



# Land markets and regulations in Europe

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Based on joint work with **Kristine Van Herck and Jo Swinnen**  
(Swinnen, J., Van Herck, K. and L. Vranken, 2016, "The diversity of land markets and regulations  
in Europe, and (some of) Its causes", *The Journal of Development Studies*, 52 (2), 186-205 )

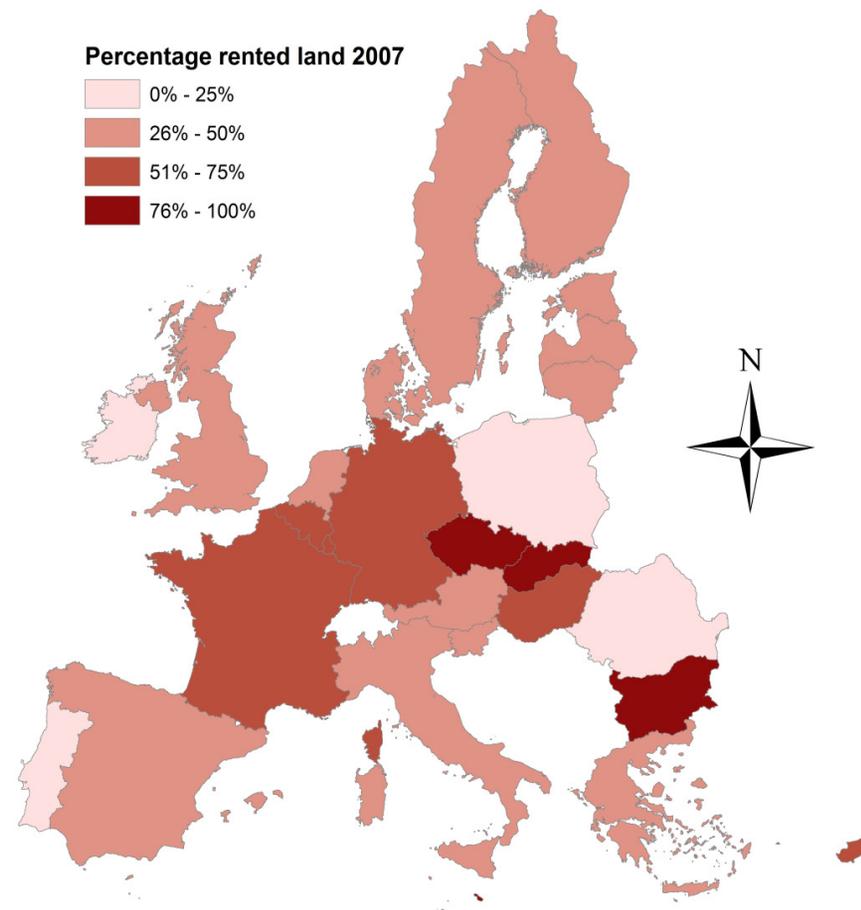


# Outline

- Land Markets
- Land Regulations
- Explanations for variations in land institutions (markets and regulations)
- Some consequences for land use and the environment  
(no exhaustive list!)
- Discussion and conclusion

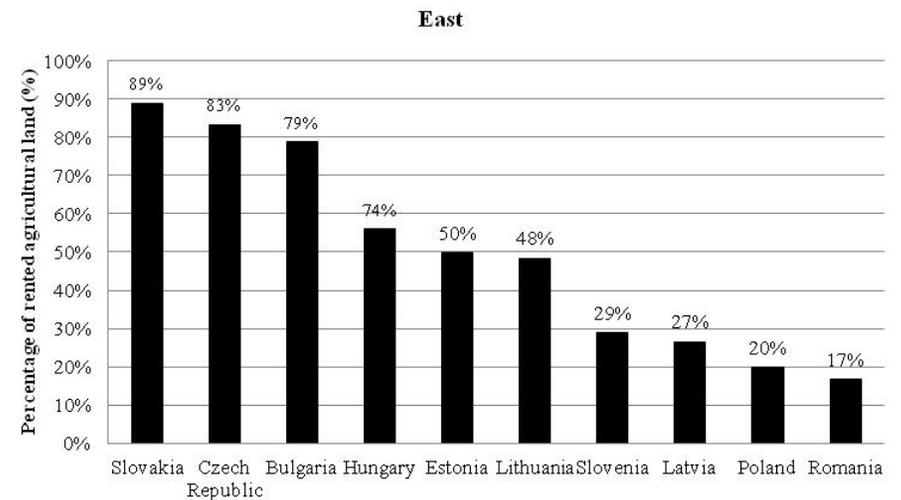
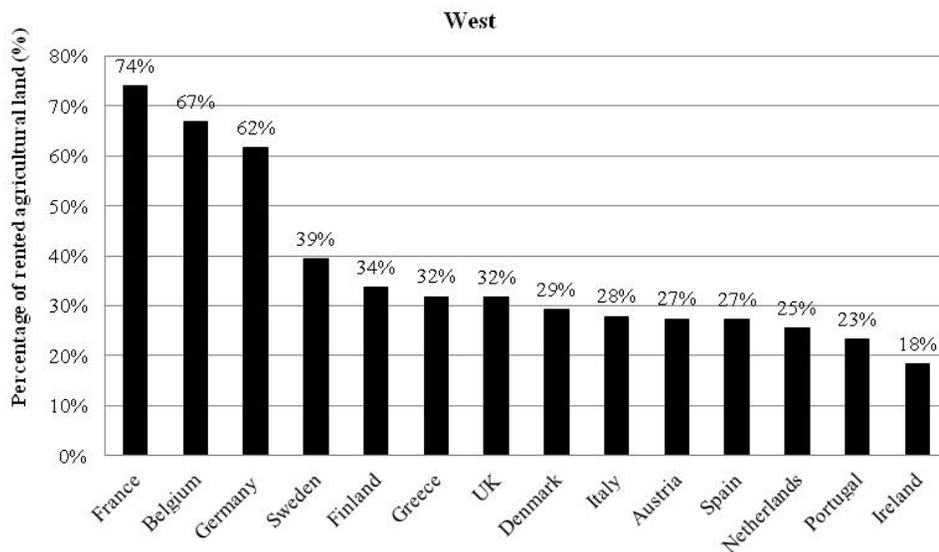
# Land Markets

- Large differences in the nature of land markets both over time and across countries



# Land Markets

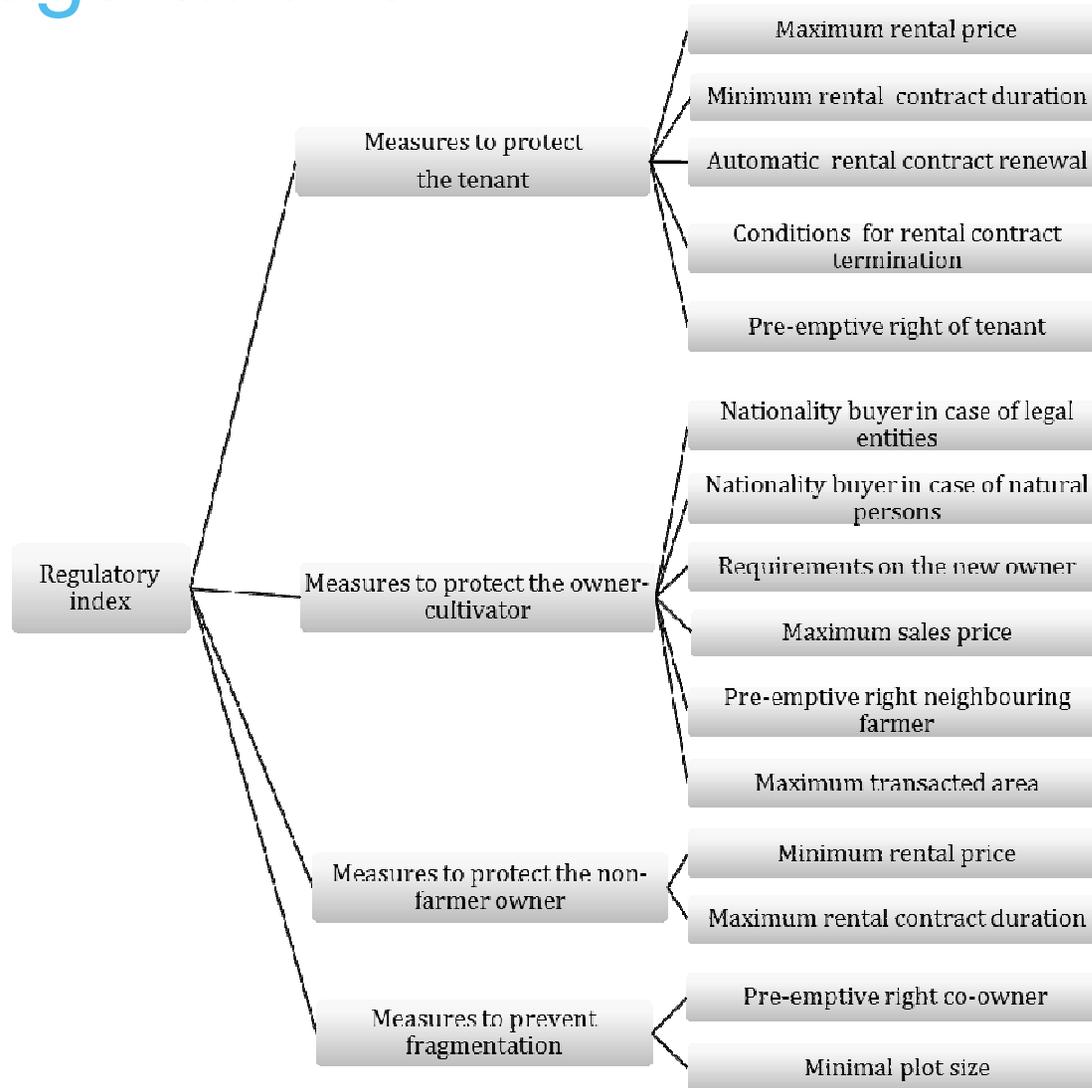
- Large differences in the nature of land markets both over time and across countries
  - Differences are not correlated with geographic location or large geo-institutional history (e.g. West – East; Old – New)



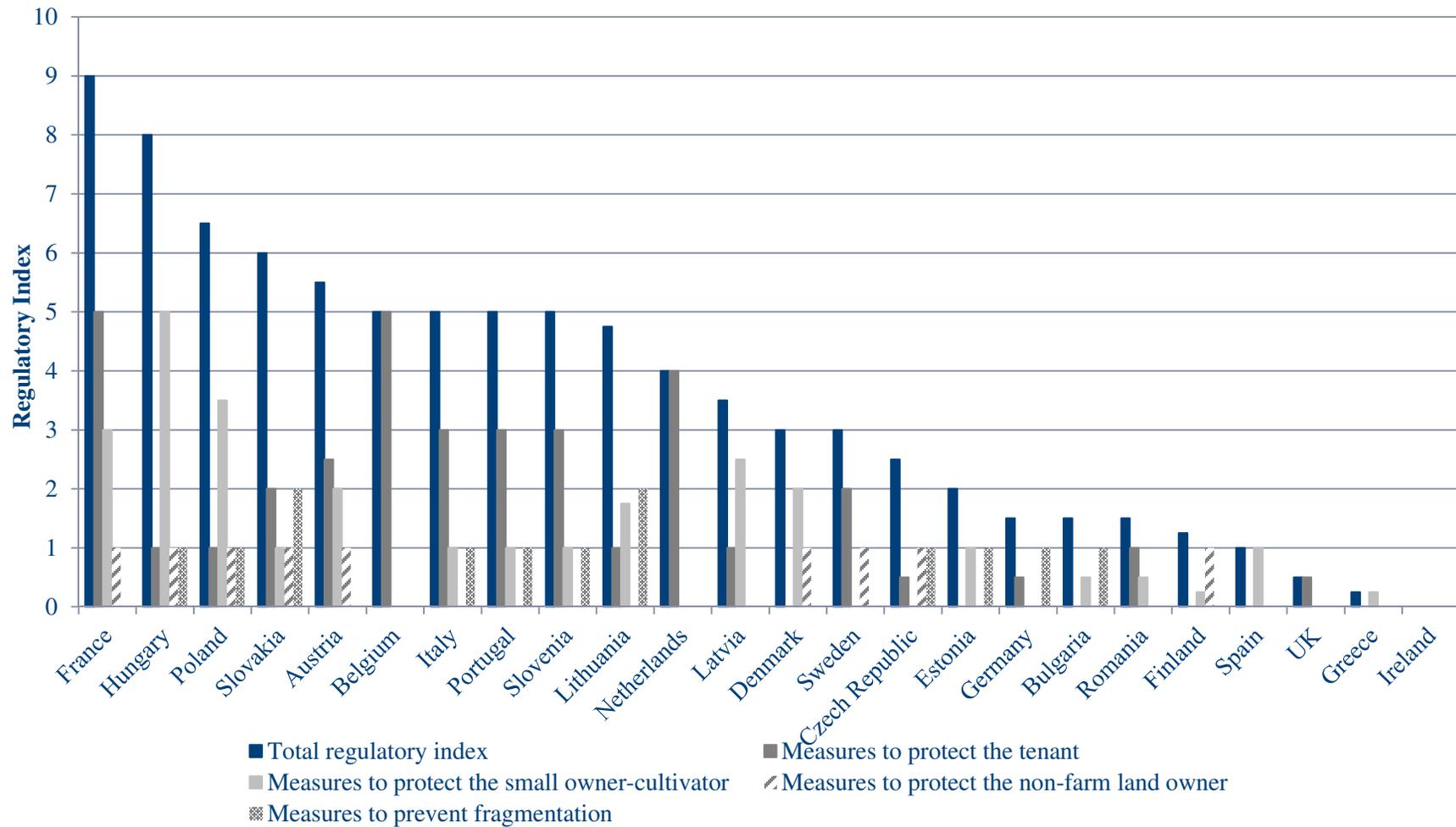
# Land Regulations

- Large differences in **regulations for land exchanges**
  - Several categories of land market regulations can be identified
    1. Measures to protect the tenant
    2. Measures to protect the owner-cultivator
    3. Measures to protect the non-farm owner
    4. Prevent fragmentation of agricultural land
- But: information to compare land regulations is missing
- We have built a regulatory index which is a proxy for the number of regulations affecting the functioning of agricultural land sales and rental markets in the EU

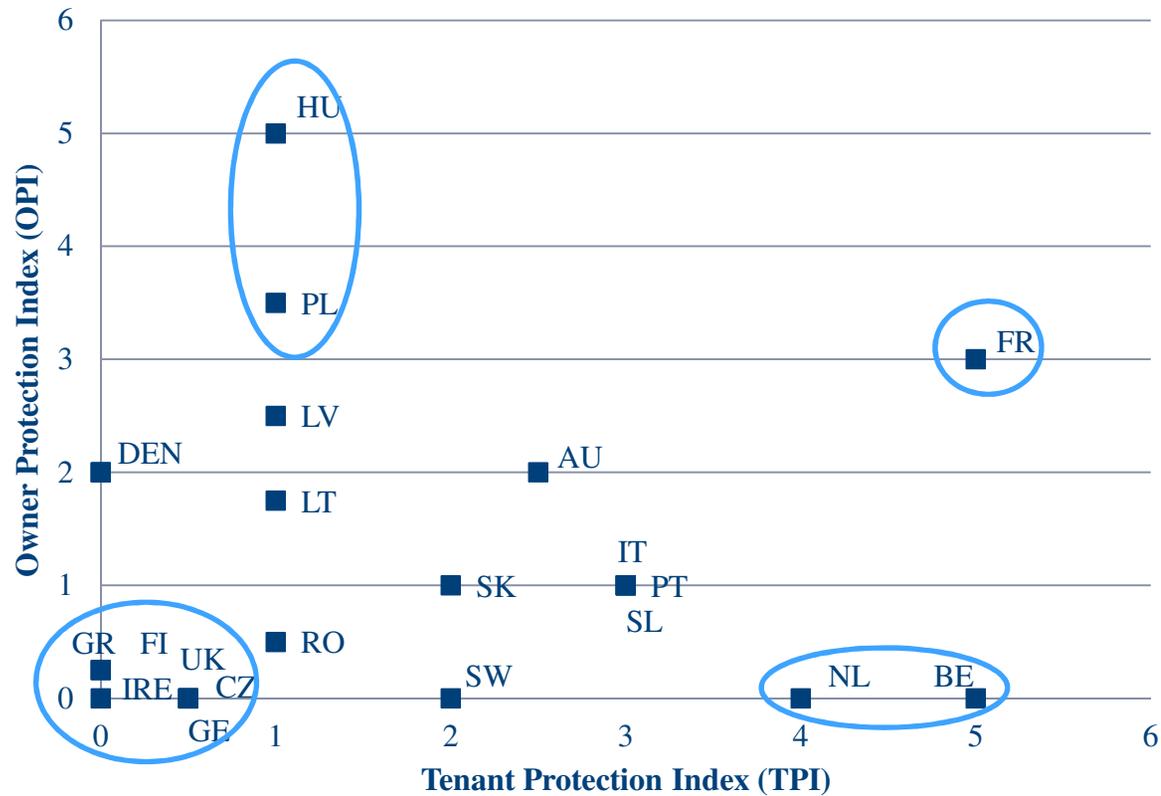
# Land Regulations



# Differences in Land Regulatory Index



# Correlation between the Tenant Protection Index (TPI) and the Owner Protection Index (OPI)

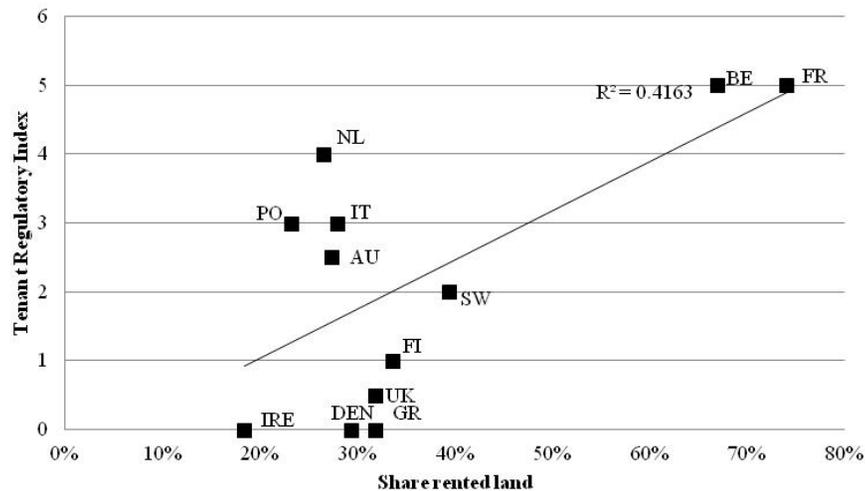


# Differences in Land Regulations in Europe

- Countries with heavy regulated land markets such as Slovakia, Hungary, Poland and France.
- Countries with moderate regulated land markets, such as Austria, Belgium, Italy, Portugal, Slovenia, Lithuania, Latvia, the Netherlands and Sweden. Usually, in these countries, one type of regulation dominates.
- Countries with less regulated land markets, such as Germany, Romania, Finland, the UK, Greece and Ireland.

# Explanations/Hypotheses

- Different strategies to Provide Tenure Security in Western Europe
  1. Improve rental conditions through regulations  
e.g. France, Netherlands, Belgium
  2. Help tenant to become owners  
e.g. Ireland and Denmark



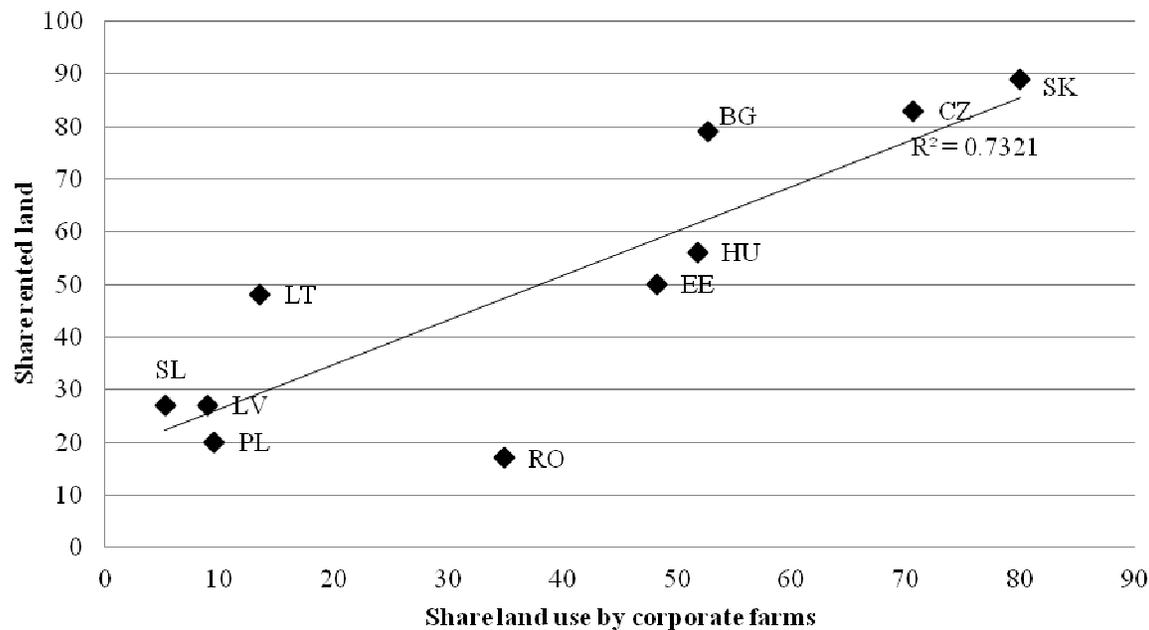
# Explanations/Hypotheses

- The Legacy of the Communist and Post-Communist Reforms in Eastern Europe
    - Differences in privatization and land reform choices
    - Differences in technology and initial conditions
    - Differences in the role of agriculture in employment and the economy
- ➔ Different Patterns in Land Market Developments

	Pattern A		Pattern B	
Examples	Czech Republic and Slovakia		Poland and Romania	
Share of land rented (%)	High	86%	Low	19%
Share of land used by corporate farms (%)	High	99%	Low	55%
Share of agriculture in employment (%)	Low	11%	High	27%
Land reform	Restitution		Distribution in plots/ Restitution/ None	
Agricultural factor intensity (Labour/land ratio)	Capital	0.13	Labour	0.23

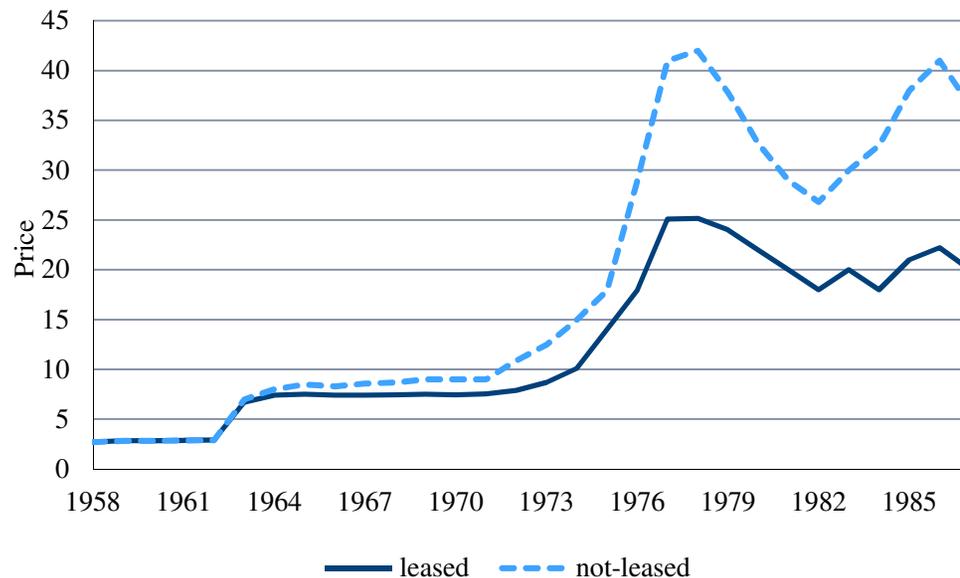
# Explanations/Hypotheses

- The Legacy of the Communist and Post-Communist Reforms in Eastern Europe
  - ➔ Different Patterns of Land Market Developments
  - ➔ Strong correlation between share rented land and share of land used by corporate farms



# Consequences for Land Use and Farmers' Access to Land

- Perverse effects of strong tenancy regulations in Western Europe



Evolution land sales prices in the **Netherlands** with and without lease contract

Consequences: land rental has fallen from more than 60% in 1950s to around 25% today

# Consequences for Land Use and Farmers' Access to Land

- Perverse effects of strong tenancy regulations in Western Europe

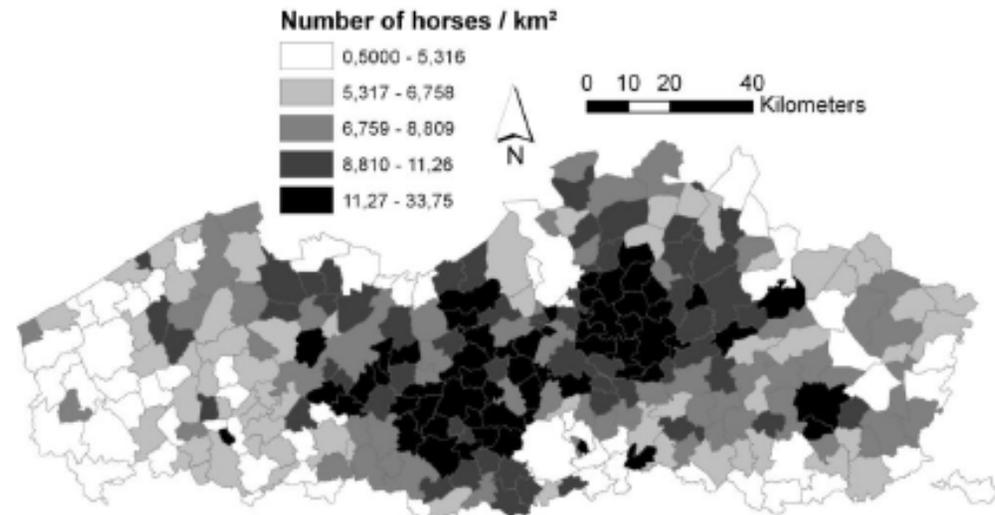
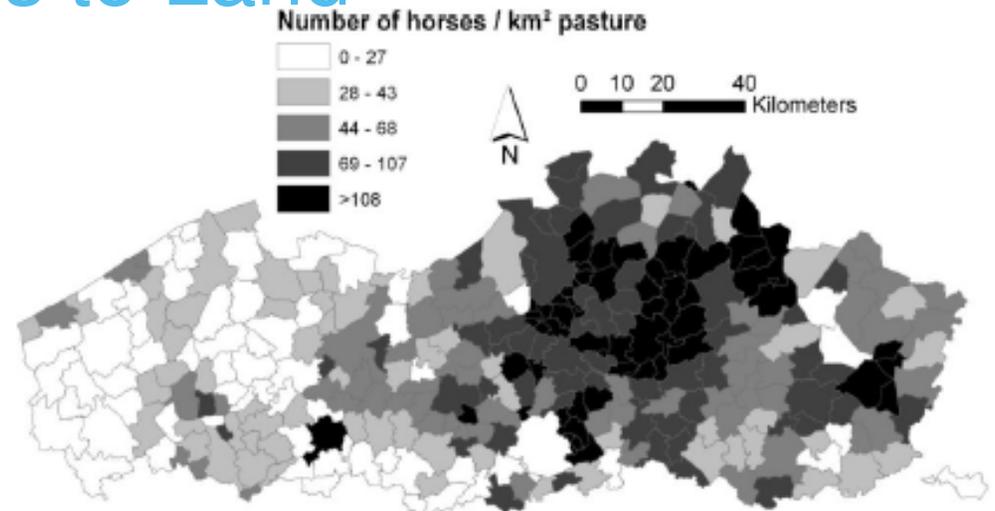


Evolution of land sales and rental prices of arable land in **Belgium**

# Consequences for Land Use and Farmers' Access to Land

## In Flanders (Belgium)

- Decreasing utilized agricultural area
  - Increasing Horsification
  - Increasing Gardenification
- ➔ Decreasing supply of agricultural land
- ➔ Increasing demand for other landscape/ecosystem services



# Consequences for Land Use, Farmers' Access to Land and Environment

In new EU Member States with a high share of land used by corporate farms, extreme land use consolidation is observed.

Larger production blocks are particularly observed if

- High fragmentation of land ownership
- Land markets are characterized by high transaction costs due to
  - Imperfect competition
  - Property right imperfections (unknown ownership, co-ownership)
  - High withdrawal cost

# Consequences for Land Use, Farmers' Access to Land and Environment

In new EU Member States with a high share of land used by corporate farms, extreme land use consolidation (through rental) results in

- significant homogenization of land-use patterns
- a loss of spatial heterogeneity of the landscape,
- a decrease in habitat connectivity, with negative impacts on species



Source: Sklenicka, P., Salek, M

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# Conclusions & Discussion

- Large variations in the nature of land markets
- Large variations in the regulation of land exchanges
- Remarkable institutional diversity in countries with similar economic development, geographical proximity and with integrated economies
- One should not only focus on land ownership and sales: Modern agricultural system can thrive in a land tenure system when a large part of the land is used by farmers who do not own the land. Security of operation can be secured through tenancy regulations

# Conclusions & Discussion

- Power balance and tenure security is very different in environments where small tenants are renting from large landlords than where large farms are renting thousands of hectares from families, each renting out small plots of land
  - impact of regulations will be different
- Regulations (e.g. tenancy regulation) and institutional factors (e.g. high (implicit) transaction costs) affect land use, farmers' access to land and the environment
  - E.g. Hortification, gardenification → increasing demand for other landscape/ecosystem services
  - E.g. Extreme land use consolidation → decreasing habitat connectivity and biodiversity

# Conclusions & Discussion

Regarding restrictions on foreign ownership (cfr derogations in NMS after EU accession)

- good combination of liberalisation and regulation may address both political sensitivities and allow much of the economic benefits to occur.

E.g. example by imposing maximal ownership by foreigners and allowing secure rental agreements

Thank you for your  
attention.

Questions?

# References

- **Swinnen, J., Van Herck, K. and L. Vranken, 2016, “The diversity of land markets and regulations in Europe, and (some of) Its causes”, *The Journal of Development Studies*, 52 (2), 186-205**
- Bosmans, K., Dewaelheyns, V. and H. Gulinck, 2011, Pasture for horses: an underestimated land use class in an urbanized and multifunctional area, *Int. Journal of Sustainable Development and Planning*, 6 (2), 195-211
- Sklenicka, V. Janovska, M. Salek, J. Vlasak, K. Molnarova, 2014, The Farmland Rental Paradox: extreme land ownership fragmentation as a new form of land degradation. *Land Use Policy*, 38, pp. 587–593