



Rental Market Regulations for Agricultural Land in EU Member States and Candidate Countries

ABSTRACT

In this paper, we describe the regulations governing the rental markets for agricultural land in selected EU member states and candidate countries. The analysis focuses on various kinds of regulations and institutions connected with the land rental market, including price, tenancy duration, quantity and other regulations, as well as transaction costs. The diverse government regulations on price restrictions and tenancy duration are analysed, along with the social norms observed for rental payments and contracts. The paper also examines the type and registration of contracts, the contract enforcement rules, the regulations on the inheritability of contracts and the pre-emptive right of tenants to buy the land.

FACTOR MARKETS Working Papers present work being conducted within the FACTOR MARKETS research project, which analyses and compares the functioning of factor markets for agriculture in the member states, candidate countries and the EU as a whole, with a view to stimulating reactions from other experts in the field. See the back cover for more information on the project. Unless otherwise indicated, the views expressed are attributable only to the authors in a personal capacity and not to any institution with which they are associated.

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Contents

1. Introduction.....	1
2. Price regulations	6
2.1 Government regulations on price restrictions	6
2.2 Social norms related to price regulations.....	7
3. Tenancy duration regulations.....	8
3.1 Government regulations on tenancy duration	8
3.2 Social norms related to tenancy duration	10
4. Quantity regulations	13
5. Transaction costs	13
5.1 Type and registration of contracts.....	13
5.2 Contract enforcement	15
6. Other regulations	16
6.1 Inheritability of contracts	16
6.2 Pre-emptive rights of tenants	17
References	18
Appendix	20

List of Boxes

Box 1. Historical background on differences in the share of rented land in the NMS	4
Box 2. Rental payments ‘in an envelope’ in the land rental market in Belgium	7
Box 3. Large differences between Slovakia and the Czech Republic	15

List of Figures

Figure 1. Share of rented land as a % of the total utilised agricultural area (UAA) (in 2007)	2
Figure 2. Share of land used by corporate farms in the NMS (% of UAA, 2007)	5
Figure 3. Correlation between the share of land rented and the land used by corporate farms (2007).....	5

List of Tables

Table 1. Share of rented land as a % of the total UAA (2007)	3
Table 2. Duration of rental contracts in 2000 and 2005 (% of monitored transactions), Poland.....	12
Table 3. Rental prices for agricultural land paid by family farms and legal entities (€/ha)	16
Table A1. Overview of the institutional and regulatory framework with respect to renting agricultural land in the OMS	20
Table A2. Overview of the institutional and regulatory framework with respect to renting agricultural land in the NMS	22

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1. Introduction

All agricultural markets are subject to institutional regulations that – in one way or another – affect the functioning of these markets and this is no different for the agricultural land market in the EU. In this paper, we describe the regulations concerning the rental market for agricultural land in selected EU member states and candidate countries. In combination with Ciaian et al. (2012a), which describes the regulations for the sales market, this paper will be the basis for future analysis in the Factor Markets project.

In 2004 and 2007, ten and two countries respectively acceded to the EU in its enlargement with countries in Eastern and Central Europe. Until 1989, the agricultural sector in these countries was regulated by the state and dominated by large-scale state farms that cultivated state-owned land or by collective farms that typically used land that was still in private ownership on paper but over which the landowners did not have any decision rights as to its use or allocation. There were only two exceptions, Poland and the former Yugoslavian countries, where collectivisation largely failed, such that a considerable share of agricultural land was already being used by individual farmers during the communist era (Lerman, 2001). After 1989, land reforms were introduced and land was restituted to the former owners or distributed among the workers at the state farms (Lerman et al., 2004). In addition, farm restructuring resulted in the introduction of hard budget constraints. The implementation of farm restructuring and land reform processes was difficult (Swinnen et al., 2006), and in some countries land reforms are still not yet fully completed (Swinnen and Vranken, 2009; Swinnen and Vranken, 2010). Since the history of collective land use has a long lasting impact on the current functioning of the land market and the region has undergone such radical changes in the past 10 years, we have opted to make a distinction in this discussion between the regulations in old member states (OMS) and those in the new member states (NMS).¹

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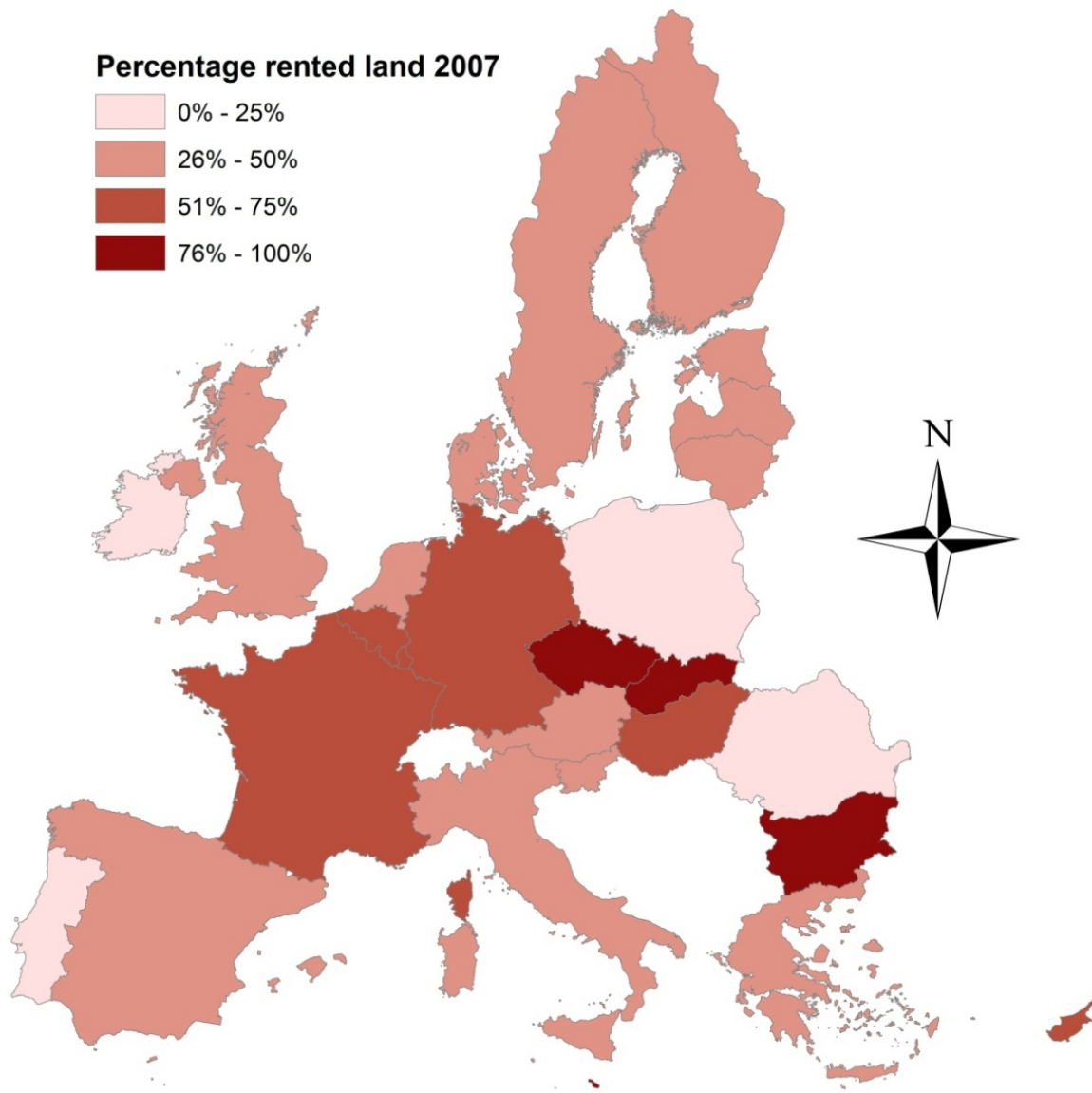
The paper draws importantly on background information and comments provided by Eleni Kaditi (CEPS). The authors are solely responsible for the content of the paper. The views expressed are purely those of the authors and may not in any circumstances be regarded as stating an official position of the European Commission.

¹ The selected OMS in this study are Belgium, Germany, Ireland, Greece, Spain, France, Italy, the Netherlands, Finland, Sweden and the UK. The NMS are Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. The selection of these countries is based on data availability.

Along with selected EU member states (OMS and NMS), we also consider the situation in the agricultural land markets of two candidate countries: the Former Yugoslav Republic of Macedonia (FYROM) and Turkey.

In general, the sale of agricultural land is considered superior to land rental because 1) land sales transfer full ownership rights to the new users; 2) sales are more likely to increase access to credit, since owned land can be used as collateral; and 3) sales provide optimal incentives for investment by entailing the permanent security of rights (Binswanger et al., 1993). In most EU member states, however, the rental market seems to be more important than the sales market and a large share of the agricultural area is rented, although there are substantial variations in the shares of rented land (Figure 1). In the OMS, the share of rented land ranges between 18% in Ireland and 74% in France, while in the NMS it ranges from 17% in Romania to 89% in Slovakia (Table 1).

Figure 1. Share of rented land as a % of the total utilised agricultural area (UAA) (in 2007)



Source: Eurostat.

Table 1. Share of rented land as a % of the total UAA (2007)

Old member states	
Belgium	67
Germany	62
Greece	32
Finland	34
France	74
Ireland	18
Italy	28
Netherlands	25
Spain	27
Sweden	39
UK	32
New member states	
Bulgaria	79
Czech Republic	83
Estonia	50
Hungary	56
Latvia	27
Lithuania	48
Poland	20
Romania	17
Slovakia	89

Source: Eurostat.

There are several reasons for the high degree of importance of the rental market and the differences among member states.

First, the differences in the importance of the rental market are based on historical grounds. For example, variations in inheritance laws (e.g. adoption of the Napoleonic Code with respect to inheritance in France and other Western European countries) have led to assorted farm structures (e.g. in France more fragmented ownership, because each child receives an equal amount of land, while in the UK for instance, the first son has traditionally inherited the farm estate). This has affected the farm structure and the share of rented land. In the NMS, the share of rented land is also based on historical factors (see Box 1).

Second, imperfections in input, product, credit and insurance markets affect the functioning of land markets (Vranken and Swinnen, 2006; Ciaian and Swinnen, 2009; Van Herck et al., 2011). Credit and capital markets play a crucial role, especially for land sales in the NMS.

Third, transaction costs can be high in the case of land sales. The transaction costs include the traditional costs, such as notary fees and registration costs. But in the NMS, individuals who want to sell their agricultural land are also confronted by additional transaction costs, such as high withdrawal costs, insecure property rights and imperfect competition on the land market (Ciaian and Swinnen, 2006; see also Ciaian et al., 2012a).

In such an environment, land rental may have certain advantages over land sales transactions, since they

- allow more flexible adjustments in the land used with relatively low transaction costs; and
- have a limited cost, which allows the farmer to invest more in other productive assets.

Yet this does not mean that rental markets work perfectly in the EU. There are still problems with 1) a lack of investment incentives owing to a lack of long-term security (e.g. Romania); 2) overregulation, such as the stipulation of minimum durations, which prevents flexibility (e.g. Belgium) (Swinnen, 2002); and 3) access to credit, since rental contracts cannot be used as collateral.

We do not further discuss the recent evolutions in the rental market for agricultural land in great detail in this paper, since these are covered in Ciaian et al. (2012b). Still, we have provided these limited data on regional differences in the rental market to enable the reader to put the findings on the institutional regulations discussed in this paper into perspective.

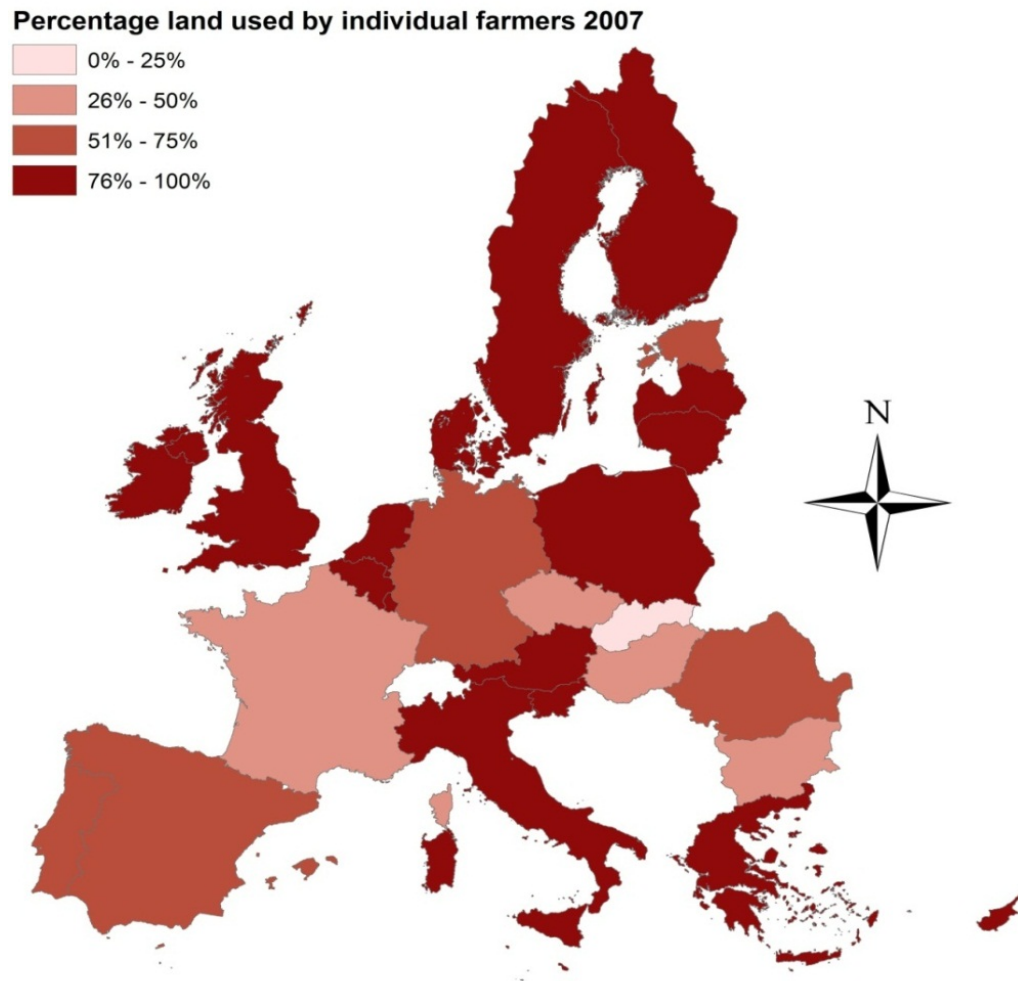
There are five types of rental market regulations and institutions discussed in the remainder of the paper: 1) price regulations, 2) tenancy duration regulations, 3) quantity regulations, 4) transaction costs and 5) other relevant regulations. Tables A1 and A2 in the appendix give an overview of the most important regulations and institutions affecting the rental market for agricultural land in the OMS and the NMS respectively. For our analysis, this study draws heavily upon earlier work by Ciaian et al. (2010), Swinnen and Vranken (2009, 2010) and a questionnaire sent to the different partners in the Factor Markets project.

Box 1. Historical background on differences in the share of rented land in the NMS

In some NMS, corporate farms use the large majority of all agricultural land, almost all of which is rented. In the Czech Republic and Slovakia, more than 70% of the total agricultural land area is used by corporate farms (Figure 2). Also in Hungary, Estonia and Bulgaria, corporate farms still use around half of all agricultural land. A large share of agricultural land is continues to be rented to the large-scale successor organisations of the former cooperatives and state farms (Vranken et al., 2011). Indeed, there is a striking correlation between the prevalence of land rental at the country level and the proportion of corporate farms in total land use (Swinnen et al., 2006) (Figure 3).

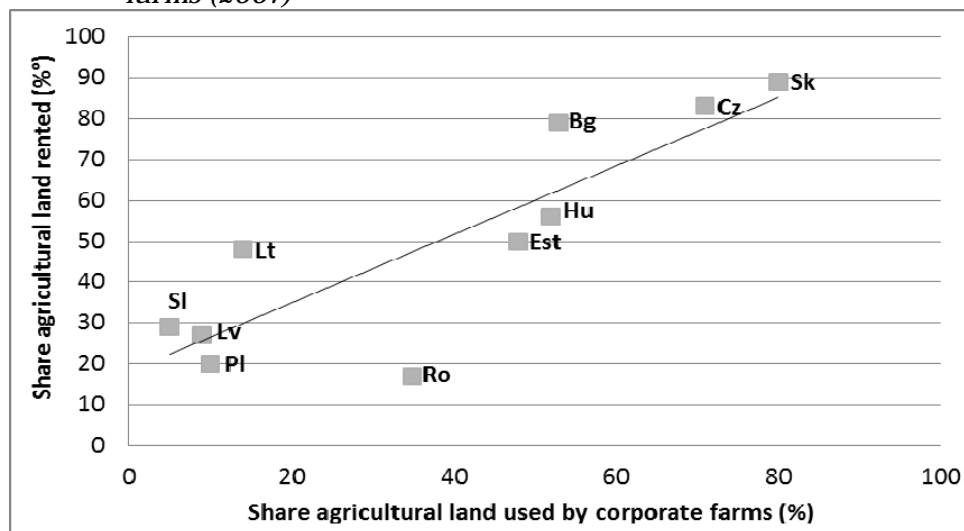
This can be attributed to the land reform process that was implemented at the start of transition. Land was restituted to former owners, among whom the majority are not (or are no longer) active in agriculture. They may be retired or living in urban areas and are more likely to rent it out, particularly to large-scale corporate farms, for several reasons. First, because of limited information about the sales price and the expected increase in land prices upon accession to the EU, most of these new landowners have been unwilling to sell their newly acquired assets and have preferred to rent out the land instead. Second, since identifying potential tenants involves search and negotiation costs, it has been easier for the new landowners to rent out their land to corporate farms, which were the historical users of the land (Mathijs and Swinnen, 1998). Third, the corporate management has been closely involved in the land reform process, and their search and negotiating costs in identifying and contracting with these new landowners have been significantly lower than the costs faced by newly emerging structures (particularly family farms and de novo companies). In combination, these factors have resulted in a higher demand for rented land by corporate farms than by family farms and an increased supply of rented land to corporate farms than to family farms. Consequently, restitution has contributed to a consolidation of the large-scale farming structures (collective and state farms in the past, now corporate farms) through the land rental market.

Figure 2. Share of land used by corporate farms in the NMS (% of UAA, 2007)



Source: Eurostat.

Figure 3. Correlation between the share of land rented and the land used by corporate farms (2007)



Source: Eurostat.

2. Price regulations

In this section, we distinguish between government regulations on rental prices (e.g. minimum/maximum price) and social norms in the rental market (e.g. payment at the end of the season, payment in kind or in cash).

2.1 Government regulations on price restrictions

In several EU member states, governments impose price restrictions on the rental markets for agricultural land. These price restrictions may take the form of a maximum or a minimum rental price. For example in Belgium and the Netherlands, there is a maximum rent. In France, there is a combination of a minimum and a maximum rent. In the other OMS in our sample (Finland, Germany, Greece, Ireland, Italy, Spain, Sweden and the UK), there are no rental price restrictions. Likewise in the NMS, there are no price restrictions on agricultural land, but in some countries the transaction costs for land rental strongly affect rental prices (see section 5.2).

In France, rental prices are regulated at the level of the *département* or NUTS 3 level. Each *département* sets a price index (*indice des fermages*). For non-built land, the index is calculated as the weighted sum of the average gross farm income in the *département*, the average gross farm income in France and the average gross farm income for some specific types of production in France, all averaged over the 5 previous years to reduce year-on-year volatility in farm incomes. In addition, it may also include the prices for some specific commodities. The weights applied are specific to the *département* and the index is re-evaluated each year.² For land with buildings, the index is based on the type, use and age of the buildings. The index is then used to set a minimum and maximum price. But even within the *department*, there may be variations in the minimum and maximum price depending on the destined use of the land (e.g. for specific cultivation, such as permanent crops). Furthermore, the rental price can be increased in cases of a transferable contract (*bail cessible*) (see section 6.1).

In Belgium, the tenant and the landowner reach a mutual agreement on the rental price. Nevertheless, the rental price cannot be higher than the maximum price determined by the tenancy law. For contracts of 9 years (the most commonly used type of contract), the maximum price for agricultural plots and buildings is equal to the cadastral income³ of the plot or building multiplied by a certain ‘tenancy coefficient’, which depends on the agricultural region and the province. The tenancy coefficients are determined by a commission composed of members of the regional governments and the agricultural organisations and are based on the evolution of the agricultural profitability in the region during the previous two periods of 3 years. The coefficients are different for plots and buildings and are adjusted every 3 years. Note that in the case of a rental contract with a longer duration, the maximum price is increased by 36% (contracts for a minimum of 18 years) or 50% (contracts for a minimum of 25 years), since these contracts provide more security for the continuity of the activities of the tenant (Van Eyken, 2003). Overall official rents are very low, however, and in most of the cases the maximum price is paid. Moreover, there is evidence of additional payments ‘in an envelope’ (see Box 2).

² Note that up to 1995, the index was calculated in similar way as in Belgium, and it was based on the average regional and national crop yields.

³ The cadastral income is an index created in 1975 that represents the net rental income that a landowner could gain based on the characteristics of the plot (soil quality and plot location – e.g. on slope).

Box 2. Rental payments 'in an envelope' in the land rental market in Belgium

Depending on the agricultural value of the land (soil quality) and the eagerness of the tenant to cultivate the plot (e.g. the plot allows better access to the plots s/he already cultivates), an additional payment 'in an envelope' is made. The rigidity of the tenancy market (a minimum duration of 9 years for a rental contract) enhances the use of these additional payments: when a plot with a good location is rented out, neighbouring farmers are prepared to pay a higher price than the official maximum price because if they are not able to rent the plot, it will take at least 9 years before the plot becomes available again.

Also in the Netherlands, the government established regional rent ceilings and allowed only very modest rent adjustments each year. Ironically, although aimed at protecting tenants and offering them tenure security for many years, these measures had the opposite result (Swinnen, 2002). To circumvent the strict regulation, a so-called 'grey' rental sector evolved (similar to the situation in Belgium) and farmers concluded informal contracts with landowners in which prices were sometimes on average 50% higher than the officially registered rents. In 1995, the grey rents accounted for 25% of the total rented area in the Netherlands (Hoek and Luijt, 1999). Hence, to stop the growth of the informal market, more liberal forms of rental contracts were introduced. Since 2007, rental agreements for less than 6 years have no longer been subject to these regulations, although contracts with a longer duration are still subject the price regulations.

2.2 Social norms related to price regulations

In addition to legal price regulations, there are social norms for rental payments in all countries, for example, with respect to the type of payment (in cash or in kind) or the timing of the payment (at the end or the beginning of the season).

While in most OMS rental payments are made in cash, rental payments in kind are more common in the NMS. For example, in Poland, more than 20% of the contracts involving private rentals in 2005 were paid in kind (goods and services) rather than in cash. This was notably the case in regions with a high degree of land fragmentation and where agriculture is only an additional source of income. In Slovakia, only half of the farms reported paying rent exclusively in cash, while the other half of the farmers reported paying part of the rent in cash and part in kind. Similarly in Turkey, sharecropping contracts are frequently used in the rental markets. These contracts usually include the following division of the harvest: one-third for the landowner and two-thirds for the tenant. But there can be large variations in the division since it depends on the agreement between the landowner and the tenant.

In the NMS, it is mainly corporate farms that pay in kind. Furthermore, there is some evidence that corporate farms reduce payments by paying in kind instead of in cash and that these in-kind payments by corporate farms are less transparent. The in-kind payments often depend on yields, which are difficult for landowners to control and may result in lower effective rent payments, with a negative impact on the welfare of the landowners (Vranken et al., 2011). In several countries, experts indicate that less productive corporate farms often do not pay rents as contractually agreed. For instance, in Bulgaria, Swinnen et al. (2006) found that only a small share of the payments (33%) made by the cooperatives are in cash. For the remaining transactions, rental payments are in kind or as a combination of an in-kind and cash payment, or are not paid at all.

The timing of the payment differs among countries and even within countries there are substantial variations depending on what is agreed in the contract.

Traditionally, payments take place at the end of the season in Belgium (December), France (Saint Michel or 29 September), Finland and Sweden (December).

In other countries, such as Greece and Italy, the tenant pays the rent in advance at the beginning of the season, which is not affected by the economic outcome of the year. Still, there are no regulations on this subject in either of these two countries.

In Germany, there is large variation across regions concerning when the rent is paid. For example in Saxony, it depends on the landowner. If the land is rented from a private person, the rent is usually paid once a year after the season. If the land is rented from the government land agency, the land rent has to be paid every third month in advance. In Weser-Ems it depends on the size of the land and the amount of money to be paid. If one has more than 10 ha or one has to pay more than a couple of thousand euros, it is paid on a monthly basis or a couple of times a year. Smaller amounts are normally paid once a year after the season. In Bavaria, the land rent is paid once a year. There is no uniformity in relation to when the land rent is paid, as some pay in advance and others after the cultivation period.

In the NMS, rents are traditionally paid at the end of the season. For example in Hungary, rental payments are made subsequent to the period to which it pertains. For years in which the crop yield remains below two-thirds of the average owing to a natural disaster or some other extraordinary event, the tenant is entitled to request a reduction or consolidation of the rental payment. The tenant should communicate this request to the landowner prior to harvesting and the landowner is not allowed to demand additional payments in the subsequent years in order to recover reduced or consolidated rental payments.

Also in Poland, tenants have the right to ask for a reduction in the rental price in the case of *force majeure* or in the event that farm revenues are much lower than in other years.

3. Tenancy duration regulations

The duration of rental contracts for agricultural land gives a first indication of the rental market flexibility of farmers to adjust their production to changes in the external environment. Hence, other things being equal, long-term rental contracts for agricultural land will allow less adjustment to external changes than short-term rental contracts. On the other hand, short-term contracts offer tenants less security, which reduces investment incentives for farmers.

The two key determinants of rental contract duration are governmental regulations (e.g. in Belgium and France, a minimum of 9 years; in the Netherlands, a minimum of 6 years; and Spain, a minimum of 5 years) and social norms (e.g. in Greece and several NMS, contracts are usually seasonal). Moreover, in several countries (e.g. France) even the renewal/inheritance of rental contracts is regulated (see also section 6.1.).

3.1 Government regulations on tenancy duration

In Belgium, there are several types of tenancy contracts, in general long-term contracts. First, there is a 'traditional' tenancy contract with a duration of at least 9 years. If the landowner and the tenant make a different arrangement and sign a tenancy contract of, for example 5 years, or if there is no duration specified by the contract, the contract is automatically prolonged to 9 years. Second, it is possible to have a contract of 18 years or longer.⁴ Third, there is also a 'career contract', of which the duration is equal to the duration of the expected career of the farmer. The law establishes that the duration of the contract is equal to the difference between the age of the farmer at the start of the contract and the age of 65. The minimum duration of the contract is determined by law to be 27 years. For example, if at the start of the contract the tenant farmer is 25 years old, the duration of the contract will be 40 years; but if s/he is 35 years old, the duration of the contract will only be equal to 30 years. Thus, a farmer who is older than 38 is no longer eligible for a career contract. Finally, there are also very long-term contracts, such as *recht van opstal* and *erfpacht*. *Recht van opstal* implies that a farmer has the property right to have some buildings and crops on the plot of a third person. Such a property right can be determined for a maximum period of 50 years and

⁴ In the case of such long-term contracts (for 18 years, but also for 'career contracts'), the landowner can increase the maximum price, determined by law for a contract duration of 9 years, by 50% for plots and by 25% for buildings (see section 2.1).

needs to be confirmed by a notary. *Erfpacht* is similar to *recht van opstal*, but the duration of the contract differs: it should be at least 27 years and up to a maximum of 99 years.

Contracts of 9 and 18 years are automatically prolonged by successive periods of 9 years, likewise when the initial contract specifies a longer duration, unless the landowner gives an official termination notice at least a year in advance. Unlike the above-mentioned contracts of 9 and 18 years, a career contract ends automatically when the tenant turns 65 (no termination notice is required). If the landowner nonetheless lets the tenant remain in occupation, the contract is prolonged each year by an extra year.

In recent years, experts have observed an increase in the number of seasonal contracts and informal contracts between pensioners and young farmers. This can be related to 1) the rigidity of rental contracts (the minimum duration of 9 years), 2) low maximum rental prices, and 3) the introduction of single farm support (where seasonal or informal contracts exist, the support is received by the owner of the plot and not by the tenant). Therefore, pensioners often prefer using a seasonal or informal contract instead of an official tenancy contract.⁵

In Finland, the standard land lease contract is a short-term contract with a fixed duration and a fixed cash lease payment per year. About 40% of all lease contracts have a duration of 5 years. Contracts longer than 10 years are prohibited by law.

In France, the terms of the rental contracts are defined by law through the *Statut du fermage*. The original law of 1945 has been modified several times (1960–62, 1975 and 1984). Generally, the rental regulation has always tried to protect the farmer tenant. The following regulations apply to all rented land except for plots of less than 1 ha (0.5 ha if there are several landlords for one plot).

Rental contracts for agricultural land are very rarely short term in France. Theoretically, there may be short-term contracts; yet owing to tax incentives (reductions) for landowners, they usually have a duration of at least 9 years. Similar to the situation in Belgium, there are three types of contracts. The *baux ruraux* are for 9 years, the *baux de long terme* are for 18 years and the *baux de carrière*, i.e. over the tenant's career, are concluded for 25 years. Landowners are given incentives to conclude long-term contracts, as they can receive per-hectare aid from the government, which cannot exceed the total sum of €8,000 per landowner; moreover, the tax on their revenues from rental contracts longer than 9 years is reduced by 15%.

During the contract term, the landlord does not have the right to terminate the contract and rent the land out to another tenant. In fact, the landowners only have the possibility to terminate the contract in order to sell the land. In such cases, the current tenant nonetheless benefits from a pre-emptive right to purchase the land (with the possibility to have the price reduced through the intervention of the French land agency, Sociétés d' Aménagement Foncier et d' Etablissement Rural (SAFER); see also section 6.2). At the end of the term, contracts are automatically renewed, but then the landlord has the possibility to withdraw the land only if s/he (or the landlord's heirs) farms the land him or herself. Furthermore, contracts are inheritable (and in some cases transferrable) (see section 6.1).

In the Netherlands, the tenure law introduced in 1958 heavily regulated lease contracts with the goal of strengthening the tenant's position. Rental agreements usually had very long durations of at least 12 years for farms and 6 years for land. A contract was automatically extended for 6 more years at the end of each term, as long as none of the parties cancelled it.

⁵ Another reason they prefer such contracts is speculation about a change of the zoning regulations. If the zoning regulations change and the landowner wants to sell the plot, the tenancy legislation determines that s/he has to pay the tenant a compensatory payment and the tenant has the pre-emptive right to purchase the land. In cases of a seasonal tenancy or an informal contract, this is not the case.

Nevertheless, in combination with low maximum rental prices, this strict regulation, which strongly favours the tenants, resulted in the continuous meltdown of the rental sector and growth of the grey market. Therefore, as noted earlier, since September 2007 rental agreements for less than 6 years have not been subject to any of these constraints. Contracts of more than 6 years, however, are still subject to rent controls by the *grondkamers* (see section 5.1).

In Spain, the minimum duration of rental contracts is 5 years.

In Bulgaria, there are two types of officially accepted rental contracts. The first is the *arenda* contract, which has a minimum length of 4 years and for which the rental term can be extended up to 50 years. *Arenda* contracts need to be certified by a notary and registered at the Land Commission. Furthermore, if a landowner is selling a plot of land that s/he is renting out under an *arenda* contract, the tenant has a pre-emptive right to purchase the tenanted land. At the same time, the obligatory notarisation and registration increases the transaction costs. It is often argued that *arenda* contracts under the Land Lease Law are too expensive and therefore tenants are less keen to use them. At the same time, foreigners who participate in the land rental market typically rely on *arenda* contracts. The second type of rental agreement is the *naem* contract, which is mostly used for short-term renting (typically one crop year). *Naem* contracts are regulated by the Law for Obligations and Contracts – which provides a more general framework; but as this type of rental agreement does not establish any real rights, it is impossible to use the rented land as collateral. *Naem* contracts are written and signed every year and are not notarised or registered. Land plots owned by the authorities and included in the state land fund are typically rented out under *name* contracts.

3.2 Social norms related to tenancy duration

In Germany, the usual form of rental contract is written with a fixed price and limited duration. Nevertheless, there are still oral contracts and contracts of unlimited duration. When a contract with a limited duration ends and there are no other arrangements, the contract will change to a contract with an unlimited duration, which can be cancelled from year to year.

The average duration of rental contracts varies significantly between regions. The average duration in Saxony and Weser-Ems is longer than in Bavaria. In Saxony, the average duration of rental contracts is 11.5 years and there are variations of between 7 and 18 years, with the long-term contracts linked to investment credit. In Weser-Ems, the average duration of a rental contract is 7 years with variations from 5 to 10 years. The longest contracts are in grassland areas or in livestock-intensive farming areas. In livestock-intensive areas, farmers need long-term contracts. In Bavaria, the average duration of rental contracts is 6 years. The duration of rental contracts for arable land and grassland are the same. Even if the average duration of rental contracts is 6 years, there are many contracts for only a year and others are for 9 years. In Bavaria and Weser-Ems, contracts are normally renewed without an invitation to tender.

In Greece, most rental contracts are seasonal contracts or (although less often used) for a duration of 4 years. In general, long-term contracts are used very seldom.

In Italy, the average duration of rental contracts is heterogeneous across types of crop production and regions. For arable crops, it ranges from 2 to 5 years, while rental contracts for fruit crops vary from 5 to 10 years but can also go up to 20 years.

In the UK, the tenancy regulation differs across regions. In England and Wales, the Agricultural Tenancies Act 1995 (ATA) made a radical departure from the preceding legislation dealing with agricultural tenancies. The ATA allows greater flexibility for landowners and tenants to draw up tenancy agreements to suit their particular circumstances. The ATA applies to England and Wales but it does not apply to Scotland or Northern Ireland. The Regulatory Reform (Agricultural Tenancies) (England and Wales)

Order 2006 amended the Agricultural Holdings Act 1986 and the ATA 1995. These reforms were intended to 1) encourage diversification by tenant farmers, 2) maintain and improve the viability of tenant farmers, 3) allow the restructuring of holdings without jeopardising valuable rights, 4) improve flexibility in the tenanted sector, and 5) maintain a balance between landlord and tenant interests.

The ATA created a new form of agricultural tenure, known as the farm business tenancy (FBT). For an FBT to be created, the land must be used, in part at least, for the purpose of an 'agricultural business'. If the land is not used for an agricultural business, then the Act is unlikely to apply and the tenure may come under part II of the Landlord and Tenant Act 1954.

The length of the term is entirely flexible: longer term leases are more likely to encourage tenants to invest capital in the business while smaller parcels of land are better suited to shorter terms.

An FBT for a term of not more than 2 years terminates automatically on the expiry date. A fixed term of more than 2 years will only terminate once a valid 'notice to quit' has been served. The 2006 Regulatory Reform Order now means that landlords and tenants can agree whatever notice period they wish, providing the notice is given at least 12 months in advance. This means that landlords and tenants can agree, for example, on a 3-year notice period, where the notice to quit could be served anytime between 36 and 12 months prior to the expiry date. If no notice is served, then the tenancy will continue from year to year until a valid notice is served.

In Scotland there are now four forms of agricultural leases permitted under the 2003 Act:

- First, it is still possible to grant a new 'traditional' agricultural tenancy under the Agricultural Holdings (Scotland) Act 1991.
- Second, there is a grazing or mowing lease for not more than 364 days. Failure to ensure the land is vacated at the end of each grazing period means it becomes a 5-year, short limited duration tenancy (SLDT).
- Third, SLDTs are an agricultural lease for a term of not more than 5 years and are aimed at validating cropping lets (potatoes, turnips, etc.). If the lease is for a period of less than 5 years and the tenant remains in occupation (with the consent of the landlord) the lease will default to 5 years. Should the same happen at the end of the 5-year period, the lease will default to a limited duration tenancy (LDT), with a term of a further 15 years. Successive leases of the same land to the same person are accumulative. Tenants who occupy land under an SLDT are not allowed to diversify nor are they able to exercise the pre-emptive right to buy their tenanted land.
- Fourth, LDTs were introduced as the standard form of tenancy. These contracts have a minimum period of 15 years but can be longer when agreed upon. Termination of LDTs at the end of their term is by a minimum of 12 and a maximum of 24 month's written notice. The landlord must serve two notices on the tenant: one 24-36 months prior to the effective date and one 12-24 months prior to the effective date (at least 90 days apart). If the lease is not terminated by notice at its agreed termination date it will continue for a further, initial 3-year period. If no notice is served terminating the lease, a second 3-year period will follow, which if not terminated will be followed by a further 15-year term. LDTs can be assigned with consent from the landlord. LDTs can also be sublet if expressly permitted in the lease, or without express permission if the subletting is ancillary to an approved diversification scheme. An LDT may be bequeathed as with an SLDT under the 1991 Act provisions relating to bequest. A tenant with a limited duration tenancy is not entitled to the right to buy but is allowed to diversify and harvest trees s/he planted (subject to landlord consent).

In Northern Ireland, most of the rented area is leased through the conacre system, which is unique to Northern Ireland (and Ireland), whereby land is let on a seasonal basis (nominally for 11 months or 364 days) without entering into a long-term commitment. Owing to the use of conacre rental agreements, farm businesses may have a number of plots of land but usually within 5 miles of a core farmstead.

Generally, there are no government regulations on the tenancy duration in the NMS. Overall, we find that while until a few years ago rental contracts still had a very limited duration, there is evidence that currently contracts tend to be longer. Still, in some of the countries that more recently acceded to the EU, such as Bulgaria and Romania, renting mainly occurs on an annual basis. Long-term rents are still rather scarce, which creates uncertainty for the land user.

In Slovakia, contracts with a duration of between 5 and 10 years dominate, followed by 5-year contracts (15%). Before EU accession, contracts tended to be shorter – up to 5 years. There are important differences in contract length, however, depending on the tenant type. Unregistered family farms typically rent land for shorter periods while registered family farms and particularly large-scale corporations rent for longer periods and as such lock in land (Swinnen et al., 2006). After accession, contracts became longer to allow farms to use European funds, such as those for rural development (but not direct payments). Renting land for at least 5 years is one of the requirements imposed by European funds for Slovakia. This motivates farmers to sign contracts with a longer duration, up to 10 years (Swinnen and Vranken, 2009).

In Poland, there has also been a significant rise in the number of long-term contracts involving private land in recent years (Table 2). Compared with the 1990s, when around 50% of rental contracts were for up to 5 years, there has been a substantial decrease in short-term transactions. At the same time, the number of undefined or hereditary tenancies has also fallen sharply. These latter forms of rental transactions have been used especially in regions with a great deal of land fragmentation and income coming mainly from non-agricultural sources.

Table 2. Duration of rental contracts in 2000 and 2005 (% of monitored transactions), Poland

	Up to 2 years	2-5 years	5-10 years	10 and more years	Undefined
2000	8.2	25.1	42	4.2	20.5
2005	4.9	24.2	58.3	7.8	4.8

Source: IERiGŻ surveys from (Swinnen and Vranken, 2009).

In Poland, public land is rented out for a period of 10 years with an option to prolong it. In justified cases, longer contracts can be signed but they cannot exceed 30 years.

According to the IDEMA survey,⁶ just after EU accession (2005), 52% of landowners in the Czech Republic had contracts for a definite period, while 42% of them had contracts for an indefinite period. Landowners who noted that they rent out land for a definite period had contracts for an average length of 10.8 years. Around 5% of the landowners indicated that they did not know the contract length. These are mostly likely absentee landowners who received a plot of land during the land reform process and allow a large-scale successor farm of the collective or state farm to continue cultivating their plot without caring very much about the contract terms.

In Hungary, tenancy contracts had an average duration of 8 years in 2005 according to survey data (Kapronczai, 2005). At the same time, there were differences depending on the

⁶ IDEMA refers to the FP6 research project, “Impact of Decoupling and Modulation in the Enlarged Union: A sectoral and farm level assessment project”.

type of tenant. Private farms tended to have tenancy contracts of a shorter duration (7 years) than corporate farms (9 years). Very short contract terms (less than 5 years) are rare, even among private farmers, among whom less than 10% have short-term rental contracts. Contracts with a duration of more than 15 years are negligible among private farmers as well as corporate farms. In fact, the Hungarian legislation stipulates that the contract cannot have a duration of more than 20 years.

In Estonia, survey results show that among the farms that participated in the survey, 13% had a rental contract for a term of 1 to 3 years, 67% for a term of 4 to 6 years and 7% for a term of over 10 years.⁷ Enterprises with a rental contract for an unlimited duration made up 6%.

4. Quantity regulations

In most countries, rental markets are free and unrestricted in relation to regulations on the quantity of land rented. In general, there are no constraints on the amount of land that is transacted (except for Hungary) and transactions do not need to be approved by a government agency (except in Germany and the Netherlands – see section 5.1).

Unlike for the sales market for agricultural land, there are no specific restrictions with respect to foreigners in rental markets in the NMS; foreigners (natural persons and legal entities) have the same rights and obligations as domestic investors.

Also in Turkey, foreigners (natural persons and legal entities) can freely engage in rental contracts. Only in the FYROM are there restrictions for foreigners in the land rental market. In principle, foreigners (natural persons) cannot rent state-owned agricultural land. But they can rent agricultural land from other parties when they receive approval by the ministry of justice and ministry of agriculture. Legal entities, on the other hand, can freely engage in rental contracts.

In Hungary, there are restrictions on the amount of land that one can own or rent (maximum 300 ha).

5. Transaction costs

There are different transaction costs that affect agricultural rental markets. In this section, we discuss the type and registration of contracts, (legal) contract enforcement mechanisms and market imperfections that especially characterise the rental market for agricultural land in the NMS.

5.1 Type and registration of contracts

In most countries, there is generally the possibility to choose between a written and an oral contract. Yet, in almost all countries written contracts are increasingly important. For example, in Finland written contracts have become more and more popular as they have been supported by the government and the Farmers' Federation. The Farmers' Federation also provides a platform for rental contracts. This platform has become very popular in recent years.

Unlike for the sales market, there is no obligation to register a land rental contract in most countries. Only in Germany, the Netherlands and Hungary is registration of the rental contract obligatory and the transaction needs to be approved by the responsible legal institutions. In other countries, registration can be done on a voluntary base (e.g. France, Ireland and Italy).

⁷ As reported in a "Land Markets" country report (unpublished) prepared for the CEPS book by Swinnen and Vranken (2009).

In Germany, generally all rental contracts should be registered in the land register (Möller et al., 2010).⁸ Procedures for the registration of transactions for renting agricultural land and specific measures that can be applied in cases of non-compliance with the law are stipulated in the Law on the Rent of Agricultural Land (public law). The application of the land rent law is comparable to the law concerning land sales (see Vranken et al., 2011a). Every transaction on the rental market has to be reported to the responsible office – the *Genehmigungsbehörde* – which is also responsible for the approval of agricultural land sales. Similar to land sales, there is a fixed minimum size (defined in each federal state) above which the obligation applies. The *Genehmigungsbehörde* can refuse to approve the transaction during the first month after they receive information about it. The reasons for refusing to approve the transaction are the same as in the case of land sales, such as the existence of pre-emptive rights on the plot, an inefficient allocation of agricultural land or a rental price significantly higher or lower than the value of the given plot.

In the Netherlands, rental contracts need to be registered at special rental courts – the *grondkammers* – from which contract approval must be sought. For contracts with a duration longer than 6 years, the contract must be approved by the *grondkamer*, which checks whether the maximum rental price is respected. For contracts with a duration shorter than 6 years, the *grondkamer* only needs to approve the contract and does not intervene in the determination of the rental price (mutually agreed by the tenant and landowner).

In Hungary, all contracts should be written, and if the size of the contracted land exceeds 1 ha, regardless of the number of plots, the contract should be registered at the land title office.

In Sweden, both formal (written) contracts and informal contracts are used for land rental. The former are always used for larger transactions.

In France, rental contracts may be written or oral; where they are written they may be simply set out on a normal paper and signed by both parties. But to be considered officially ‘valid’ (especially in the event of a court dispute), the contracts must be declared and registered at a tax revenue office (Bureau des Hypothèques, part of the ministry of finance). If the contracting parties want to have more secure terms, they may have their written contract registered with a notary. In any case, all contracts for which the duration is more than 12 years must be signed at a notary office.

In Spain, the existing legislation encourages written contracts, but most contracts are oral. In Greece, rental agreements are either oral or written⁹ (private informal contracts), but usually there is no official contract ratified by a legal authority. In general, contracts should not be registered unless they are official contracts.

In all Italian regions, most of rental contracts are written and registered without a notary but with the assistance of farmer associations. This is because registration is needed to benefit from subsidies. Written contracts signed with the assistance of farmer associations are more often used because they are classified as official contracts. Oral contracts are stipulated especially among members of the same family.

In Ireland, there is no requirement to register a rental contract. In the past, most contracts were concluded under the *conacre* system. The term ‘conacre’ originates in the 19th century and was used to designate a system under which land was lent not for a number of years, but for a single season, usually a year. For the most part, these contracts were not registered. In recent years, these types of unregistered contracts have been disappearing because some farms may require so-called ‘spreadlands’ for manure under the Nitrates Directive and because of increased participation in the Rural Environmental Protection Scheme. Stamp duty applies to land rental contracts, at a rate of 1% of the price in the rental contract.

⁸ The usual form of rental contract is written with a fixed price and limited duration, although oral contracts and those of unlimited duration still exist.

⁹ According to local land experts, the share of written contracts is very low in Greece and is estimated to be less than a third of all rental contracts in Greece.

In Bulgaria, the long-term *arenda* contract needs to be certified by a notary and registered at the Land Commission according to the Land Lease Law.¹⁰ This results in higher tenure security for both the tenant and the landowner. The short-term *name* contracts are also written, but they need to be re-signed every year and are not notarised or registered (as this is costly and not required).

In Estonia, survey results showed that among the farms that responded to a postal survey, 13% had an oral contract and 87% had a written contract. None of these contracts were registered with a notary.¹¹

Also in Slovakia, written contracts are the most common type of rental contract and according to a VUEPP survey conducted in 2006, 97% of all surveyed farms had written contracts (Swinnen and Vranken, 2009).

In Romania, rental contracts are submitted to the local councils, which would give the possibility of centralising data on them. But the ministry of agriculture has not initiated any work in this respect, and there are no official data on land rental available at the national level. The size of the land lease phenomenon is reflected only in the agricultural census (in the farm structure surveys) or in the data from the Farm Accountancy Data Network (FADN).

5.2 Contract enforcement

In most countries, legal contract enforcement involves a costly and lengthy procedure. First, there are administrative costs. Second, if an expert opinion is required there are costs for an authorised expert. Third, in some countries like Germany, court action also requires that both parties need to have a legal adviser, which is also costly.

Yet in other countries, tenancy disputes are dealt with by a small claims court, which provides an inexpensive, fast and easy way for citizens to resolve disputes without the need to employ a legal adviser. For example, in Belgium this small claims court – the *vrederecht* – only deals with claims under €1,860. Since one does not need to have a legal adviser, the cost is limited to an administrative fee of €35.

In the NMS, where a large share of agricultural land is rented by corporate farms, landowners usually have only limited bargaining power, in combination with high withdrawal costs, uncertain property rights and poor options for legal enforcement. In addition, the market is characterised by important credit and capital market constraints (Vranken and Swinnen, 2006; Ciaian and Swinnen, 2006, 2009; Van Herck et al., 2011). Evidence of these high transaction costs is discussed in Box 3.

Box 3. Large differences between Slovakia and the Czech Republic

Several studies document that land markets in the NMS, even in the most advanced countries, are characterised by the existence of substantial transaction costs in rural land markets, hindering land exchanges (Dale and Baldwin, 2000; Lerman et al., 2004). Transaction costs include those related to bargaining costs, the enforcement of withdrawal rights, asymmetric information and unclear boundaries. Uncertainty and high costs in the identification of land property rights may lead to soaring transaction costs and constraints on land transactions.

There is some evidence that corporate farms reduce payments by paying in kind instead of in cash, since these in-kind payments by corporate farms are less transparent. As noted earlier, the in-kind payments frequently depend on yields, which are difficult for landowners to control, and result in lower effective rent payments. Table 3 provides evidence on the differences in rental prices paid by family farms and legal entities.

¹⁰ Land Lease Law, State Gazette 82, 27 September 1996; amended SG No. 35/1999.

¹¹As reported in a “Land Markets” country report (unpublished) prepared for the CEPS book by Swinnen and Vranken (2009).

Table 3. Rental prices for agricultural land paid by family farms and legal entities (€/ha)

	1997	2001	2005
Czech Republic			
Individual farms (€/ha)	16	23	35
Corporate farms (€/ha)	9	17	30
Price gap in € ($P_{IF}-P_{CF}$)	7	6	5
Price gap in % ($(P_{IF}-P_{CF})/P_{CF}$)	73	37	15
Slovakia			
Individual farms (€/ha)	–	18	24
Corporate farms (€/ha)	–	6	17
Price gap in € ($P_{IF}-P_{CF}$)	–	13	7
Price gap in % ($(P_{IF}-P_{CF})/P_{CF}$)	–	229	45

Sources: FADN for Slovakia and VUZE for the Czech Republic.

6. Other regulations

In addition to the price, tenancy duration and quantity regulations, other regulations may be stipulated in a contract and affect the functioning of the rental markets. In this section, we discuss differences in regulations on the inheritability of contracts and the pre-emptive right of tenants.

6.1 Inheritability of contracts

In some countries, rental contracts are inheritable, which means that when the current tenant retires or deceases, a successor will take over the contract.

This is the case for example in France, where contracts are inheritable if the tenant retires or deceases and a landlord is only free to decide on a new tenant when there is no successor. Since 2006, a ‘transferrable’ contract has come into use, the *bail cessible*. The main idea behind this type of contract is that exiting tenants who have no successor in their family can now choose to transfer the contract to whom they want. Tenants and landlords can both agree for their contract to be converted into a *bail cessible*. In compensation for the reduced opportunities, the landlord can ask for a price increase when the contract is converted: the maximum rental price is increased by 50% at most. In addition, transferrable contracts have a duration of 18 years (and not 9 years, which is the most common duration for a rental contract in France – see section 3). Furthermore, they are not subject to compulsory renewal.

Contracts are transferrable in Hungary: a tenant may stop the rental contract when his/her health or living conditions deteriorate and the tenant is not able to perform the contractual obligations. In such situations, the tenant may appoint someone to take over the contract under the same conditions.

In Belgium, rental contracts are inheritable when a tenant retires and s/he has a spouse or children (or both) who want to take over the tenancy contract. Moreover, when they inform the landowner in writing of the transfer, the contract may be renewed, which implies that a new contract period of 9 years (minimum) starts. If the tenant dies without a surviving spouse or children (or both) who want to take over the farm, the landowner can end the contract during the first year after the tenant has deceased. If there are legal heirs (direct relatives and others) who want to take over the farm, they should inform the landowner in writing to secure contract renewal and only in some very specific cases (e.g. own use) can the landowner refuse the renewal.

In the UK, where tenancy regulations differ between regions, England and Wales have a 'livelihood test'. This test is part of the eligibility criteria for statutory succession to a tenancy, as prescribed by the 1986 Act. Previously, this test obliged successors to have earned their principal source of livelihood from agricultural work on the holding for 5 out of the last 7 years. Successors could risk their right to succession if they have drawn significant income from non-agricultural activities on the farm, inhibiting diversification activities. Nevertheless, if the landlord agrees, it is possible to adjust the livelihood test and allow successors to earn income from on-farm diversification.¹² The changes do not impact the successor's right to succeed to a tenancy where the principal source of income is from agricultural activities on the holding.

In Poland, rental contracts are also inheritable.

6.2 Pre-emptive rights of tenants

In several countries, there are pre-emptive rights for the tenants cultivating the land. Such regulation exists, for example, in Italy, France and Belgium. This pre-emptive right has been recently introduced in Scotland.

In Scotland, the Agricultural Holdings (Scotland) Act 2003 introduced changes for tenants holding traditional leases under the Agricultural Holdings (Scotland) Act 1991. One of the changes is that tenants have a pre-emptive right to buy the land that they lease. A tenant can register an interest in acquiring the land comprised in his/her lease contract and if the landowner intends to transfer the land, the landowner must notify the tenant and must not enter sale negotiations until s/he has dealt with the tenant's interest.

In Belgium, tenants also have a pre-emptive right to buy the land. When a landowner offers a plot for sale, the notary will have to inform the tenant in writing about the sale of the plot. In this letter, the notary will include all information on the sale, including the price, such that it can be considered a sales offer to the tenant. The tenant can either accept or refuse the offer. If the tenant refuses, the landowner is not allowed to sell the plot at a lower price than that specified in the letter.

In Hungary, tenants likewise have a primary, pre-emptive right to purchase land when it is for sale. In particular, the pre-emptive right to buy land is first to be made available for tenants renting the land for at least 3 years. If a legal entity is renting the land, the shareholder of the company or member of the cooperative has this pre-emptive right.¹³

In Bulgaria, the pre-emptive right depends on the type of rental contract. In particular, it only holds for *arenda* contracts, which need to be registered and are for a longer time period (see above).

Likewise in Poland, tenants have a pre-emptive right to buy the land, while in Romania, it has been abolished since 2005.

¹² In this case, the agreement by the landlord should be in writing and it must have been given on or after 19 October 2006.

¹³ A secondary pre-emptive right exists for the neighbour living next to the location, with priority given to a registered family farmer followed by a registered primary producer (legal entities). Finally, the state has a pre-emptive right to purchase the land according to Law CXVI of 2001 on the National Land Fund.

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Appendix

Table A1. Overview of the institutional and regulatory framework with respect to renting agricultural land in the OMS

OMS	Price regulations		Tenancy duration regulations			Quantity regulations			Transaction costs	Other
	Min. price	Max. price	Min.	Max.	Average tenancy duration	Limitation on the amount of land rented	Restriction related to the leasing of land	Restriction on renting land to EU natural and legal persons	Registration in the cadastre or land registry	Pre-emptive right
Austria			√				√ (contract may be subject to regional authority approval)		√ (but optional)	
Belgium		√ (regional variation; determined based on the cadastral value of the land)	√ (9 or 27 years)	√ (50 or 99 years)	9 years				√ (in registry office, not in cadastre)	√
Finland				√ (15 years)	5-6 years			(except Aland county)		
France	√	√ (regional variation; determined based on a price index obtained from information on the regional and national income from the agricultural sector)	√ (9 years)	√ (career contract; at least 25 years)	9 years		√ (may be requested in the contract e.g. the environmental restrictions)		√ (only in cases of long-term contracts)	√ (also for neighbouring farmers)

Table A1. cont'd

OMS	Price regulations		Tenancy duration regulations			Quantity regulations			Transaction costs	Other
	Min. price	Max. price	Min.	Max.	Average tenancy duration	Limitation on the amount of land rented	Restriction related to the leasing of land	Restriction on renting land to EU natural and legal persons	Registration in the cadastre or land registry	Pre-emptive right
Germany					6-11.5 years (6 Bavaria, 7 Weser Ems, 11.5 Saxony)		√ (contract may be subject to regional authority approval)		√	√ (optional in contract)
Ireland					11 months				√ (but optional)	
Italy			√ (usually 1 year)		2-10 years (2-5 for arable crops, 5-10 for fruit crops)				√ (but optional)	√
Netherlands		√ (depends on the duration of the contract)	√ (6 years until 2007, now a shorter duration is possible)		10 years		√ (contracts with a minimum duration of 6 years may be subject to regional authority approval)		√ (in cases of contracts with a minimum duration of 6 years)	√
Sweden					1 year				√	
UK			√ (in Scotland: annual contracts for grazing or mowing)		regional variations: Northern Ireland – conacre (11 months); other regions – 5 years		√ (may be requested in the contract e.g. environmental restrictions)		√	√ (in Scotland)

Source: Authors' compilation.

Table A2. Overview of the institutional and regulatory framework with respect to renting agricultural land in the NMS

NMS	Price regulations		Tenancy duration regulations			Quantity regulations			Transaction costs	Other
	Min. price	Max. price	Min.	Max.	Average tenancy duration	Limitation on the amount of land rented	Restriction related to the leasing of land	Restriction on renting land to EU natural and legal persons	Registration in the cadastre or land registry	Pre-emptive right
Bulgaria			√ (<i>naem</i> , annual contract; <i>arenda</i> , 4 years)	√ (<i>arenda</i> , 50 years)	1 year	√ (maximum for one person: 600 ha)			√ (only for <i>arenda</i> contracts is registration required)	√ (in the case of <i>arenda</i> contracts)
Czech Republic	√ (if there is no agreement between the farmer and tenant)				1 to 5 or 10 years					√ (co-owners; tenant)
Estonia				√ (99 in the case of usufruct)					√ (registration in the land register is required)	
Hungary				√ (20 years)	8 years (individual farms 5-9 years, farm enterprises 10 years)	√ (maximum 300 ha for private and legal persons, 2,500 ha for farm organisations)			√ (for land exceeding 1 ha, registration at the land title office is required)	√ (tenant who leases the land for at least 3 years)

Table A2. cont'd

NMS	Price regulations		Tenancy duration regulations			Quantity regulations			Transaction costs	Other
	Min. price	Max. price	Min.	Max.	Average tenancy duration	Limitation on the amount of land rented	Restriction related to the leasing of land	Restriction on renting land to EU natural and legal persons	Registration in the cadastre or land registry	Pre-emptive right
Lithuania				√ (up to 99 years for private land, up to 25 years for state land)			√ (may be requested in the contract e.g. environmental restrictions)		√ (for long-term contracts - more than 10 years; for state-owned land, registration in the state register)	√ (first co-owner and then user of the land, if s/he has occupied the land for at least 1 year)
Poland	√ (for public land based on the price of wheat)			√ (30 years)	10 years					√ (tenant after 3 years of tenancy)
Romania					1 year				√ (for long-term contracts, registration in the cadastre is required)	
Slovakia	√ (1.5% of the administrative price of land for state-owned land)		√ (minimum 5 years required for European funds)		5-10 years				√ (contracts of more than 5 years must be registered in the cadastre)	√ (co-owners)

Source: Authors' compilation.



Comparative Analysis of Factor Markets for Agriculture across the Member States

245123-FP7-KBBE-2009-3

The Factor Markets project in a nutshell

Title	Comparative Analysis of Factor Markets for Agriculture across the Member States
Funding scheme	Collaborative Project (CP) / Small or medium scale focused research project
Coordinator	CEPS, Prof. Johan F.M. Swinnen
Duration	01/09/2010 – 31/08/2013 (36 months)
Short description	<p>Well functioning factor markets are a crucial condition for the competitiveness and growth of agriculture and for rural development. At the same time, the functioning of the factor markets themselves are influenced by changes in agriculture and the rural economy, and in EU policies. Member state regulations and institutions affecting land, labour, and capital markets may cause important heterogeneity in the factor markets, which may have important effects on the functioning of the factor markets and on the interactions between factor markets and EU policies.</p> <p>The general objective of the FACTOR MARKETS project is to analyse the functioning of factor markets for agriculture in the EU-27, including the Candidate Countries. The FACTOR MARKETS project will compare the different markets, their institutional framework and their impact on agricultural development and structural change, as well as their impact on rural economies, for the Member States, Candidate Countries and the EU as a whole. The FACTOR MARKETS project will focus on capital, labour and land markets. The results of this study will contribute to a better understanding of the fundamental economic factors affecting EU agriculture, thus allowing better targeting of policies to improve the competitiveness of the sector.</p>
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EU funding	1,979,023 €
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