

The Hungarian National Land Fund and its Role in the State Land Policy

Fülöp BENEDEK

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SUMMARY

The National Land Fund was founded in 2001 as a new organisation to manage the state-owned agricultural lands and make use of them according to the valid land policy. The state makes use of these land parcels partly through holding, partly under other title, aiming at agricultural or forestry production, or sells them for realizing certain public purposes.

Main points of the land policy directives:

- supporting environment-friendly and sustainable agricultural production,
- keeping agricultural areas continuously cultivated and harmonized with environmental protection and linear establishments of infrastructure,
- supporting a rational land owner and land rental system,
- stimulating and regulating an efficient land market,
- promoting the acquisition of agricultural land needed for stock-raising farms,
- assisting the change of cultivation line,
- providing preferential agricultural land for farms with special destination (education, research or for penal authorities),
- maintaining land rent concentration adjusted to competitiveness.

The presentation gives an overview on Hungary' current situation concerning agricultural land property structure, selling and purchasing state-owned agricultural areas, changing cultivation lines, aspects of land consolidation, voluntary land exchange, purchasing lands from elderly retired people against life annuity etc.

Introduction

Provided by the Act on National Land Fund in 2001, a new organisation was founded to manage the state-owned agricultural lands with the aim of making use of the land assets given into the possession of the National Land Fund, in line with the valid land policy and as soon as possible.

The Hungarian National Land Fund as the part of the national assets includes all state-owned agricultural lands with changing quantity and location and – exceptionally – also land parcels serving agricultural activities or needed to support agricultural production but withdrawn from cultivation.

The state makes use of these land parcels partly through holding, partly under other title, aiming at agricultural or forestry production, or sells them for realizing certain public purposes.

In 2007, a new Act on state assets was passed, which merged the Organisation for National Land Fund, the Directorate for National Treasury and the National Financial and Holding Company (ÁPV Zrt) under the name Hungarian State Holding Company (MNV Zrt.). According to this Act, the National Holding Board exercises the property rights above all state assets.

The Organisational structure of Hungarian State Holding Company is enclosed.

Land Policy Directives

With the utilization of agricultural lands belonging to the National Land Fund in mind and considering the land policy directives as well as the National Development Plan and the provisions of the Act on Assets, Hungarian State Holding Company has been preparing the annual plan approved by the Minister responsible for agricultural policy.

Based on the Act of 2001 on National Land Fund, the Parliament passed a resolution in 2002 with the following detailed land policy directives:

- a) Stabilisation of the land users' status, supporting their progress,
- b) Developing and strengthening the family farm units,
- c) Land use based support to the environment-friendly and sustainable agricultural production,
- d) Keeping agricultural areas continuously cultivated and harmonizing the agricultural production with the standpoints of natural and environmental protection (e. g., forming inundation basins) and the linear establishments of infrastructure,
- e) Supporting the realisation of the National Afforestation Programme,
- f) Supporting the creation of a rational land owner and rental system,
- g) Stimulation and regulation of the land market,
- h) Promoting the acquisition of agricultural lands needed for stock-raising farms,
- i) Supporting to create competitive sizes of land parcels corresponding to the given cultivation line,
 - ia) supporting the family farms and medium size farms to reach the upper limit of 300 hectares,
 - ib) motivating the primary development of small size farms to reach at least 100 hectares,
- j) Maintaining the land rent concentration adjusted for competitiveness,
- k) Providing bases for managing quality land changes,
- l) Motivating and influencing the change of the production and product structure,
 - la) giving priority for using land for agricultural purposes in those areas which are mostly appropriate for that,
 - lb) preparing, supporting and sometimes also realization of utilizing agricultural lands for other purposes, if they are less appropriate for cultivation,
 - lc) supporting the change of cultivation lines,

- m)* Speeding up through state initiatives the purchase and utilization of non-cultivated areas or those ones which cannot be efficiently cultivated because of their size or location,
- n)* Helping to reach a property size convenient for the calling of EU supports,
- o)* Preferential support of social land programmes,
- p)* Preferential support to career-starting agrarian entrepreneurs and/or those having a degree in agricultural or silvicultural studies,
- q)* Providing agricultural land for farms with special destination (education, research or for penal authorities) with preference.

From the list above, the most important directives are as follows:

- Supporting the creation of a rational land owner and land lease system;
- Stimulation and regulation of the land market;
- Promoting the acquisition of agricultural land needed for stock-raising farms,
- Maintaining the land lease concentration adjusted for competitiveness;
- Assisting the change of cultivation line;
- Providing preferential agricultural land for farms with special destination (education, research or for penal authorities).

Asset Management and Utilization by the National Land Fund

The National Land Fund (NLF) is an organization realizing the state intervention, regulation and influence, and it implements the content of the land policy directives according to the following aspects:

- a)* NLF sells or leases agricultural lands managed by the organization with the aim of influencing the proportion of the economy based on landed property and land lease,
- b)* NLF leases agricultural lands through tendering or gives them into use free of charge or with certain support, depending on the type of utilization,
- c)* NLF defines the standpoints of purchase when forming its land assets (priority to purchasing land parcels of poor quality, priority to buying non-cultivated parcels or those inappropriate for economic cultivation because of their size and location, speeding up of cancelling or closing down of existing lease contracts);
- d)* defining the rank of standpoints to be forced when selling lands (e. g., enlargement of small properties, or reaching the economically justified upper limit of the size in the case of a large property or helping the first land acquisition of career-starting agricultural entrepreneurs);
- e)* NLF defines the conditions for keeping those landed properties cultivated, or just sustaining their cultivated status until they are utilized through sale or land lease;
- f)* NLF provides the contractual obligatory utilization through reservation of the right of repurchase when selling agricultural land.

To realize the aims figuring in the annual plan, it is essential to set up a uniform property inventory for the Hungarian State Holding Company.

State-owned land and forests managed by NLF: (Slide No. 5)

Cultivation method	Thousand hectares
Farmland (cropland, garden, orchard, vineyard, grassland)	1 250,88
Forests, reeds, fishponds	1 181,02
Exempted from cultivation	144,83
Land total	2 576,73

The Audit Committee of the National Land Fund has been keeping control over the implementation of the land policy directives by the MNV Zrt. The opinion of this Audit Committee should be taken into consideration when utilizing agricultural land.

Special registration rules for agricultural lands managed by NLF

1. The property inventory has to show all the real estates being managed by NLF separately, according to legal categories: forests, other agricultural areas and areas withdrawn from cultivation too. It is essential to keep the protected areas, and also those planned to be protected and the area of Natura 2000 within the inventory, in a way convenient for separation.
2. The unified land registration system and the land use registration serve as a basis for the property inventory; in the case of forest areas, the land registration system and the database of the National Forest Properties Data Archives serve the same role. It is essential to provide inter-connection between the computerized systems of the NLF property inventory, the land registration system and the National Forest Properties Data Archives.
3. The NLF property inventory – in line with the aims of the agrostatistical analysis – should contain the data of the assets as a whole and within that also the detailed data of the land parcels:
 - all registered rights, recorded facts, data of land parcels registered in the unified land registry, together with the relevant documents,
 - in the case of forest lands, beyond the above listed ones, also the working plan data being in force,
 - name of the user, leaseholder or trustee, in the case of a forest area also the silviculturist's name and address,
 - the starting date and duration of the land lease, land use or trust,
 - the annual sum of the land lease or other kind of use, due time of payment and date of its fulfilment,
 - economic information for helping the utilization (e. g., melioration, value-added investment, its sum etc.),
 - proposal concerning the way of utilization,
 - property price according to book,
 - identification number and area size of the forest part – or that of a part of it – according to the ten-year silvicultural schedule,

- data connected to the exercise of right of utilization,
 - official resolutions connected to the ownership right in land or its use, and limitations because of protection or for any other reason.
4. In the NLF property inventory, land parcels have to be registered as forests as well, which are not marked as forests in the land registration system, but in the National Forest Asses Data Archives show them as forests.
 5. To carry out the land registration duties, MNV Zrt. can make an agreement with the public administration authorities that the acting authority forwards information also in electronic way about the following cases:
 - official resolutions passed concerning ownership rights – including the registration as a silviculturist – in state owned agricultural areas and their use,
 - official resolution passed concerning the registration as a land user in the case the land user is using state-owned lands too,
 - official public administration resolution concerning an infringement of lawful rights connected to the land using activity of a land user or silviculturist in a state-owned agricultural land parcel, and also the relevant condemnation.

Land consolidation activities in Hungary

In the current (2008) Hungarian legislation, there is no general land consolidation law. The last act passed in 1994 in this aspect, however, provides the opportunity of voluntary land changes – with state support – aiming land consolidation. These activities have been managed by the territorially competent land offices, institutions of the Unified Land registry system in Hungary. Moreover, the state supports also the purchase of agricultural lands with the aim of merging properties. The national support has been allocated through tendering, involving yearly 500–900 applicants. The amount of support reached yearly HUF 400-500 million (1.5-2 million euros).

The Directorate of the National Land Fund of Hungarian State Holding Company – in line with the land policy directives – also receives the applications for changes of agricultural land parcels or land changes for merging properties, their examination and judgement. When doing so, special attention should be given to the following rules of law:

- The Act on National Land Fund (2001) says that Hungarian State Holding Company can change its land for a land parcel if it is owned by a person participating in the voluntary change of land belonging to NLF, or if the change assures the functioning of a stock-raising farm, or if the change is in the interest of realizing any other important public aim.
- The Act on agricultural land (1994) says that voluntary land change can be carried out for the merging of scattered agricultural parcels of the owner.
- Limitations concerning acquisition of ownership rights are to be considered as provided in Chapter 2 of the above-mentioned Act on agricultural land.

From this year (2008) on – considering the EU rules – every owner is entitled to the financial support of purchasing agricultural land for merging scattered land parcels; a special

ministerial decree (Ministry of Agriculture and Rural Development, 2007) specifies its conditions and procedures.

According to government intentions, there will be no general land consolidation until the agricultural land privatisation procedures are not finished completely.

Purchasing agricultural land for life annuity

NLF has a special duty of partly social provision: to purchase and utilize agricultural lands owned by retired elderly people against life annuity within the framework of the programme called "Purchasing agricultural land for life annuity".

NLF has announced this programme in three turns, based on a governmental resolution (2004). Consequently, NLF has bought agricultural land parcels from more than 19 thousand owners at a size covering almost 54 thousand hectares. The annuitants' average age is 69.8 years, the average sum sent to them monthly is HUF 31.4 thousand (120 euros). According to calculations, the total sum of life annuity to be paid to the beneficiaries of the three turns is altogether about HUF 100 billion (400 million euros).

NLF started the fourth turn of the Life Annuity Programme in February 2006. The modified act on NLF allowed the purchase of privately owned protected lands and the ones planned to be protected too.

The modification of the act on NLF became valid on 1 January 2006, and it provided the opportunity of utilizing state-owned landed properties through sale. The announced sale of land went through tendering and auctions based on the selling and judgement regulation approved by the minister of agriculture and rural development. The auction has the advantage that it is fast, but the disadvantage is that the land policy directives can only be reinforced with limitations or not at all. The auction followed the classical principle; NLF made contract with the auction purchaser who had offered the highest price.

When tendering, in accordance with the aims, the system of judgement standpoints approved by the heads of the Ministry of Agriculture and Rural Development took the offered price with a weight of 60–70%. In the year 2006, the size of the areas advertised for sale was larger than 50 thousand hectares. Out of this, about 18 thousand hectares were sold, resulting in an income of HUF 7 billion (28 million euros).

In 2007, NLF completed the selling, from which they financed the payments for life annuity. Prescribed by a governmental resolution, NLF sold 34 750 hectares of agricultural land, bringing an income of HUF 15 billion (about 60 million euros).

Annual plan for managing agricultural land

Hungarian State Holding Company prepares annual plans for marketing agricultural lands managed by NLF, considering the provisions of the act on state assets. The annual plan should contain the following:

1. Planning the size of agricultural land for selling and leasing out in the given year and the schedule of the whole procedure. According to plan, 19 thousand hectares of agricultural land can be sold in 2008.
2. Managing the programme "Purchasing agricultural land for life annuity". After closing down annuity programme phase 4 in 2008, the annuity programme phase 5 can be opened.
3. Strategy of the free of charge vesting of agricultural lands to local governments (act on state assets), including the social land programme too.
4. Starting the examination and cancellation of trustee contracts (for estate management) and provisional trustee contracts made with central budgetary organizations in 2008. Decision-making in these cases is the duty of the competent head directing or supervising the central budgetary organs.

The income realized from the utilization of agricultural land managed by NLF should be assigned to the following purposes:

- pay the costs of exercising the ownership rights,
- pay life annuity for purchased agricultural land, and
- pay prices of purchased agricultural land..

To realize the aims of the annual plan, it is essential to set up the uniform property inventory of Hungarian State Holding Company.

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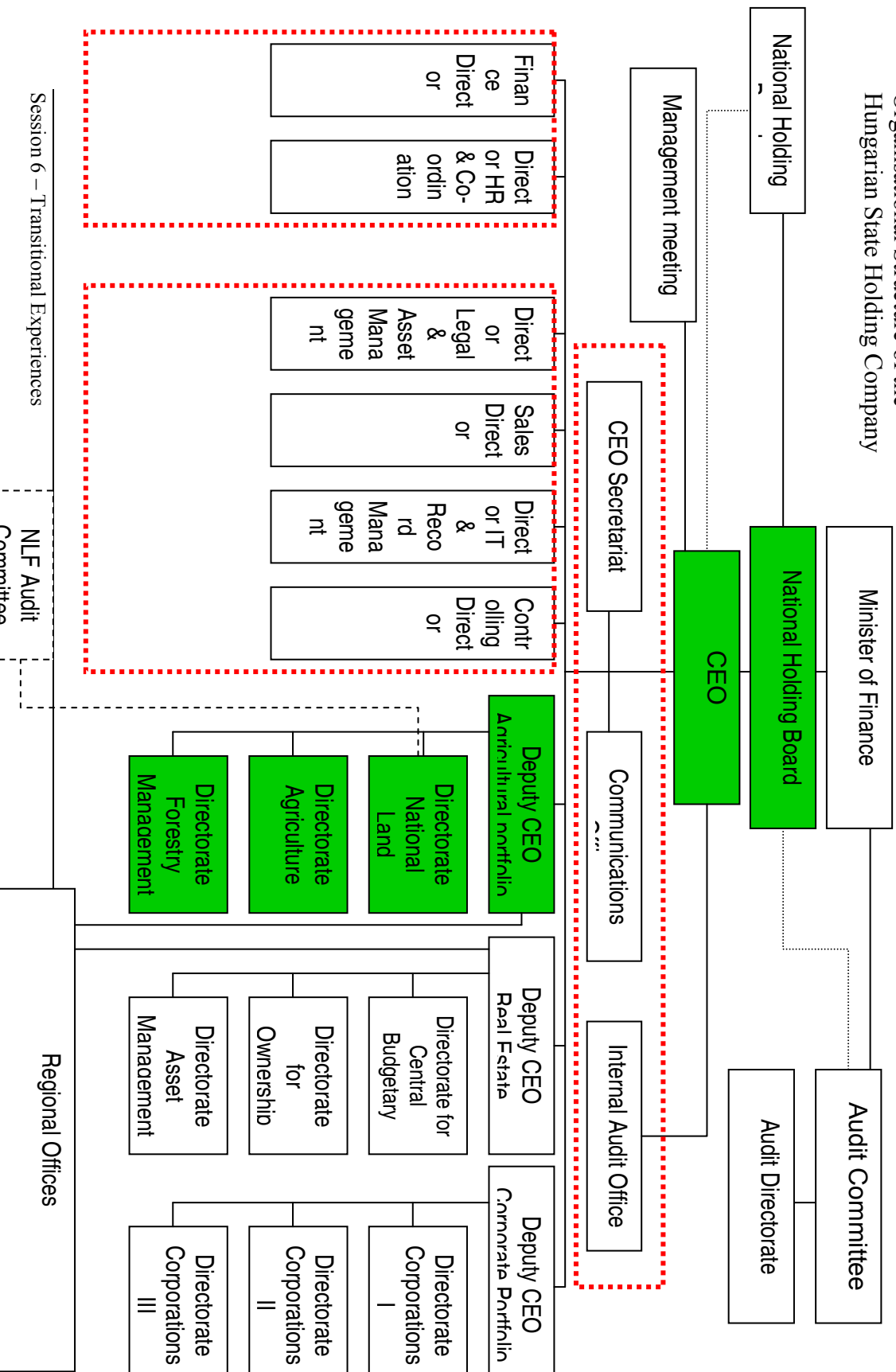
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CONTACTS

Fülöp Benedek
Deputy Director Responsible for Agricultural Portfolio
Hungarian State Holding Company
National Land Fund, Hungarian State Holding Company (MNV Zrt.)
56 Pozsonyi út
H-1133 Budapest
HUNGARY
Tel. + 36 1 237 4141
Fax + 36 1 237 4142
E-mail: benedekfulop@mnvzrt.hu
info@mnvzrt.hu

Organisational Structure of the Hungarian State Holding Company



Session 6 – Transitional Experiences

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NLF Audit Committee