

LAND MARKET DEVELOPMENT IN THE CZECH REPUBLIC

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ABSTRACT

Land market in the Czech Republic is monitored by Research Institute of Agricultural Economics on the sample of 24 districts (1/3 of the CR). Land prices depend on the area, culture and region of the plot. Sales of small plots (up to 1 ha) prevail. These plots are usually purchased for non-agricultural use and their prices are many times higher than prices of large plots (above 5 ha) which are usually bought for agricultural purpose. Land market is not well developed, only 0.2 - 0.4 % of monitored area are sold each year. But in the last years it is increasing.

KEY WORDS:

land market, land price, area of the plots, land culture

INTRODUCTION AND METHODS

Land market has been monitored by Research Institute of Agricultural Economics (RIAE) since 1993. It is observed on the sample of 24 districts (NUTS4). Thus, from the total amount of 77 districts it is monitored about 1/3 of agricultural land in the Czech Republic. At the Cadastral Offices of the chosen districts single sales of the land are written out from the sale contracts to paper form. Then the data are re-written to the electronic form and sent to our research institute. There, the data are checked up and added to the database from the last years. The database since 1993 contains about 77 thousands of sales of agricultural land. Then there are counted market prices of the land according to various criterions: especially land area of the plot, culture and region of the plot.

RESULTS

Land prices according to land area of the marketed plots

The highest price has small plots under 1 hectare. Majority of these plots is bought for non-agricultural usage. They are usually use like building plots. Price of small plots has risen from 27 CZK (less than 1 EUR) per square metre in 1993 to 127 CZK (more than 4 EUR) in 2004. Larger plots sized 1-5 hectares are purchased from 45-60 % for non-agricultural use as well. Price of these plots slightly varies around its average (15 CZK) during the period but it does not show strong growth or fall.

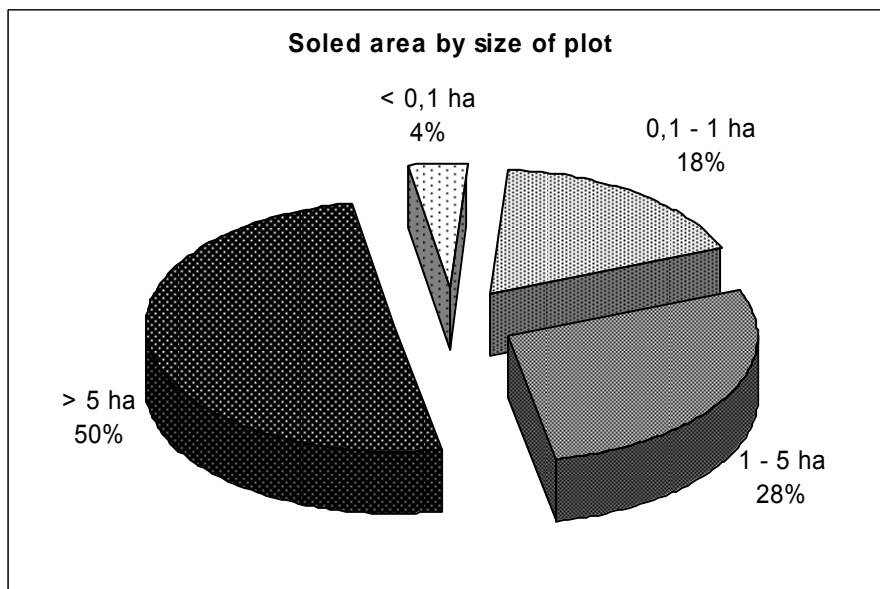
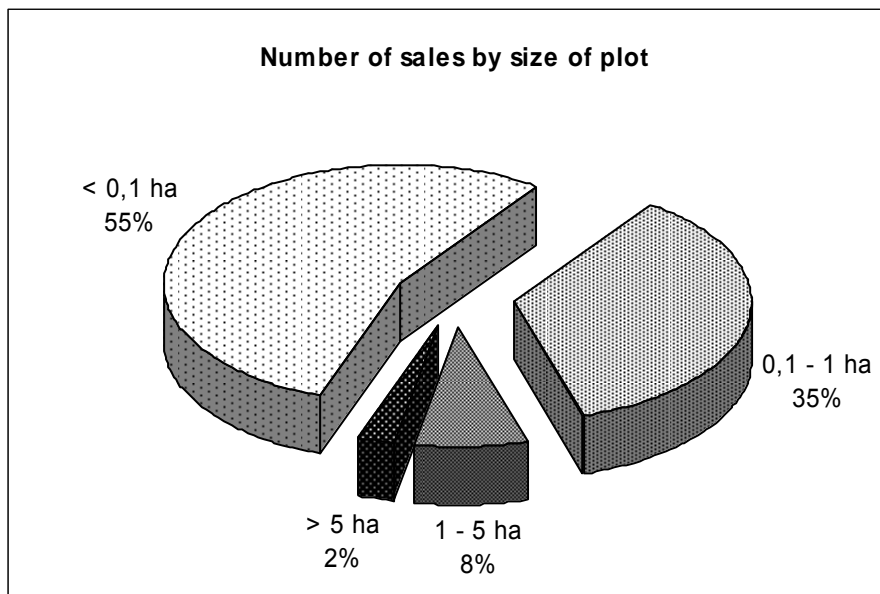
From agricultural point of view the most important are large plots over 5 hectares. These plots are usually bought for agricultural use. Price of these plots is very low, mostly lower than the official price. Official price of agricultural land results from the soil productivity and its national average is 5.24 CZK/m². It is calculated by Ministry of Finance and it is used for example for taxes and land consolidation purposes.

Market prices of agricultural land according to size of plots (CZK/m²)

Area of plots	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1993 - 2003
Up to 1 ha	27,50	34,69	54,43	44,52	124,94	101,94	79,45	92,61	108,78	99,26	114,32	82,94
1 - 5 ha	12,96	16,15	14,09	15,25	14,64	17,42	9,60	13,54	20,01	13,73	14,17	14,64
Above 5 ha	3,68	3,79	4,66	3,71	6,53	4,10	6,57	4,99	5,69	3,45	3,42	4,59
Average	13,48	16,47	19,60	18,26	28,01	31,84	25,42	27,41	34,55	21,68	23,18	24,36

Source: RIAE survey

When we compare number of sales with sold area according to size of the plots, we will see that although small plots up to 0.1 hectare comprise 55 % of all sales, total sold area is only 4 %. On the other hand number of large plots comprises only 2 % of sales but the sold area 50 % of totally soled agricultural land.



Source: RIAE survey

Land prices according to culture

There are considerable differences among prices of single cultures. The most expensive are gardens with average price of 84.53 CZK/m² (nearly 3 EUR), followed by orchard with

average price of 59.62 CZK/m². On the other hand very low are prices of permanent grassland and hop-garden (9.50 CZK/m²). In general we can say that with increasing size of the plot the prices fall. The most frequently sold culture is arable land which comprises about 40 % of all sales. The second most selling culture is permanent grassland. Meadows and pastures comprise nearly a quarter of all sales.

Market prices of land cultures by size of plots in 1993-2003 (CZK/m²)

Land culture		Size of plots (ha)							Total	
		< 0,10	0,10 - 0,25	0,25 - 0,50	0,5 - 1,0	1,0 - 2,0	2,0 - 5,0	5,0 - 10,0		> 10,0
Market prices of land cultures (CZK/m ²)	arable land	226,04	137,44	68,40	72,83	23,26	18,51	8,03	5,27	31,42
	hop-garden	5,60	21,22	100,06	6,19	8,65	8,75	11,70	4,50	9,49
	vineyard	16,60	66,17	24,00	7,84	5,87	.	.	.	25,87
	garden	125,54	114,74	55,65	39,57	19,15	16,83	15,61	9,40	84,53
	orchard	117,87	101,78	62,98	53,36	47,90	11,92	3,80	.	59,62
	grassland	54,67	45,78	33,00	16,22	7,68	4,91	2,51	2,66	9,56
	wholes	110,56	71,96	35,50	26,14	12,24	7,45	3,58	3,07	7,66
	agricultural land	147,10	107,64	54,91	51,91	17,93	12,74	5,37	4,22	24,36
	forest	83,16	48,31	25,05	14,12	9,58	8,86	8,90	10,25	11,26
Share of sale (%)	number of sales	53,36	20,12	8,67	6,81	4,76	3,78	1,46	1,04	100,00
	sold area	3,61	4,81	4,79	7,58	10,52	18,14	16,10	34,46	100,00

Source: RIAE survey

Land prices according to region

Level of land market price is also dependent on locality of the plot in the Czech Republic. Therefore market prices were counted for Less Favoured Areas (LFA) as they are delimited in Horizontal Rural Development Plan¹. Graphs show that prices in mountain areas are much lower than prices in non-LFA (N), production areas in all size categories.

Market prices are also much higher in environs of big cities (Prague) than in the countryside.

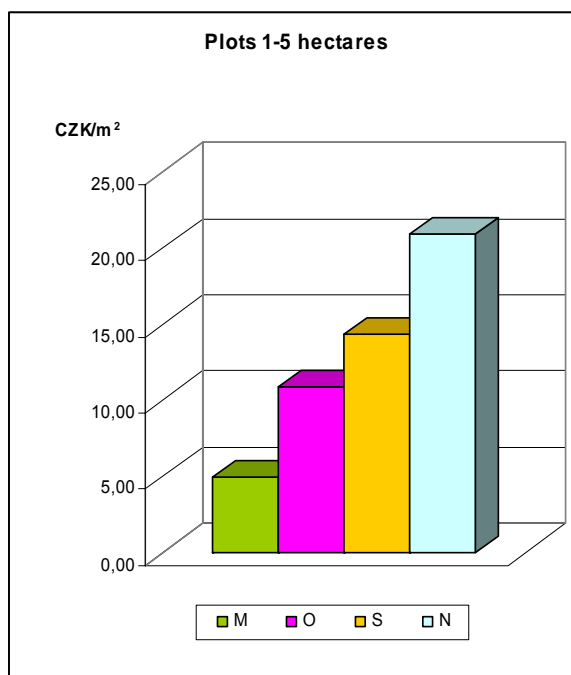
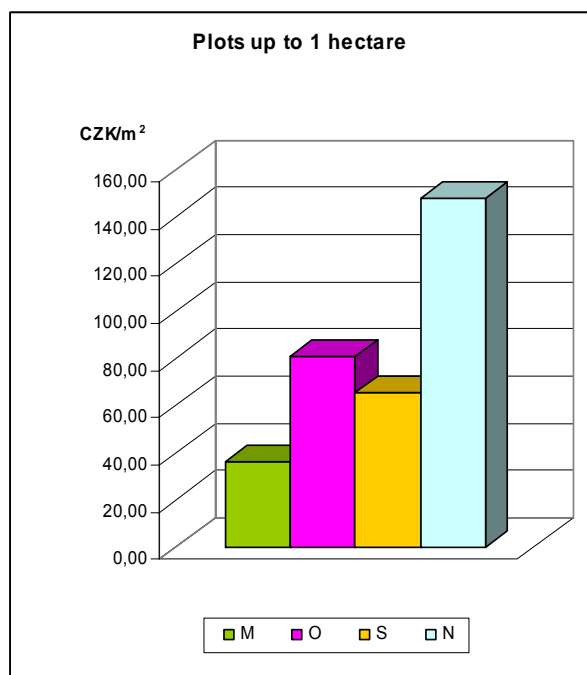
¹ Mountain areas (M) are areas following these criteria:

- average altitude not less than 600 metres above sea level or
- average altitude not less than 500 metres combined with a slope of more than 7° (12.3%) over an area greater than 50% of the agricultural land

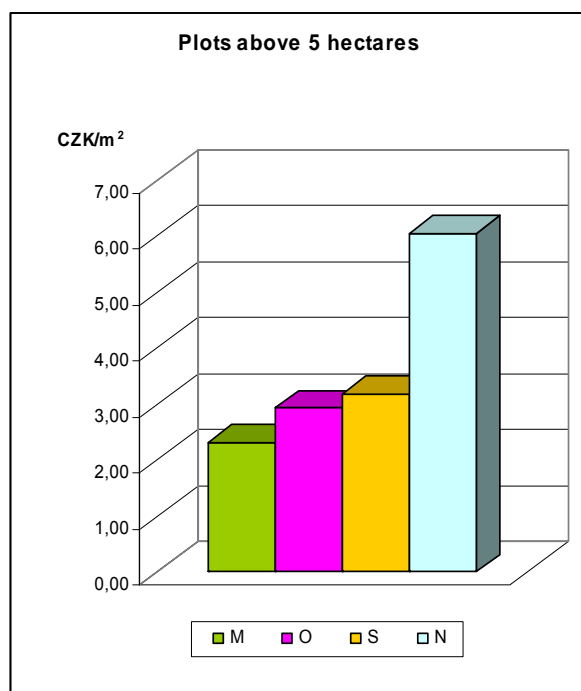
Other less-favoured areas (O) are areas with

- average productivity of agricultural land lower than 34 points (80% of the CR average),
- population density lower than 75 persons per km²,
- workforce in agriculture, forestry and fisheries accounting for more than 8% of economically active population

Areas affected by specific handicaps (S) are areas in foothill regions in the Northwest and East of the Czech Republic, with average land productivity lower than 34 points.



Source: RIAE survey



Source: RIAE survey

Czech agriculture is not profitable, that is the reason why farmers have not got effort and money to own land they cultivate. About 95 % of agricultural land is rented. Rent prices depend on production potential of the land but they are quite low; the average amounts 1.5 % of official price of agricultural land per year.

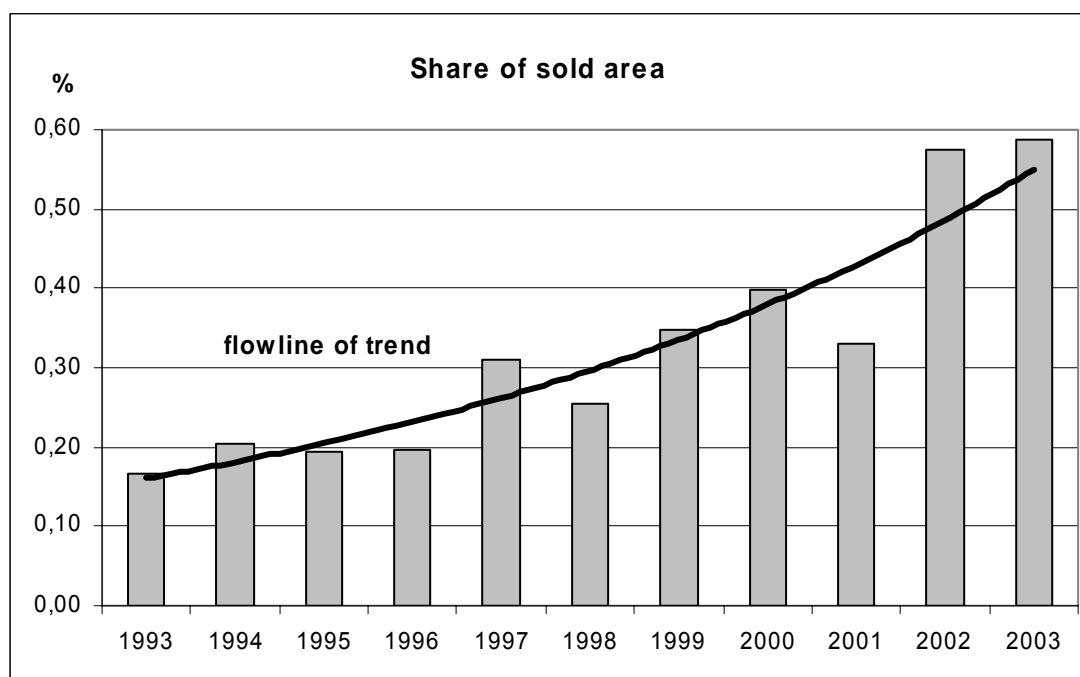


Average rent prices according to production areas (CZK/ha)

Production Area	Individual Persons			Legal Entities		
	2002	2003	year index	2002	2003	year index
Maize	1 494	1 485	0,99	926	1 089	1,18
Sugar beet	1 295	1 278	0,99	892	1 054	1,18
Potatoe	552	572	1,04	463	404	0,87
Potatoe-Oat	401	496	1,24	294	343	1,17
Mountain	315	366	1,16	217	187	0,86
CR in total	886	875	0,99	590	660	1,12

Source: FADN survey

In general land market in the Czech Republic is not well developed, only 0.2 - 0.4 % of monitored area were sold each year until 2001. But during last years it is developing, among others because of selling of state land.



Source: RIAE survey

CONCLUSION

- Predominantly small plots for non-agricultural use are sold; their price is many times higher than official price of agricultural land.
- Average market price of plots above 5 hectares which are purchased usually for agricultural use is a bit lower than official land price.
- Land market price depends on locality of purchased plot. Land in environs of big cities and in better natural conditions is more expensive.
- Farmers usually do not own land they cultivate, 95 % of agricultural land is rented
- Land market is slowly developing because of sale of the state land

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