

## **CZECH REPUBLIC**



**Report based on Exchange Programme documents provided by  
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**Budapest, 2004**



## **1 General Information**

### **1.1 Geography and Climate**

The Czech Republic lies in the centre of Europe. It borders with Germany in the north and west (646 km), Poland in the northeast (658 km), Slovakia in the east (215 km) and Austria in the south (362 km). The total area of the country is 78866 km<sup>2</sup>. The Czech Republic is 1 hour forward of Greenwich Meridian time (GMT+1 hours).

The Czech Republic is bisected in two big regions. Bohemia in the west consists of rolling plains, hills, and plateaus surrounded by low mountains; Moravia in the east consists of very hilly country.

The lowest point is 115 meters above the Sea level; the highest point is Snezka - 1602 meters. In the Czech Republic the climate is continental with cool summers and cold, cloudy, humid winters.

### **1.2 Population and language**

As of beginning of 2004, the total number of population made 10,246 million of inhabitants. In 2003 there were 81,2 % of Czechs, 13,2 % of Moravians, 3,1 % of Slovaks and 2,5 % of other national minorities.

The national language is the Czech (Slavic languages). Predominant religions are Roman Catholic (39 %) and Protestant (4,6%), other (13%) and atheist (40%).

### **1.3 Historical background**

“Following the First World War, the closely related Czechs and Slovaks of the former Austro-Hungarian Empire merged to form Czechoslovakia. During the interwar years, the new country’s leaders were frequently preoccupied with meeting the demands of other ethnic minorities within the republic, most notably the Sudeten Germans and the Ruthenians (Ukrainians). After World War II, a truncated Czechoslovakia fell within the Soviet sphere of influence. In 1968, an invasion by Warsaw Pact troops ended the efforts of the country’s leaders to liberalize Communist party rule and create “socialism with a human face.” Anti-Soviet demonstrations the following year ushered in a period of harsh repression. With the collapse of Soviet authority in 1989, Czechoslovakia regained its freedom through a peaceful “Velvet Revolution.” On 1 January 1993, the country underwent a “velvet divorce” into its two national components, the Czech Republic and Slovakia. The Czech Republic joined NATO in 1999 and the European Union in 2004.” (CIA Factbook)

### **1.4 Political and economical situation**

“One of the most stable and prosperous of the post-Communist states, the Czech Republic has been recovering from recession since mid-1999. Growth in 2000-03 was supported by exports to the EU, primarily to Germany, and a near doubling of foreign direct investment. Domestic demand is playing an ever more important role in underpinning growth as interest rates drop and the availability of credit cards and mortgages increases. High current account deficits - averaging around 5% of GDP in the last several years - could be a persistent problem. Inflation is under

control. (...) Moves to complete banking, telecommunications, and energy privatization will encourage additional foreign investment, while intensified restructuring among large enterprises and banks, and improvements in the financial sector, should strengthen output growth.” (CIA fact book).

In 2003 GDP made 161,1 billion Dollars and the GDP growth rate reached 2,9 %. The GDP per capita in agricultural sector in 2003 made about 3,1 %, while the biggest part are created in services (61,4%).

## **2 Land Administration and Management**

### **2.1 Land Titling and Registration**

Land registration is under the control of the Czech Office for Surveying, Mapping and Cadastre (COSMC). The land registration contains information about location, area, owner and culture of the parcels and buildings. It is possible to browse through the Cadastre of real estate on the Internet.

The administration of Cadastre of Real Estate is performed by 14 Regional Cadastral Offices. Since 1993 Cadastral Offices have been given the power to make decisions about entries of proprietary and other rights in relation to real estate into the cadastre. Survey and Cadastral Inspectorate supervises the performance of Cadastral Offices and also activities performed by private companies and licensed surveyors for the state administration.

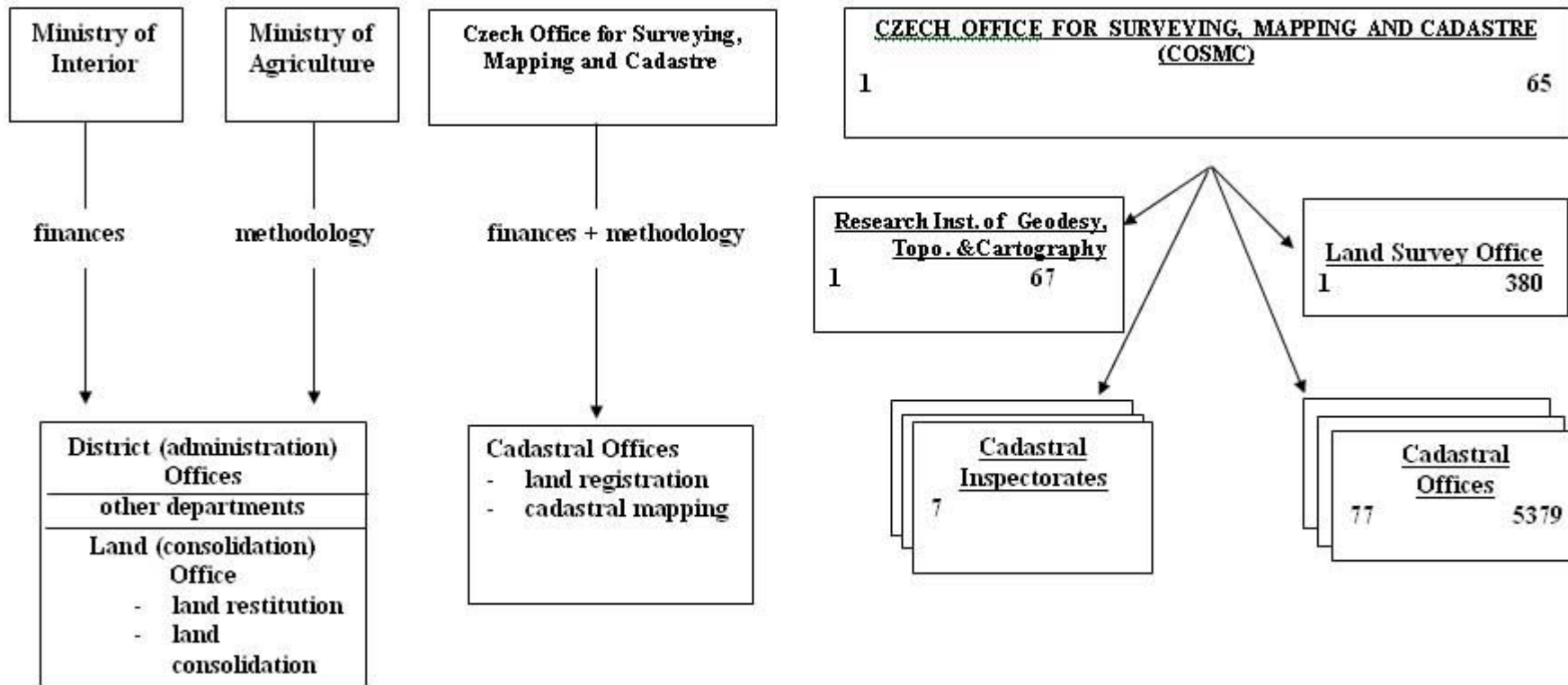
The Czech Office for Surveying, Mapping and Cadastre is an autonomous supreme body of the state administration of surveying, mapping and cadastre in the Czech Republic. The president of COSMC is subordinated only to the Prime Minister of the Government. The Office has its own account in the State budget of the Czech Republic.

### **2.2 Land Consolidation**

Land consolidation started in 1991 in accordance with *Act No. 284/1991 on Land Consolidation and Land Offices*. Borders and function of the plots are changed during land consolidation. Plots are united or divided and their accessibility is continuously improving. Land consolidation is the main tool to set clear land ownership and property rights. By the end of 2001 there was completed more than 200 of complex land consolidation (involving usually whole cadastre) on area 72 700 hectares and more than 2000 simple land consolidation with finished change of property rights on area 89 000 hectares.

### **2.3 Land Offices**

Land consolidation and border demarcation are solved by Land Offices. They also implement restitutions, return of expropriated agricultural property to former owners. Regional Land Offices are led and paid from the state budget through the Ministry of Agriculture.



Organisational Structure

## 2.4 Roles of the Public and Private Sectors

The land market is represented by both the public and the private sector in the Czech Republic. The responsibilities are divided as follows, see table 2:

Responsible Government	Tasks
Regional Departments of the Czech Office for Surveying, Mapping and Cadastre.	Contracts of purchase - the contracts are only saved there, the Office does not interfere into land market
The Land Fund	Administrator of state-owned land, it offers state land for sale
Ministry of Finance	Defining Basic Land Price

Table 1 Role of the Public Sector in the Czech Republic

There are no special organizations responsible with land market in the private sector. It depends on agreement between seller and buyer. They agree conditions of sale and with help of lawyer write contract.

## 3 Financial Framework

### 3.1 Mortgage

Czech banks do not provide mortgage for purchasing of agricultural land yet. The reason is that agricultural land is not enough lucrative to ensure repaying of the loan.

### 3.2 Land Valuation

Basic (official) Land Price is calculated on the base of land productivity from “Valuated Soil Ecological Unit” (BPEJ). The methodology (formula) of calculation was created in the Research Institute of Agricultural Economics but the Ministry of Finance is responsible of calculation and updating. The updated Basic Land Prices are yearly published in the promulgation of the Ministry of Finance.

The government defines administratively a set of land prices based on land productivity and characteristics. There are 42 categories that define the type of land. The land categories are formed by a code with five digits. Each digit in the code specifies characteristics of the land including: climate conditions, soil type (soil conditions), slope and exposure, and stone contents and depth of soil profile. The location is not considered in administrative land price. The administrative price is derived from the price of soil pedologic-ecological units.

Soil value serves mainly for assessment of land price for sale or other property changes and also as base for tax assessment.

Private land can be traded for a market set price, however, the administrative price is used as a referential price. The administrative land price is calculated assuming an average set of crops that could be produce in each land category. Based on the crops and on average yields per hectare, an estimate of the net agricultural income is derived by calculating the total value of the production less the total (average) input cost. Land taxes are discounted from this net income in order to obtain the net agricultural rent.

### 3.3 Valuated Soil Ecological Unit

The rating based on the BPEJ system incorporates knowledge from a number of sciences and represents the last step in the classification of a site's agricultural conditions in terms of natural, production and economic aspects. The rating classification has been carried out for all agricultural land. It was based on a soil survey and the actual evaluation survey in the field using maps of detailed scale.

The basic mapping and evaluation unit of the valuation system is a "Valuated Soil Ecological Unit" (BPEJ). It is a particular territorial unit with specific agro-ecological properties resulting from the mutual influence of individual environmental components. The properties result in a certain production potential value. Therefore, each BPEJ may be assigned data on the economic effect achieved on the given site under the given environmental conditions in a given time. The system comprises all characteristics of individual sites, which are different from one another.

At present, the rating system contains 2 199 BPEJ's. Each particular BPEJ has been defined based on a detailed assessment of the following parameters: climate, soil quality classification, geologic substrate characteristics, soil texture, skeletal properties, soil water and air regimes, soil profile depth, land slope and exposure. The value of a BPEJ's productivity is determined by assigning parametric values on its economic production potential. The value of productivity at the BPEJ level has been used to classify areas as less-favored ones.

Soil productivity is expressed by an index ranging from 6 to 100 points. The lowest value of 6 points corresponds to land on steep slopes (over 30%) in very unfavorable climatic conditions with a grass cover. The highest value of 100 points applies to black earth on loess, medium-heavy, deeper than 60 cm, with a favorable water regime, in a warm, slightly moist climatic region, lying in a plain.

### 3.4 Land Prices

In the year 1995 the estimated land prices in CR ranged from 150 to 4,000 EUR/ha. The average price of state land for sale in the year 2003 was 1530 EUR/ha (4.58 CZK/m<sup>2</sup>). The average market price of agricultural land in 2003 was 21.68 CZK/m<sup>2</sup> (7230 EUR/ha). In 2004 the price of land (land over 5 ha) is about 2,520 EUR/ha.

Market price is mainly given from administrative price, but market price is generally higher for smaller lands, which are traded for non-agricultural purposes and the demand is higher. The dependence of land price on built-up area probability is remarkable in all countries.

The land rents ranged between 0.2 - 0.4% of administrative land prices in 1995 and about 80% of land was rented. In the years 1997-2001 the tenancy ratio to administrative land price was 1.04 - 1.47% for natural person, and 0.6 - 1.1% for corporate body. Nowadays the leasing fees are about 25 EUR/ha for individual farmers, and about 27 EUR/ha for cooperatives, companies and family farms. It is about 1% of the administrative land price. The peasants farm mainly on rented land; about 4,000 thousand hectares of land (90%) is in rental from owners. In EU the ratio of rented land is much lower. The leasing fees in other EU countries range on average from 200 - 600 EUR/ha.

The average administrative land price based on Decree No. 463/2002 was 1,567 EUR/ha in CR (4.7 CZK/m<sup>2</sup>). Prices are generally higher in regions with fertile soils or with lucrative location.

The highest land prices are around Prague; on average 2,373 EUR/ha, but one hectare of land can also cost about 3,330 EUR on very lucrative place. Similar prices are also in South Moravia County, on average about 2,359 EUR/ha, quality arable land reaches the price of 3,330 EUR/ha. Higher prices are also in Middle Bohemia County (2066 EUR/ha), Hradec Kralove County (1986 EUR/ha) or Zlin County (1910 EUR/ha). Low prices are in hilly regions as Highlands County (1112 EUR/ha), Plzen County (1028 EUR/ha) or Karlovy Vary County (902 EUR/ha).

## **4 Ownership Structure**

### **4.1 Land ownership**

Land ownership is considerably fragmented in the Czech Republic. As of 1 January 1998, there were 3 962 000 deeds of title, with land divided to 12 900 000 parcels. A prevailing portion of agricultural land, more than 3 400 000 hectares, is owned either by natural persons or by managers and shareholders of various farming companies (52 %). More than 800 000 hectares of agricultural land are state-owned. (Horizontal Rural Development Plan 2004-2006).

### **4.2 Land privatisation**

Considerable changes in the structure of Czech agriculture began after 1989. Large cooperatives, cultivating several thousands of hectares, were transformed into smaller enterprises. State estates were privatised into smaller legal entities and physical persons. New kind of agricultural enterprise - individual farmer – came also into existence. While in 1989 physical persons (individual farmers) cultivated less than 0,3 % of agricultural land in 2000 it was nearly 26 %. Approximately 44 % of physical persons have agriculture like secondary activity at their main job out of agriculture. But the most frequent way of transformation of cooperatives was transformation into Public Limited Company.

During 1995 – 2000 nearly all enterprises tended to reduce their area (from average area 153 hectare to 136 hectare). There are regional differences in use of the land. Along the border and in less favoured areas there are less number of larger enterprises, while high concentration of different legal form in productive inland. A new structure of ownership is not wholly consolidated yet because of not finished privatization of agricultural land of former state estate.

### **4.3 State-Owned Land Reserves**

State-owned land is administrated by the Land Fund. It was established *by Act No. 569/1991 on Land Fund of the Czech Republic*. Agricultural and forest state land may be leased to farmers or transferred to former owners like compensation instead of their expropriated land which they could not get back. Agricultural land may be (in addition to forest) sold to physical person or to municipality. It may be transferred to municipalities and Universities even for free.

Sale of state land started in 1999 in accordance with *Act No. 95/1999 on conditions of agricultural and forest land transfer*. Only Czech physical persons with permanent stay in the Czech Republic can buy land. In that time Land Fund administered about 830 thousands hectare of agricultural land. 200 thousands hectare from this land were reserved because of not finished land consolidation. This land is situated in the southwest of the Czech Republic and will be sold after 2006.

In 2001 new Act (No. 253/2001) came into force. It allowed putting price of the state land down on 10 % of Basic Land Price defined by Ministry of Finance. Sale of the state land accelerated after this regulation.

#### **4.4 Land Transactions**

After 1989 the right of real estate property was re-established. This resulted in the allowance of creating the land market. Contracts of purchase are filed in the Regional Departments of the Czech Office for Surveying, Mapping and Cadastre.

The Research Institute of Agricultural Economics monitors land market development since 1993. There is a selected sample of 25 districts (from total amount of 77 in the CR) covering the whole Republic where the monitoring is carried out. During the 10 years period there was made nearly 80 thousands of transactions but the sold area amounted only about 0,2 - 0,4 % of the investigated agricultural land each year.

##### ***Reasons for non-developed land market:***

- Low profitability of agriculture
- Dominance of large cooperatives and lack of “land property feeling” do not motivate to buy a land
- Low rent prices

Land prices depend on the area and region of the selling plot. The most expensive (30 000–40 000 Euro per hectare) are small plots to 1 hectare close to the cities, which are not usually used agriculturally but for building. (It is not too difficult to transfer agricultural land to non-agricultural.) On the other hand large plots above 5 hectare (which are supposed to be used agriculturally) are sold rarely and for very low price, often lower than official land price calculated from land productivity (1 500 Euro per hectare). Purchase of agricultural and forestland to foreigners will be allowed only on condition of permanent 7 years period stay in the Czech Republic.

#### **Biographical Notes**

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