



” Agricultural Real Estate in a Polish Context

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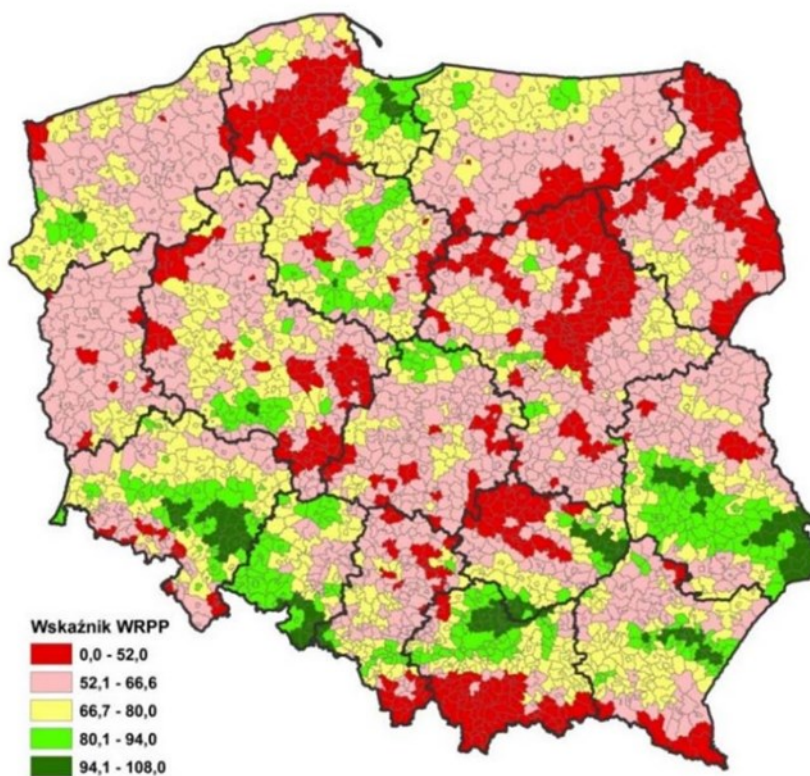
AMRON CENTRE ANALYSIS

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The real estate market is directly influenced by macroeconomic factors across the entire country, as well as by specific regional dynamics. Agricultural areas have defined operational frameworks that determine their productive potential. Factors such as land location, soil classification, slope and sunlight are some of the attributes affecting a region's production capacity. The WRPP (Agricultural Production Space Valorisation) Index reflects the productive capacity of agricultural lands based on natural conditions. This index is estimated from soil quality and agricultural suitability (including soil classification), agro-climate, terrain topography and soil water relations. Based on the WRPP Index, the most favourable agricultural development conditions in Poland are localized primarily in southeastern, southern, and southwestern Poland – namely the Lesser Poland and Lublin Uplands and the Silesian Lowland – areas characterized by lower levels of industrialization and urbanization. This includes the southern part of the country, excluding mountainous regions, and a small northern area (the Vistula Delta). The northwestern regions are marked by a high forestation rate, making them less suitable for agricultural use, while northeastern areas are characterized by numerous lakes.



Source: National diagnosis, SZWRiR, 2030

Each region of Poland has distinct directions for agricultural land use, shaped by agroecological conditions and historical socio-economic development. Arable land is the most important category of agricultural land in Poland, comprising 43% of the country's area. Soil quality is one of the key factors significantly impacting the potential for high-income agricultural production. This factor is independent of other determinants affecting the profitability of agricultural production, such as land parcel fragmentation, farm area structure or economic conditions. The quality of Polish soils is among the lowest in Europe. The production potential of an average hectare of Polish soil corresponds to the potential of 0.6 hectares of average arable land in European Union countries. This is mainly because almost 32% of Poland's arable land is classified as low or very low quality, with only about 29% of soils rated as highly productive.



Agricultural land in Poland has been decreasing in area year by year. In 2010, 2 935 hectares were reallocated for non-agricultural purposes, while in 2020 this number rose to 4 819 hectares. The year 2021 set an all-time record, with as much as 6 038 hectares of agricultural land removed from production. The largest area, considering 2022 data, was designated for residential (53% of the total land excluded) and industrial uses (21%). The greatest areas of land exclusion were observed in the Greater Poland and Lodz regions. Worryingly, land exclusion for non-agricultural purposes also included the highest soil classes (I-II class), which represented 6% of the total excluded area, amounting to 303 hectares. This data comes from the 2023 Statistical Yearbook of Agriculture, which covered data through 2022. The Yearbook reveals a strong increase in non-agricultural land exclusion across all soil classes in 2021, a period marked by intensified investment activity following economic slowdowns and restrictions related to the COVID-19 pandemic. The year saw a surge in building permits issued (an increase of about 24% compared to the previous year). After a period of economic uncertainty and political and economic instability, investors sought to safeguard their funds by investing in land, including agricultural properties.

TABL. 14. GRUNTY ROLNE WYŁĄCZONE NA CELE NIEROLNICZE^a
AGRICULTURAL LAND EXCLUDED FOR NON-AGRICULTURAL PURPOSES^a

WYSZCZEGÓLNIENIE SPECIFICATION	2010	2015	2019	2020	2021	2022
	w ha		in ha			
OGÓŁEM TOTAL	2935	3113	4349	4819	6038	4730
WEDŁUG RODZAJÓW GRUNTÓW BY TYPE OF LAND						
Użytki rolne Agricultural land	1831	2308	3231	3482	4475	3529
klasy bonitacyjne: quality classes:						
I—III	922	1401	2046	2079	2672	2286
IV	798	788	1071	1274	1627	1064
V i VI oraz RZ i PsZ	111	119	114	129	176	179
Inne grunty rolne Other arable land	1104	805	1118	1337	1563	1201

Source: 2023 Statistical Yearbook of Agriculture, Statistics Poland

Agricultural market trends in Poland from 2022-2024 were primarily influenced by production volumes and price fluctuations on agricultural markets under increasingly challenging and extreme weather conditions. Periods of drought and high temperatures in the summer are becoming prolonged, and the reduction in rainfall during the growing season has further degraded conditions. Last year, this led to a local decrease in agricultural production of up to 30%.

An analysis of farmland prices and transactions over the years highlights local non-market factors as the most important determinant of price, aside from the WRPP Index. Price fluctuations in farmland and the observable trend in global markets indicate only the general direction, in which the market is heading, while local conditions most significantly affect value. Such local conditions include weather anomalies that are atypical and non-cyclical. Recently, there was widespread news across Poland about the flood moving from the southern to the northern regions



of the country. This intense and devastating flood not only destroyed many people's livelihoods, but also negatively impacted the value and quality of agricultural land. Other factors include urbanization and the expansion of urban areas, increased land for construction, changing neighbourhood characteristics, attractive tourist locations, population migrations from rural areas, the development of road infrastructure and related constraints, as well as noticeable risks from human activity, such as localized water or soil pollution or the presence of high-emission industrial facilities.

The agricultural real estate market in Poland is changing its profile, requiring appraisers to consider even more aspects in their analyses and giving market participants more questions and uncertainties related to transactions. Current agricultural policy in our country does not inspire confidence in state institutions and, in fact, causes a decline in market sentiment, which could lead to a decrease in production in this sector in the near future.



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AMRON Centre

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