

THE AGRICULTURAL LAND-LEASE REGIME AND STRUCTURAL CHANGE IN HUNGARIAN AGRICULTURE

REŽIM PRENÁJMU POĽNOHOSPODÁRSKEJ PÔDY A ŠTRUKTURÁLNE ZMENY V MAĎARSKOM POĽNOHOSPODÁRSTVE

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I Introduction

The evolution of a country's farm structure is generally a gradual and continuous process, yet it may accelerate, slow down, or even shift direction in response to internal or external forces, including deliberate policy interventions or unforeseen events. A substantial body of research identifies several key determinants shaping farm structures: historical legacies; the legal and institutional environment; market conditions; natural endowments; agricultural policy; demographic factors; technological

development; access to capital; and prevailing cultural and social norms^{(1), (2), (3), (4), (5)}.

The paper examines the structural changes that have taken place in Hungarian agriculture over the past decade and compares them with the guiding

- 1 Deininger (2003)
- 2 Gardner et al. (2001)
- 3 Lowder et al. (2016)
- 4 Zakout et al. (2006)
- 5 Dijk (2003)

Abstract (EN)

One of the key strengths of Hungarian agriculture lies in its extensive farmland resources, which cover nearly 60 percent of the country's territory. A central policy question concerns whether access to agricultural land should be regulated through strict legal constraints or through more market-oriented, liberal mechanisms. Hungary has consistently chosen the former approach. Although the legal framework explicitly aims to support small and medium-sized family farms, it has not slowed the ongoing concentration of land or the structural transformation of the sector. Over time, this regulatory system has required numerous amendments as loopholes emerged or overly complex provisions proved impracticable. This study examines how land-use regulation has influenced the structural evolution of Hungarian agriculture, with particular attention to the ways in which legal frameworks shape access to land, patterns of use, and the distribution of farm sizes.

Abstrakt (SK)

Jednou z kľúčových silných stránok maďarského poľnohospodárstva sú jeho rozsiahle zdroje poľnohospodárskej pôdy, ktoré pokrývajú takmer 60 percent územia krajiny. Ústredná politická otázka sa týka toho, či by mal byť prístup k poľnohospodárskej pôde regulovaný prísnymi právnymi obmedzeniami alebo viac trhovo orientovanými, liberálnymi mechanizmami. Maďarsko dôsledne volilo prvý prístup. Hoci sa právny rámec výslovne zameriava na podporu malých a stredných rodinných fariem, nespomalil prebiehajúcu koncentráciu pôdy ani štrukturálnu transformáciu sektora. Postupom času si tento regulačný systém vyžadoval početné zmeny, pretože sa objavili medzery alebo sa príliš zložité ustanovenia ukázali ako nepraktické. Táto štúdia skúma, ako regulácia využívania pôdy ovplyvnila štrukturálny vývoj maďarského poľnohospodárstva, s osobitným dôrazom na spôsoby, akými právne rámce formujú prístup k pôde, vzorce využívania a rozloženie veľkosti fariem.

Keywords (EN)

land use, farm structure, tenancy, pre-lease right

Kľúčové slová (SK)

využitie pôdy, štruktúra poľnohospodárskych podnikov, nájom, predbežné nájomné právo

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principles of national land policy and the regulatory environment governing the use of agricultural land. Numerous authors have offered analyses and recommendations concerning Hungarian land tenure policy, contributing to a professional discourse that, while occasionally contentious, has remained fundamentally constructive. As the expiry of the EU-granted moratorium on land acquisition approached, several scholars articulated their positions, providing coherent and structured overviews of the differing perspectives within the field. Collectively, this body of work demonstrates that land tenure policy cannot be regarded as a static regulatory domain; rather, it must continuously adapt to the evolving economic, social, and institutional challenges characteristic of each historical period^{(6),(7),(8),(9),(10)}. The legal dimensions of land ownership and land use, and their relationship with EU law, also have likewise been the subject of scholarly examination^{(11),(12),(13),(14)}.

Except for a few years characterized by a more liberal approach, Hungary has consistently pursued a strict regulatory path in governing the ownership and use of agricultural land. The Act LV of 1994 on Agricultural and Forest Land made clear that the legislator regarded the strengthening and expansion of individual farms as the preferred direction for Hungarian agriculture. By excluding domestic legal persons from the land market, the law effectively ensured that these entities could access land only through leasing if they wished to continue their agricultural activities.

The initial framework granted priority to former tenants in land lease contracts, with the order of priority determined exclusively by statutory provisions. This enabled agricultural enterprises – cooperatives and companies – to maintain their established land-use positions. Recognizing the more limited opportunities available to such entities, the law also permitted them to lease up to 2,500 hectares (or the equivalent of 50,000 gold crown points⁽¹⁵⁾), without counting land leased

from their own members or shareholders towards this limit.

Another highly restrictive element was the general prohibition on land acquisition by foreign natural and legal persons, combined with a regulation that capped the maximum leaseable area available to them at 300 hectares (or 6,000 gold crown points).

Following numerous amendments to the Land Act, a new law was adopted in 2013 to establish an updated regulatory framework for the period following the expiry of the EU's land acquisition moratorium. This legislation preserved the strict, sovereignty-oriented principles of Hungarian land policy and introduced a highly complex system of rules governing both land ownership and land use. Despite its stated objectives, the framework remains administratively burdensome, requiring extensive procedural oversight and imposing significant compliance obligations on the competent authorities

II Material and Methods

In line with the profile of the journal, this synthesizing study examines Hungarian land policy principles, the current regulatory framework governing land leasing, and recent changes in farm structure in an integrated manner. The analysis relies primarily on descriptive methods. Its scope is limited to land use and, within that, to the role of leasehold arrangements.

The study seeks to answer two questions:

1. How has the farm structure evolved in Hungary since the country acceded to the European Union?
2. What characterizes the land-use opportunities available to private individuals and agricultural companies?

The analysis places particular emphasis on the current legislative framework. In addition, statistical data on land leasing and land users – drawn from the databases of the Hungarian Central Statistical Office and Eurostat – serve as essential empirical sources for understanding recent trends and patterns.

III Results and Discussion

The land tenure policy guidelines set out in the National Land Fund Act⁽¹⁶⁾ require that state-owned agricultural land be utilised in a manner that serves clearly defined public-interest objectives. These objectives include stabilizing the positions of land users and supporting family farms; promoting sustainable and environmentally sound land management;

6 Kapronczai (2006)

7 Kapronczai (2010)

8 Orlovits (2010)

9 Nagy (2010)

10 Burgerné (2010)

11 Korom (2011)

12 Csák (2017)

13 Szilágyi (2022)

14 Temesi, Korom (2024)

15 The aranykorona (literally “gold crown”) is a traditional Hungarian unit used to measure the productive value and quality of agricultural land. It does not indicate the size of the land, but rather its fertility, productivity, and economic potential. Historically, the aranykorona was used for taxation, land classification, and administrative records, and it is still used in Hungary today in land registries.

16 Section 15 (3) (a)–(u) of Act LXXXVII of 2010 on the National Land Fund, which sets out the land tenure policy guidelines.

Table 1 The changing Hungarian farm structure between 2005–2023 – distribution of farms (%)

Year	2005	2007	2010	2013	2016	2020*	2023
Total Nr of farms	714,790	626,320	571,660	487,760	430,000	232,060	189,180
Total UAA (ha)	4,266,550	4,228,580	4,686,330	4,656,520	4,670,270	4,921,740	5,087,200
% of farms with UAA 1–1.9 ha	74.3	72.2	72.2	68.8	56.5	39.1	30.6
% of farms with UAA 2–4.9 ha	8.0	7.6	8.1	8.7	9.8	17.9	20.3
% of farms with UAA 5–9.9 ha	4.1	3.9	4.6	5.3	6.4	11.8	14.4
% of farms with UAA 10–19.9 ha	2.7	2.7	3.4	4.1	4.7	8.4	10.4
% of farms with UAA 20–29.9	1.1	1.0	1.4	1.7	2.0	3.6	4.9
% of farms with UAA 30–49.9 ha	0.9	1.0	1.3	1.5	1.8	3.5	4.8
% of farms with UAA 50–99.9 ha	0.8	0.9	1.1	1.4	1.7	3.4	4.6
% of farms with UAA 100–249.9 ha	0.5	0.7	0.8	1.0	1.3	2.8	4.0
% of farms with UAA over 250 ha	0.3	0.4	0.5	0.6	0.8	1.6	2.0

Source: EUROSTAT, HCISO

* Since 2020, the farm threshold has changed, which limits the comparability of the data

maintaining agricultural land in cultivation; and ensuring that land use aligns with nature conservation, soil protection, regional development, and water management needs.

The guidelines also emphasize the development of a rational land ownership and lease structure, supporting economically viable farm sizes, facilitating land consolidation and quality land swaps, and prioritizing the agricultural use of high-quality land. Additional objectives include promoting afforestation, providing land for livestock farms and other specialized institutions, supporting young farmers and disadvantaged groups through social land programs, and ensuring that land-use structures remain compatible with access to EU funding. The State is furthermore tasked with accelerating the utilization of uncultivated or economically marginal areas and safeguarding the outstanding universal value of World Heritage Sites. These public-interest objectives form the basis upon which the acquisition and leasing of agricultural land must be regulated.

Hungarian agriculture manages approximately 5 million hectares of agricultural land, more than 80 percent of which is arable land. While this figure highlights the country's favorable land endowments, Kovách draws attention to a less frequently emphasized long-term trend: the contraction of both arable land and total agricultural land. Between 1935 and 2017, arable land decreased by 1.328 million hectares, whereas total agricultural land declined by 2.219 million hectares⁽¹⁷⁾.

Due to the characteristics of Hungary's land ownership structure – an issue not addressed in detail in this article – land leasing remains a decisive, although

gradually diminishing, component of agricultural land use. At the same time, the number of farms operating agricultural land has been steadily declining. The main developments observed between 2005 and 2023 are summarized in Table 1. Agricultural area grew slightly during this period while farm numbers declined substantially, the average utilized agricultural area per farm increased to 27 hectares⁽¹⁸⁾. Although the proportion of farms within larger size categories (above 2 hectares) increased – primarily due to the rapid reduction in very small holdings – the absolute number of farms in the 2–4.9 ha and 5–9.9 ha categories also fell (by 32.9 percent and 5.8 percent, respectively). By contrast, all categories above 20 hectares experienced an increase in farm numbers, with the most pronounced expansion occurring in the 100–249.9 ha category, which grew by 103 percent.

The pronounced decline in the number of small farms under two hectares is clearly detectable in Figure 1. While in 2005 such farms represented more than 70% of all agricultural holdings, their share had dropped to barely 30% by 2023. It should be noted, however, that the change in the threshold value from 2020 onwards complicates direct comparability over time.

The Hungarian farm structure is getting more concentrated, small farms stop operating in increasing number and larger holdings dominate the farmland. In 2023 farms cultivating more than 50 hectares UAA accounted only for 10 per cent of the total farm number but used more than three-quarter of the agricultural area (Table 2), among them farms over 250 ha representing only 2 percent of the total farm number but using more than 41 percent of the utilized agricultural area.

17 Kovách (2018)

18 Agricultural Census of Hungary (2023)

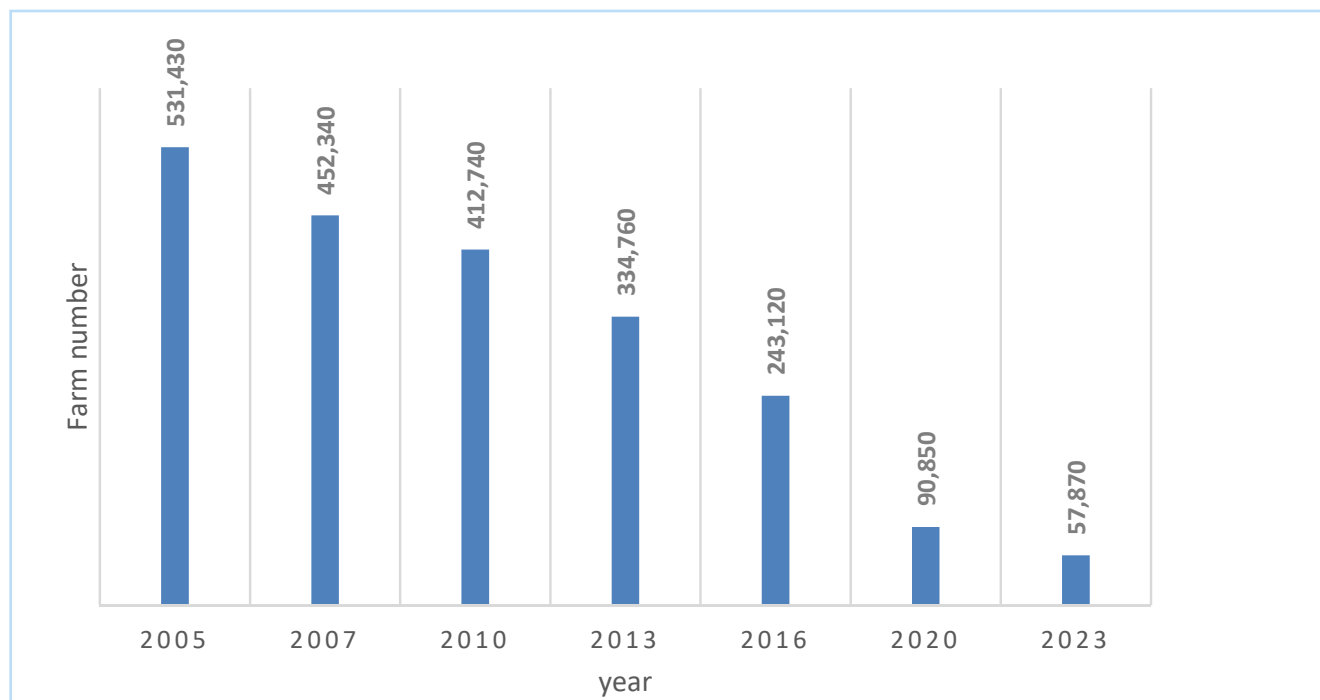


Figure 1 The change in the number of Hungarian farms with UAA under 2 hectares between 2005–2023
Source: EUROSTAT

Over the past two decades, the distribution of agricultural land use between natural persons (individual farms) and legal entities (typically agricultural companies) has undergone a marked transformation (Figure 2). Natural persons have become the predominant users of the utilized agricultural area (UAA) across all major land-use categories, including arable land, grassland, orchards, and vineyards. Their average land size has increased, although it remains relatively modest compared with that of legal entities. At the same time, agricultural companies have experienced a decrease in the average size of land they cultivate.

In the category of farms exceeding 250 hectares, the expansion of land use by individual farms has been

particularly striking: the area cultivated by natural persons in this size group has quadrupled between 2005 and 2023. During the same period, land cultivated by legal entities within the same size class declined by 23 percent. The diverging trajectories of natural persons and legal entities – growth among individual farms and contraction among agricultural companies – reflect the combined impact of regulatory constraints, changes in eligibility rules, and shifting land-use opportunities.

In terms of legal title, farms cultivated 45 percent of the total agricultural area as owners in 2020, while 50 percent was farmed under lease agreements and roughly 5 percent under other arrangements, such as sharecropping or permissive

Table 2 Distribution of land use (UAA) across different farm size categories in 2023

Size category	Cultivated area (UAA, ha)	Percent of total UAA
0–2 ha	48.680	1.0
2–4.9 ha	122.440	2.4
5–9.9 ha	194.850	3.8
10–19.9 ha	274.010	5.4
20–29.9 ha	225.150	4.4
30–49.9 ha	350.860	6.9
50–99.9 ha	613.020	12.1
100–249.9 ha	1.149.040	22.6
Over 250 ha	2.109.170	41.4

Source: EUROSTAT

land use (Figure 3). Compared with data from the 2016 Agricultural Census, the share of owner-cultivated land increased by 3 percentage points, whereas the proportion of leased land declined by 2 percentage points (HCSO). Because agricultural land acquisition

by legal entities has been prohibited since 1995, leasing remains the primary means through which these entities access land. As a result, 86 percent of the land cultivated by legal entities is leased.

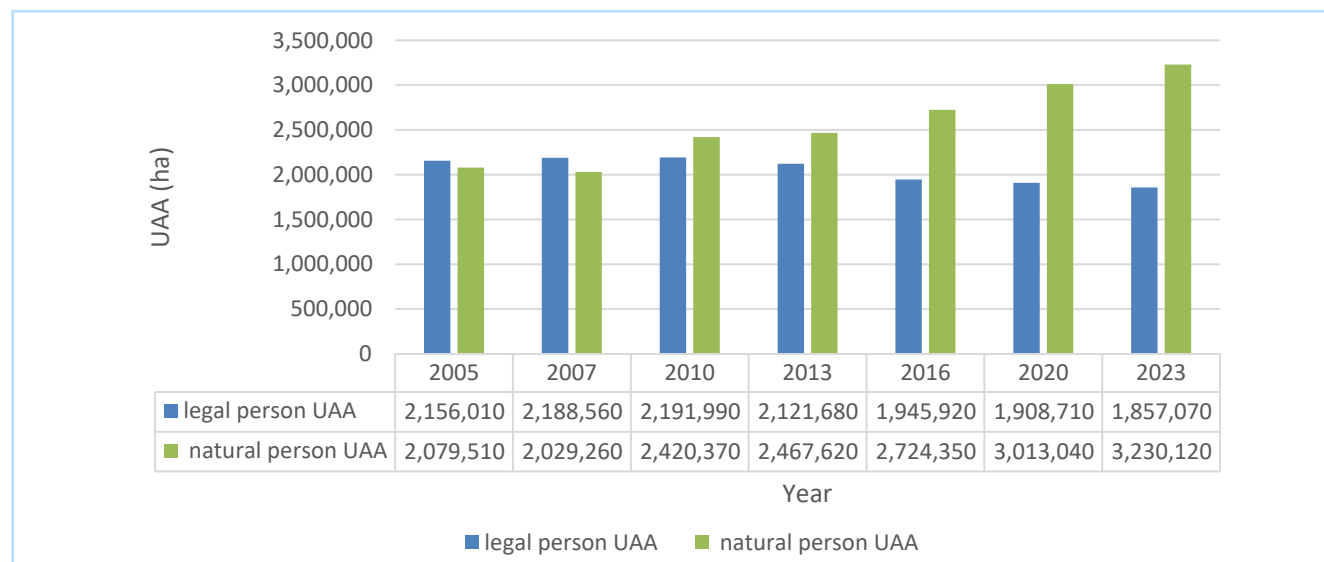


Figure 2 Utilized agricultural area cultivated by legal and natural persons between 2005 and 2023, hectares
Source: HCSO

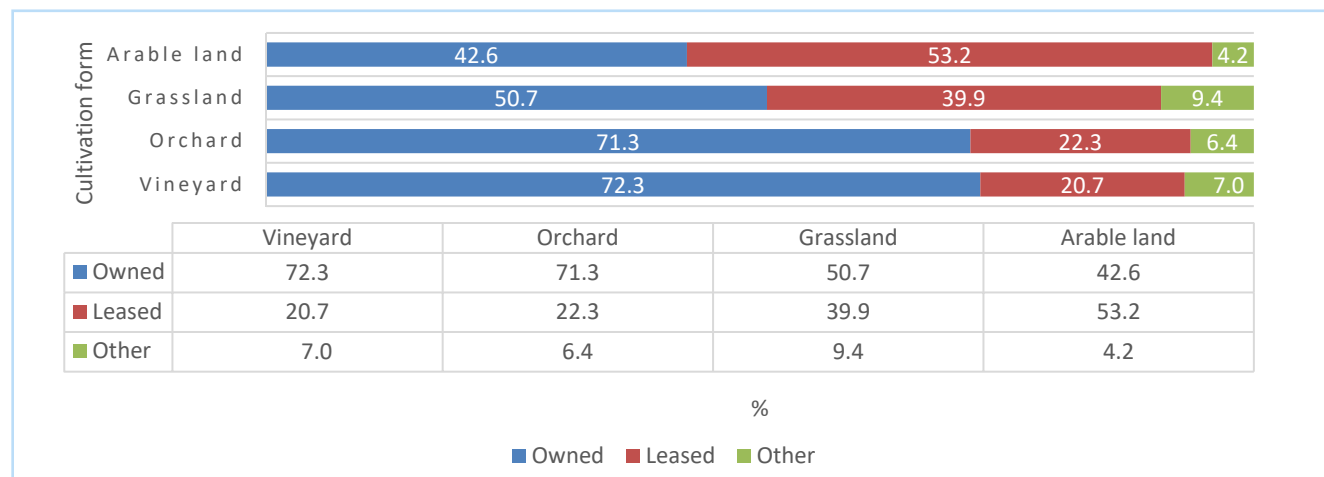


Figure 3 Distribution of Land Use by Legal Title and by Type of Cultivation
Source: HCSO

3.1 The Legal Background of Land Use Titles

Two key pieces of legislation govern the regulation of agricultural land in Hungary. Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land sets out the rules for all transactions involving agricultural land, while Act CXXIX of 2007 on the Protection of Agricultural Land focuses on safeguarding the quantitative and qualitative preservation of such land. The Land Transactions Act entered fully into force on 1 May 2014 and, by November 2025, had been amended 25 times. Notably, in each of the years 2020, 2024, and 2025, the legislature modified the Act on four separate occasions.

Hungary's regulatory approach to land use is characterized by a series of restrictive provisions on eligibility, permissible legal titles, temporal and spatial limitations, priority rights, and administrative oversight. In practice, the lease agreement constitutes the primary – and nearly exclusive – instrument through which agricultural land use can be transferred.

With the entry into force of the Land Transactions Act in May 2014, contractual usufruct rights were abolished retroactively, except when established in favor of close relatives. Consequently, existing registered usufruct rights held by non-relatives were cancelled without compensation. This measure was explicitly intended to curb speculative land acquisitions by foreign buyers. However, in the case *Commission v Hungary* (C-235/17, judgment of 21 May 2019)¹⁹, the Court of Justice of the European Union held that the retroactive cancellation of lawfully acquired rights without compensation violated EU law and that Hungary's justification – preventing speculation – was disproportionate. Hungary was therefore required to restore or compensate the extinguished rights. Subsequent legislative amendments adopted in 2021–2022 introduced a limited framework for re-registration or compensation and adjusted eligibility rules to reduce overt discrimination. Under the current legislation, the establishment of a usufruct right by contract or testamentary disposition is null and void unless it benefits a close relative.

All gratuitous loan-for-use agreements²⁰ (*haszonkölcsön*) for agricultural land that were in force

when the new Act entered into effect – whether concluded for a fixed or an indefinite term – were terminated *ex lege* on 31 December 2014. Since 2021, the gratuitous use of agricultural land through permissive land-use agreements (*szívességi földhasználat*) may be granted only to close relatives or, where expressly provided by law, to a family-owned agricultural company (i.e. an agricultural company in which all members are close relatives).

The possibility of concluding share-tenancy and share-cropping agreements – previously governed by a significantly simpler procedure and not subject to the pre-lease ranking system – was abolished as of 11 January 2019. Existing contracts may not be extended, and all such arrangements will expire by force of law on 31 December 2028 at the latest.

As Figure 3 illustrates, agricultural land use in Hungary is dominated by two legal titles: ownership and leasing. Land use under other legal titles – such as usufruct, loan-for-use, permissive land use, or share tenancy – constitutes only a small and steadily shrinking proportion of the total.

The connection between the regulatory framework and the decline of alternative land-use titles is straightforward and requires little further explanation. As a result of successive legislative changes, land use in Hungary has effectively been consolidated into two dominant legal titles: direct use based on ownership and the use of land under lease agreements. All other forms of land use – such as usufruct, loan-for-use agreements, permissive land use, or share tenancy – now account for only a marginal and steadily diminishing share of total land use.

Given this consolidation, the remainder of the analysis focuses on the legal institution of agricultural land leasing and examines only those regulatory provisions that apply to the principal actors in the sector – registered farmers and agricultural companies. The discussion concentrates exclusively on their land-use opportunities, constraints, and the broader policy implications arising from the current regulatory system.

19 <https://curia.europa.eu/juris/liste.jsf?num=C-235/17>

20 In Hungarian law, gratuitous use of agricultural land was/is possible as either as a 'loan-for-use agreement' (*haszonkölcsön*) or as a 'gratuitous permissive land-use agreement' (*szívességi földhasználat*), the latter providing a weaker and easily revocable right of use.

3.2 Regulation of Agricultural Land Leasing and Its Associated Challenges

In Hungary, agricultural land may be leased by registered farmers and agricultural companies⁽²¹⁾. Registration as a farmer generally requires an agricultural qualification, although the list of eligible credentials is relatively broad. Individuals without such qualifications may also register if they can demonstrate at least three consecutive years of income-generating agricultural activity in Hungary, or if they hold a minimum 25 percent ownership share in an agricultural organization and directly participate in its agricultural or related activities.

Agricultural companies may lease land if they are established in Hungary or in another EU Member State, but they are not permitted to acquire ownership of agricultural land. By contrast, registered farmers may both acquire and use agricultural land. When purchasing land, farmers must declare that they will cultivate it personally, will not transfer its use to third parties (with limited exceptions), and will refrain from extending any existing land-use contracts concluded by the former owner. This obligation of self-cultivation is not time-limited, in contrast to the five-year restriction applicable to non-agricultural use. These requirements significantly narrow the range of land-use options available to agricultural companies, which cannot own land and thus rely almost exclusively on leasing. For such entities, leasing land from members with a shared economic interest offers a legally secure and practical solution, as these arrangements fall under one of the few exceptions to the general restriction on transferring land-use rights to third parties.

A major regulatory change concerns the maximum area that may be cultivated under lease. Whereas

the 1994 Land Act allowed legal entities to lease up to 2,500 hectares (excluding land leased from their own members), the current Land Transactions Act imposes a uniform ceiling of 1,200 hectares for both registered farmers and agricultural production organizations, with an increased limit of 1,800 hectares available only under specific, narrowly defined circumstances. As a result, large-scale farming organizations were compelled to revise their operational strategies, since expiring lease contracts could no longer be renewed for areas exceeding the 1,200–1,800 hectare thresholds.

Similar to the mandatory declaration required when acquiring ownership, the acquisition of land-use rights under lease requires the lessee to declare compliance with all eligibility criteria throughout the lease term, to undertake personal cultivation of the land, and to refrain from transferring use rights to third parties. Lease agreements may be concluded for a minimum of one year and a maximum of twenty years, with only a few statutory exceptions.

One of the most significant recent amendments – clearly disadvantageous for former tenants – concerns the restructuring of the statutory pre-emption ranking (Table 3) in land leasing. Although the former tenant occupies the nominal top position in the hierarchy, this priority is substantially diluted by subsequent provisions that place several other groups on the same ranking level and introduce an internal hierarchy among farmers themselves. A “former lessee” is a natural person or agricultural company that has leased the land (or the designated part of jointly owned land) for at least three consecutive years immediately before the publication of the new lease agreement, provided that the previous lease did not end by unilateral termination, mutual agreement, or compulsory land use⁽²²⁾.

Across all relevant points of the ranking system, the legislator consistently places farmers ahead of agricultural companies, even when the two categories share identical territorial or operational characteristics. As a result, agricultural companies systematically occupy a weaker legal position, regardless of their previous tenancy, local embeddedness, or the strategic importance of their agricultural activities⁽²³⁾.

The dilution of former tenants’ priority is further reinforced by the introduction of activity-based categories that enjoy identical ranking with them – such as livestock farmers, organic and producers of products with Protected Geographical Indication (PGI),

21 In Hungarian land law, “földműves” refers to a specific legal category of natural persons registered for the purpose of acquiring and using agricultural land under preferential conditions. Since the usual literal English equivalents – such as “agricultural producer” – carry broader meanings in EU terminology and may include legal persons, they do not accurately convey the concept. Because the term “földműves” is also uncommon in everyday and administrative usage, this article adopts the term “farmer”, which aligns with EU practice and captures the functional essence of the category without introducing conceptual ambiguity.

The Hungarian term “mezőgazdasági termelőszervezet” refers to a specific legal category of agricultural enterprises that are eligible to use agricultural land but are not permitted to acquire land ownership. Although its literal translation would be “agricultural production organization”, for simplification purposes the article uses the term “agricultural company” when referring to mezőgazdasági termelőszervezet (Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land Section 5§, 7).

22 Section 47. § (1) of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

23 Section 46.§ (1) a)-g) of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

Table 3 Preemption rights ranking in the leasing of agricultural land

Rank	Category	Eligibility criteria
1	former tenant (farmer or agricultural company)	local or within 20 km for 3+ years
2	local neighboring farmer*, 3 + years residency and 1 + year (owned or leased) neighboring land	lives in the same municipality and owns land directly adjacent to the land offered for lease
3	local resident farmer 3 + years	lives in same municipality
4	farmer within 20 km for 3 + years	residence/farm centre ≤ 20 km for ≥ 3 years
5	local neighboring agricultural company 3 + years centre, 1 + year leased or owned land	based adjacent to the land
6	local agricultural company 3 + years centre	based in same municipality
7	agricultural company within 20 km for 3 + years	centre ≤ 20 km for ≥ 3 years

Source: Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

* The requirement of being a "resident neighboring farmer" is satisfied not only when the farmer resides in the same municipality where the land to be leased is located, but also when the boundary between the farmer's own land and the land offered for lease coincides with an administrative boundary. In such cases, a farmer residing in the adjacent municipality is treated as a resident neighboring farmer, provided that his or her land directly adjoins the parcel in question

Table 4 Activity-Based Priority within Pre-Lease Rights

Same rank as former tenant	Category	Notes	Effect on companies
=1	livestock farmers/company (farm operating max within 20 km for 3 + years)	priority for feed production and adequate stocking rates	farmers outrank the agricultural companies
=1	PGI and organic producers	local	same as above
=1	horticultural producers	local	same as above
=1	seed/progagating material producers	local	same as above
=1	irrigation-development investors	investment integral to land	same as above

Source: Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

horticultural producers, seed and propagating-material producers, and irrigation-development investors (Table 4) ⁽²⁴⁾. These groups share the same statutory level as former tenants, meaning that the latter no longer benefit from exclusive priority.

Additional refinements further rearrange the internal hierarchy within the farmer category: for instance, members of family farming enterprises and young farmers are placed ahead of other farmers within the same ranking group.

In the case of land held in co-ownership, the legal framework grants a strengthened position to farmer co-owners. When a co-owner intends to lease out all or part of his or her ownership share to a third party, the farmer co-owner is accorded priority over all other pre-emption categories listed under points. This priority applies even when those other categories would normally rank ahead in the general statutory hierarchy. The rationale behind this rule is to recognize the inherent connection between land ownership and land use, and to safeguard the land-use opportunities of farmer co-owners within jointly held property structures.

A person seeking to exercise the former tenant's pre-emption right is not regarded as having "immediately preceding" land use if, before the publication of the new lease offer, the land was cultivated for at least one agricultural year by:

- the owner or usufructuary,
- their close relative,
- an agricultural company in which they hold at least a 25 percent ownership share,
- any third party under a valid land-use contract, or
- any co-owner under an excess-use arrangement.

In such cases, the previous tenant loses the legal status required to claim priority.

However, a former tenant may retain this right even after the lawful termination of the previous lease if they had already exercised the pre-emption right properly during the earlier lease term, but the attempt failed for reasons beyond their control. In these cases, the priority may be exercised only without delay once the obstacle has been removed⁽²⁵⁾.

24 Section 46. § (3) a)-e) of Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

25 Section 47. § (1a)-(1b) of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

Together, these provisions ensure that former tenants do not maintain priority automatically or indefinitely. The legal framework restricts the scope of the former tenant's right to situations where the continuity of land use can truly be attributed to them rather than to the landowner, relatives, affiliated companies, or co-owners.

Pre-emption rights do not apply in several clearly defined situations. These include transactions between close relatives; leases concluded in the context of a contractual farm transfer agreement (a legal instrument supporting generational renewal); leases concluded between an agricultural company and certain insiders – such as a close relative, a person holding at least a 25 percent ownership share, or a long-term employee; contracts between a forest owners' association and its members; leases concerning homesteads (tanya); leases concluded between a family farm partnership and its members; and leases established under the special procedure of the irrigation law⁽²⁶⁾.

In addition, an agricultural company that is subject to bankruptcy, liquidation, or dissolution proceedings is automatically barred from exercising any pre-emption right, regardless of its previous status or land-use history.

3.3 The Land-Lease Regime from Publication to Declaration – the Notarial Phase

When agricultural land is leased, the accepted lease offer must be incorporated into a single written contract and submitted for approval to the competent agricultural administration within eight days of signature (unless approval is not required, in which case the contract must be sent directly to the local notary)⁽²⁷⁾.

The agricultural authority first conducts both a formal and substantive review of the submitted contract. Within fifteen days, it must either refuse approval – if the contract violates statutory requirements – or declare it suitable for publication. Approval must be denied if the contract is invalid, incomplete, lacks any mandatory declaration, is based on an improperly asserted pre-emption right, or if the lessor has failed to comply with specific statutory obligations, such as notifying the usufructuary owner.

If the authority considers the contract suitable for publication, it issues an order for public posting. This preliminary review does not constitute approval of the lease; it merely authorizes publication of

the proposed contract. The notary then publishes the contract electronically via the official governmental portal, with all personal data – other than names, addresses, and nationality – anonymized. The contract may also be displayed on the municipality's noticeboard in accordance with local practice.

Holders of pre-emption rights have fifteen days from the date of publication to submit either an acceptance or a waiver. Silence is deemed a waiver. An acceptance must be issued in a private deed of full probative value and must clearly specify the legal basis and ranking of the claimed pre-emption right, together with all required declarations and supporting documentation.

The lessor is bound by any timely and formally valid acceptance. If an acceptance fails to meet the statutory requirements – whether due to late submission, missing declarations, or insufficient documentation – it is considered ineffective. During the fifteen days, an acceptance may be withdrawn by a formal declaration submitted to the notary.

After the deadline, the notary compiles all declarations into an official inventory and forwards the complete file to the competent agricultural administration. No ranking is carried out at this stage, and the identity of the potential lessee is not determined. The notary's task is strictly limited to collecting and transmitting the declarations; the evaluation of acceptances, the ranking of claimants, and the designation of the replacement lessee take place exclusively in the subsequent administrative approval procedure.

3.4 From Notarial Forwarding to Administrative Approval – Authority Review

Once the notary has forwarded all declarations submitted during the publication phase, the agricultural administration again has fifteen days to assess whether the lease contract must be refused, whether a repeated publication is necessary due to procedural irregularities, or whether the procedure may proceed to substantive examination⁽²⁸⁾.

During this stage, the authority must verify each acceptance of the pre-emption right for formal validity, legal basis, supporting documentation, and compliance with all statutory declarations. Any acceptance that is late, incomplete, or otherwise fails to meet the required conditions is treated as if the right had not been exercised. If at least one valid acceptance exists, the authority ranks the potential lessees –

26 Section 48. § (1)-(2) of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

27 Section 49-50 § of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

28 Section 51-55 § of the Act CXXII of 2013 on the Transactions of Agricultural and Forestry Land

including the originally designated lessee – according to the statutory order. A ranking is not prepared if all acceptances are late, invalid, or substantively unfounded.

The authority applies the same statutory approval criteria to every person listed in the ranking. If the highest-ranking claimant does not meet the legal requirements, the authority proceeds to the next eligible person in the order, continuing until:

- a) a qualified claimant is found;
- b) none of the claimants meet the criteria but the originally designated lessee does;
- c) no party satisfies the statutory conditions.

Approval must also be refused if the contract appears to circumvent legal restrictions, disguises an unlawful transfer of ownership, grants land-use rights to an unfit party, concerns a party that has committed certain land-use violations within the previous five years, or stipulates a rent that is disproportionately high in relation to local standards and the characteristics of the land.

Where multiple claimants share the same statutory rank, the lessor may choose among them upon formal request by the authority. If the lessor fails to respond within the prescribed time limit, the authority designates the replacement lessee.

If approval is granted, the successful claimant assumes the position of contractual lessee. The authority issues a formal endorsement to the contract and notifies all affected parties. If approval is denied, the authority must issue a formal administrative decision within thirty days.

IV Conclusions

The practical enforceability of the statutory pre-lease right is significantly constrained by a combination of substantive and procedural barriers. At the substantive level, the ranking system systematically places farmers ahead of agricultural companies, resulting in a structurally weaker position for corporate entities regardless of their production efficiency, historical land use, or economic contribution. Consequently, agricultural companies are generally able to assert their pre-lease rights only after all eligible farmers have been considered, which limits their long-term access to leased agricultural land. Moreover, even the priority position of a former tenant may be undermined if the land has been cultivated – at any point during the preceding agricultural year – by the owner, a close relative, an affiliated company, or a co-owner. Such rules reduce predictability and weaken the security of long-term land-use arrangements.

The situation of agricultural companies is further constrained when leased land is purchased by a registered farmer, who is legally obliged to cultivate the land personally and is prohibited from extending existing land-use contracts with third parties. This creates an additional structural bias in favour of individual farmers and narrows the land-access opportunities available to corporate farming entities.

In addition to these substantive limitations, the exercise of pre-lease rights is complicated by stringent procedural requirements. The fifteen-day preclusive deadline for submitting an acceptance creates a narrow window within which potential beneficiaries must monitor public notices and prepare fully compliant declarations. Any error – whether in timing, documentation, or the specification of the legal basis – renders the acceptance ineffective. Administrative authorities then subject each acceptance to a multi-layered review, assessing legal basis, ranking, documentation, and compliance with all land-use obligations. Prior land-use violations, outstanding land-use fees, or sanctions imposed within the preceding five years automatically disqualify applicants. The authority must also assess whether the stipulated rent is proportionate to local standards, and contracts that deviate significantly may be rejected.

Finally, when multiple parties share the same statutory rank, the outcome may depend on the lessor's choice or, if the lessor fails to respond, on the authority's designation. This additional element of discretion introduces further uncertainty into the procedure. Collectively, these substantive and procedural constraints mean that, although the statutory framework formally provides a pre-lease right, its practical enforceability is limited, and access to leased agricultural land – particularly for agricultural companies – remains uncertain and institutionally fragile.

V Summary

A further challenge arises from the complexity and stringency of the regulatory framework. Strict rules governing land transfer, pre-emption rights, and eligibility do not merely influence land-use patterns; they also create incentives for market participants to adopt opaque or evasive strategies. When legal constraints significantly limit the maneuvering space available to certain actors, they may respond by developing multi-layered, non-transparent ownership structures or by organizing their operations in ways that remain

formally compliant yet diverge from the intended policy objectives. Existing research only partially captures these adaptive strategies, and deeper, targeted studies are needed to uncover the true dynamics of market responses to the regulatory environment.

In designing a future long-term farm policy, decision-makers should therefore:

- reassess whether the current pre-emption framework genuinely supports local farmers or whether administrative burdens and procedural uncertainties weaken its protective function;
- ensure that eligibility rules remain realistic and enforceable, reducing incentives for circumvention while maintaining competitiveness and legal certainty;
- take into account ongoing structural trends – farm consolidation, the decline of micro-holdings, and the persistent but evolving importance of land leasing – rather than relying on assumptions rooted in an idealized agrarian model.

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