

## LEASE AND ITS IMPACT ON THE LAND MARKET

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### *Abstract*

*The importance and value of land increases as the development of the economy is higher. Under this criterion the land market in Romania behave as such, because the development of the Romanian economy is lower compared to the European developed economies. Because agricultural land is one of the main strategic resources in land market, the state must act with great caution and responsibility. In this context, 2014 marks the liberalization of agricultural land market in Romania for potential investors from Europe under the Common Agricultural Policy. Along with the sale and purchase, cooperation and association, leasing and renting, leasing farmland is a direct economic measure movement of land ownership in agriculture. The main effect of these movements of land ownership is increasing the size of agricultural holdings by concentration or consolidation of land ownership .*

*Key words:* land market, lease, movement of landownership

### **INTRODUCTION**

The land market is an objective component of the free and democratic market economy. [4] Operating rules of the land market are broadly similar to those of any other economic good market, but there are specific elements.

On one hand, the land has a national importance as it is a special material good which cannot be territorial deployed, multiplied or manufactured and it is a vital element in the existence of a nation. On the other hand, it is no price of land in general, each field or plot has its price. [7]

Leasing land market segment is more dynamic. Current lease confers legislative conditions being an accelerator for passing quality of agricultural goods, especially those of nature land, from small to big farms.

By means of rental lease, agricultural goods are object of a contract between the owner, usufructuary or other legal holder of agricultural goods, called lessor and lessee, on the exploitation of agricultural goods for a special period and at a price determined by the parts.[10]

From a legal point of view, rent is a temporary leasing of immovable rights in return for payment; use, exploitation of property which has been leased. From a

financial standpoint, this is the amount paid by the tenant owner for the use, operation of such property.

For use lease transfer can be done through a written contract between the lessor, on the one hand, and the lessee, on the other hand.[2]

Legislative provisions concerning the preparation of specialized agricultural tenants, agricultural practice or a certificate of agricultural knowledge and presentation of guarantees required by lessors were repealed, so everyone can be tenant. [8]

### **MATERIALS AND METHODS**

The purpose of this paper is to determine its effects on the movement lease land ownership. Various statistical data for the year 2013 from the National Institute of Statistics, the National Institute of Statistics Tempo, and EU and other information sources have been used in order to make this analysis.

What we proposed to a further importance it is the identification of the correct functioning of the land market and the impact of certain basic elements of which the most relevant is the lack of land register.

The main problem of the land market in Romania is the lack of cadastre or an owners database and lots of coordinates and other. In

Romania there are a few common cadastres where all the work is completed, and those are in Transylvania and Banat, but never in Moldavia and Wallachia.

Currently in Romania there is no updated situation on to the unincorporated land cadastre, although in the last 20 years it was noticed a number of fundamental changes in the structure of land.[1] Cadastre recognizes the ownership and determines the size of each plot in terms of borders, positions, neighbors, helping to establish the category of use, taxes and a fair price of each parcel.[9]

## RESULTS AND DISCUSSIONS

### Relative shares of owned and rented farmland

The diversity of agricultural tenure it can be shown by a comparison of the relative shares of owned and rented farmland across different regions of EU.

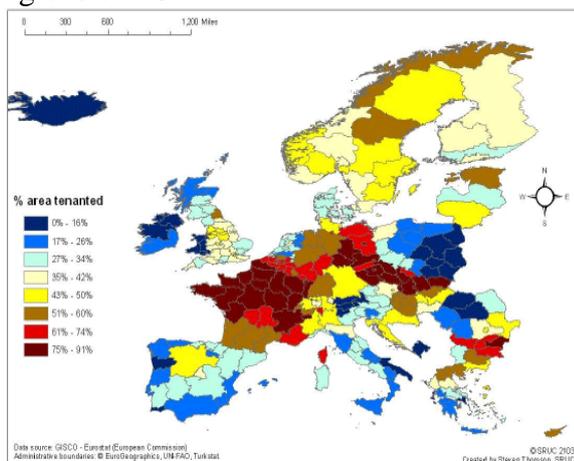


Fig.1. Proportion of Utilisable Agricultural Area that is tenanted across the EU,

Overview Of Agricultural Land Tenure In Selected Countries, Scottish Agricultural Tenure Evidence Review, <http://www.gov.scot/Publications/2014/06/9792/7> [13]

In Table 1 it is presented rented land as a current share of utilised agricultural area in selected countries.

The variation in rented land's share of tenure is dramatic, ranging from less than 20% in Ireland and Romania to over 80% in Slovakia and the Czech Republic. In addition, the share of rented land has also varied over time - rising in some countries whilst falling in some others.

In European Union countries with developed agriculture, land use, especially agricultural goods contracting, with special reference to the lease, is a common policy. [2]

Table 1. Rented land as a current share of utilised agricultural area in selected countries

Country	% rented	Country	% rented
Belgium	67	Finland	34
Bulgaria	79	Romania	17
Lithuania	48	France	74
Czech Republic	83	Slovakia	89
Danemark	34	Germany	62
Norway	42	Greece	32
Estonia	50	Hungary	56
Poland	20	Spain	27

Source: Overview Of Agricultural Land Tenure In Selected Countries, Scottish Agricultural Tenure Evidence Review, <http://www.gov.scot/Publications/2014/06/9792/7> [13]

Leasing in countries such as England, France, Germany and Spain takes the form of classic menus from the owner, the tenant, which typically has operating capital, which is slightly smaller size. In Romania, leasing is practiced in other conditions: surface owners have more, but smaller, which no land consolidation helps to provide leaseholders the possibility of conducting business on large plots, less crumb. [6]

In Belgium, France, Luxembourg, Germany proportion of leased land used exceeds 50%, while in Romania lease is almost 5 times less as a proportion of total operated area.

In France, Belgium, Holland, Italy, Spain regulations are more complicated matter, being established form of lease, lease duration, amount of rent etc. In countries like Germany, United Kingdom, Greece regulations are more liberal, allowing greater freedom of the parties in the lease. Specific legislation in Denmark and Ireland is forcing owners to exploit agricultural land and limit the right to lease them.[5]

Most European countries prohibit or restrict foreigners to acquire agricultural land, which encourages land lease by individuals and/or foreigners legally. This lease is the most

common method of land transaction.

**The influence of lease on the size of agricultural holdings**

In 2013, from the utilized agricultural area, about 61.4% and from the owned area 27.4% were leased, without significant changes compared to previous years.

The number of farms according to the utilized agricultural area both owned and leased is shown in Table 2.

Table 2. Number of farms and agricultural area by type of property

Indicators	MU	2010	2013
The number of farms	thousands	3,859	3,630
Owned agricultural area	thousand hectares	8,169.88	8,016.38
Agricultural area rented	thousand hectares	3,645.84	3,577.34

Source: Farm structure survey in 2013, <http://www.insse.ro/cms/ro/content/comunicate-de-pres-a-arhiva/> and author calculations [12]

According to the data presented above, the average area of agricultural land relative to the number of farms is about 3 hectares, of which 2 hectares are owned and 1 ha is leased.

Compared with 2010, in 2013 there has been a 5.9% decrease in the number of farms and 1.8% of the owned agricultural area.

**The amount of rent in Romania**

In the year 2014 the lease was less than the EU average. The amount of rent compared to the obtained production is presented in Table 3.

Table 3. The amount of rent in Romania

County	Average production (kg/ha)	Lease (kg/ha)
Teleorman	4,000	700
Gorj	3,000	600
Constanța	2,900	400-900
Călărași	3,500	850
Cluj	3,000	400-500

Source: National Institute of Statistics, Tutorial Tempo Online, [http://www.insse.ro/cms/files/Tutorial\\_Tempo\\_Online/Tutorial\\_Tempo2.htm](http://www.insse.ro/cms/files/Tutorial_Tempo_Online/Tutorial_Tempo2.htm) [11]

As it can be seen, the lease is correlated with soil quality. Thus, the Baraganului lease area

may even reach the equivalent of 900-1,000 kg grain per ha.

Therefore, renting, that is the action of movement of the land market has a significant role in increasing the size of agricultural property, mainly land ownership by moving from small to large farms.

In the South region, which includes Calarasi county, the average leased area by a farm was 68.2 hectares in 2012. Compared to other regions, it can be said that the rent in South Muntenia has an important contribution to land consolidation, since in the North West and South East average size of a farm is approximately 10.2 hectares, an area too small for sustainable agriculture.

The average size of farms in the EU is 30 hectares, while in Romania is about 3.8 hectares, which means that small subsistence farms could not exploit large areas of land.

In Table 4 one can see the differences between Romania's situation and situation in other European countries.

Table 4. Number of farms by area

Country	< 5 hectare	20-50 hectare	>50 hectare
Belgium	122,100	133,400	87,900
Greece	6,551,400	302,500	853,600
France	1,304,400	992,200	1,970,500
Romania	3,530,720	161,100	14,400

Source: [www.europa.eu](http://www.europa.eu) [14]

Compared to other European countries, in Romania subsistence farming predominates. [5]

This clearly suggests that the consolidation of small farms should be encouraged. Merging will occur naturally if agriculture will become profitable, farmers seeking to grow the area of the holding.

Leasing surfaces is particularly important in the case of Romania, where the land restitution process and establishment of ownership have transferred the ownership and use of land to over 3.8 million people, of which over 40% were age for over 60 years and 30% are retired. [7]

Other 500,000 people who were returned to earth live in the urban areas, have alternative careers and are not interested to resume farming and till the land.

In this context, the lease, the land market share, has an important role for the transfer of land resources from less active producers to the most active and effective ones, generating potential productivity gains by land consolidation [3].

## CONCLUSIONS

Unlike shares of sale of agricultural land, to which the request existence cadastre and land book, Ending a lease for not request those documents, for which, for the owners of agricultural land in special elderly with incomes well below average Closure of lease contracts can be a great alternative.

Some advantage of the lease farm can be analyzed starting from this points of view:

- it does not affect land ownership regime, both during contract and after its termination;
- it is an alternative for those who, for various reasons, are not able to work their land;
- by exploiting the land, its value is maintained or even increased;
- the lease is a fixed income, determined in advance, which is very important in hiring their own costs;
- being of part of the land market supply, it may choose to impose tenant rules for negotiating the lease;
- compared with land acquisition, leasing requires less financial efforts, tenants may make investments in equipment and materials required to achieve a higher production;
- on agricultural products market, it substitutes the farmer;
- in terms of production area, its productivity is superior because it monitors the profitability and not self-sufficient in production.

Cadastre is the most important economic and non-economic action, which assures the movement of land ownership, namely: buying, cooperation, association, leasing, renting, etc.

The lack of cadastre maps hampers the consolidation and concentration of land

ownership, and the selling of the land.

A measure with positive impact on the economy which could support the individual holdings is to set up a long-term development strategy. Small individual farms do not have the financial means needed to lease large areas of land to work and sale obtained production. Since these family farms should be the main tenants of small plots, they should support the economy by facilitating the granting of loans, granting subsidies or grants to be able to perform the work.

Another measure with good economic impact is that the state to encourage people working their agricultural land only for own consumption. In this purpose, it should be created new jobs in the rural areas and convince the rural people to lease the farmland they hold in favor of large farms which would help to create a competitive agriculture.

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[9]Legea cadastrului si publicitatii imobiliare nr. 7/1996, modificata prin Ordonanta de Urgenta a Guvernului nr. 41/2004, aprobata prin Legea nr. 499/2004

[10]Legea 287/2009 privind Noul Cod Civil, republicat în Monitorul Oficial nr. 505/2011, aplicabil din 1 octombrie 2011

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[http://www.insse.ro/cms/files/Tutorial\\_Tempo\\_Online/Tutorial\\_Tempo2.htm](http://www.insse.ro/cms/files/Tutorial_Tempo_Online/Tutorial_Tempo2.htm)

[12]National Institute of Statistics, Press Coomunications, Farm structure survey in 2013, <http://www.insse.ro/cms/ro/content/comunicate-de-presa-arhiva/> and author calculations.

[13]Overview Of Agricultural Land Tenure In Selected Countries, Scottish Agricultural Tenure Evidence Review, <http://www.gov.scot/Publications/2014/06/9792/7>

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