

# Official agricultural land price in the Slovak Republic

## *Úradná cena poľnohospodárskej pôdy v Slovenskej republike*

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**Abstract:** As long as the land market in Slovakia is not completely developed and land market prices introduced, the officially assigned land prices are practically in use. At the present time, land prices should express the supply prices, which cover the income effect of the land site under the socially necessary costs. In this situation, for the temporary period, centrally assigned fixed land prices could represent the effective supply and demand prices in case they correspond to the mentioned conditions. At present, the official prices are used for fiscal purposes and the land property rights.

**Key words:** official price, acreage, taxes, rent

**Abstrakt:** Pokiaľ nebude úplne rozvinutý trh s pôdou na Slovensku a etablované trhové ceny pôdy, majú praktické využitie aj úradne stanovené ceny poľnohospodárskej pôdy. V súčasnej dobe ide o to, aby cena pôdy vyjadrovala cenu ponuky, ktorá pokrýva dôchodkovosť pôdneho stanoviska pri spoločensky nevyhnutných nákladoch. Za takýchto okolností v prechodnom období môžu cenami efektívnej ponuky a dopytu byť aj centrálné stanovené pevné ceny pôdy, pokiaľ vyhovujú uvedeným podmienkam. Úradné ceny sú v súčasnosti využívané na fiškálne účely a riešenie majetkovo-právnych vzťahov k pôde.

**Kľúčové slová:** úradná cena, výmera, dane z pozemkov, nájomné

The official prices of agricultural land and their value play the important role in forming the production potential for specific soils located in areas with different natural, ecological or environmental conditions in Slovakia. The established "soil quality ecological units" (herein SQEU) and the official list of prices for arable land, respectively, characterise the land production potential expressed by the economic category as land value (Buday 2000). The agricultural land market is not completely developed and the official information system with the relevant information about the real value of agricultural land market prices does not exist at present. The official land price meets its full application not only in property and fiscal relations but also in the land conservation and a qualitative new definition of economic relations among the landowners, users and the state.

### MATERIAL AND METHODS

The official land price expresses the production potential for the specific soils located in the areas with

different natural conditions. The evaluation results of agricultural land fund were accepted to assign the official agricultural land prices. The aforementioned results follow the classification of the productive capacity of agricultural lands and are completed with information from the paedological and economic research. The Set of Soil Quality Ecological Units (SQEU) and the official list of prices of arable land characterize land production potential expressed as land value by the virtue of normative parameters. (Bradáčová, Grausová 2003)

The criterion for the official land prices evaluation was the level of annual rent (LAR) for plant production under the given agro-ecological conditions where the standard of the economy was given. Standard marginal costs and the level of annual rents (LAR) of arable land were calculated from the normative production and standard costs increased by the normative profit.

As marginal costs, the costs raised over the official break-even point are considered. They are situated at the boundary between the groups of the superior and markedly inferior lands (which do not allocate

a positive value of the level in annual rent), which are still agriculturally used in the present valid conditions. The criterion for estimation of the official arable land value was the level of annual rent (LAR) for production under which the standard for the efficiency of the economy was given. The level of annual rent per unit of area (per hectare) of a given crop in the standard value structure is calculated in accordance with the following formula:

$$\text{LAR} = \text{VNP} - (\text{SCNP} + \text{NP})$$

Where:

LAR = level of annual rent

VNP = value of normative production

SCNP = standard costs of normative production

NP = normative profit (10%).

### Calculating the value of land

The arable land value was determined directly on the basis of the calculated ARLs for SQUEUs with a positive value of LAR (this means land in better than marginal conditions). They were calculated according to the following formula:

$$\text{ALV} = \frac{\text{LAR} \times (1 - T)}{\text{IR}} + \text{BVAL}$$

where:

ALV = arable land value

LAR = level of annual rent

T = supposed share of LAR for taxes

IR = interest rate

BVAL = basic value of arable land.

The basic value of arable land in marginal conditions represents 20 000 SKK per ha. This value is

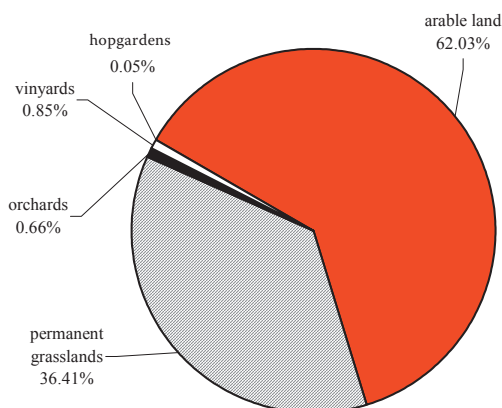


Figure 1. Acreage of agricultural land according to the type of plot in the SR in the year 2005

constantly added to the partial land price in better than marginal conditions. It results from the common profit derived from the costs of plant production regardless of the realised level of annual rent.

The floor price was estimated at 5 000 SKK per ha. The soils, which are extremely sloping, stony and superficial, mainly in the higher climatic regions and after the complex evaluation, also in the lower climatic regions, are evaluated by this price.

The price ranges are defined at 500 SKK/ha, which present 5 farthings per m<sup>2</sup>. The assumed share of taxes in LAR and the chosen interest rate for LAR was improved by the commission for innovation of land price after the realisation of simulative calculations up to 70%, i.e. 0.7 coefficients for land tax and profit tax, the chosen interest rate was 5%, i.e. 0.05 coefficients.

Our process was accepted for the reason, that the free land market economy in our country has not worked yet and other information on land prices are unusable because it mainly refers to the building plots.

Within the frame of the second up-dating, a new price list of arable land with the extended 7-character code (Buday 1993) was elaborated. The price list of arable land at 7-character SQUEU was elaborated on the basis of results of the first soil-quality research revision, which was performed by the employees from the Research Institute of the Land Fertility in Bratislava and its regional offices in Banská Bystrica and Prešov. All changes performed on the basis of the revision were continuously projected into the soil-quality databank and finally also into the evaluation of agricultural land (Buday et al. 2000).

### Acreage of the agricultural land according to the regions in the Slovak Republic

The total acreage of the agricultural land of the SR presents 2 364 thousand hectares, hereof the arable land presents 1 490 thousand hectares and permanent grasslands 874 thousand hectares. From the individual regions, there is the highest acreage of agricultural land in the region of Nitra, i.e. 458 thousand hectares and in the region of Banská Bystrica it is 409 thousand hectares. In this region, there is also the highest representation of permanent grasslands from all regions of Slovakia, i.e. 236 thousand hectares.

### Average official price of the agricultural land

The average official land price of agricultural land in Slovakia is 37 850 SKK per ha, of arable land it

Table 1. Acreage and average official price in regions of the SR, 2005

Region	Acreage (ha)			Average price (SKK/ha)		
	agricultural land	arable land	permanent grasslands	agricultural land	arable land	permanent grasslands
Bratislava	90 777	82 494	8 283	60 136	63 426	27 374
Trnava	284 338	269 703	14 635	73 815	75 975	34 019
Trenčín	176 243	99 726	76 518	28 238	40 394	12 396
Nitra	458 009	429 902	28 107	68 748	71 222	30 916
Žilina	241 787	62 203	179 585	11 603	20 413	8 552
Banská Bystrica	409 053	173 354	235 699	20 671	32 794	11 755
Prešov	376 296	157 380	218 915	15 962	24 246	10 006
Košice	327 739	215 001	112 738	28 400	36 322	13 293
Total for the SR	2 364 242	1 489 762	874 480	37 850	52 995	12 050

is 52 995 SKK per ha and of permanent grasslands 12 050 SKK per ha.

The price of agricultural land is higher than the average of Slovakia in the following regions: Bratislava, Trnava and Nitra. In the region Trnava, the land price is higher than the level of the average official price per Slovakia 1.95-times, in Nitra 1.82 and in Bratislava 1.59-times. The level of official prices in the less favoured areas for agricultural production is moving from 30% of the total Slovak average in the region Žilina to 75% in the region Košice (Table 1).

### Utilization of the official land price

At the present time, the official price of the agricultural land is used mainly to assign the tax level from the agricultural plots regarding the Act No. 582/2004 Coll. about *the local taxes and the local charge for communal waste and for the small building waste*. In the supplement No. 1, there are listed the average official prices of agricultural and arable land in cadastral areas in Slovakia. These ones serve for the local councils as a base assigning the income range from the agricultural land in municipalities or cadastral areas.

They perform the important role also by evaluating the rent for agricultural land use. Despite the fact, that the rent level is the object of an agreement between the landowners and users, under the Act No. 504/2003 Coll. about *the rent of agricultural land*, farming business, forest land and about the changes of some laws, the minimum rent level is set at the minimum 1% from the price of agricultural land determined according to the soil quality ecological unit.

The official prices are also used to assign the land value and their vegetation for land consolidation, which is also regulated by *the regulation of the Ministry of Agriculture of the Slovak Republic No. 38/2005 Coll. about the evaluation of lands and their vegetation*. In the supplement to this regulation, the soil-quality ecological units and their assigned tariffs of agricultural land and tariff rates of other areas are listed.

The official prices also perform the important role by setting the common property value, mainly by assigning the common land value outside the built-up areas of municipalities, undetermined for construction. The methodical process of assigning the common property value including the plots is regulated by *the regulation of the Ministry of Justice of the Slovak Republic No. 492/2004 Coll.*

The official prices "the informative prices" are important for the conclusion of the purchase and sale contracts and by forming the level of the land market prices. Their further use is by lawyers at the inheritance procedure and property composition of land.

### CONCLUSION

The situation in the agricultural land market is relatively untransparent, because the official data about the level of land market prices in the individual cadastral areas do not exist. And therefore the official land prices have their usage also at present.

With transition to the specified 7-character code of the soil-quality ecological units (SQEU), the official agricultural land price list (elaborated in 1991 at the original 5-character code SQEU) was updated.

Table 2. Average official price of arable land in the districts of the SR in 2005

Code	Name of district	Price of arable land (SKK/ha)	Code	Name of district	Price of arable land (SKK/ha)
101	Bratislava I	0	601	Banská Bystrica	25 595
102	Bratislava II	83 611	602	Banská Štiavnica	18 581
103	Bratislava III	48 576	603	Brezno	15 683
104	Bratislava IV	48 568	604	Detva	20 082
105	Bratislava V	79 458	605	Krupina	28 627
106	Malacky	46 627	606	Lučenec	35 731
107	Pezinok	56 695	607	Poltár	32 668
108	Senec	80 754	608	Revúca	34 455
201	Dunajská Streda	92 402	609	Rimavská Sobota	35 978
202	Galanta	89 834	610	Veľký Krtíš	37 777
203	Hlohovec	58 616	611	Zvolen	26 408
204	Piešťany	69 061	612	Žarnovica	33 520
205	Senica	44 834	613	Žiar nad Hronom	25 266
206	Skalica	55 863	701	Bardejov	21 847
207	Trnava	75 310	702	Humenné	28 928
301	Bánovce n/Bebravou	44 913	703	Kežmarok	17 887
302	Ilava	46 040	704	Levoča	20 528
303	Myjava	20 682	705	Medzilaborce	21 416
304	Nové Mesto n/Váhom	47 644	706	Poprad	17 421
305	Partizánske	58 055	707	Prešov	24 994
306	Považská Bystrica	21 972	708	Sabinov	22 047
307	Prievidza	33 941	709	Snina	27 476
308	Púchov	37 584	710	Stará Ľubovňa	15 770
309	Trenčín	37 492	711	Stropkov	26 324
401	Komárno	77 077	712	Svidník	26 325
402	Levice	65 308	713	Vranov n/Topľou	34 470
403	Nitra	68 177	801	Gelnica	13 081
404	Nové Zámky	80 001	802	Košice I	33 194
405	Šaľa	78 865	803	Košice II	35 181
406	Topoľčany	60 019	804	Košice III	26 234
407	Zlaté Moravce	50 854	805	Košice IV	38 652
501	Bytča	26 247	806	Košice – okolie	32 404
502	Čadca	13 035	807	Michalovce	41 519
503	Dolný Kubín	18 842	808	Rožňava	29 683
504	Kysucké Nové Mesto	24 411	809	Sobrance	33 812
505	Liptovský Mikuláš	17 781	810	Spišská Nová Ves	21 486
506	Martin	25 278	811	Trebišov	40 789
507	Námestovo	15 457	<b>Slovak Republic</b>		<b>52 995</b>
508	Ružomberok	19 445			
509	Turčianske Teplice	24 284			
510	Tvrdošín	15 649			
511	Žilina	20 796			

The need of updating was evoked by the marked economic changes, mainly by the liberalization of prices, by the enforcement of the law for restitutions, by privatisation, by the necessity to re-evaluate some kinds of real properties including agricultural land so as it would be possible to express the value of assets during the administration of property law, for legal persons and also for natural persons. The aim of the official prices updating was also to supply the basic information for citizens about the free land market prices during the property transactions.

The official price will be gradually replaced by the agricultural land market prices.

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