemen and Megyesi, 2007) of agriculture production will take place in the next 5-10 years. There are three main processes influencing this coming period: recent land-privatisation ('Land for farmers' program, the distribution of undivided property among the owners, and the policy processes around and the implementation of the new Common Agricultural Policy in Hungary. In the followings we discuss in details the first two, as our interviewees had information only about those.

We conducted eight interviews to reveal the recent land use patterns in Hungary; most of the interviewees were from our Eastern-Hungarian case study area, but the experts had a good overview of the whole country. We conducted five expert interviews: with members of civic organizations, with representatives of an advocacy society, with a representative of a local government and with scholars from a university. We also conducted interviews with farmers to present their ideas about land use patterns of present-day Hungary, and to better understand their views about the future.

### 4.3 Narrative of the case: The 'Land for farmers' programme and the Undivided property land policy

#### 4.3.1 'Land for farmers' programme 2015-2016

The governing coalition, which has been in power since 2010, has identified increasing the land of individual farms and reducing concentration as its most important strategic goals. CXXII. On the turnover of agricultural and forestry land in 2013. Act CCXII of 2013. Act introduced a new land regulation, one of the basic objectives of which is to reduce the concentration of land use. The government report sets out the purpose of the new regulation below:

*"The indirect, long-term goal of the regulation is that by gradually reducing large holdings, 80 percent of Hungarian arable land should be cultivated on small and medium-sized, mainly local family commodity farms, in accordance with the principle of public land use, promoting rational and sustainable land use and farmers' self-organization. " (Report No B / 3566 on the situation of the agricultural economy in 2013, 2015, p. 79)*

The Ministry has shown signs of strengthening family farms and market orientation in the shifts in the structure of agriculture between 2010 and 2013. The 2013 government report highlights that the average size of land used by individual farms increased by 20 per cent by 2013, as a result of the rapid decline in the number of farms and the unchanged size of agricultural land. The report justifies the vision of strengthening small and medium-sized farms by reducing the number of farms with less than one hectare and farms with more than 500 hectares. The number of the smallest farms actually decreased by almost 82,000 between 2010 and 2013, but the land area is only 32,000 hectares smaller than the group of farms under 5 hectares. The report highlighted a 20,000 increase in the average size of land used by

individual farms, but no justification was found in the published data. The number of farms in the 10-500-hectare land category considered viable increased by 1505 (3.4%) and the utilized land by 93-410 hectares (4.8%) during the reference period. These data do not in any way reflect the particularly dynamic strengthening of economies considered to be of viable size.

The average area used by individual farms between 10 and 500 hectares averaged 44 hectares in 2010 and 45 hectares in 2013, so practically nothing has changed, but the average land area for all individual farms - 4.6 hectares in 2010 and 5.5 hectares in 2013 - do not indicate a 20 percent increase.

***The concentration of land use.*** The average size of land used by private individuals was 9.5 hectares in 2009 and 7.1 hectares in 2014. The substantial strengthening of individual economies is questionable for two additional reasons. The CSO anticipates the mass disappearance of the smallest farms. However, the methodological problem of determining farm size was also a source of significant uncertainty in the interpretation of land use concentration. Due to the possibility of defining a farm size, it is a “sliding” category that can exclude tens of thousands of production units from the calculation of averages as well as from other calculations used for comparisons.

A significant source of land use concentration is the leasing of state-owned land and the privatization launched in 2015. The assets of the National Land Fund included 1,907,000 hectares in 2009, which decreased to 1,796,000 hectares by 2013. 17 percent of state-owned land, 305,744 hectares, was leased in 2013. Leases have long been the subject of intense public attention and loud criticism for the selection of beneficiaries. Farms with more than 100 hectares received four times as much land lease as smaller farms, and half of the leased land went to non-local farms (Ángyán, 2014). The tenants acquired 41 per cent of the state estates through tenders, and the other 59 per cent were awarded a contract of employment without a tender. An applicant was granted the right to use an average of six holdings (Ángyán, 2012; 2014). According to the National Land Fund statement, an average of 47 hectares per contract which does not contradict the arguments of those criticizing the favour of larger economies. 83 percent of leases were as of September 1, 2010. concluded before. The average leased land per contract is 80 hectares. In 2010 18 hectares of average land will be allocated to contracts after. This data also prove that the lease system certainly did not weaken land use concentration.

Under the ‘**Land for Farmers**’ programme, the government started selling 360-380 thousand hectares in 2015. The political goal of the program was to strengthen family farms and provide them with land. Around 300,000 hectares of arable land are sold at auctions. Land of less than three hectares (60-80,000 hectares) is sold without auctions. 380,000 hectares are 5 to 7 percent of agricultural land, the redistribution of which would not significantly change land use concentration even if only smallholder family farms purchased land. The first auction of 170,000 to 180,000 hectares took place by the end of January 2016. HVG provided data on the largest buyers, which I supplemented with data on the size of the pre-bid lands of the largest winners in the VS magazine and the SAPS list. It was not always possible to find out how much land was used by the largest land buyers in the auctions before the current bids, but the trend is still clear. In the first round of the sale of state lands, those who used to use larger areas of land were able to spend many millions of forints on land purchases. The

winners include both family farmers and economic organizations. The VS online magazine collected information on the three largest winners by county (Szabó *et al.*, 2016). Four-fifths of the 57 winners bought more than 200 hectares of land, with the smallest land acquired being 80 hectares. The winners include members of the local political elite, agricultural entrepreneurs and farmers from the west to Hungary.

Our interviews enforce the empirical data collected by journalist and the statistics. Almost all of the interviewed farmers and the representative of the civic organization had the impression that the analysed programme (Land for the Farmers) favoured large-scale agricultural holdings.

*“In our village the agricultural company, the former state farm bought up 95% of the land offered for family farms. I don’t know how did they organize it, but the new owners are all linked somehow to this family. Although local medium size farmers were waiting for this opportunity and aimed at buying land, they could not compete with this company. They are disappointed and frustrated now.” (local government, female, 43)*

Farmers were telling almost endlessly the different cases when the new owners arrived from outside the local community; an almost mythological representative of the new landowner is the “lawyer from Budapest”, who has a lot of money, and who does not need to farm in fact, just mow the grassland and ask for the subsidies. In these cases, local farmers have to sell their animals, or buy the hay, but still does not have the right to graze the herd.

In several cases the land, arable lands and pastures were sold together with the renter, but later the rent was increased so that the farmer could not pay it and had to give back the parcel.

*“Of course, the new owner had to keep the contract, but it was allowed to them to ask for a higher renting fee, if there is a reason for it. We can go to the court, but despite it we have to pay the higher fee, which we cannot. The new owner is not interested in renting the land, it is much better to ask for the subsidies, and not to labour with the animals.” (farmer 35, male)*

Farmers, but also experts see these processes unfavourable; they assume that it will lead to the decrease of small-scale farm, which further restricts local living possibilities, deteriorates local circumstances, local communities and results further population loss.

#### 4.3.2 Undivided property land. Under implementation (2018-)

Interviewees see the settlement of undivided properties less sensitive issue, although it concerns even more land. The government decided to name the undivided property land and transfer it to individual ownership, affecting 970,000 hectares, 64,000 plots of land and more than 300,000 owners. On average, there is little land available to an owner, but land that becomes marketable through transfer can quickly reach capital-intensive and possibly even bigger local farmers with positions in local politics. The regulation covers the division of agricultural and forestry land, regardless of the title on which the joint property was created, however, if the property contains other sub-parts, except for the removed road, removed ditch and removed sewer sub-parts, it cannot be divided in this way. The land registered as a homestead, as well as the enclosed garden, are not covered by the law if the entire area of

the land plot - based on its actual use - is not considered to be utilized for agriculture and forestry.

The focus of the procedure (launched in 2020) is the agreement of the co-owners, the division can only be based on the agreement of the co-owners, the validity of the agreement requires the decision of a simple majority of the co-owners (50% + 1). As the agreement applies to all co-owners, a number of guarantee rules have been incorporated to protect minority co-owners. Such a guarantee rule is, among other things, notifying the co-owners in a certified manner at the beginning of the division process, and after announcing the division, the real estate authority publishes a notice on the government portal so that anyone can access the current list of properties affected by the division. The minority shall also be protected by the provision that during the division no owner may receive a property of less than the value calculated on the basis of the cadastral net income of the land in gold crown value (see for an explanation of this gold crown system: Tógyer, 2012) on the basis of his share of the property on which the division is based, unless expressly agrees.

When drafting an agreement, the co-owners must take into account the stipulation that the jointly owned property may not be formed as a result of the division, unless the co-owners concerned expressly agree to it. A requirement to be kept in mind during the settlement is that the new properties to be developed as a result of the settlement must be suitable for the intended agricultural and forestry cultivation. The co-owners may provide in the agreement for the development of a road to approach the new properties created as a result of the division, but in this case, they must also settle the issue of the ownership of the road. If no path is established, the agreement shall provide for the establishment of a right of servitude to ensure access to the real estate created.

With the aim of preventing the fragmentation of the property, the so-called area minimums have been established, for which a smaller plot of land cannot be formed during the division, so in the case of vineyards, gardens, orchards, reeds the minimum land area is 3000 square meters, in the case of arable land, meadows, pastures, forests and wooded areas 10000 square meters (1 hectare), and in the case of real estate classified as enclosed garden land, 1,500 square meters. For properties with mixed cultivation, smaller area minima must be taken into account.

According to the law, this is the case when the territorial minimum alone does not reach the property to be divided. For properties that do not reach the territorial minima, there is no room for subdivision, but the property becomes the property of a single co-owner, i.e., this potential co-owner can initiate the ingestion of the other's share of ownership. co-owners. If multiple co-owners wish to occupy the entire land, the landowner appears to be the largest co-owner, in the case of multiple equal uses, the larger owners have a stake in the property, and this equality is the right of the youngest co-owner.

In the case of real estate with a small area and a large number of co-owners, it can happen that the real estate that can be created on the basis of the existing ownership share of one or more co-owners does not reach the specified territorial minimum, either independently or jointly with acquisition or exchange, in which case the agreement shall provide for the addition of ownership shares that do not reach the territorial minimum to the ownership share of

another co-owner (incorporation). If several co-owners indicate their intention to be included, the part of the property that does not reach the territorial minimum may be ingested by the co-owner who undertakes to pay the highest consideration. If no co-owner wishes to absorb the given share of ownership, the co-owner initiating the division is obliged to do so. The acquiring co-owner shall pay in return an amount at least equal to the value of the property as determined in the valuation offer in accordance with the Implementing Regulation. If one of the co-owners concerned does not agree with the estimated amount, he or she will have the opportunity to have a new valuation expert opinion with a forensic expert. Payment of the consideration to a co-owner who does not participate in the settlement decision shall be placed in a court deposit.

In addition to regulating the new division procedure, the law also attempts to eliminate a problem that dates back decades, i.e., to identify persons registered as owners of real estate whose land is incomplete. In such cases, the law prescribes mandatory data disclosure, data reconciliation and, if successful, data adjustment for the real estate authority ex officio. If the data discovery does not lead to results, the real estate authority will try to find out the identity of the owner through a notice. If the owner cannot be identified on the basis of the data disclosure procedures, or in the case of the given property the person registered as the owner is older than 120 years, but the fact of his death has not become known in any way, the real estate authority determines ex officio that the owner is unidentifiable unordered. In these cases, the properties in question become the property of the state by operation of law.

As this issue is less sensitive, interviewees talked less about it. They see it as a necessary task to avoid further fragmentation of the land, and also hope that this way they can gain some till unused land. In several cases undivided properties are not only impossible to sell, but also impossible to rent. It is also difficult or impossible to get subsidies for these parcels.

#### 4.4 Politics and access to land

Getting undivided common property lands that cover a large area to a real owner is very complicated, often in an opaque way, as reported by a young farmer as follows.

*“Those who asked for the allocation of undivided joint property land, lands were given to them, and there are those who did not apply for, I do not know, until the two thousand and fifteen years, 2013 or 2014, and they were returned to an undivided joint property. Respectively, those who did not ask or did not agree to the allocation, they were also placed in an undivided joint land property, and then in the next few years it will be settled, or those who remained in an undivided joint land, now came a new amendment to the law, I think. its abolition will then take place in such a way that the undivided joint land who has the largest share may offer to the smaller ones that he will then take these lands. That is, it triggers the little ones out of this area. So why do we have such land, which we are so in, now we are perhaps the biggest in it, and we would also like to see if, when it comes to it, we try to bribe the land even from those who are willing to sell it to us these lands.*

*We were here, let's say, we have a ten-hectare plot, and these ten hectares are worth, say, a hundred gold crowns (this is the value of land in Hungary). And let us say we had*

*thirty-five gold crowns in it, another farmer had five gold crowns in it. The next farmer again had about forty gold crowns in it, and then the lands were divided in proportion to gold crowns, and it is no longer listed as a gold crown, but as a hectare hereafter.*

*So as such a proportion as the golden crown had to them, they now received the lands in such a proportion. Respectively, it was a bit more complicated, because there were two ways to measure the undivided common land property. There was one, the area ratio survey, this can come about if the land, all the owners in the area, agree to measure the land based on area. Here it goes like we talked about before, let's say we have a ten-acre land with a hundred gold crowns, there it means that ten gold crowns are one hectare, and then let's say, out of the thirty-five gold crowns, the one who had so much share in it got three and a half acres. But there is another, the general allocation. The way that there is a drawing by soil type is from the board that there are soil types SZ1, SZ2, SZ3, SZ4. It's tailored to the SZ1, let's say 25 gold crowns is the part in there, the SZ2 is only 18 and then that's how they go down. A higher number means a lower gold crown value. And thus, the one who belongs to SZ1 gets the least land, because there is a higher value of a crown, and the better we go out, the more land the owner gets proportionally, the more land the owner gets, because the quality of those land classes is much worse, thus you get more land for so many units of gold crown.”*  
(farmer, 31 years old, male)

Political intervention has been strong and decisive at all stages of land use concentration. Power decisions on land were not made in the ministry. The loss of influence of the Ministry of Agriculture can also be seen in the state and local decisions related to land. In the first phase of land use concentration, the intervention of the new power elite through compensation, privatization, and cooperative laws yielded mixed results. They aimed to re-privatize collectivized land, but as early as 1993, many hundreds of thousands of smallholders and parts of property were transferred to new owners due to inconsistencies, mistakes, and lack of state protection for new smallholders. The privatization of some state-owned farms and surviving cooperatives took place through direct political intervention. Representatives of large estates and large agricultural organizations have played an important role in managing EU agricultural accession and gaining positions in local government institutions, as well as direct intervention in regulating the distribution of EU subsidies and renewing long-term leases of state-owned land for several decades. Liberalized agricultural market, credit and land ownership regulations have further strengthened and increased concentration. After 2010, there was no land left to be privatized with state intervention to strengthen family farms and large-scale clientele. The termination of long-term leases to public lands was not expedient, so the sale and redistribution of that nearly four hundred thousand hectares was the appropriate means of creating a sale and very favourable credit conditions.

Our interviewees agree that without changes in the current land use and agricultural policies it is almost impossible for newcomers or new entrants to start farming. There is one exception: intensive horticulture, which requires very few lands, although it still needs a considerable investment at the beginning. The necessary knowledge can derive from education, and also market relations can be built gradually according to experts and farmers.



The case of arable crops and animal husbandry is completely different. Usually free, investible capital is not enough to start a farm business, because there is almost no free, available land in Hungary, and as we presented the different initiatives to provide free land are not or hardly accessible even for medium size farmers. If an elderly farmer decides to retire without an heir, most probably a bigger farm will buy up the property.

According to our interviewees land hunger has two main reasons: the subsidies arriving from the CAP and the flourishing market of the agricultural products. Without regulating the financially strong players of agricultural production, the integrator companies, which provide input material and buy-up the products, it is difficult or almost impossible to open up possibilities for newcomers, new entrants but maybe even for medium size farms.

## 4.5 Conclusion

The concentration of land use structure became significant after the Land Compensation and Cooperatives Act from the early 1990s to accession to the European Union in 2004, both historically and internationally. The extreme size of the concentration is characterized by the fact that a third of the largest 1,300 farms use one third of the agricultural land and that the 8,700 largest farms cultivate two-thirds of the land. The concentration of land use and land ownership is a consequence of the legal settlement and implementation of land compensation, the rapid, the radical reduction of agricultural subsidies, and a series of policy interventions. The sale of state-owned land after 2010 and the political program for the allocation of land to individual farms, as well as the abolition of undivided common property from 2018, have not significantly changed the overwhelming predominance of large farms.

The number of land users is falling radically. Three decades earlier, 1.5 million families were involved in some form of farming, while by 2016, one million had stopped farming. One of the causes of rural poverty is found in this change. The structure of agricultural society is highly polarized. In agricultural society, there are four social strata: self-sufficient and mini-farms on less than five hectares, owners of small and medium-sized farms, large landowners, and finally groups of agricultural workers. The number of producers producing primarily for their own consumption is declining very rapidly due to concentration, aging, lifestyle changes and poverty, but they still make up a mass of three hundred thousand. The literature attributes a dual function to self-sufficiency: on the one hand, it is motivated by the traditional survival strategy of the poor and lower middle classes, and on the other hand, by the growing demand for natural resources and lifestyle change efforts of the upper classes. The production of small and especially medium-sized farms has shifted from traditional mixed product acquisition to specialized farming. Even half of the farms under 10 hectares specialize in crop production.

The majority of farmers belong to the older age group, which may also mean further continuation of specialization. Younger producers farm on a larger area and have completely abandoned traditional forms of production. There is a significant correlation between the educational level of individual farmers and the size of the land used (Kovách, 2016). 43% of farmers over 200 hectares have a tertiary education, and one third of farmers between 100 and 200 hectares have a degree. Among farmers with an area of more than 100 hectares, there is not only a basic education. Uneducated or low-skilled farmers are slowly disappearing from the middle ground of agricultural production. Farmers of 200-500 hectares or more are

owners of significant assets, and are dominant actors in local societies due to their economic and power networks and prestige. The owners of the largest estates, up to two thousand, collectively own more land than the aristocrats of the first half of the 20th century.

Three groups implemented the highest rates of land use concentration in thirty years. Some of the top and middle managers of agricultural cooperatives and state farms played a key role in unifying, privatizing, and modernizing the lands of large farms. They make up two-thirds of the largest owners. The second group, around 20 percent, includes those who started out as sole proprietors who bought or leased some of their land in the 1990s and then used this capital to engage in larger, state-controlled land privatizations. The third, smallest group in terms of staff includes external investors, political clients, local political leaders and the local oligarchy, as well as large foreign-born entrepreneurs.

For the RURALIZATION project case studies of successors and new entrants<sup>7</sup> show that young people cannot enter agriculture without inheriting land and financial and knowledge capital, as, for example, the price of arable land has risen slightly more than two and a half times, the price of leased land doubled between 2008 and 2016. Young farmers receive support from Hungarian state and EU funds, the amount of which, however, is enough to buy 6 hectares at an average price, and the conditions of its use are not an incentive either.

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<sup>7</sup> The case study reports will become available as *D5.2 30 case studies on rural newcomers, new entrants to farming and successors* at [www.RURALIZATION.eu](http://www.RURALIZATION.eu).