

Arguments for the Growth Sale-Purchase Actions on the Land Market

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***Abstract.** The selling of farm lands is the opposite of the agrarian reforms for livery or reconstitution and constitution of the land ownership right. The sale-purchase has the role to facilitate the concentration of the areas into bigger size farms, which creates real chances for performance and efficiency in the farm activity. Upon the dispute between the agrarian reform and the sale of the farm lands, as major fields of action of the agrarian policy, the ideas are not at all new, they emerged right after the first reform in 1864 and certainly they will continue until a new re-configuration of the agrarian structures in Romania, a result of the lands' free circulation. The time interval between Law no 18/1991 and Law no 54/1998 could be considered as a restrictive factor in the direction of the agricultural performant farm's formation. The price of the agricultural land area, on the country's territory is very different, its variation being influenced in an essential manner, by the ratio supply and demand, the consolidation degree, the presence of the irrigation systems and, in a very reduced share, by its quality (fertility). In conclusion, Romania's integration into EU will give impulse, certainly to the growth of the demand for lands, in general and of those agricultural especially, fact which will impose an increasing trend of the selling prices and thus the increase of the interest of those eager to estrange their land properties.*

Key words: land market; land sell; land price; economical evaluation; farm size.

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The selling of farm lands is the opposite of the agrarian reforms for livery or reconstitution and constitution of the land ownership right. All the agrarian reform in Romania, happened in the years 1864, 1921, 1945, 1991 and 2000, have constantly had as effect the diminishing up to the elimination of the big agricultural farms in favour of the peasant households, appreciated scientifically as being family small-sized farms.

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At the beginning of the XXth Century, A.D. Xenopol, the creator of the opinion current regarding the need for

making of some new agrarian reforms, was proposing "not to divide land to the peasants anymore, they should be made able to multiply their wealth and he helped by the state into purchasing land" (Xenopol, 1907).

Also in the year 1907 and in the same spirit, C. Garoflid was writing in the Romanian Encyclopedia that: "The agrarian laws did not create free peasants. Obstacles which law have imposed to the peasant land circulation have stopped the peasants' differentiation. This is the reason why we do not find in the country middle owners, rich peasants" (Frunzarescu, 1939).

Much more convincing upon the need to support the lands sale to peasants against their livery (granting ownership to them), Kogalniceanu M.V. was warning, in the exposition of reasons to the agrarian reform law in 1921, that:

"The turning of the land ownership into a simple property does not ipso-facto produce intensive agriculture. The way the livery was made, more by moral criteria rather

than economic, has had as effect that the land has entered in many parts into weak hands. What the law man could not do, the natural selection may accomplish. For this, the free land circulation is necessary" (Kogalniceanu, 1921).

More recently, in the year 2000, Otiman P.I. was commenting an unanimously recognized fact by the specialists: "The delay of the legislation for the land market regulation has impeded much on the farms' land circulation and has blocked the process of formation and growth of private family commercial agricultural farms" (Otiman, 2002).

The blocking of the lands free circulation for 7 years, from the emergence of Law no. 18/1991, which was announcing the need for sale-purchase of land and until 1998, when Law no. 54 was proclaiming this fact, does not represent a singular fact in the domain. For instance, in the laws for livery (putting into ownership), in 1864, 1921 and even 1945, there were clear provisions, which forbade to the peasants beneficiaries of the reform to estrange the land acquired, earlier than 15 years.

Obviously, the legislation had taken into account the minimum nature period for the new ratios of land ownership and of consolidation the farming capacity of lands, as well as the avoidance of speculation on the land market. But all these motivations grow pale in face of the minuses which the beneficiaries of the Law no. 18/1991 have met, because of the constraints they were submitted to: the precarious of the production factors, the old age, the hostile economic environment, the weakly organized agrifood market.

That is why, the time interval between Law no. 18/1991 and Law no. 54/1998 could be considered as a restrictive factor in the direction of the agricultural performant farm's formation.

From the analysis of the evolution and sale-purchasing market size for farm lands, during the interval 1998-2005 (table 1 and figure 1), the following conclusions were drawn:

- after a modest start, the intensity of sale acts has registered, starting with the year 2002, relatively high quotas, but with very big oscillations from one year to the other. This situation demonstrates: the sensitivity of the land market towards the state of the economy as a whole, which gave evident signals of growth after the year 2000; the relatively low degree consolidation of the ratios on the land market, fact proved by the sinuous apparently disordered of the sale-purchase acts;

- the total sold farm area, in the first 8 years of 513,283 ha, which represented only 6,7% of the farm area under the ownership of individual agricultural farms, reveals the very big land potential immobilized into the subsistence farms;

- except the year 2005, the price of one ha of land was approximately equal to the value of the annual agricultural production, which generated two phenomena with contradictory implications, because:

- the process sellers' pauperization lands' estrangement had a minimum effect in their economic state;
- it grew the interest in acquisition of farm lands at very low prices, in speculative purposes.

The area sold and the average annual price, 1998-2005

Table 1

Specification	Area estranged (ha)	The average sale price (mill. lei/ha)
1998	12,119	4.3
1999	31,878	7.3
2000	21,746	7.9
2001	12,928	11.8
2002	17,563	9.1
2003	83,613	9.7
2004	11,137	19.3
2005	63,999	32.0
Total 1998-2005	513,283	13.6

Source: situation regarding the juridical circulation of extramural lands per cumulated, starting with 1998, up to the year 2005, at 31.12.2005, operational data MAFRD, www.maap.ro, accessed 05.06.2006.

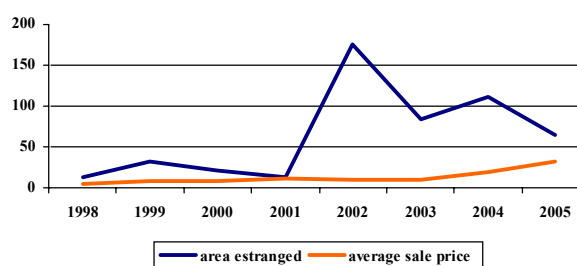


Figure 1. The dynamics of the areas sold and of average price, 1998-2005

The price of the agricultural land area on the country's territory is very different, its variation being influenced in an essential manner by the ratio supply and demand (Otiman, 2004), the consolidation degree, the presence of the irrigation systems (Giurca, 2004) and in a very reduced share by its quality (fertility) (ICEADR, Bucharest, 2004).

Thus, the biggest prices (10-18 mill. lei/ha) were practiced in counties: Prahova, Brasov, Caras-Severin, Suceava, Arges, Salaj and the lowest, in the counties most favourable from agricultural point of view, respectively: Giurgiu, Teleorman, Ialomita, Braila, Calarasi, Timisoara, Arad.

The market value of the farm land in different European countries, 2001-2004

Table 2

Country	Land	EURO/ha ¹⁾			
		2001	2002	2003	2004
Belgium	arable	15,895	16,681	15,653	17,038
Denmark	farmland	12,882	13,727	15,516	16,000
France	arable	3,710	3,860
Italy	farmland	14,266
Netherlands	arable	37,500	35,500	31,750	29,300
England	farmland	11,824	11,017	10,247	11,424
Hungary	farmland	...	11,050	13,439	...
Poland	arable	1,415	1,307	1,308	1,463
Slovakia	farmland	878	888	912	945
Bulgaria	arable	721	721	731	685
Romania	arable	307	278	237	284

¹⁾ converted into the current exchange value

Source: Agriculture in the European Union. Statistical and Economical Information 2005, European Union, Directorate-General for Agriculture and Rural Development, February 2006.

Comparing the land price in Romania to that in the developed European countries, but also to countries in the Centre and East of Europe, it can be seen that the differences are huge, of 5 up to 10 times' smaller, than countries as Netherlands, France, Belgium, Denmark, etc. In fact, in Romania, it was registered the smallest land price, being surpassed by Bulgaria also, when the land price is 2-3 times higher (table 2).

Among the Central and East-European countries, Hungary can be remarked, where we find the existence of a functional land market, and the land price, after the year 2000, surpasses 10000 euro/ha. But, in Hungary, the land reform was in a great extent finalized until 1994, after which, in the same year, a normative act was adopted which regulated both sale-purchase of farmland (agricultural) and the leasing of land, and also the voluntary lands exchange for the land ownership integration (Law LV from 1994 regarding the arable land)(table 2).

The development of the market for agricultural lands' sale and purchase in Romania is restricted, mainly, by the following factors:

a. in the supply domain:

- the decisive role of the land ownership in ensuring the food security of the farmers' family, fact for which they are selling farmland only in case of "a major force";
- the big number of agricultural farms for which land is the main existence means;
- the high opportunity cost, the owners prefer to lease the land, instead of selling it, under the condition in which the annual payment (the lease) represents 1/4 - 1/5 of the gross production;
- the high administrative costs imposed for making official the farmland sale-purchase transactions, fact more visible when the property presents a higher fragmentation degree. It is estimated that the expenses afferent to the land purchase-sale activity (notary taxes, cadastre, intabulation and of judiciary stamp) are amounting to 7-10% of the transactions' value (Ramniceanu, 2004).

b. in the demands domain:

- the lower efficiency in the agricultural production in comparison to the non-farm sectors, which discourages the potential investors in purchasing farmland';
- minimum availabilities in own financial resources and the lack on behalf of the public power, for lands' purchase;
- the lack of a modern system regarding the evidence and bordering of the lands, as well as the relativity in identifying in the field of the parcels inscribed in the ownership titles;
- the transport infrastructure (roads, railroads, navy and airspace), non-according by developed and of a weak quality;
- the fragmented agricultural inputs-outputs market, not informatized and in fact non-productive from economic point of view, dominated by "groups of interests".

c. in the price domain:

- the lack of some information with official character of which it should result the farmlands' economic value, as support for the price negotiation between sellers and buyers. The economic assessment's making lawful of farmlands should represent a priority in the agrarian policy actions for the normal functioning of the land market, especially under the conditions of demands' intensification, after Romania's integration into the EU.

By application of the method for capitalisation of the land rent, the Romania agricultural research (ASAS, 1999) has determined the farmlands value, by 5 classes of favourability, as it follows:

The value of agricultural lands by agro-pedoclimatic zones

Table 3

Favourability zones	Estimated values (mii lei/ha)
Zone I (Romanian Plain)	14000 – 15000
Zone II (The West Plain)	12000 – 13000
Zone III (Plateaus)	10000 – 11000
Zone IV (Hills and hillocks)	8000 – 9000
Zone V (Pre-mountainous and mountainous)	5000 – 6000

Source: The Study: Objectives and solutions for the Romanian agrifood sector relaunching, elaborated by the Academy of Agricultural and Forestry Sciences, Bucharest, 1999.

These values, even if they have an informal character, need some completions:

- the values resulted are very low, in comparison with the land prices in the member countries, even at the level of 1999 year, when they were calculated. This fact is due to the elimination of the time parameter from the classical formula of land's assessment elaborated by W.Petty in the year 1634. This parameter is determined in function of the period of overlapping of three male farmers' generation (grandfather, father and son), period which could oscillate between 22-28 years, corresponding to the life expectancy of them. So, the results in the table 3 should be multiplied by 22 up to 28 times, which could approach the land values in Romania to those in the EU countries;
- the periodical correction of these results with the index for the national currency depreciation.

In conclusion, Romania's integration into EU will give impulse, certainly, to the growth of the demand for lands, in general, and of those agricultural, especially, fact which will impose an increasing trend of the selling prices and thus the increase of the interest of those eager to estrange their land properties. The increasing demand will be sustained by a complex of favourable factors: the national economy's stability and dynamism, the increases in the plan of production performances, but especially of the high fertility degree of farm (agricultural) lands. For instance, 64.2% of the arable areas are in zones I and II of fertility, appreciated as being most favourable for the agricultural production.

At the same time, the supply to sell the farmlands has a very high potential, if we take into account the big share of areas owned by the persons constrained by objective factors to sell their land.

In order to make possible the manifestation of these phenomena, which on their background are beneficial for the development actions on the land market, in the goal of increasing the farm sizes, an active agrarian policy should be promoted at the same time – positive, in the sense of formulating the adoption of a legislation and institutional system, complete and coherent, which by specific levers should encourage the farmlands' free circulation.

In the spirit of the things shown previously and regarding to the land market, which ensures the large framework for the sale-purchase actions' manifestation, we are formulating as it follows a set of proposals for agrarian policy, the adoption of which we consider as necessary:

- The proclaiming of the economic assessment of the agricultural (farm) and forestry land in the goal of fundamenting the economic categories which are being negotiated on the land market (price, lease, dividend).
- The elaboration of a legislative frame which should norm in a coherent and unitary formula the actions of a land market (sale-purchase, cooperation, association, leasing, rent) in the goal of increasing the size of farms.
- The proclaiming of the actions of land parcels' amalgamation (consolidation) by including this action in the category of land melioration works, the foundation of a local stock exchange regarding the exchange of parcels and the realization of the exchange through value equivalence.
- The realization of a modern and standard system for delimitation (bordering) of the land parcels.
- The formation of a body of experts assessors, specialized in cadastre and land book, which should register all operations inscribed to the land market, free for the beneficiaries.
- The proclaiming of farm land's purchase by the state in view of model agricultural farms' constitution, as entities of practical promotion of the technical progress for the farmers in the area and their selling towards the young persons with preference for the specialists higher educated in the domain, within some financial programmes with national support.

The organization of some courses for farmers, in the cold period of the year, for the development of the entrepreneurship spirit, for the qualification, especially in the traditional crafts and the support for the foundation of new farm or non farm businesses.

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