AN ESTIMATION OF AGRICULTURAL LAND PRICE IN ROMANIA AFTER THE ACCESSION TO THE EU

O ESTIMARE A PREŢULUI TERENULUI AGRICOL DIN ROMÂNIA DUPĂ ADERAREA LA UE

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Abstract: *The paper proposed a method to calculate the average price of agricultural land market in Romania in the post accession period, trying to substitute the absence of the official data, considering the partial data from alternative sources issued by different institutions, and completed by a special survey.*

Keywords**:** *agricultural land price, agricultural land transactions*

1. INTRODUCTION

In a market economy, the efficient use of a strategic resource such as the agricultural land, from the economic point of view, presupposes the existence of a functional land market. In its turn, the efficiency of land markets is measured by their ability to transfer land from the less productive to the most productive users (Swinnen et al., 2006). The transaction costs that complicate or constrain these transfers result in less efficiency. Several studies revealed that the agricultural land markets from the countries that went through the transition period were characterized by the existence of significant transaction costs, which represented a constraint for the agricultural holdings that intended to increase their size, including those from Romania (Csaki & Kray, 2006; Luca & Alexandri, 2010). These constraints stemmed from the costs related to asymmetric information, to properties under joint ownership (as a result of the land restitution process), to the high level of commissions and fees directly linked to ownership transfer. These add to the credit constraints and the local preferences for an agricultural land tenure pattern, based either on land ownership or on land

lease. Romania's case largely falls under the ownership-based pattern, specific to the labour intensive economies (Swinnen et al., 2006).

In Romania, the application of the land reform of 1991 (with subsequent completions and corrections) resulted in a high fragmentation of agricultural landed properties and of the parcels on these properties. Thus, the existence of a functional land market is rather linked to the establishment of larger-sized farms, able to ensure a productivity that should lead to a reasonable competitiveness of Romanian farmers' products and not to the need to ensure inequality diminution with regard to land ownership through the land market, which is often the case in the developing countries (Ray, 1998).

2. MATERIALS AND METHODS

More recent works on Romania's agriculture compared to the agriculture of other EU Member States reveal the large variation of the agricultural land prices in the European Union, as well as of the rent level, under the impact of EU subsidies and of the subsidy allocation modality in different countries. The following are listed among the determinants of the agricultural land value: the agricultural commodity prices, infrastructure development, urban pressures, as well as the land market regulation, the duration of land lease contracts respectively, the level of taxes and fees on owned land and on land transactions and last but not least the CAP subsidies (Ciaian, 2010). As a trend, certain analysts estimate that maintaining the current agricultural subsidy system in EU is responsible for the strong increase of agricultural land prices, at least in the countries that joined the EU in 2004 (Chmielewska-Gill, 2010).

The methodology used for this paper included, besides a review of existing studies on this theme, the collection of data on the number and volume of agricultural land transactions and of their prices; the most difficult part proved to be the coverage of the post-accession period with credible data, for which a special field survey was used.

3. RESULTS AND DISCUSSIONS

3.1. The land market after accession – the results of a brief investigation

In the absence of official data on the land transactions after 2005, information was completed with data from a mini-survey on the land market situation at the national level, organized by Institute of Agricultural Economics (IEA) with the help of the network of experts from a company supplying agricultural inputs. The company has national coverage, having a network of representatives in almost all the counties of Romania. These specialists, who have direct contact with the medium and large farmers, answered a questionnaire on the recent evolutions of the land and land lease market in their interest area; if possible they also applied the same questionnaire to a farmer from their area.

48 questionnaires were received from 30 counties (Romania has 42 counties), from all the eight development regions. Out of these, 18 belong to the farmer respondents. The answers to the main questions are presented below:

– The average price in 2009. The prices were in RON or in Euro (or in both forms), as they were negotiated on each local market. After the elimination of 5 values from each data set (those over 2000 RON, over 5000 Euro respectively), the average price was 5378 RON/ha (i.e. 1265 Euro/ha at an exchange rate of 4.25 RON/Euro. The average price expressed directly in Euro was 1497 Euro/ha.

– Recent examples. 12 respondents do not have data on a concrete transaction in 2009 or 2008, while the other 36 have, and the average price paid in these transactions was 1074 Euro/ha.

– The typical seller. Rather old (32 answers, compared to 11 for young), from the locality and from outside the locality (21 and 20 answers respectively).

– Typical buyer. Not very well designed, but the presence of foreigners is important: large farmer (15) and medium (18), individual (14) and company (20), Romanian (26) and foreigner (12).

– The evolution of prices after accession. 37 answers consider that price increased from an average of 1000 Euro/ha in 2006 to 1742 Euro/ha in 2008.

– The farmers. Out of the 18 farmer respondents, 13 have more than 10 ha, all of them having leased in land (524 ha on the average), and 11 also

have land into ownership (98 ha on the average). Out of the latter, 6 had bought land in the last three years (24 ha on the average).

3.2. Number and volume of transactions with agricultural land after the accession

After 2006, the agricultural land transactions were registered by the National Agency for Cadastre and Land Registration (ANCPI) at the level of each county, as the respective county components of the national computer-assisted information system were set into operation.

Thus, in the year 2006, the registration systems for 3 counties were set into operation (the system was named ETERRA1 and it is also operating at present). Since 2008 the county components of a similar information system have been gradually set into operation (ETERRA2), which covers the remaining counties, as it follows: for 6 counties in the year 2008, for 29 counties in 2009 and for 3 counties in 2010 (see attached table).

The total number of transactions (only sale-purchase transactions, without successions) registered in the ETERRA2 system (38 counties) in this period (but at different times in each county) is about 129 thousand, while the total transacted area is about 175 thousand ha, with 1.35 ha per transaction on the average. The average monthly number of transactions differs by counties, from less than 100 in the counties from the mountain areas (Maramures, Bistrita-Nasaud) to over 1000 in the counties with quality agricultural land (Timis, Vaslui, Braila).

By comparing the data from the ANCPI information system to those centralized by MARD until the year 2005, it can be noticed that the land market was much more active after the accession, as we take into consideration that in the year 2005 the average number of (land sale-purchase) transactions at the entire country level was 66 per month, with maximum 300 transactions/month in the counties with more active markets (Timis, Constanta, Arad).

At the same time, while in 2005, the total number of (sale-purchase) transactions was about about 33 thousand, with a total area of 64 thousand ha, in the year 2009 (in the case of certain counties the data do not cover the full year period) the number of transactions totaled about 118 thousand, with a total transacted area of about 206 thousand ha, which represents an obvious increase compared to the pre-accession period, when all the

cumulated transactions in the period 1998-2005 totaled about 513 thousand ha.

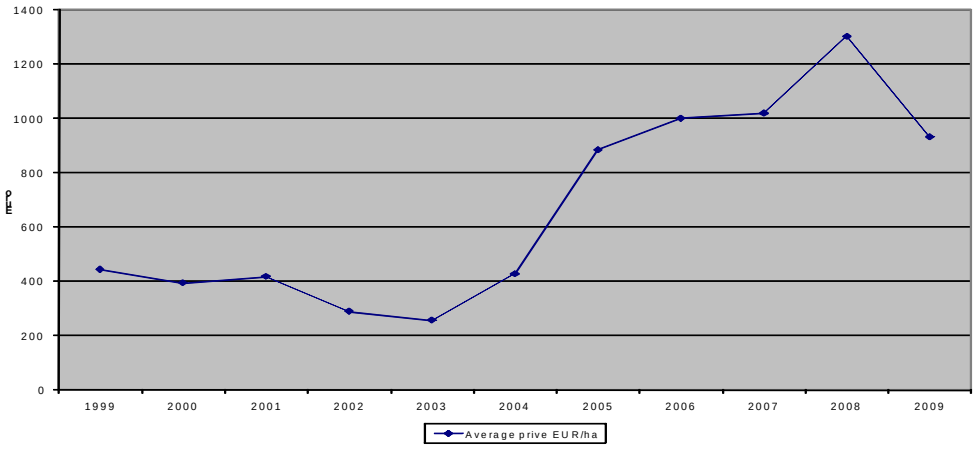
3.3. Agricultural land prices after the accession to the EU

After the pre-emption right elimination from the legislation on the legal circulation of land areas, the town halls no longer keep evidence of the situation of agricultural land transactions, which was centralized by the Ministry of Agriculture (MADR) that provided information on the number, volume and value of transactions, by each county, for the period 1999-2005. As the Ministry of Agriculture gave up centralizing the data on the legal circulation of land and no other institution took over this task, no data centralization was available for the period 2006-2009, neither on the number and volume of transactions nor on their prices. Starting with the end of the year 2008 and throughout the year 2009, the National Agency for Cadastre and Land Registration (ANCPI) set into operation a computer-assisted system to keep track of the real estate transactions of any kind (land, buildings, regardless or their destination). In early 2010, this system was working for all the counties, which means that from now on data can be extracted on the number and volume of transactions (sale-purchase, donation, inheritance) with extravilan land, by each county. However, the transaction value declaration (and its inputting into the system implicitly) remains optional, which makes it impossible to calculate an average agricultural land sale-purchase price.

In the absence of official data on real estate transactions in general, necessary for the substantiation of notary's fees, the National Union of Public Notaries from Romania (UNNPR) had the initiative to order to some local evaluators, from 15 zones from Romania, defined according to their belonging to certain courts of justice, a series of works updated each year (2008, 2009, 2010), named "Evaluation studies on the real estate circulation value". These data, detailed at the level of each urban locality and group of rural localities, refer to the minimum value of the extravilan land in the respective locality/zone. In the case of agricultural land, the methods used by the evaluators are quite sophisticated, but they always try to determine the minimum price of the respective land category in a certain locality, taking into consideration both the land location within the locality (adjacent to the intravilan area or to certain roads of national or European importance) and the locality category (extravilan land belonging to towns or to

communes, and whether it is located in the main village of the commune or in a village at the commune periphery). At the same time, there is a differentiation by the land category of use (arable, pastures, hayfields, vineyards, orchards). This approach results in a great variation of the estimated agricultural land prices, even inside the same county. At the same time, there is a significant variation by counties, when the data referring to the same land category are compared (e.g. the arable land in the rural area). By comparing these prices with the average real prices in 2005, it results that in this period, the agricultural land prices increased in general, mainly in the western part of the country.

Figure 1. Average price of agricultural land in Romania (Euro/ha)



(Source: processing of data provided by MADR, ANCPI, UNNPR, IEA)

In order to get a full picture, if not of maximum accuracy, of the agricultural land price evolution in Romania in the last decade, we added to the MARD data for the period 1999-2005, the 2006 data obtained from our survey; for the post accession period 2007-2009 we calculated a national average starting from the regional prices, as selected from the UNNPR estimations for each year, weighted by the volume of transactions in the year 2009, as provided by ANCPI. The result of these operations is presented in Figure 1 and highlights the impact that the real estate boom prior to the crisis initiated in 2008 had upon the agricultural land prices.

4. CONCLUSIONS

The analysis of data collected from official sources and from special surveys and case studies reveals a better land market operation in the post-accession period, compared to the pre-accession period; this fact is due to the continuous liberalization of the legislation on the legal circulation of land, as well as to the strong economic growth conjuncture in the period 2004-2008, which also generated certain speculative actions.

Comparing the data from the ANCPI information system with the data centralized by MADR until 2005, it can be noticed that the land market was much more active after the accession (an average monthly level of about 370 transactions per county), if we consider that in the year 2005 the monthly average number of (sale – purchase) transactions by county was 66 per month, with maximum 300 transactions per month, in the counties with more active markets (Timiş, Constanța, Arad).

At the same time, while in the year 2005, the total number of (sale – purchase) transactions reached about 33 thousand, with a transacted area of about 64 thousand ha, in the year 2009 (in the case of certain counties the data do not cover the whole year) the number of transactions totaled about 118 thousand, with a transacted area of about 206 thousand ha, which represents a noticeable increase compared to the pre-accession period, when all transactions in the period 1998-2005 cumulated about 513 thousand ha.

By comparing the agricultural land prices after the accession with the average prices effectively in place in the year 2005, it results that in this period the agricultural land prices increased, while large gaps were maintained between different development regions; thus, the arable land price is about 1500 euro/ha in the regions West and Center, up to 1000 euro/ha in South and South-East, about 500 euro/ha in the regions North-West and South-West and under 150 euro/ha in the region North-East.

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