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CHANGES IN THE AGRICULTURAL LAND MARKET AND AGRARIAN STRUCTURE OF INDIVIDUAL FARMS IN POLAND

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ABSTRACT. The study is aimed at the analysis of the situation in the agricultural land market in Poland, including the identification and description of factors affecting the turnover and rules governing trade in agricultural land and the influence of the Agricultural Property Agency on the supply and demand relationships in trade in agricultural land. Analysis allows to draw the conclusion that the situation on agricultural market as well as Common Agricultural Policy motivate economically strong farms to strengthen their position on the agricultural market, and to extend the area of their land. So far the main effect of this situation is progressing polarization of area structure of individual farms, what is represented by a greater share of units of relatively small and big land acreage

JEL Classification Q15, R52, P32.

Keywords: land market, land prices, agrarian structure, Agricultural Property Agency, Poland

Introduction

In agricultural production land is resource (factor) of the greatest significance since as opposed to other resources used in agriculture it does not undergo the process of dislocation and enhancement (Woś 1998b). Apart from that due to the growth of the non-agricultural sectors (especially construction industry) and the development of infrastructure, the process of excluding the land from the agricultural use has accelerated (Sikorska 2008b). As a consequence the acreage of land for the agricultural use is being limited gradually. In 2005 the area of agricultural land per capita was 0.42 ha, while in 1970 it was 0.60 ha (Statistical Yearbook 2006).

The economic growth is accompanied by the process of substituting particular factors of the agricultural production with the most important being substituting the land with the workload, the capital in particular (Johnson 2002) As a result the impact and the importance of the utilised agricultural land in determining the economic results of particular farms is changing (Woś 1998a), and the role of the land as environment and the area of agricultural production becomes increases as opposed to its role as a production factor (Woś 2001). Nevertheless, in Polish farming, and especially from the perspective of individual farmers the area of the utilised agricultural land still determines the quantity of the agricultural production as well as the income from the agricultural activity (Zegar 2000).

It results mostly from the traditional production technologies still used in most agricultural holdings as well as from the scattered agrarian structure in individual farming, which is invariably the dominant organisation form in the agricultural production in Poland. Hence, to improve the competitiveness of this sector, the process of restructuring should be based on the concentration of production (Zegar 1991) and the agricultural land (Frohberg 2000).

Trends on land market in Poland

Polish membership in the European Union brought significant changes in conditions of agricultural land trade, which resulted in strong impact of demand-supply inequality on agricultural property trade and there were more those willing to buy land than those inclined to sell it. In the period preceding the accession, the perspective of introducing the principles of Common Agricultural Policy (CAP), and in particular the expectation of launching direct subsidies contributed to the stagnation on the agricultural land market, with potential land sellers waiting for the approaching changes in agricultural policy and expected rise in land prices. In 2003 the number of purchase-sale transaction was by almost 6% lower than in 2002.

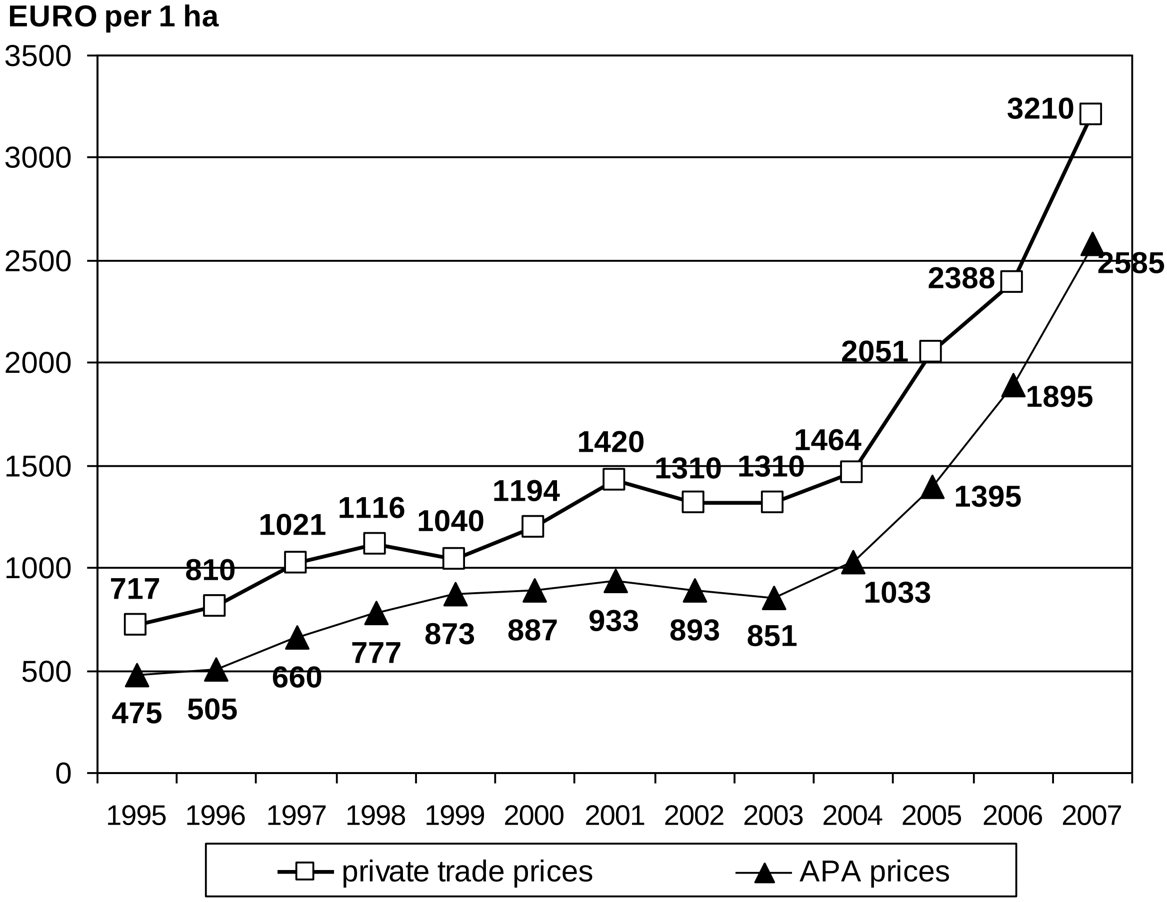
Since Poland joined the EU, that is from 2004, the agricultural market has revived compared to the previous period. What reflected that were the growing prices of land, which went up for over 83% in the whole period following the access to the EU. It resulted from the fact that the supply of agricultural land for sale was less than the growing demand for land. Among the reasons of such situation, one that should be mentioned was the changes in the agricultural policy and the improvement of trends in agriculture. The benefits concerning the so called economics of range strengthened largely, which motivated the farmers to extend their agricultural holdings.

Another motivating factor for possessing the land was a profitable capital investment, particularly when the prices of the agricultural land were growing faster than the interest rates of the bank investments. This factor not only strengthened the demand for the land but also impeded the increase of the land supply for sale. Even if the main source of income of the agricultural property owner was a non-agricultural income, the holding was not liquidated but at the most its area was reduced. It is largely connected to the non-income functions of the land property, which secures the living of many families in case of loosing the job in the non-agricultural environment.

The growth of prices was significant already in the first year following the accession to the EU when the prices of properties grew by 24%. Subsequently, between 2005 and 2006 weakening of the trends occurred and the average value of agricultural lands grew by less than 13%. In this respect the year 2007 was record-breaking when the agricultural land grew in price by 31%. Equal growth of prices was recorded in the first half of 2008 (Sikorska 2008b). Such tendencies were reflected not only in the prices in trade between the farmers but also in the sales prices of the land sold by Agricultural Property Agency (APA). The tendencies influencing the prices of land on the private market were almost identical to those on the national market (Figure 1).

The prices of land sold to the neighbours as well as those from the national supplies have been growing practically from the beginning of the privatisation process. Large inflation mitigated the nominal growth of the prices of land over the first few years (between 1992 and 1999 the inflation dropped from 43.0 to 7.3%). Between 1999 and 2003 a stabilisation of prices could be observed and in the period of 2004-2007 the prices rapidly grew up with the inflation of less than 9.4%.

Figure 1: Average sale prices of agricultural land applied by the Agricultural Property Agency (APA) and in the trade among farmers in the years 1992-2006 (in euro for 1 ha)



Source: on the basis of the Central Statistical Office and APA data

However, the dynamism of the price growth in national holdings was more intense as in 2007 the average price per 1 ha almost doubled from 2004. (9,773 PLN as opposed to 4,682 PLN). At the same time, the average price of 1 ha on private market increased from 6,634 to 12,134 PLN so by nearly 83%. Despite the irregularities, the discrepancy between the average prices in APA and those in the transactions between the the farmers (higher prices were observed on the private market). However, the two markets are getting more unified in terms of prices. For instance, the prices of land in the transactions between neighbours in 1992 were 138% higher than on the national market; in 1999 the difference was 44%, and in 2007 only 24%.

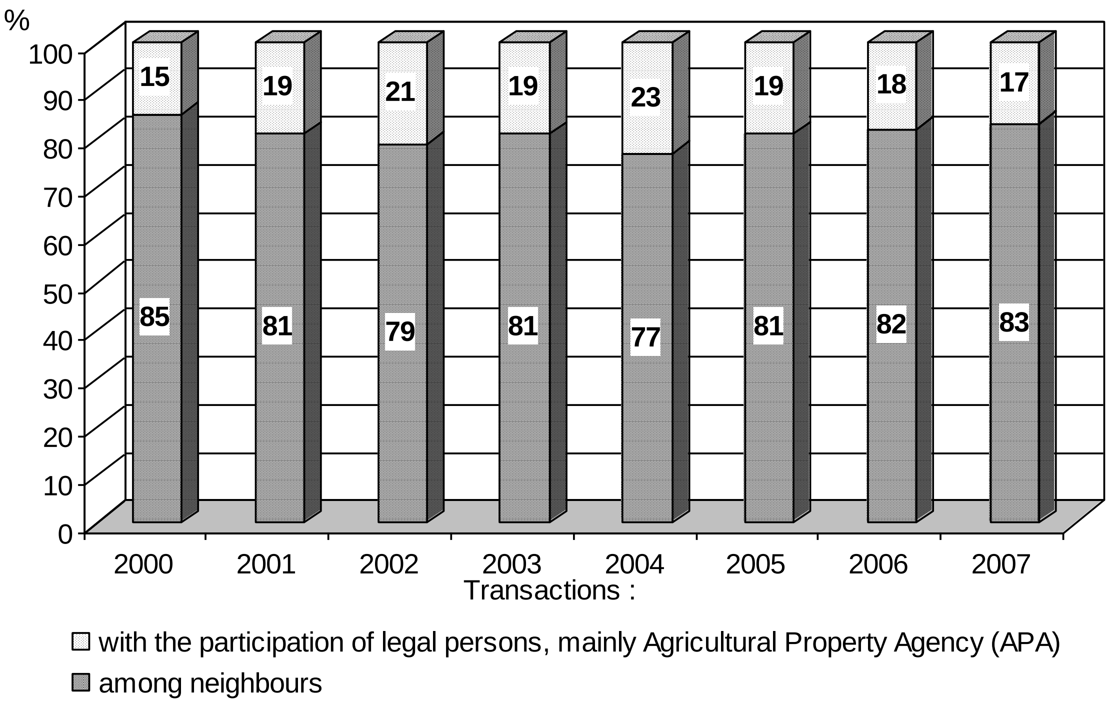
What should be emphasised is the fact that the agricultural areas of the low bonitation class[1] showed the greatest price increase. Double increase in the prices of the lower class land than the best quality land reflects the significance of the non-agricultural motivation on buying the land. The demand for land is influenced by the assumed profits under the property right (capital-related benefits, possibility of receiving the afforestation funds). It doesn't change the fact that the distance between the value of the good quality land and that of lower quality was still quite considerable and on average the price of the higher quality areas (I and II bonitation class) were by 2/3 higher than the lower quality ones (V and VI class).

[1] In relation to 2006, the low bonitation class soil grew in price by 33% in 2007, while the high-quality by 26% [Sikorska 2008a]. In comparison to 2003, the price of the soil in the lowest bonitation class was higher by 20%, and the highest quality soil by 14% [Sikorska 2005].

Rising prices on the market of agricultural land and improvement of the situation on the market resulted in increasing the interest in selling lands. Already in 2005 some revival in trading the agricultural properties occurred[2]. During next years this trend significantly strengthened. In total, in 2007 general number of deeds concerning sale- purchase of agricultural properties was 95,600 and it was higher of 11,500 agreements, i.e. of 14% than a year earlier. To compare, in the previous period, i.e. between 2005 and 2006 analogous increase was 10%. Moreover, concerning the number of sale- purchase transactions conducted invariably the majority consisted of contracts between natural persons (Figure 2).

Except for the purchase-sale transaction of agricultural land the market turnover may be also realised in a form of lease. This form is of a long-time tradition in Polish rural areas but is not very popular among agricultural producers mainly because of the less freedom in disposing of the leased land. However, along with the changes brought by the market economy and CAP there was a growing interest for leases which recently have been strengthened by a more emphasized demand-supply imbalance and the dynamic increase of land prices. In relation to individual agriculture it is estimated that the scale of leases increased quadruple in the period of market economy and in 2007 more than one-fifths of lands used for agriculture are leased. They occur in every sixth holding. Still the size of leases in Poland is more than twice smaller than in “older” countries of European Union where circa 40% of agricultural lands are farmed in a form of leases.

Figure 2. The share of entities in the agricultural areas according to the number of transactions conducted.



Source: own elaboration on the basis of the Ministry of Justice data

[2] In 2005 against 2004 the number of land purchase and sale contracts increased only by 0.3%. The increase in the number of transactions related mainly to private trade (by 5.4%), while its number with legal persons (Treasury ot local government) reduced strongly (by 17.4%).

It shall be emphasized that because of the conditions in Polish agriculture lease serves most of all as increase of own acreage of production. It is very rare when a farm functions only on leased areas (less than 1%).

The growth in marketing of arable lands happened not only in transactions among neighbours but also in transactions with the participation of legal persons, mainly Agricultural Property Agency (APA). It neither contributed to the decrease of the number of agricultural holdings nor to the considerable acceleration of the improvement of area structure. It is quite the contrary – the number slightly increased. According to the data of Central Statistical Office, there were 1,808,100 agricultural holdings exceeding 1 ha in 2007 and it was the quantity by 1.2% higher in relation to 2005. It shall be mainly associated with the already mentioned benefits of having even a small holding functioning mainly as a non-income holding. The number of units of 2-3 ha increased as much as by nearly 6% in 2005-2007. It does not mean that the processes of concentration in agriculture were inhibited because the number of holdings of relatively large acreages increased simultaneously. During that period the number of the largest units increased in the following groups: 30-50 ha by more than 8%, 50-100 ha by 16% and exceeding 100 ha by 11%.

The characteristic feature of turnover of the agricultural land in Poland is the considerable scale of taking over non-market lands which results from the family organisation of agricultural production. Due to this the majority of lands with the remaining production property is taken over in the process of family succession. In many cases these form of passing the land negatively affect the area structure not only by delaying the processes of concentration but also contributing to their further scattering (family divisions).

Along with the intensification of competitiveness on the agricultural raw materials market one can notice the more significant connection of transformations in the area structure of agricultural holdings with the growing differentiation of the functions of agricultural properties starting with a small supplementary holding mainly fulfilling functions connected to a place of residence and managing the agricultural production for own use and ending with units of a large scale of production aiming at strengthening the competitive position. From a perspective of the situation on the agricultural land market the first of the groups mentioned strengthens it from the supply side while the other group creates the demand.

However, in both groups of holdings the possessed production property is mainly based on non-market turnover (family). 67,000 notary contracts concerning changes to the properties of non-market agricultural holdings were concluded in 2007. It means that these situations covered 37 cases within 1000 holdings i.e. there were less of those by one-thirds than market transactions.

When analysing the family turnover of agricultural properties in particular years it may be stated that the number of transferring the properties into non-market mode was slightly reduced (in 2000 these situations covered 37 cases within 1000 holdings). Relatively small changes in the scale of non-market transfers of properties were accompanied by considerable transformations in the frequency of particular forms of changing the owner.

They were systematically more popular and constituted the gross of donations.[3] Among the total of contracts concerning non-market transfers of agricultural properties in 2007, the share of donations increased from 64 to 81% in relation to year 2000, which indicates that taking over of the agricultural properties was more often connected with the generational change in managing the holding. Simultaneously there was a triple decrease (from 28 to 9%) of share of voluntary passing of the agricultural holding in exchange for payment of retirement benefits from the Agricultural Social Insurance Fund (KRUS), while

[3] In non-market turnover of land one can distinguish the following forms (contracts) of transferring the property: donations, inheritances, family divisions, life-long settlement rights, selling in exchange for retirement benefits from the Agricultural Social Insurance Fund (KRUS)

this occurrence was considerably limited particularly after 2003. It shall be emphasized that this form of finishing the labour activity concerned most of all single people and those who find themselves in a dreadful plight The noted increase of the demand for land in that period and rise of its market price enabled some of these people the more profitable liquidation of the holding and gaining the retirement benefits.

Among the total forms of non-market turnover of agricultural properties the relatively most rarest and the most stable was the scale of life-long settlement rights (circa 2%). Not much often lands were taken over in forms of inheritance or family divisions and their share in 2000-2007 reached the level of 6-8%.

Influence of the Agricultural Property Agency on agrarian changes

Since 1992 the Agricultural Property Agency has been carried out tasks determined in the act of 19 October 1991 on management of agricultural property of the State Treasury, mainly related to restructuring and privatization of public property in the agriculture, mainly through sale or lease of this property. As this institution was established, after having acquired public property, it possessed among others 4.7 mln. ha of land and fixed and current assets of app. PLN 8.6 billion.

The tasks related to the influence on changes in the agrarian structure in Poland, being now carried out by ANR, correspond to several decades of EU policy supporting changes in this respect. The policy focused on strengthening "family developmental farms" was initiated in the EU on 18 December 1968 as the programme to reform the agriculture policy was presented (Mansholt plan). It included above all improvement in agrarian structure through aiming at enlargement of farms' area, elimination of weak and inefficient entities and decreasing the surplus in agricultural products. The changes in Community's policy included in this plan did not affect the privileged position of family farms, which were treated as the basic part of agrarian structure of the Community. In Poland the agrarian fragmentation is still excessive and the flow of land to developing farms and producing for the market is still too slow.

In the years 2003-2004, the previous privatization-social role of the institution significantly changed. According to the act of 11 April 2003 on formation of the agricultural system, the Agency's tasks include also activities to improve area structure of farms and ensuring that the agricultural activity is conducted by persons with suitable qualifications.

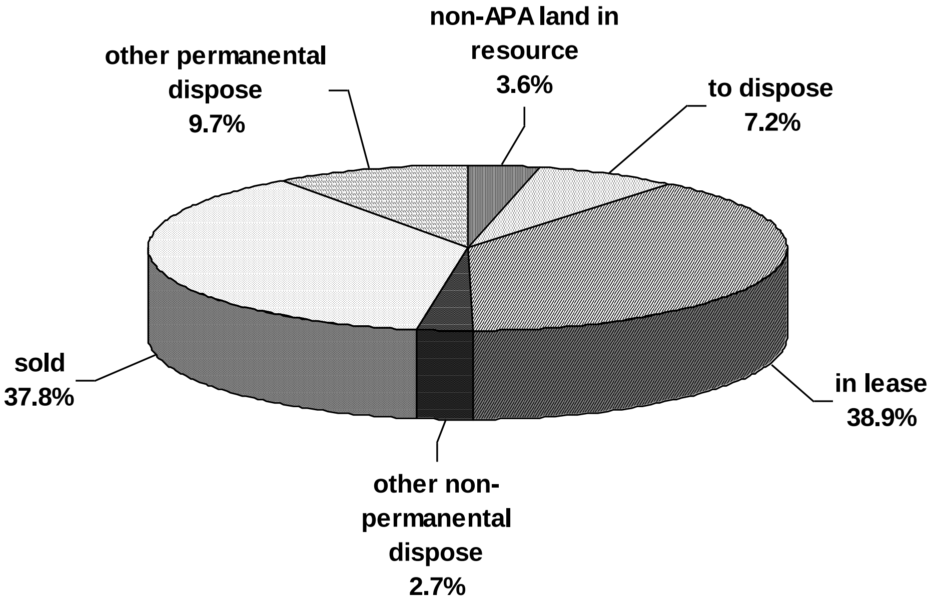
In 2007 the dependency of the Agency was changed, it was subordinated to Ministry of Agriculture and Rural Development (previously it was Minister of Treasury) The main goal of this change was to intensify the actions of this institution for the rural development and most of all for the acceleration of changes in area structure of agriculture. However, the realisation of these actions met with number of difficulties including the legislative ones. It concerns inter alia restitution claims which block the sale of more than 550,000 ha for a long time.

The change of compensations in kind for financial satisfaction would enable the sale of the land. The definition of a farmer authorised to purchase agricultural lands and conditions on recovering of agricultural lands from former leaseholders requires further clarification.

Similar tasks to the ones currently carried out by the Agricultural Property Agency on the basis of the act on formation of the agricultural system and the act on management of agricultural property of State Treasury (restructuring, privatization, creation, support and protection of family farms) are carried out e.g. in France by Land-use and Rural-settlement Corporation (SAFER), in Italy by special institutions - Enti di Sviluppo Agrario (ESA), in Spain by Institute for Agricultural Reform and Development (IRYDA), in Germany by Land

Valuation and Management Corporations (BVVG), in Holland by State Property Service Dienst Domeinen (DLG).

Figure 3. Distribution of Agricultural Property Resource of the Country's Treasury at the end of 2007 (per cent)



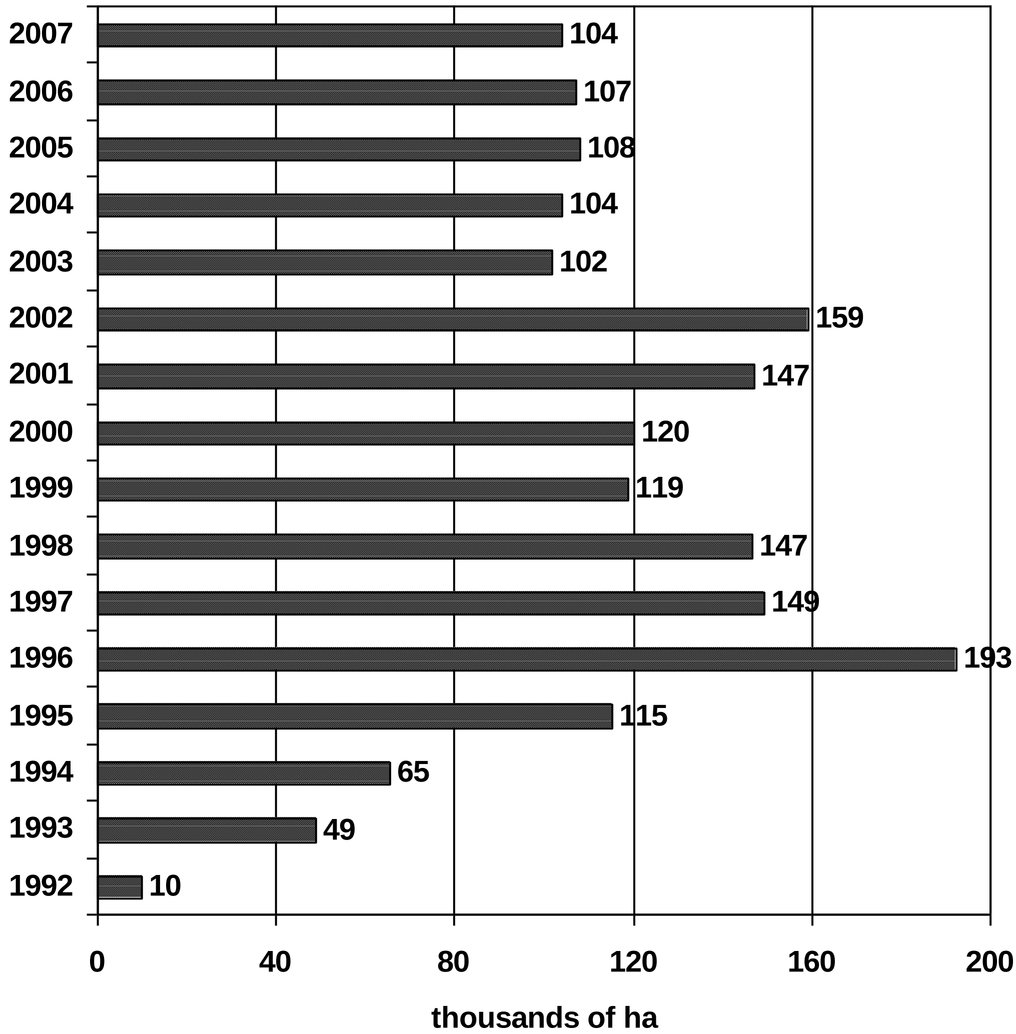
Source: APA

APA allocated permanently 48% (2.25 million ha) and sold circa 1.79 million ha of from the 4.7 million of agricultural land taken over until the end of 2007. Excluding years 1992-1994 the area of sold land in particular years stayed usually on the level exceeding 100,000 ha per year (Figure 4). Inconsiderable sales in the beginning period of the Agency's activities were connected with the lack of funds among potential purchasers and the lack of formal-legal preparation of properties to privatize through selling.

In the Resource (according to the state of 31 December 2007) of APA, there were circa 2.47 million ha remaining (52%), including majority of these lands (1.84 million ha) being leased. ANR had app. 345 thou ha left to dispose of. The area covers land coming from terminated or expired lease contracts, ready to be re-disposed of, and also hardly transferable land, mainly of low agricultural usefulness, fragmented, constituting floodland or degraded land. Some part of the land from this stock (estimated at app. 70-80 thou ha) is located in cities and urban districts and their surroundings and may be used for non-agricultural purposes, provided that the districts prepare new land-use plans and the re-privatization issues are governed by the act.

According to the act on formation of agricultural system, the Agency has the right to pre-empt or to buy back the land if the agricultural property was not bought by an individual farmer, who expands his family farm to the area not exceeding 300 ha arable land, or by a close relative to the seller (the closest family). According to the act, the pre-emption right to agricultural property belongs before the Agency to the lessee of the land being sold, if among others the contract was effective for at least 3 years, and the land purchased constitutes a part of his family farm.

Figure 4 The scale of selling the agricultural lands from Agricultural Property Resource of the Country's Treasury in 1992-2007.



Source: data of Agricultural Property Agency

Pre-emption and buy-back are treated by the Agency only as tools to achieve fundamental aims of the act on formation of agricultural system, mainly including the improvement of area structure of family farms. The Agency purchases agricultural property only then, if there is a real chance to dispose of them in possibly short time. The basic reason to use the state's pre-emption right is effective demand of individual farmers in the particular area. When analyzing the interest in purchase or lease of agricultural land on local markets, the Agency cooperates among others with district councils and agricultural chambers. The property purchased is earmarked for sale in the form of limited tenders for the farmers extending their family farms. In case ANR purchases property of larger area, they are restructured through dividing them into smaller parts, and thus creating a possibility to extend family farms for more interested persons.

In many cases, despite the interest on the side of farmers, the intervention (use of pre-emption/buy-back right by ANR) was not possible as properties were significantly mortgaged or otherwise encumbered or limited. The contracts transferring the ownership rights to agricultural property, lead in many cases to extending farms conducted by the farmers who did not fulfil all the conditions excluding ANR pre-emption/buy-back. In such situations the purchasers' current agricultural activity, which allowed to assume that the land would be used according to its purpose, weighted in favour of not using the buy-back rights.

From among app. 290 thou transactions of agricultural property ownership transfer received by ANR within the period from 16 July 2003 (from the effective date of the act) to 31 December 2006, as much as 78% concerned properties below 1 ha (including almost 22% to 1000 m^2), which did not have any significant meaning for achievement of the act's aims. The Agency purchased within this period almost 6 thou ha, including less than 1.7 thou ha in 2006. The property purchased is being made available mainly in the form of limited tenders to extend family farms.

Current experience in carrying out the act show that the best effects are brought through buying properties of larger area, which, after having been restructured, are sold to local farmers by means of limited tenders. The practice of implementing the act also allows to indicate on the legitimacy of introducing some amendments to legal regulations. Here one can name among others excluding the State Treasury's pre-emption and buy-back rights with reference to property of area below 1 ha. Such an amendment would certainly be favourable for property market, it would also rationalize the Agency's actions within the scope of formation of agricultural system.

Due to launching the market of national land by the Agency, the changes were introduced to managing of agricultural lands in Poland. Before constitutional transformation, in 1998 the private sector possessed 72% of agricultural lands (exceeding 13.4 million ha) and in 2007 96.5% (exceeding 15.6 million ha). Currently the private sector includes 569.6,000 ha (3,5%) and this number due to the progress in privatization shall systematically decrease..
In 2007 there were no significant changes on the market of agricultural properties in the scope of legal, institutional conditions and existing tendencies.

In 2007 there were no significant changes on the State Treasury's agricultural property market, either within the scope of legal and institutional conditions, or present tendencies. Comparing to 2005, ANR carried out similar number of sales and leases. There was still a considerable demand for land, what with the Stock's land offer remaining on relatively constant level lead to further rise in prices and rents. It concerned in particular average price of 1 ha of arable land sold by the Agency, which in comparison to the previous year rose by 31.5%. Failure to solve fundamental issues, which hinder ANR from increasing land supply (land-use plans, re-privatization) with successively decreasing stocks of disposable state land, may cause further land price grow in the next years.

In the situation of increased demand pressure and growing prices, it becomes particularly important for the country's agricultural policy to facilitate access to land for individual farmers, who extend their family farms, who in their efforts to purchase or lease land often have to compete against private persons and legal entities from outside agriculture disposing of significantly more capital. To carry out this tasks it would be helpful among others to rationalize ANR actions within the scope of supervision over the contracts, transferring agricultural property ownership on the basis of the act on formation of agricultural system (among others excluding contracts concerning areas below 1 ha from the state's intervention) and to introduce solutions which effectively block the possibility to purchase arable land by entities not involved in agriculture on a larger scale (improvement of regulations concerning limited tenders).

Despite actions taken by ANR to improve the agrarian structure, there is a real threat that the existing agrarian structures become fossilized, what would mainly result from the area payment system adopted by Poland and other forms of supporting agriculture from Union and domestic funds.

Relatively easy access to aid funds may support the existence of a significant number of small non-commercial farms, hindering the process of land flow to extending developmental family farms and also increase interest in arable land of the persons from outside agriculture, who treat it not as a production factor, but as an investment bringing annual non-production income.

Changes in agrarian structure of individual farms

Intensified competition on the agricultural market resulted in strengthening tendencies to adjust the production assets, including the land area, to the main farm's function, which in general is production for sale or for self supply. Such division intensified particularly after EU integration. As a consequence, the changes in area structure accelerated and they should be deemed as resulting from conditions appeared in rural areas and agriculture development. There is an upturn in Polish agriculture, what in connection with subsidies increased the tendency to enlarge the farms' area in order to extend commercial production scale. However, the changes present in the agriculture did not significantly contribute to rise of farmers' tendencies to liquidate farms.

Table 1. Changes in the number and structure of individual farms

Specification	Years	In total	Area groups of farms in ha of arable land					
			1-5	5-10	10-15	15-20	20-50	50 and more
Farms' structure	2002 2007	100.0 100.0	58.7 57.7	21.8 22.2	9.4 9.2	4.3 4.3	4.9 5.7	0.9 1.2
Changes in the years 2002-2007		-7.6	-9.6	-6.2	-8.8	-7.5	+7.1	+25.7
average annual pace of changes		-1.5	-1.9	-1.2	-1.8	-1.5	+1.4	+5.1

Source: Central Statistical Office data, 2002 and 2007

Data of CS reveals that in 2002-2007 total number of individual farms with the area over 1 ha decreased net of 7.6% (from 1,951.7 to 1,804.1). Thus, their collectiveness was decreasing in pace of 1.5% per year and this decrease was significantly slower than the one in 1992- 2002 (1.8%). Decrease in the number of farms occurred in all units with the area of not more than 20 ha. In total, this collectiveness decreased for almost 10%. The greatest decline, over 18%, occurred in the group of units with the area between 1 and 2 ha. This tendency was significantly weaker in the group of entities of area between 2 and 5 ha, where the decline was around 2%.

Different tendencies occurred in a group of farms with relatively large areas, i.e. over 20 ha. In total, the number of units in this group increased for over 10%. In the largest units, i.e. with the area of at least 50 ha this increase was definitely the greatest, as it was almost 26%. However, it shall be also mentioned that in total number of farms this is the group permanently small.

Differences in direction and size of changes in number of farms in particular area groups, in consequence, did not contribute to significant transformations in the area structure (table 1). As a result, in 2002- 2007 the average area of individual agricultural farm over 1 ha grew from 7.4 to 7.8, which means over 5%.

Development of the sector of highly commercial farms and land concentration process

Structural changes in individual agriculture result in growing polarization tendencies, which are visible in particular with reference to market activity of farms. On one hand, the group of units, the use of which is limited only to the production of agricultural goods solely or mainly for self-supply purposes, is dynamically growing. It can be estimated that in 2005 this group was constituted by 800 thou entities of the area above 1 ha of arable land, and this figure includes units fulfilling only residential functions, entities without commercial production and with very small volume of agricultural product sales (to PLN 7 thou). On the other hand, in order to meet the challenges of competitiveness on free market it is necessary to take actions, mainly to increase the production concentration, the volume of which will allow to obtain satisfactory income from agricultural activity. It is related to stronger and stronger emerging of the group of highly commercial farms.[4]

These are units of technical and social efficiency levels comparable with the efficiency of the entities in non-agricultural sectors. Since the moment of implementing market principles to the Polish economic system, the participation of this group in the total number of individual farms of above 1 ha of arable land has grown almost twofold (from slightly more than 6% in 1992 to 12% in 2005) and currently it covers app. 220 thou entities. It is expected that the number of this group will be systematically growing. The pace of this process will be conditioned to a large extent by the situation on agricultural land market and the possibility for the group of entities with relatively big area to increase, as in Polish conditions the area of cultivated land invariably remains the indicator of economic and development potential of farms [Woś 2004].

This is confirmed by data on highly commercial farms, which more and more intensely gather among entities with bigger areas. For instance, in 2005 68% of 20-hectar and bigger farms were highly commercial units and this share was clearly bigger than the one noted in 2000, where the indicator amounted to less than 62%. Consequently, in 2000- 2005 area of statistical large scale of production farms increased from 23.2 to 29.5 ha, which gives the increase of 27%. Simultaneously, the distance in equipping with land the large scale of production farms and other entities producing for sale increased. In 2000 the average area of large scale of production farm, which was 7.1 ha, was three times larger than the area of other units producing for market. Five years later the analogous difference was fourfold and the average area of farms with goods production, not classified as large scale of production farms, was 7.2 ha.

The relation between the process of formation of highly commercial sector in peasant agriculture and the grow of farms' acreage is documented also by intensification of area increases. Whole 37% of all cases of increasing the area of agricultural land cultivated, noted in the years 2000-2005 in the total number of individual farms, occurred in the group of highly commercial units.

At the same time it should be emphasised that the acreage of increases in the group of highly commercial units covered 62% of agricultural land area involved in the process of improvement of area structure of peasant agriculture. In consequence, in the years 2000-2005 the concentration range of arable land grew (from app. 31% to more than 38%) in this group, with rather stable size of the group of highly commercial farms (11% against 12%).

However, it is still to small for them to decide on the situation on agricultural product market. It is estimated that in order for highly commercial units to have dominant impact on

[4] Highly commercial farm can be defined as a unit, in which the scale of agricultural production to the market allows to obtain income from one's own agricultural activity, which is at least comparable with the income obtained from work outside agriculture.

agricultural sector in Poland, they should use app. 50% of agricultural land (at least 8 million ha).

Conclusions

In the situation on agricultural land market the fact that draws the main attention is progressing rise in its price and some revival of market land trade initiated in 2006, where neighbourly transactions become more and more dominant. As at the same time the situation on the employment market is also getting better, one can expect that these tendencies will intensify. High land prices make the decision to sell land easier for the persons who wish to change their status into non-agricultural one.

At the same time, improvement of the situation on agricultural market and CAP (especially direct subsidies) motivate the farms economically strong to strengthen their position on agricultural market and increase the area of land they hold. So far, the main result of this situation is a progressing polarisation of individual farms, which results, inter alia, in a stable share of units with relatively small area of agricultural land and growth of units with relatively large area of agricultural land.

The comparative analysis of the principles of functioning of agricultural land market in Poland and other Central and Eastern European countries shows that political problems and structural features of agriculture of the countries analyzed, still contribute to great differences in progress of building private model of agriculture. Against their background, Polish land market is characterized by far greater similarity to forms of land trade in the EU-15 countries.

Generally, on the basis of current observations it should be concluded that the rural areas are experiencing two opposite phenomena – on one hand the rationalization process of agricultural land disposal becomes permanent and the land is concentrated in highly commercial farms which have chances to further develop, on the other hand direct subsidies and cultural conditions contribute to preserving the present agrarian structure.

The analysis of change tendencies within the scope of Polish agriculture allows to forecast that structural transformations will be based on slow grow of the number of highly commercial units, what will be accompanied by even faster concentration processes in respect of production potential (in particular land resources) and improvement in management efficiency. It is expected that by 2015, the group will increase by almost one third and amount to app. 280 thou farms [Sikorska, Karwat-Woźniak, Chmieliński 2007]. It is assumed that this group will hold around 44% of all agricultural land and will produce 75% of agricultural goods in Polish agriculture [Karwat-Woźniak 2008].

As far as Polish interest is concerned, the rise in the number of highly commercial farms and the scope of land resources concentration in this units, is of significant meaning for Polish agriculture to face up to competition on the global market and to increase social prestige of farming profession. The strategy of agricultural sector development should consider not only actions to support strengthening and increasing the number of highly commercial units, but also creation of conditions for the development of non-agricultural economic activity of persons involved in individual agriculture, in particular in semi-subsistence farms.

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