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Legal and economic issues of the agricultural land rent in Slovakia (Land rent in Slovakia)

Právne a ekonomické problémy nájomného za poľnohospodársku pôdu na Slovensku

Abstract *The agricultural land in Slovakia is used mainly by tenants according to the land rent contracts. The land rent plays a very important role; therefore the Slovak law maker approved special legal regulation to stabilize the long-term rent of agricultural land. The paper analyses how these legal norms affects the economic behaviour of the land tenants doing their business activities in the agriculture. The research was realised in county Galanta, one of the counties of Slovakia with the best conditions for the agricultural business. The primary data were oriented mainly on the rent price, rent period, land quality, acreage of rented land and legal form of enterprises. According to the results the rent payment for one hectare of land is not influenced by the minimum rent payment stipulated by law. The larger acreage of land of one agricultural businessman press down the land rent payments. The legal forms of enterprises as well as the land rent period are one of the dominant factors which influence the land rent payment. The location of agricultural businessmen in the county Galanta is also important factor influencing the land rent payment.*

Key words *agricultural land - land rent - legal regulation - rent payment - rent period - revenues from the agricultural business*

Abstrakt *Prevažná časť využívanej poľnohospodárskej pôdy na Slovensku je prenajatá. Nájomné za pôdu zohráva veľmi dôležitú úlohu a preto slovenská legislatíva schválila špeciálne právne nariadenie na stabilizáciu dlhodobého nájomného za poľnohospodársku pôdu. Príspevok analyzuje ako tieto právne normy ovplyvňujú ekonomické správanie nájomcov pôdy, ktorí vykonávajú podnikateľské aktivity v poľnohospodárstve. Výskum bol uskutočnený v okrese Galanta, v jednom z okresov Slovenska s najlepšimi podmienkami pre poľnohospodárske podnikanie. Prvotné údaje boli orientované hlavne na cenu nájmu, dobu prenájmu, kvalitu pôdy, výmeru prenajímanej pôdy a právnu formu podnikov. Na základe výsledkov výskumu úradne stanovená výška nájmu neovplyvňuje celkovú výšku nájomného za jeden hektár pôdy. Väčšia výmera pôdy jedného podnikateľa v poľnohospodárstve stláča dolu platby nájomného. Právna forma podnikov ako aj doba prenájmu pôdy sú hlavnými faktormi ktoré ovplyvňujú platby nájomného za pôdu. Dôležitým faktorom ovplyvňujúcim platby nájomného za pôdu je aj poloha podnikateľského subjektu v okrese Galanta.*

Kľúčové slová poľnohospodárska pôda – nájom pôdy – právne nariadenie – nájomné – doba prenájmu – príjmy z poľnohospodárskeho podnikania

JEL Classification: Q15

Territory of Slovakia occupies 4 903 423 ha, from this agricultural land represents 2 380 000 ha (48,54 %). Structure of ownership relations to agricultural land in Slovakia is different from the structure of use relations. In private ownership is the land with acreage of 1 854 973 ha what represents app. 76 % from the total acreage of agricultural land in Slovakia (Slovak Land Fund, 2002). However, in Slovakia the majority of land is cultivated by the tenants what is caused by the complicated land ownership relations as a consequence of the collectivisation during the socialism period. The investment in the agricultural land is too jeopardised because the economic return of such investment is in the improbability (Buday, Š., 2007). Approximately 90 % of agricultural land is currently being rented and tenancy will play a very important role in the future too. This tendency, which can be noticed in Slovakia, is a “European wide” tendency. There is a similar situation in the European Union countries. In Germany 62,1 % of agricultural land is leased, in Belgium 67 %, in France 64,9 % (Tatík and Kniebugel, 2002).

However, there is no survey on the exact number of rent contracts administrated by a state body; therefore the statistical data come only from various researches. The results of such surveys performed in selected regions show that the agricultural businessmen farming under better natural conditions (e.g. county Dunajská Streda, Galanta, Nitra) rarely agree on the rent amount irrespective of the amount of average agricultural land price in the respective cadastral area. This rent amount generally exceeds the limit of 2,5 % from the average agricultural land price and in some exceptional cases as much as 3 % of the land price (Bandlerová, A., Rumanovská, Ľ. and Lazíková, J., 2005).

The status quo related to the land ownership and the land use relations in Slovakia has its roots in the history. In the period 1948–1989 the land ownership of natural persons was deformed and the laws were oriented to the objective the state should be only owner of the agricultural land (Štefanovič, M., 2004). In 1990, the centrally planned economy system was transformed to the market economy mechanism. Landlords were offered the right of access to the lands and the new legislation was adopted aiming to improve the right of the landlords to access their lands. However, the access to land was not of any interest to most of the landlords anymore because they have been working in other sectors (already mentioned healthcare, education or industry) without any connection with their land for 45 years. This shows that they have already been interested in being engaged in the other sectors (Lazíková, J. and Bandlerová, A., 2008). The government has put in efforts to encourage the landlords to farm on their lands; however most of the land has been used by the tenants during past 22 years (Lazíková, J. and Bandlerová, A., 2009). That was the reason for the Slovak law maker to prepare the new legal regulation of the land rent with the aim to protect the interests of the land tenants. The new Law no. 504/2003 on agricultural land rent, agricultural enterprise rent and forestland rent (hereinafter referred to as the Law on agricultural rent) is the special law (*lex specialis*) to the Civil Code. This one regulates the rent in two different situations: (1) land

rent for agricultural purposes (the law maker presumes short –term, fix-term and occasional rent of smaller and integrated land plots according to the explanatory report of the Act no. 504/2003); (2) land rent for agricultural business in the course of managing an agricultural enterprise, where the rented land is used for agricultural production; there are high-cost investments into maintenance, regeneration and increasing of land fertility, into the high-power technology for plant production and into transport, infrastructure and buildings (Explanatory report of the Act no. 504/2003). The Civil Code (*lex generalis*) represents the general regulation of rent. It regulates the rent in the part dealing with contractual law (§663–684). The land rent issues, which are not regulated by the Law on agricultural rent, are secondarily regulated by the Civil Code (Lazíková, J. and Takáč, I., 2010). The Commercial Code, regulating the relations between businesses does not deal with the rent; however, there are regulations for 23 types of contracts. It means that the agricultural businesses, which are usually governed by the Commercial Code for their business relations, are instead governed by the Act on agricultural rent and Civil Code for the rent (§ 663–684). However, the general issues of contractual law, such as formation, termination or security for performance of contracts, prescription and damages are regulated either by the Civil Code or the Commercial Code. If the rent is entered into between businesses and the object of the rent belongs to their business activities, these general issues will be regulated by the Commercial Code. If these conditions are not fulfilled, the Civil Code will be applied for these general issues of rent. In the case of mixed contracting parties (only one of them is a business and the tenant deals with his business activities) the Civil Code is applied unless a written agreement of both contracting parties on using the Commercial Code is concluded (Lazíková, J. and Bandlerová, A., 2008). The last law on land rent is the Law no. 229/1991 on legal regulation of land ownership and the other agricultural property ownership as amended by later regulations (§ 22). This is called a statutory rent (rent implied by law). § 22 states: *“If there is no agreement between a tenant and a landlord, the rent shall be established between them at the moment of this Law coming into force (24th June, 1991). These contractual parties may terminate this kind of rent by giving notice before October 1 of the current year”* and the rent will terminate on October 1 next year. According to this provision, the rent implied by law is a default position applied only in the absence of a different agreement between the contracting parties (a tenant and a landlord). The tenant must pay rent from this time. The amount of rent is stipulated in the § 23 of the Law on agricultural lease being at least 1 per cent of the value of agricultural land evaluated according to a decree of the Ministry of Agriculture and Rural Development of the Slovak Republic (no. 38/2005 as amended by later regulations). The provisions of Civil Code and especially the Law on agricultural rent are also applied on this rent (Lazíková, J. and Takáč, I., 2010).

Methodology

The objective of this paper is to analyse how these legal norms affects the economic behaviour of the land tenants doing their business activities in the agriculture. The research was realised in county Galanta, one of the counties of Slovakia with the best condition for the

agricultural business. The primary data were oriented mainly on the rent price, rent period, land quality, acreage of rented land and legal form of enterprises.¹

The remainder of the paper is organised as follows. In Section 1, we analyse the legal regulation of the agricultural land rent. In Section 2, we analyse economic aspects of the legal regulation, mainly the influence between the minimum rent payment on the rent market payment, the influence of the rent period, legal form of enterprise on the rent payments and the influence of the land location on the rent payments. The last section summarises and draws conclusions.

Results

Legal regulation of the agricultural land rent – selected issues

The rent contract is an agreement between a tenant and a landlord; the landlord has to leave the subject matter of the rent temporarily to the tenant who is entitled to use it; the tenant has to pay a rent payment to the landlord according to this mutual agreement. The rent contract is an oral or a written agreement depending on the mutual agreement of the parties. However in the case of a land rent for agricultural business, a written agreement is required (504/2003 § 14) otherwise the agreement for rent is void.

The agreement for rent must include three fundamental elements: identification of the parties, identification of the subject matter of the rent and the obligation to pay rent payment. Besides fundamental elements of the rent, it is advisable to make agreement on the other details of the rent relation to prevent misunderstanding or even lawsuit at the court: such as the period of rent; method of giving and using of the subject matter of the lease; frequency, form and method of rent payment; ordinary and extraordinary costs; security for the rent; termination of the rent contract and default interest, etc (Lazíková, J. and Takáč, I., 2010).

Fundamental elements of rent contract

The subjects of the rent contract are the parties (a tenant and a landlord) of the mutual agreement for the rent. The tenant is a natural person or a legal entity entitled to use the subject matter of the rent. The landlord is a natural person or a legal entity entitled to leave the subject matter of the rent to the tenant. The right to rent the agricultural land is given not only to Slovak citizens but also to foreigners from both within and outside the European Union according to the Act No. 202/1995. However, the foreigners cannot own agricultural land and forestland situated in the Slovak republic. The foreigners can receive the property right to the agricultural land or forestland only by inheritance; a special regulation is applied to the foreigners from the EU. They will be entitled to receive the agricultural land in Slovakia after the April, 30th2014 (the Council decision no. 2011/241/EU) before this time, only the EU foreigners who have cultivated this land for at least three years after the accession of Slovakia into EU can receive the property rights to the agricultural land.

¹This paper uses the results of VEGA project no. 1/0876/11 and Jean Monnet Programme “EU Business Law” no. 175785-LLP-1-2010-1-SK-AJM-MO

According to the Civil Code the subject matter of rent is any tangible thing which is able to be the subject matter of the legal relations. Agricultural land is considered to be a real estate and so can be the subject matter of the rent. The Law no. 162/1995 Coll. considers arable land, vineyards, hop-fields, orchards, gardens and permanent grasslands (pastures and meadows) to be agricultural land.

Rent payment for the use of agricultural land is payable annually for the previous year up to October 1, unless the parties have made different agreement. It is advisable to stipulate the payable amount in the contract. If the parties fail to do so but the contract implies at least the obligation of the tenant to pay the rent payment, the contract is still valid. However, there is an exception to this rule stated by law: in the case of entrepreneur rent, that means the rent of the land for agricultural purposes in course of enterprise, the law requires an agreement on the rent or agreement on the means of its determination. The minimum amount is 1 % of the land value. The land value is stipulated for this purpose by the governmental decree No. 38/2005, which determines the value of the land based on the quality and land value which is determined according to the land evaluating and ecological units but does not take the market price of the land into account.

Some recommended elements of the rent contract

Rent contract can be terminated in various ways (1) by lapse of time if the rent was time limited; (2) by notice if the contract is concluded for unlimited period of time; (3) by withdrawal based on law or if the relevant conditions agreed on in the rent contract are given; (4) by immediate termination of the lease if this possibility is stated in the rent contract; (5) by agreement of both parties on termination of the rent contract; or (6) by destruction of the leased thing (Lazíková, J. and Takáč, I., 2010).

The lease contract formed for a specific period of time terminates at the moment of lapse of the stated time given the rent is not extended by implied agreement. The rent duration is a matter of an agreement by the parties to the contract, however, the Law on agricultural rent seals the minimum 5 year duration in the case of land rent for agricultural purposes in course of operation of the enterprise. By this provision, the law maker attempts to stabilise the rent relationships regarding the agricultural land and motivate a tenant to invest in the agricultural land (as he shall retain the land for at least 5 years) (Lazíková, J. and Bandlerová, A., 2008). There were considerations (as the explanatory report to the law no. 504/2003 Coll. indicates) if “legal conditions of detention of land and land benefits do or do not obstruct the investment in the land and proper management and if the tenant has the possibility of full benefits of his investments to maintenance and improvement of soil fertility.”

At the same time, protection is provided to the subject matter of rent itself – land as natural resource – against plunder so that the tenant would not use the land in such a manner to use all nutritive substance in one or two years and then return the deprived soil to the landlord after short term rent. If the tenant is bound by a 5 year rent he needs to take care of the land and maintain its fertilising otherwise he would produce loss and at the same time he would be obliged to pay the rent payment because in the case of zero outputs he has no right

for decrease or waiver of the payment as he lost the incomes by his own default (Lazíková, J. and Takáč, I., 2010).

In case the rent contract in course of enterprise of business is time limited, the duration of the rent must not exceed 15 years. The law maker sought the adequate time from the tenant's point of view as well as landlord's. 15 years is long enough time for a tenant to obtain the returns of his investment in the agricultural land at least partially and at the same time it is not extensively long as to deprive the landlord of his relationship to the land as its owner. However, arable land is not the only possible subject matter of the rent but other types of agricultural land come into consideration as well. In this case, the time of economic return is needed to be evaluated differently for every type of agricultural culture which is why the law maker extends the maximum possible time of rent, as opposed to the general provision of 15 year duration, as following: (1) maximum of 25 years duration in the case of a rent dedicated to establishment or revitalisation of orchard; (2) maximum of 30 year duration for the vineyard, hop orchard or orchard and decorative shrubs nursery establishment.

In case of entrepreneur rent, the Law no. 504/2003 Coll. gives to the tenant the first option to renew the rent contract regarding the agricultural land if his due payments under the rent contract were paid in full and on time. However, the tenant is not entitled as stated above if: (1) the landlord himself or his relative wants to establish a business in agriculture; (2) the tenant is to be the legal entity of which the landlord is a member or a partner; (3) the land in question is assigned for other than agricultural purposes according to special legal regulations. The so called prior right to conclude the rent contract is a right of tenant who can decide to use it after the termination of rent contract; the landlord is obliged to respect the decision of the tenant and without his refusal to conclude the new rent contract, the landlord is not entitled to do the new rent contract with the third party; however this legal rule is broken in the praxis very often. The main problem consists in the fact that many landlords and tenants do not know this legal rule; the landlord usually terminates the land rent contract and supplies the land to the tenant willing to pay higher rent payment without respecting the prior right of present tenant.

Economic issues of the land rent

This part of paper analyses how the previous aspects of the land rent legal regulation influences the economic behaviour of agricultural businessmen. The research was doing in the county Galanta with the acreage of 641 km² situated in the plain of the south-western Slovakia. The next table describe the structure of the agricultural land in this county.

The structure of agricultural land in the county Galanta

Štruktúra poľnohospodárskeho pôdneho fondu v okrese Galanta

Table 1

	Arable land	Permanent grass land	Vineyards
Total area in ha	48 610	528	1 037
Rented land of respondents in ha	22 268	75	290
Rented land of respondents in per cent from the total area	45,8	14,2	27

Source: self-calculation

There were 19 agricultural enterprises included in the research, of it 10 limited liability companies, 5 agricultural cooperatives cultivated the land and 4 individual farmers.

The influence between the minimum rent payment on the market rent payments

The first issue is to determine the influence of the minimum amount of rent payment for agricultural land according to the Law No. 504/2003 Coll. (Land Rental Law) on the decision of the businessmen in the land rental market. According to the land rent legal regulation, the contracting parties are free to negotiate the rent payments in their land contract. However, there is an exception to this rule stated by the Law; in the case of the rent of the land for agricultural purposes in the course of the enterprise; the law requires an agreement on the rent and prescribes the minimum rent payment as 1 per cent of the land value determined according to the government decree no. 38/2005 Coll.

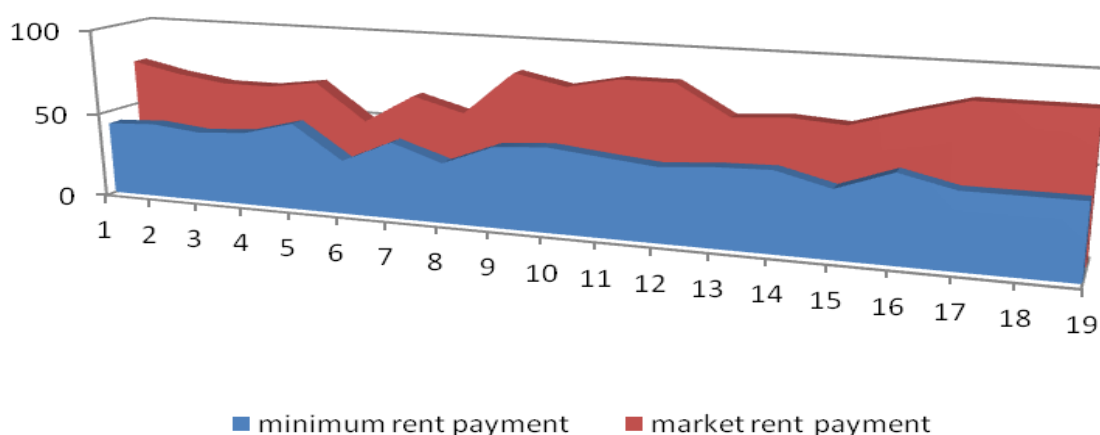
The determination of the minimum rent payment can find its meaning only if the rent payment agreed between the contract parties would be lower than that stipulated by the law. Otherwise, the minimum rent payment stipulated in the Law is obsolete in our observed county.

Our findings are presented in the Figure 1. The axis x represents the number of observed respondents and the axis y represents the high of the rent payment in EUR per hectare. The red space represents the market rent payments of each businessman and the blue one represents the minimum rent payments according to the Law.

The comparison the minimum rent payment and the market rent payment

Porovnanie minimálnej výšky nájmu a trhovej výšky nájmu

Figure 1



Source: self – calculation

According to the figure 1 we can states that the legal regulation does not influenced the market subjects by the decision making on the high of the rent payments. The high differences between the minimum rent payments and market rent payments are caused by the high interests for doing business in agriculture in this county. The favourable natural conditions are one of the main factors which established the competitive business environment among the

agricultural businessmen. Therefore, they are motivated to supply the higher rent payment if they want to receive the additional units of land for their business activities. According to the research we can conclude that the market rent payment is created by the supply and demand of the land for the rent purposes and does not depend on the minimum rent payment stipulated by the Law no. 504/2003 Coll. in county Galanta.

The influence of the rent period, legal form of enterprise on the rent payments

We have set hypothesis that the agricultural businessmen according to the legal forms prefer different rent period. To provide confirmation of this hypothesis we have collected data (Figure 2).

Rent payment and rent period according to the legal forms of agricultural businessmen *Výška nájmu a dĺžka nájmu podľa právnej formy poľnohospodárskych podnikateľov*

Figure 2



1 – limited liability company; 2 – agricultural cooperative; 3 – individual farmer

Source: self-calculation

The first group includes 10 limited liability companies. The rent payment is about 70 eur.ha⁻¹. The rent period is usually ten years, it means longer than the minimum rent period prescribed by Law no. 504/2003 Coll. (5 years). Their business activities are distributed for longer time period. The second group includes 5 agricultural cooperatives, which pay for one hectare of rented agricultural land about 67 EUR. The agricultural cooperatives prefer the longest rent period about 10 or 15 years or for the unlimited period of time. We can conclude that the minimum rent period stipulated by law does not influence the business plans of the legal entities doing business in agriculture.

The third group includes 4 individual farmers who pay 83 EUR per hectare of rented agricultural land. They pay higher rent payment than the legal entities if they want to be competitive on the land rent market and receive the additional land unit. They cultivate smaller acreage of land than the legal entities therefore the additional land units is more important for them like for the bigger agricultural legal entities. However, the rent period is shorter than in the case of legal entities, only about 5 years. They use the minimum prescribed by Law no. 504/2003 Coll., therefore, there is a question: Did they use the shorter rent period

than 5 years if they would be not limited by the 5-years period stipulated by the Law? According to the information from the interview with the individual farmers we can state they would like to prefer also the shorter rent period than 5 year stipulated as minimum rent period.

According to Figure 2, we researched the fact, if there is a statistical significant difference among the rent payments paid by the businessmen of various legal forms. For this purpose we use the ANOVA model (Table 2).

ANOVA model of statistical significant difference among the rent payments paid by the businessmen of various legal forms

Model ANOVA štatisticky významného rozdielu medzi platbami nájomného plateného podnikateľmi podľa právnych foriem

Table 2

SUMMARY							
Groups	Count	Sum	Average	Variance			
Agricultural cooperatives	10	701	70,1	54,54444			
Limited liability companies	5	338	67,6	149,3			
Individual farmers	4	332	83	0			
ANOVA							
Source of Variation	SS	df	MS	F	P-value	F crit	
Between Groups	616,4263	2	308,2132	4,53213	0,027575	3,633723	
Within Groups	1088,1	16	68,00625				
Total	1704,526	18					

Source: self-calculation

According to this analysis of variance ($F=4,53 > F_{krit} = 3,63$) we can state that there is a statistical significant difference among the rent payments of different legal forms of agricultural businessmen. The presented model is statistical significant because of $P\text{-value} = 0,02 < 0,05$; however this model does not give an answer if the statistical significant difference is between each legal forms or only between some of them. Therefore we use the multiple Range Tests to find it out (Table 3).

Statistical significant difference between the legal forms of agricultural businessmen

Štatisticky významný rozdiel medzi právnymi formami poľnohospodárskych podnikateľov

Table 3

Multiple Range Tests for Col_2 by Col_1	
Method: 95,0 percent LSD	
Col_1 Count Mean Homogeneous Groups	
1	5 67,6 X
3	10 70,1 X
2	4 83,0 X
Contrast Difference +/- Limits	
1 - 2	* -15,4 11,7273
1 - 3	-2,5 9,5753
2 - 3	* 12,9 10,3425

** denotes a statistically significant difference.*

*** 1 – limited liability companies; 2 – agricultural cooperatives; 3 – individual farmers*

Source: self-calculation

According to the table 3 the statistical significant difference are only between the rent payments paid by the limited liability companies and individual farmers as well as between the agricultural cooperatives and individual farmers; it means between the legal entities and individuals. The statistical significant difference between the legal entities was not confirmed.

We expect that the rent payment will be higher in the case of longer rent period when the landlords cannot use their own property because of rent but the opposite matter of fact is confirmed. According to the results of our research, we can conclude that the highest rent payment pay the individual farmers who use the minimum rent period. On the contrary, the lowest rent payment supplies the agricultural cooperatives which prefer the longest rent period (for 10-15 years). The average acreage of agricultural cooperatives is app. 1 536 hectares of land and the individual farmers usually cultivate only 50 hectares of land. Therefore the agricultural cooperatives have not interest to receive the additional land with the higher costs but the individual farmers accept also the higher rent payment to use the additional units of land. On the other hand, the rent payment is usually fixed in the rent contract and it is not changed during the all period of rent relation. The individual farmers preferring the shorter period of rent contract change the rent payment each 5 years and the agricultural cooperatives only each 10-15 years. That is the second reason why the legal entities pay lower rent payments than the individual farmers.

The influence of the land location on the rent payments

The minimum rent payment stipulated by the Law no. 504/2003 Coll. is 1 per cent from the land value. The land value is stipulated by the government decree including the land quality but the land location, infrastructure in the local areas and other market factors are not taken into account. Therefore we have oriented on the issues how the location of the land influences the rent payments.

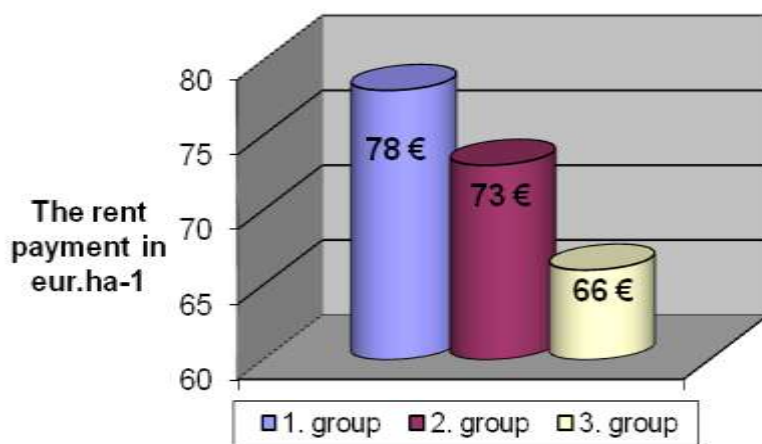
The observed businessmen were divided into three groups according to their location. The first group includes 8 businessmen (3 individual farmers, 4 limited liability companies, 1 agricultural cooperative) on the north- eastern of county Galanta. There is the highest number of the agricultural businessmen and too strong competitive business environment which presses up the rent payments. The difference between the minimum rent payment and market rent payment is about 97 per cent. This location is typical by the high quality of land and well transport infrastructure with the neighbouring counties. The second group of businessmen is situated on the southern part of the county (there were situated the respondents: 4 limited liability companies, 1 individual farmer and 1 agricultural cooperative). The average rent payment in this part of the county is about 73 EUR per hectare. The difference between the minimum rent payment and market rent payment is about 58 per cent. The competition is not as high as in the first group of the businessmen. The lowest interests to doing business in the south of county Galanta consists in the less developed transport infrastructure and longer distance to the markets increases the production costs. The third

group includes five businessmen (2 limited liability companies and 3 agricultural cooperatives). They are situated on the western of county Galanta. The market rent payment is only 66 EUR per hectare; it is only 44 per cent higher than the minimum rent payment. There is the worst land quality and the interest to do business in this location is too low. The transport infrastructure is developed quite well; however this part of county Galanta is far from the biggest cities and the access to this part of the county is possible only with own vehicles. The regular local transport is missing.

The influence of the land location on the rent payment

Vplyv lokality na výšku nájomného

Figure 3



Source: self-calculation

Conclusion

The majority of agricultural land is rented and cultivated by the tenants, not by the owner. Therefore the Slovak law maker adopts a special legal regulation with the aim to stabilise the land rent relations, to protect the business interests of the agricultural businessmen and to protect the soil as the natural resource. There comes out a question what is the impact of this legal regulation on the economic behaviour of the agricultural businessmen. According to our findings we can state that (1) the agricultural businessmen as the tenants are not influenced by the minimum rent payment stipulated by law and the rent payment is stipulated by the land rent market, especially market factors such as rate of competition, number and legal forms of agricultural enterprises, the acreage of the cultivated land and location of the land as well; (2) the agricultural businessmen cultivated larger area of land prefer the longer rent period, however the rent payment are usually lower than in the case of agricultural businessmen who cultivated smaller land areas; these ones prefer the shorter rent period (they would like to prefer the shorter rent period than 5 years which is the minimum stipulated by law) but they supply higher rent payment; (3) the larger enterprises are usually agricultural cooperatives and limited liability companies and the smaller land areas cultivated usually individual farmers, therefore the legal forms of enterprises influence statistically significant the rent payment. There were statistically significant differences between the rent payments of the individual farmers and legal entities (limited liability companies and agricultural cooperatives); (4) the

rent payments are influenced also by the cultivated land location; many smaller agricultural enterprises create the competitive business environment which presses up the rent payments; the businessmen cultivating the smaller land areas are motivated to receive the additional units of land also for the higher rent payment per hectare. On the contrary, the business environment with the small number of enterprises cultivating large areas of land are not motivated to receive the additional units of land and the rent payments are usually lower. The rate of the concentration of the agricultural businessmen is influenced by the land quality and infrastructure, mainly the transport infrastructure.

From the interview with the agricultural businessmen results that they would like to prefer to buy the agricultural land but their economic situation and complicated land ownership relations are the main factors why they rent majority of the cultivated land. The landlords have a tendency to ask the higher rent payments otherwise they terminated the rent contract and supply their land to a businessman who is willing to pay higher rent payments regardless on the agricultural or non-agricultural purposes. The landlords do not respect the prior rights of the tenants to conclude the new rent contract; in many cases both of the parties do not know that this right of tenants is stipulated by the law. The agricultural businessmen loss by this practices of the landlords many hectares of land and they have to change their business and investment plans and in many cases they are forced to terminate their agricultural business.

We can conclude that the present legal regulation of the land rent relations does not limited the business plans of the agricultural enterprises and protect sufficiently their rights and there is only the role of the landlords and tenants to know their own rights and obligations stipulated by the law and to be precise to determine their rights and obligations in the rent contracts. It is not formal bureaucratic mechanism but very useful market measure how to protect their rights and business and investment plans.

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