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## Inheritance Matters

*Changing land use trends amongst  
the elderly in rural Hungary*

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## INHERITANCE MATTERS: CHANGING LAND USE TRENDS AMONGST THE ELDERLY IN RURAL HUNGARY

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### ABSTRACT

*In many countries in post-socialist Central and Eastern Europe, the elderly own significant portions of rural land. For a variety of reasons, however, they have been wary of passing on their land to heirs or selling it on the open market. Governments in the region have developed schemes to address land use. This paper investigates the land-for-pension scheme in Hungary, exploring some of the assumptions and objectives that lie beneath the policy and its implementation. It examines the effects of this scheme on those who took part, on land consolidation, and on land use. Rather than focusing on a cost-benefit analysis at a macro-level, the paper explores individual histories of land use and interviews with local implementing agencies. Decision-making regarding land use is examined not only in terms of changing property rights regimes, land values, and modes of production, but also in relation to attitudes towards aging and care, family relationships, and small-scale farming. The research responds to calls for more rigorous evaluations of land programs in CEE countries.*

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## 1. Introduction

“There were several sleepless nights before taking the decision. One wants to leave something for the children, but also has to live without being a burden on them ”  
 Piroska néni, 74-year-old inhabitant from Ecsegfalva village, Békés county, Hungary

“The elderly were the main winners of the 1991 [land] reform.”.  
 (Chirca and Tesliuc 1999: 38)

Although Chirca and Tesliuc quote refers to Romania, it is possible to argue their conclusion applies to all Central and Eastern Europe (CEE) countries that used restitution as the basis for their land reforms in the 1990s. Collectivization, which began not long after the end of Second World War, was declared complete throughout the region by the early 1960s. Given this, it was inevitable that those who inherited land through restitution laws would be elderly. Despite the fact that many of the beneficiaries were not involved in agriculture, the restoration of former properties was welcomed for both economic and emotional reasons. Land offered extra income through renting and, in the difficult economic situation of the 1990s, owning land often meant the difference between poverty and “getting by,” to use David Kideckel’s phrase (2008). New agricultural companies had to adapt to the situation, as they became the managers of tens and sometimes hundreds of lease contracts with elderly as well as urban households. Although incomes from land were by no means predictable, studies of the rural environment showed that monies earned from land as well as the food produced did make important contributions to household wealth.<sup>1</sup>

In recent years, several former socialist countries in the region have introduced national programs that seek to reduce the amount of land owned by the elderly. These programs have been controversial, and there are differences between them. However, they all have similar roots, principally in the weakness of the rural land market arising out of the small-scale and fragmented structure of landholding. Our argument is that these policy interventions are significant for a number of reasons, not least in that they provide good cases for examining changes in attitudes towards the ownership of land. Where there had been strong tradition of land passing through inheritance, current practices show a decline in inter-generational transfer. Programs such as the National Annuity Scheme in Romania and “land-for-pension” (hereafter LFP) schemes in Hungary and in Poland all address the fact that the rural elderly own significant percentages of rural land. However, for a variety of reasons that will be addressed in this paper, the elderly have been wary of passing on the land to reluctant heirs or selling on the open market. The aim of this paper is to examine the operation of the Hungarian land-for-pension scheme, looking at its effects on the micro- and meso-levels, while exploring some of the assumptions and objectives that lie beneath the policy and its implementation. In part, the research responds to calls for more rigorous evaluations of land programs in CEE countries (Deininger 2003). Instead of focusing on a cost-benefit analysis at a macro-level, the paper is primarily concerned with individual histories of land use and interviews with local implementing agencies to illuminate the rationale and impact of the programs. We situate land use decision-making not just in terms of changing land values and modes of production, but in relation to attitudes towards aging and care, family relationships, and small-scale farming.

The fieldwork for this study was carried out in Békés county in southeast Hungary. Interviews were conducted with land owners who had taken part in the program, agricultural companies, the county land registry and other officials in charge with implementing the program. We argue that this approach offers a good basis for understanding the participants’ motivations and some of the implications of the

1 In their study, Chirca and Tesliuc conclude that “for most of the rural elderly, access to pension benefits and ownership of land proved to a sufficient shield against poverty risk” (1999: 32).

intervention on the rural economy. Our findings generally support the contention that the LFP scheme is popular. However, the use to which the land is then put shows some ambivalent effects on local farming and the consolidation of land. The paper addresses two main questions:

- “How has the land-for-pension scheme affected those who took part? Why do people take part in this scheme?”
- “What has been the effect of this scheme on land consolidation and land use?”

The first question examines land ownership before collective farming and certain socialist-era land policy that we propose are relevant for understanding household strategies concerning land in the post-socialist era. In the second section, we introduce the LFP in detail, followed by two case studies that look at participation and impacts in two villages in the county. The final section offers a discussion of the findings, and draws conclusions for further directions of inquiry.

## 2. Relevant land policy legacies

In this section, we highlight those features of land ownership and rural development in Hungary that, in our judgment, set the scene for the LFP scheme.<sup>2</sup> These include the distinct path that the rural economy took in the early part of the 20th century, the comparatively late, short, but significant post-WWII period of mass land ownership, the relative success of Hungarian agriculture during socialism, and finally, the mixed method of privatization and restitution in the 1990s.

Although Hungary shared common features with other agrarian neighbors in the region, such as an overpopulated rural area with an under-employed population, there were important differences in the responses of the state and the dominant landowners. Whilst the Tsarist reformers in Russia forced the emancipation of the serfs in the mid-19th century, and encouraged in areas that they occupied such as Romania, the Hungarian latifundia resisted. This failure to introduce any significant land reforms had far-reaching consequences, not only on social cohesion but also, arguably, on national unity and territorial control.<sup>3</sup> Despite the fact that there were massive land reforms throughout the region following the First World War, in Hungary, the aristocratic landowners refused to accede to calls to transfer land to the peasantry. Until the Second World War, the Hungarian countryside was characterized by a highly uneven distribution of land tenure. There were some small farms that were less than three hectares, but the nobility owned over half of the entire agricultural land and employed a huge agrarian proletariat. In the 1930s, almost half the country lived from agriculture, but more than one-third were landless and working the large agricultural estates (Harcza et al. 1998). When reform did come in 1945, it was on the basis of regime collapse. This time, the Hungarian government introduced redistributive reforms, expropriating more than one-third (3.2 million hectares) of the total agricultural land and resulting in the near total destruction of the aristocracy (Balassa 1960).

Despite this transfer, the post-war land reforms did not lead to the emergence of a prosperous peasantry. For many, the quiet enjoyment of private property was to be short-lived. From the Communist takeover in 1948, landowners were encouraged, cajoled, and forced to join the new cooperatives. Collectivization in Hungary, as in other countries, was not quick nor without its own setbacks and

2 For early 20th century history see contemporary writings by Spulber (1958) and Balassa (1969), whereas good overviews of late 20th century reforms can be found in Csáki and Lerman (1995), Harcza and Kovách (1998), and Swain (1999).

3 The loss of territory to Romania at the Trianon peace treaty may partly due to the success of Romania in presenting Transylvania as an area where large Hungarian aristocrats lorded over poor peasants (MacMillan 2005).

about turns. However, by 1960, more than a million farmers had joined the collectives (Harcza et al. 1998). Both the academic and popular assessments of Hungarian agriculture during the socialist period wa<sup>4</sup>s that it was relatively successful. Harcza et al. noted that although “collectivization initially caused agricultural output to fall, after 1964-1965, production subsequently grew, and by the mid-1970s the agrarian sector was achieving impressive results” (1998: 21). Furthermore, there were large investments to reduce regional inequalities through expanding heavy industry in poorer areas and the rapid expansion of the urban areas. Whilst Hungary remained a very rural country in terms of where most of the population resided, collectivization and industrialization were rapidly changing the old dependency on agriculture.

Whilst the basis of the rural economy was being transformed, there were still important ties between the majority of the population and the land. It is important to emphasize that although most farmland was in state or collective ownership, there was also private individual use of land. Access to productive land was common not only for collective farm members, but also for urban workers and their families. These properties could be significant in terms of self-provisioning, for selling products on the local markets, and for recreation or an “escape” from the town. The use of “kitchen gardens” was a good reflection of the strong social and economic ties between the town and the countryside. From our perspective, the place that land occupied in household strategies helps explain why so many beneficiaries of the reforms in the 1990s expected that land would continue to make a substantial contribution to their living costs. As we will see, it was the disappointment of agrarian reforms, the difficulties in profiting from small-scale farming, and the loosening of ties between town and village that encouraged owners to take part in the LFP program.

The transformation of the place of agriculture in the Hungarian economy was reflected in the design of the post-socialist land reforms. Land reforms favored restitution of properties to pre-collective owners, but not within the exact boundaries of the former properties, a practice that caused innumerable problems in Albania, Bulgaria, and Romania. Instead, Hungary restored some land to former legal owners<sup>5</sup> and offered compensation with vouchers to allow others to buy land or to invest in flat purchase or in some of the newly privatized enterprises. The land regulations did not prescribe where voucher holders could be used, leading to strong competition for land in those areas where soil was fertile or the landscape attractive. The land reforms also produced their own “voucher market,” whereby recipients could convert their vouchers into cash.<sup>6</sup>

The land reforms had a significant impact on ties between urban and rural areas. They created a new class of landowners who had little personal experience of farming and whose main expectation was that land would provide some profit and a degree of security. At the same, the land reforms did create other owners who wanted to farm the land, but who would soon discover the difficulties of private farming. Not only were they short of management skills and lacking in both capital and equipment, but also it was not possible to rely on the support of their younger family members. Many of the new private landowners quickly became landlords “being either village-based pensioners or external to either the [former] cooperative or the village, or both” (Swain 1999: 1206).

Alongside the new land tenure system were new regulations to prescribe the circulation of land. All sales, for example, had first to acknowledge the rights of pre-emption for family members, neighbors and locals, which gave them first refusal on any proposed sale of land. Secondly, in order to prevent land based speculation, the law provided that entities with a legal personality were not allowed to own land, only to lease it. Thirdly, it was not—and still is not—possible for anyone not of Hungarian

4 In Hungary, by the end of the 1980s, almost 350,000 hectares of land was used for kitchen garden plots.

5 The land and non-land assets of the cooperatives that were still formally privately owned by members of the cooperative (but were in collective use) were fully restituted to their legal proprietors.

6 See Nigel Swain, (1993), *Golden crowns, lollipops and stamina. Reprivatising land by auction in Hungary*, Centre for Central and Eastern European Studies, Working Paper No. 9 Rural Transition Series ISSN 1464-7745.

nationality to buy agricultural land.

One additional significant feature of the new land tenure was that large amounts of rural land came to be owned in so-called undivided shares. As there were many beneficiaries who wanted to lease their land and as the new agricultural companies wanted large amounts of land to farm, there was little point in actually identifying the precise boundaries of land parcels. The mainly urban-based owners of these shares would then receive rent according to the size of land they leased. Throughout the last decade, land registry offices have been carrying out surveys of lands held in undivided shares and have been demarcating individual boundaries. This has been to help facilitate sales of land, to allow families to divide their shares, and also to allow people to participate in the LFP-scheme.

The land reforms and the opening up of agriculture to foreign competition transformed Hungarian agriculture. Whereas in 1990, agriculture, hunting, fisheries, and forestry contributed almost 13% to GDP and employed nearly 700,000 people, by 2008, the numbers working in the same sectors were down to 174,000 and the share of GDP was just over 4%.<sup>7</sup> The pressures on farmers and the difficulties in making profit have led many to abandon farming whether this was the commercial sector, the semi-subsistence farms and even the subsistence weekend or hobby farms. Not only has there been a significant reduction in the size of the domestic livestock industry, there has been a drop in the amount of fruit and vegetable grown. In terms of landholding, there has been a steady rise in the amount of land that was rented out on long-term leases.<sup>8</sup> There has also been a transformation from rents being paid in kind to rents being paid in cash. Perhaps understandably, although the scale of the issue is unknown, there have been suggestions that the amount of agricultural land that is not cultivated has been rising. As owners are legally obliged to maintain land that is designated as cultivated land, there are no statistics on the extent of land abandonment. However, officials working in the county land use office in Bekes estimated that around 5% of land was unworked.

### 3. Objectives and Regulations of the Land-for-Pension Scheme

The LFP scheme is based on the Act on Agricultural Land (1994), the Act on the National Land Fund (2001), the governmental strategic policy guidelines on land ownership, and several government directives laying down the details of the scheme. Under this program the state buys back land from landowners who are older than 60. The income that is gained from selling or renting out this land to farming enterprises or individuals is then used to provide these retirees with an extra monthly payment. In many cases, this may equal or even surpass the value of their current pension. The overall rationale for the project is based on two objectives, the first is the pursuit of land consolidation and the second is to alleviate the situation of pensioners with generally low incomes. This was explicitly acknowledged in the 255/2002 Government Directive, which said that “the program is meant to give a ‘realistic alternative’ to those who cannot farm due to age and who want to “make life a little bit easier in their remaining years by the extension of the pension.”

Up until now four programming periods have been concluded, the first two in 2003, one in 2004 and the latest round was held in 2006. A fifth round has been scheduled to begin in 2010. The regulations of the scheme established the procedures whereby the value of land is determined. The maximum amount of land that could be transferred was 20 hectares, while the total value of the land could not exceed 3 million HUF (approximately 12,000 EUR). Parcels smaller than

7 Statistics taken from Central Statistical Office, at: <http://portal/ksh.hu>.

8 For more on changes in the Hungarian land market, see Biro, S. (2008), The Hungarian land market after EU Accession, *Studies in Agricultural Economics*, Issue 107, March 2008 pp. 61-88.

one hectare were not considered for purchase by the Hungarian State Holding Company (MNV), the managing authority of the program, but in the first few rounds this lower limit was not always strictly observed.

The formula that determines the monthly payments to successful applicants is based on the age and gender of the applicant, and on the value of the land. This formula has become less and less generous in the subsequent rounds, thus the land for pension project was most beneficial for those who participated in the first programming period. So far there has been no official evaluation of the program beyond the collection of basic statistics, and even this is lacking in many respects, for example, it is hard to establish just what the impact on local farming and land use is because there is no aggregate data on the usage of the land acquired via the scheme.

### The Land-for-pension scheme in Hungary

	Unit of measurement	1st phase (2003) <sup>a</sup>	2nd phase (2003) <sup>b</sup>	3rd phase (2004) <sup>c</sup>	4th phase (2006)	Total
<b>Number of applications</b>	Piece	6,099	11,328	7,261	15,216 <sup>d</sup>	39,904
<b>Number of contracts</b>	Piece	3,327	9,836	6,203	8,000 <sup>e</sup>	27,366
<b>Number of purchased land parcels</b>	Piece	4,812	20,216	12,498	n/a	n/a
<b>Size of land purchased</b>	Hectare	9,981	27,789	15,944	15,791 <sup>f</sup>	69,505
<b>Average monthly payment</b>	HUF	34,748	30,051	31,823	n/a	39,467 <sup>g</sup> (in 2009)
<b>Average age of contracted applicants</b>	Year	69.8	70.3	69.1	n/a	70.0 <sup>h</sup>

<sup>a</sup> MNV Zrt

<sup>b</sup> *Ibid.*

<sup>c</sup> *Ibid.*

<sup>d</sup> From the Hungarian Socialist Party (Magyar Szocialista Párt), at: [http://mszp.hu/public/downloads/pdf/2009\\_oktober\\_19.pdf](http://mszp.hu/public/downloads/pdf/2009_oktober_19.pdf) p. 10.

<sup>e</sup> Report on the 2008 activities of the National Property Management Committee, at: <http://www.p-m.hu/web%5C%5Chome.nsf/portalarticles/DF604986FBAEC1AEC12576350059A138?OpenDocument>

<sup>f</sup> *Ibid.*

<sup>g</sup> *Ibid.*

<sup>h</sup> *Ibid.*

Source: National State Holding Company.

Whilst we might not be able to say exactly what these lands are being used for, there is an official statement which announces that acquired land may be used for three purposes upon the discretion of MNV. It can decide to sell the parcels in competitive calls, to offer them for rentals, or to let local governments use them within a so-called social land program scheme.

From outset of the program, the aim was that sufficient funds to acquire land would come from sales and leases. However, so far it has constantly generated a deficit. The income for the state from the acquired land (either in the form of rent or sale) nowhere near covers the costs of the committed pensions. In 2008 the total expenses arising from paying the monthly annuities amounted to 10.6 billion HUF (4 million EUR). Each year the MNV has to sell an additional part of its land portfolio to generate enough income to pay the annuity to the pensioners.

#### 4. The land-for-pension scheme in Békés county

In order to offer another perspective on the LFP, we investigated the application of the program in Békés County. The criteria for choosing this county were that it is a predominantly agricultural region, it has one of the highest numbers of applicants for the LFP in the country and thirdly, it has a manageable number of settlements.

Békés County fulfils the first criteria because it makes the largest contribution to the country's agricultural product, accounting for over 13% of the gross value total.<sup>9</sup> Regarding the second, according to the Hungarian State Holding Company, it had among the highest number of applicants in the country, and finally with only 75 settlements, data could be collected without unreasonable costs in terms of time or financial resources.<sup>10</sup> Similarly to other parts of eastern Hungary, per capita income in Békés is significantly lower than the national average. Figures from 2007 show that it ranked 17th out of the 19 counties, the gross annual income per capita of 1.6 million HUF (approx. 6,000 EUR) was well below the national average of 2.5 million HUF (9250 EUR). Unemployment is higher than in most other parts of Hungary and there is a below average participation rate in the formal economy. In terms of the population profile, the last micro-census reports that there were just under 390,000 people living in the county, of which 90,000 were over 60 years old. Békés can claim another first in having the highest number of elderly people per hundred adults, 38:100.<sup>11</sup> In short, Békés is a region that shows all the characteristics that the LFP was supposed to address.

After having selected Békés as the study area, the first step was to establish whether the original working assumption was correct—namely, do elderly people own the majority of farmland? The reason for the lack of numbers to offer empirical support for the proposition that elderly ownership of land constitutes an important topic for public policy is simple: this statistic is not collected on local or national levels. It is also not collected at the aggregate EU level although individual member countries might gather such data. The research project therefore commissioned the local Land Registry Office to process its land register in order to find the number of landowners in Békés County who were above the age of 60 and 80 respectively.<sup>12</sup> The result is displayed in the table below, and shows that around 43% of all landowners are over the age of 60, and every tenth owner has passed his/her 80th birthday. What this table also shares is that land ownership is very common amongst the entire elderly population.

9 See the report *Regional disparities of GDP in Hungary, 2007 (Statistical reflections)* by the Hungarian Central Statistical Office, at: <http://Portal.ksh.hu>.

10 An alternative would have been the Borsod-Abaúj-Zemplén county in the north-east, but with more than 200 settlements this would have been prohibitive in terms of obtaining some of the necessary data.

11 Hungarian Central Statistical Office, 2008, *Territorial Statistical Yearbook*.

12 Extensive discussions were undertaken with the Ministry of Agriculture and the Institute of Geodesy, Cartography and Remote Sensing about possibilities to establish a national figure, but no affordable solution could be agreed.

## Land owners in Békés County

Land Registry offices in Békés	Agricultural land owners			Percentages	
	Number of parcels	80 years and above	60 years and above	80 years and above	60 years and above
<b>Békési</b>	7,133	824	3,149	11.55%	44.15%
<b>Békéscsabai</b>	25,082	2,293	10,721	9.14%	42.74%
<b>Gyulai</b>	11,785	1,163	5,045	9.87%	42.81%
<b>Mezőkovácsházai</b>	16,642	1,749	7,525	10.51%	45.22%
<b>Orosházai</b>	17,952	2,026	8,390	11.29%	46.74%
<b>Szarvasi</b>	10,205	953	4,441	9.34%	43.52%
<b>Gyomaendrődi</b>	7,512	633	3,010	8.43%	40.07%
<b>Szeghalmi</b>	11,748	951	4,902	8.09%	41.73%
<b>County total</b>	10,059	10,592	47,183	9.80%	43.66%

The second step was to carry out a series of interviews with relevant authorities situated in Békéscsaba, the county capital. We visited the Land Registry Office, the Hungarian State Holding Company (MNV Zrt.), and the Békés County Agricultural Monitoring Office to conduct interviews.<sup>13</sup>

Over the course of the four rounds of the LFP, 2,341 contracts were signed in Békés, amounting to approximately 5,000 hectares of land. The average age of the participants was 67 years and roughly half of the applicants were women.

As we argued in the first section, access to productive land played an important part in maintaining social and economic connections between rural and urban settlements. One question that we wanted to investigate was the impact of this program on urban/rural ties. Would we see an over-representation of urban-based owners amongst the applicants for example? Initially, the information contained in the contracts that were eventually signed supported the suggestion. A high number of participants lived or live at a significant distance from the land they sold. For instance, in the first round, 24 participants lived in the Budapest agglomerate (Budapest, Szentendre, Gödöllo etc), and 50 lived in Békéscsaba, representing one-quarter of the total in Békés for that round.

## Overview of the land-for-pension scheme in Békés

	1st round (2003)	2nd round (fall 2003)	3rd round (2004)	4th round (2006)	Total
<b>Number of land-for-pension contracts</b>	306	775	553	707	2,341
<b>Size of land purchased (hectares)</b>	930	1,000*	1,000*	2,028	4,958*

\* The Békés county local office of the Hungarian State Holding company (MNV) was only able to give indicative figures for the second and third rounds, leading to an estimated overall figure. We have no reason to believe that this is far off the mark, though.

The expert and stakeholder interviews at the county level indicated that the LFP only had a relatively marginal effect on land consolidation. If there was a valid lease contract for the land purchased by the state, the MNV had the legal obligation to continue the contract until it expired so in this way, there was little immediate change in structure of holdings. The only difference

13 Altogether 8 expert interviews were taken.

that the change of ownership implied was that the land user, who would normally have a contract valid for 5, 10, or 20 years, paid rent to the state instead of the (former) elderly land owner. As mentioned before, because the MNV does not differentiate in its internal statistics as to how lands with different provenance are used, it is not possible to say that land acquired in this way was used for land consolidation purposes.

According to the officials involved in the program, the majority of applicants tended to have very small pensions and no heirs that were interested in farming or in becoming landowners. However, in order to gain more insights into the motivations of elderly landowners selling their land to the state interviews at individual and village-level were clearly needed. Was it poverty that drove people into this scheme? Was it because they believed that the land held no value for their children? Was it because of the difficulties in finding renters or the terms and conditions they were able to secure with them? Or did the scheme provide the means to escape the unpredictability of farming and leave it to the professionals?

The third step in the research involved selecting two villages to carry out interviews with participants and local officials. A breakdown of the county-level figures showed that there were high numbers of applications both from areas which had superior quality as well as from areas with inferior soil quality. Various officials had suggested that the patterns of participation could be explained by the quality of land and the profitability of farming. To see how far this helped to explain variance, and using socio-economic data on local and micro-regional level and LFP data on micro-regional level, we looked for two villages that would be comparable in terms of size, demographic features, and number of applicants, but where the quality of land and land value would significantly differ. The village called Ecsegfalva in the Szeghalomi micro-region and the village of Telekgerendás in Békéscsaba micro-region seemed to meet all of these criteria.<sup>14</sup> In the next section we will outline some of histories of individual land ownership and use that we encountered in these settlements.

## 5. Micro-regional comparisons: The basis for selecting case studies

Békés County has eight micro-regions. These territorial units do not have administrative powers of their own and mainly serve developmental and statistical purposes. Six of them are offered preferential treatment by the central government due to their disadvantageous socio-economic position, and four (Szeghalomi, Békési, Sarkadi and Mezőkövácsházai) are classified as being among the most underdeveloped areas in the whole of Hungary. Agricultural land is generally more fertile in this county than in the rest of Hungary: on average, one hectare land is worth 29 *aranykorona* (golden crowns<sup>15</sup>) here, while the national average is 20.9 golden crowns.<sup>16</sup> However, soil quality is unevenly distributed across the region: the north and north eastern parts are characterized by inferior quality, whereas the southern and southwest areas have soil that counts amongst the most fertile in Hungary.

14 See the Appendix for detailed settlement level data.

15 A golden crown (*aranykorona*) is a standard unit of measurement of soil value and quality used in Hungary since the 19th century.

16 Information provided by Mr József Kerekes, Head of the Agricultural Department of the Agricultural Directorate at the Békés County Agricultural Monitoring Office.

### Micro-regions in Békés county



The LFP scheme data offer good insights into these differences. In the first phase of the program (spring 2003) in the four northern micro-regions (Békési, Sarkadi, Szarvasi, Szeghalomi) the land price that was offered by the state per hectare was significantly below than in the southern micro-regions.<sup>17</sup> Regarding the settlement level, two villages stand out with respect to the total number of contracts and the number of applications relative to the size of population. One of them is Ecsefalva, located in the northern, relatively poor Szeghalomi micro-region, while the other is Telekgerendás in the wealthiest one, the Békéscsaba micro-region. Both settlements ranked in the top four in those LFP prograes phases for which data is available. The two villages are comparable in their area, population and basic socio-economic conditions, although Telekgerendás demonstrates higher economic activity. There are three times as many registered enterprises in this village than there are in Ecsefalva. However, from the point of view of land quality, Telegerendás performs much better than Ecsefalva. In Ecsefalva the golden crown value of one hectare land varies between 20 and 30, but many parcels are under 17 golden crowns.<sup>18</sup> In contrast, the Telekgerendás soil is worth 40 golden crowns or higher per hectare, which marks extra quality.<sup>19</sup> This is well reflected in the price differentials of land as well: the contracted applicants in Telekgerendás demanded almost three times as much for one hectare land in 2003 than the contracted applicants from Ecsefalva. In short, the two settlements differ in one major condition that is relevant for our research (land quality), which warrants their selection for case studies.

17 Békéscsaba Office of MNV.

18 Information provided by Mrs Józsefné Bálint, Mayor of Ecsefalva.

19 Information provided by the Mayoress of Telekgerendés.

## 6. Case Study I – Ecsegfalva

Thirty years ago, Ecsegfalva was a relatively prosperous village with over 2,000 inhabitants and numerous in-commuters to its agricultural cooperative. Today its population is 1,385 inhabitants out of which less than 150 have a (legally registered) job. The two major employers in the village are the local government and the Agroecseg Ltd., an agricultural enterprise created out of the former socialist cooperative. There is a sewing factory in the village and some basic services such as retail shops offering employment. Nearly half the population is either over the age of 60, on early retirement or sick-pension. As it can be expected, birth rates are falling; in 2008, 6 babies were born while 23 people passed away in the village. The primary school now only operates up to the fourth grade and older children are bussed to nearby Dévaványa.

The aim of the field work in Ecsegfalva was to see how the LFP scheme worked at ground level, and in order to do so eight interviews were done in the village,<sup>20</sup> including the mayor, the manager of Agroecseg Ltd., and six participants in the land-for-pension scheme. The interviews lasted between 20 and 120 minutes and focused on the local economy, the land market, farming and changes in the social and economic conditions in the villages. In addition, with the LFP participants, we aimed at a set of comparable land histories that traced a specific piece of land backwards in time. The aim was to find more of the context of decisions taken about ownership and use.

The village covers approximately 8,000 hectares. The soil in Ecsegfalva is hard to plough and is also prone to salinization, the result of which is that when it rains the water stays on the surface for a while but it dries out quickly during the hot summer period. However, the soil is suitable for growing wheat, corn, sunflower, barley and oats. During state-socialism, most of the land belonged to the cooperative, but the restitution process divided up its land between former workers and those people who could claim previous land ownership in the village. The land is now mostly owned by locals; less than 300 hectares of farmland is currently owned by non-residents.

In 1992, several members of the cooperative, who were willing to continue agricultural activity and also had sufficient financial assets, purchased the equipment of the cooperative and established the Agroecseg Ltd. At the time of its establishment land cultivation began on 400 hectares while in 2009 the company is using 1,250 hectares. Agroecseg Ltd. rents land from various land owners including the local governments of Ecsegfalva and the nearby Dévaványa, private land owners and the National State Holding Company. They are not the only agricultural entrepreneurs in the village: there are three bigger family farms using about 300 hectares of land each, and six smaller farms with 50-100 hectares each. There are also a small number of farms between 10 and 50 hectares that cultivate their own land and do not rent any.

The land histories for the LFP participants in Ecsegfalva show a rather similar pattern. All had very low pensions and family members who were uninterested in land cultivation. None of them had owned land themselves before the change of regime. They all had received restitution coupons because their parents had owned land that was used to make the cooperative or because they themselves had been employees of the cooperative. In both cases they were eligible for restitution coupons which they could eventually convert into land property. Only two of the interviewees spoke of their land in sentimental and emotional terms. Most however, conceded that the land did not mean that much to them. This was undoubtedly due to the fact that land parcels they received via restitution were never the same plots as their parents owned before collectivization.

Information about the LFP scheme spread easily between residents in the village, either through the announcements of the local government or through the local agricultural advisor. However, none of the respondents could say why they had taken their decision at a specific time, or in a

20 Due to practical reasons, some had to be carried out via phone.

specific round. Usually, they were unaware of when the scheme actually started or when the last round took place. They were aware that conditions in subsequent rounds had deteriorated. In the time leading up to the decision external advice was rarely sought after, but family members were usually involved in the decision.

One 65-year-old widow recalled that her children kept encouraging her to offer her land to the state so as to improve her pension of roughly 150 EUR per month. Initially, she rejected the idea thinking she would thereby strip her children of their heritage, although in the end, the children did convince her that they were absolutely not interested in inheriting the land. Another interviewee, a 74-old widow, stated that she had “several sleepless nights before taking the decision. One wants to leave something for the children, but also has to live without being a burden on them.” Usually, the decision was described as a joint family decision, and it is apparent that it was important for the interviewees to show that their children had agreed or encouraged their decision, and that there was no feeling of regret on behalf of the children that they could not inherit the land. However, one widower described his sons as not being entirely happy with his decision to give up the land to the state. The sons actually owned land, but they were not interested in cultivating his land in addition, so he decided to join the LFP scheme instead without asking their opinion. None of the respondents farmed the land at the time of handing it over to the state, and usually they had not been interested in what had happened to it subsequently. Most assumed that the land was still with the same lessee (in most cases meaning Agroecseg Ltd.).

From these land histories it was clear that land purchased by the state in this village had already been cultivated by a single user, which was the Agroecseg Ltd. The program therefore, at least on the surface, seems to have made little impact on actual land consolidation in the village. Whilst there were the same parcel boundaries as there were before, the fact that there was fewer owners might imply that transaction costs would fall and land security increased through having fewer contractors to deal with and with one land owner who is interested in land consolidation. However, from the company’s perspective, the situation was worse. According to the company owners, a transaction cost in the form of multiple contracts with elderly landowners was much preferred to the current situation where the state owns a part of the land they farms and leases it out on unfavorable conditions. Although only 60 hectares out of Agroecseg’s 1,250 farmed hectares are within the LFP scheme, these lands are parts of huge plots which make them vital for the enterprise to keep them. In case Agroecseg would no longer be able to cultivate these individual parcels, the larger plots would need to be divided making farming less efficient. The enterprise is therefore dependent on renting these lands, but after the expiry of the original lease contracts, the National State Holding Company did not offer new ones. Instead, they give one-year land use permissions to Agroecseg Ltd. for these parcels, which confer fewer rights on the company than normal leasing contracts do. In this respect, land security has deteriorated in the wake of the land-for-pension scheme in Ecsefalva.

When it comes to the former land-owners, the income they gained from putting their land in the programs has made the difference between a life in poverty and a life that reaches beyond the subsistence level. All former land owners expressed satisfaction with the scheme. However, it must be remembered that there is no means testing that might create a wealth limit on just who may participate in the program, so in theory, persons with a generous pension and/or other incomes may still participate. One of the interviewees whose siblings also took part in the program mentioned that her sister would not be available to talk to because she was about to leave for Asia for a two-week holiday, something is way beyond the reach of most Hungarian pensioners. With this caveat in mind, our overall assessment is that in Ecsefalva the LFP succeeded in achieving its social purpose, but has been unsuccessful or even counter-productive in terms of advancing land consolidation and efficient land use.

## 7. Case Study II – Telekgerendás

Similarly to Ecsefalva, the site of the second case study, Telekgerendás, has a population that is aging and decreasing, although the overall social situation is somewhat ameliorated by its proximity to Békéscsaba, the county capital, and the advantageous situation for agriculture with its fertile soil and good location. Soil quality is exceptional in Telekgerendás, the average golden crown value per hectare is 38.5, but many plots are well above the value of 40, which marks outstanding fertility. In 2006 the village had 1,675 inhabitants (out of them 603 were pensioners) compared with more than 2,000 during the 1980s. Unlike in Ecsefalva though, the unemployment level in Telekgerendás is not severe, it amounts to 5-6% only. About 500 inhabitants work in the village and the rest commute to Békéscsaba.<sup>21</sup>

The field work for the present study included the collection of land histories from three married couples and three individuals via a focus group interview and phone interviews, and interviews with the mayor of the settlement and a representative of the largest agricultural company (The Association of Farmers in Telekgerendás, the Telekgerendási Földművelők Szövetkezete).

The Association of Farmers in Telekgerendás has 130 members, works 2400 hectares of land, out of which only 32.5 hectares are state-owned and acquired from the land-for-pension scheme. As legal entities are not allowed to own land, the company could not buy these parcels direct from the owners, although individual shareholders in the company can do so as private individuals. In recent years, several shareholders have made numerous unsuccessful bids to purchase state-owned land when the MNV announced a land auction or tender. According to the Executive Manager of the agricultural company, the locals were almost always outbid by wealthy “outsiders.” He is also a member of the local land advisory committee entitled to give its opinion on the sale of state-owned land but only if the land is sold via tenders. However, in this area, MNV usually sells its land through land auctions and as a result the land advisory committee does not assemble. Even in case of tenders though, the opinion of the committee is overruled by the MNV and those applicants are selected which had not been recommended by the committee.

The 32.5 hectares of land currently rented from the state but previously owned by elderly had already been in use by the company via lease contracts. As in Ecsefalva, the Executive Manager did not consider it difficult to sign a lease contract with the elderly nor cumbersome to administer them: the company currently rents 1000 hectares of land and has 500 lease contracts. However, ever since the state became the owner of those parcels via the LFP scheme, the situation has become uncertain. Up until now, the practice on the expiry of the original five-year lease contracts has been that MNV did not renew them for a further five years, but instead offered a one-year extension. In the same manner as in the other village, these small, non-contiguous parcels are found within larger plots and therefore they are crucial in order to maintain the integrity of the whole growing area. With only one-year extensions of land use, the company is exposed to risk: in case they lose the right to work on those lands, their investments will be impossible to recover, moreover, it would adversely affect production on the bigger plots which these parcels are part of. For the Executive Manager, the ideal situation would be to permit legal entities to own land; however, such an amendment is unlikely to happen anytime soon.

The village of Telekgerendás has a close relationship with land. It grew rapidly after the state farm and the cooperative was established there in the early 1950s. The state farm, which was dissolved after 1990, was the main employer and attracted a large inflow of workers and agricultural experts into the village. This explains the boom in population that lasted until the 1980s. However, as the mayor explained, almost none of the current population had owned land prior to the state

21 Figures were disclosed by the Mayor of Telekgerendás, Mrs. Mihályné Medvegy.

farm; the inhabitants were landless when they moved in to the village. In the 1960s and 1970s a large number of parcels became available in Telekgerendás as kitchen gardens, thereby making Telekgerendás somewhat of a local center for land use for both recreational purpose and for raising supplementary income for urban residents of the neighboring Békéscsaba. Through the 1980s almost every household kept a few livestock. However, many of the kitchen gardens are now neglected, especially the ones that were owned by people living in Békéscsaba. Furthermore, the number of households with livestock has dwindled to less than 10 percent.

After the change of regime many of the locals in the village sought to pursue agricultural activity on their own. They were usually licensed traditional small-scale producers, working on lands between 10 to 50 hectares that had mostly belonged to the state farm. Besides the largest agricultural company, the Association of Farmers in Telekgerendás, there is another major entrepreneur that uses about 1,000 hectares of land. In addition, there is a dairy farm (300 hectares) and a family farm (150 hectares) but the land of this farm is used by the Association. In short, agriculture remains crucially important in the village but there are signs that it is in a steady decline.

This situation is reflected in the interviews that were conducted with some elderly inhabitants participating in the scheme. Most exhibit the same characteristics as the interviewees in Ecsefalva. They had obtained land through restitution although the majority were entitled to land parcels because they were employed by the cooperative or by the state farm. In a limited number of cases the interviewees' parents owned a small piece of land before collectivization, and as such they were entitled to receive land on the basis of the previous rights of their parents. However, not a single interviewee owned land before the change of regime.

The land histories that were taken showed that the relationship between the land and the owners is pragmatic rather than emotional. As one of the interviewees explained, even his father, whose large land property (about 30 hectares) was confiscated in the 1950s, and who was alive at the time of the restitution, considered the land that he got back through the restitution scheme as “money found on the street.” As he continued, “forty years had passed by in the meantime so my father never expected that his confiscated land property would become his own again.”

Another characteristic of the interviewees was that the land they sold to the state was generally unmarketable and thus did not ensure a proper living standard. In spite of the high soil fertility and the much higher value of one hectare land than in Ecsefalva, “in this category of land size one cannot feasibly make a living,” as an interviewee explained. The size of land the interviewees sold to the state varied between 1 hectare and 1.4 hectares, which makes them very small holdings. However, when they received their land two decades ago they had high expectations of the rewards they could expect from their land. Some of them worked on the parcels on their own, some leased them out to the Association and most of them kept livestock. The unpredictability of prices for pork, the high cost of inputs as well as reports of broken contracts meant that many gave up keeping livestock and switched their rent from in-kind payments to cash.

None of the younger family members of the interviewed participants demonstrated interest in neither owning nor renting or cultivating the land. As one interviewee added:

“I still have 5.5 hectares of land, but my son is a PhD candidate in mathematics, and is not interested even in renting out the land [. . .]. It is unsecure, there are many examples of how difficult it is to find or manage the relationship with a tenant, even the Association will hardly pay you anything. It is also difficult to sell.”

Moreover, the annual income from leasing the land out was very low, in most cases it did not exceed 120-150 EUR per year. Lastly, most interviewees revealed that they had very low pension and they needed the extra income the land-for-pension scheme offered. In sum, as one interviewee put it bluntly, “the land has essentially become a burden.”

Under these circumstances the choice of selling the land to the state seems the most rational and financially most beneficial decision. The land-for-pension scheme offers generous monthly payments even if the last round is taken into account, compared to the annual rents earned from leasing the land out. In many cases a single monthly payment is higher than the total annual rent. This way it does not take long, to “earn back” the value of the land sold to the state through the monthly payments. An interviewee affirmed that it took him only 3.5 years to earn the sum that he would have received if he had sold his land, and since he joined the scheme at the age of 60, he hopes to get much more.

## 8. Conclusion and outlook

In the post-socialist era, one of the main controversies for rural development has been how far the state could actively pursue goals that interfered, limit, or circumscribe private property rights. Although there was widespread recognition that a return to highly fragmented, semi-subsistence dwarf holdings, created great difficulties, attempts to promote land consolidation only in Hungary but elsewhere, were struck down as either unconstitutional or politically unfeasible. It is in this light that we would place the LFP policy. By addressing the often poor situation of the elderly land owners, it can also address issues of land fragmentation, absentee landlords, frozen rural land markets and abandoned land.

Summing up the evidence collected so far, the experience of implementing the LFP scheme in Békés County suggests that it has marginal impact on consolidation and efficient farming practices. There are several reasons for this. Firstly, in terms of numbers it has only ever attracted a minority of the elderly population, secondly, despite the fact that Bekes has the highest numbers of LFP applicants in the country, the land acquired only affects 1.2 percent of the total agricultural land in Békés County. Although many plots were located in strategic places, their small size means that they would not have such a great influence on land fragmentation. We found no instances of land acquired under the scheme being used in any land consolidation program. Thirdly, a vast part of the land affected was not abandoned but had already been rented out, and our fieldwork indicates that the lessee often was a farmer or farming enterprise working a large portion of land. However, our fieldwork also revealed that larger enterprises do not appreciate the benefits of supposed reduced transaction costs by dealing with one instead of many landowners. The short-term contracts awarded by the state after the original contracts expire can increase insecurity in agricultural enterprises and prevent investments associated with efficient farming.

There was some impact on the local land market. Although most of the land was being used before it entered the scheme, there were instances of land that had been on the market for some time without any buyers, there were other cases where the land had been on the market but that the prices offered had not been acceptable to the owner. In the first case, the owner was happy to concede that the state had taken a burden off his hands. Ownership of, in this case, forest land, brought higher than usual maintaining costs. Not only was the land far from where the owner lived, but people used it as an official dump which he was then obliged to clear up. It was no surprise that he was unable to find any buyer for the land. In this case, we could argue that the scheme offers a service to elderly owners who might find it especially challenging to meet their responsibilities. In the second case, there might be an argument for saying that the scheme is distorting the local land market. As we pointed out in section two, the formula for calculating the amount of annuity is calculated according to age, sex and the value of the land submitted. Many people realized that the

amount they could get from the state would be well in excess of what the local market could offer, and there was widespread regret in Telekgerendás amongst those elderly owners who had not taken part in the first rounds of the program. This was especially the case as, at the time the fieldwork was being carried out, there were rumors that there was not going to be a 5th round of the program. It could be argued that the state was only gathering plots and parcels that would be very difficult to sell on account of their position or size. However, almost every official interviewed said that land was in great demand in the county and there were always buyers, even for the smaller pieces. By effectively offering so high prices, the scheme is inflating expectations and prices. Without more data on the actual use of land acquired it is hard to be more conclusive on this point.

In terms of the objective to lessen the socio-economic deprivation of the elderly, the land-for-pension scheme has undoubtedly been very important for the affected individuals. In many cases the extra pension, which the participants receive, has improved their life conditions and this way they can also avoid dependence on children. However the choice the elderly have been encouraged to make, that is betting on their own life expectancy at the price of not leaving an inheritance, has created situations that have been experienced as very stressful. Simply selling the land for a one-time large payment would have certainly been preferable, but those who held land said that they were never able to find willing buyers who could offer a price they would accept.

In terms of the impact that the program has had on rural/urban ties, it is undoubtedly part of a loosening of connections between urban and rural households. There might be less need for so many households to grow their own food, and the tradition of spending many weekends in the country might be waning for younger people. Those who benefited from the restitution of land but who neither lived in the village nor worked the land could take the opportunity of the LFP to earn extra income from an asset that had been “found on the street” as one old man put it. We found little evidence of sentimental attachment, the Mayor of Telekgerendás said that owning land was no different from owning a car, once you no longer needed it, you got rid of it.

All things considered, the land-for-pension scheme can be considered principally a social welfare initiative rather than a policy for addressing structural weaknesses in land use markets. Whilst we can show that it has made substantial impact on the micro level, on the participants’ quality of life but negligible impact on the macro level in terms of land consolidation. At settlement level, we have suggested that the program has a negative impact on local security of tenure as a direct result of the ways in which the MNV manages the acquired lands. If the state wishes to use the LFP to stimulate more efficient agriculture, then it might need to scale up its intervention. We have shown that the LFP scheme is of interest to a range of elderly owners. As the figures in the first table of this paper show, individuals over 60 years of age remain the dominant owners of land in Hungary. Decisions about what to do with this land still need to be taken.

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## Appendix

General microregional data of Békés county (2006)

Microregion	Population	Population above 60 years of age	Total population aged 15-64	Employed population	Number of registered unemployed	Economically active population (15-64)	Activity rate of the economic-ally active population (%)	Activity rate of the population (%)	Unemployment rate (%)	Share of population above 60	Pensioners and retirement provisioners from total population (%)	Population density (head/km2)
<b>Békéscsabai</b>	77,277	17,282	53,888	30,537	3,247	33,167	61.55	42.92	10.63	22.36	33.8	171.45
<b>Békési</b>	44,520	9,801	30,086	14,203	3,109	16,347	54.33	36.72	21.89	22.01	35.9	70.24
<b>Gyulai</b>	43,812	10,050	30,293	15,923	1,767	17,506	57.79	39.96	11.10	22.94	35.8	106.03
<b>Mezőkovácsházai</b>	42,843	10,937	28,549	11,847	3,827	14,784	51.78	34.51	32.30	25.53	37.9	48.62
<b>Orosházi</b>	61,477	15,203	41,834	21,619	2,785	24,074	57.55	39.16	12.88	24.73	36.5	72.46
<b>Sarkadi</b>	24,409	5,671	16,152	6,344	2,137	8,087	50.07	33.13	33.69	23.23	37.1	42.75
<b>Szarvasi</b>	46,416	11,761	31,423	15,984	2,104	17,803	56.66	38.36	13.16	25.34	36.3	56.50
<b>Szeghalmi</b>	41,436	9,103	27,996	12,807	3,237	15,622	55.80	37.70	25.28	21.97	33.3	41.04
<b>Békés county total</b>	382,190	89,808	260,221	129,264	22,213	147,390	56.64	38.56	15.07	23.50	35.6	67.89

Source: Hungarian Central Statistical Office. 2007. *Territorial Statistical Yearbook* (CD-ROM); Hungarian Central Statistical Office Demographic Research Institute (www.

Land for pension scheme: First phase, Spring 2003 (contract data by microregions)

Microregion	Number of contracted applicants	Contracts with same place of residence and land location	Contracted males	Contracted females	Average age of contracted applicants	Oldest contracted applicant	Number of parcels offered	Contracts per 10,000 inhabitants	Total land size offered (hectare)	Demanded price per hectare (HUF)
Békéscsabai	39	27	22	17	70.0	80.9	53	5.14	82.73	532,194
Békési	39	21	19	20	68.3	82.8	56	8.67	105.53	250,459
Gyulai	36	25	17	19	68.8	90.9	43	8.67	88.04	348,531
Mezőkovácsházai	17	12	14	3	67.2	74.5	17	3.86	60.41	390,785
Orosházi	39	28	30	9	69.8	92.8	57	6.23	185.33	376,642
Sarkadi	29	17	19	7	70.0	90.1	46	11.58	139.68	227,006
Szarvasi	44	20	30	14	68.6	80.3	56	9.56	187.85	291,499
Szeghalmi	63	40	26	25	67.3	82.1	96	14.83	221.24	159,401
<b>Total / average</b>	<b>306</b>	<b>190</b>	<b>177</b>	<b>124</b>	<b>68.8</b>		<b>424</b>	<b>7.95</b>	<b>1,070.81</b>	<b>295,372</b>

Source: Hungarian State Holding Company (MNV Zrt.), Békéscsaba Office

**Land for pension scheme: Third Phase, Autumn 2004 (application data by microregions)**

Microregion	Number of applications	Male applicants	Female applicants	Average age of applicants	Oldest applicant	Number of parcels offered	Applications per 10,000 inhabitants	Average price demanded per application (HUF)
<b>Békéscsabai</b>	61	31	30	66.7	84.5	71	8.05	1,104,979
<b>Békési</b>	79	45	34	67.9	83.4	102	17.57	882,240
<b>Gyulai</b>	72	38	34	67.3	79.4	125	16.45	1,176,698
<b>Mezőkovácsházai</b>	46	21	25	66.5	82.6	63	10.45	1,034,707
<b>Orosházi</b>	81	32	49	67.1	87.9	121	12.94	1,089,555
<b>Sarkadi</b>	36	15	21	67.9	84.3	68	14.37	991,844
<b>Szarvasi</b>	87	50	37	68.0	81.4	131	18.90	1,190,522
<b>Szeghalmi</b>	99	45	54	67.3	91.5	193	23.31	704,963
<b>Total / average</b>	561	277	284	67.3		874874	14.58	1,021,939

Source: Land Registry Office, Békéscsaba