



9th International Workshop Budapest

2-5 October 2017

Land Leasing for Consolidation of Agricultural Production

Frank van Holst, RVO.nl

9th International LANDNET Workshop - Budapest, 2-5 October 2017

Structure

1. **Why attention for land leasing?**
 - LANDNET scope
 - Comprehensive approach for land fragmentation
2. **Lease market regulations**
 - Earlier work in LANDNET
 - Overview of land leasing in Europe / studies done
 - Land lease regulations
 - International guidance
 - Questions for LANDNET
3. **Lease rights and land consolidation**
 - Issues at stake
 - Questions for LANDNET



9th International LANDNET Workshop – Budapest 2-5 October 2017

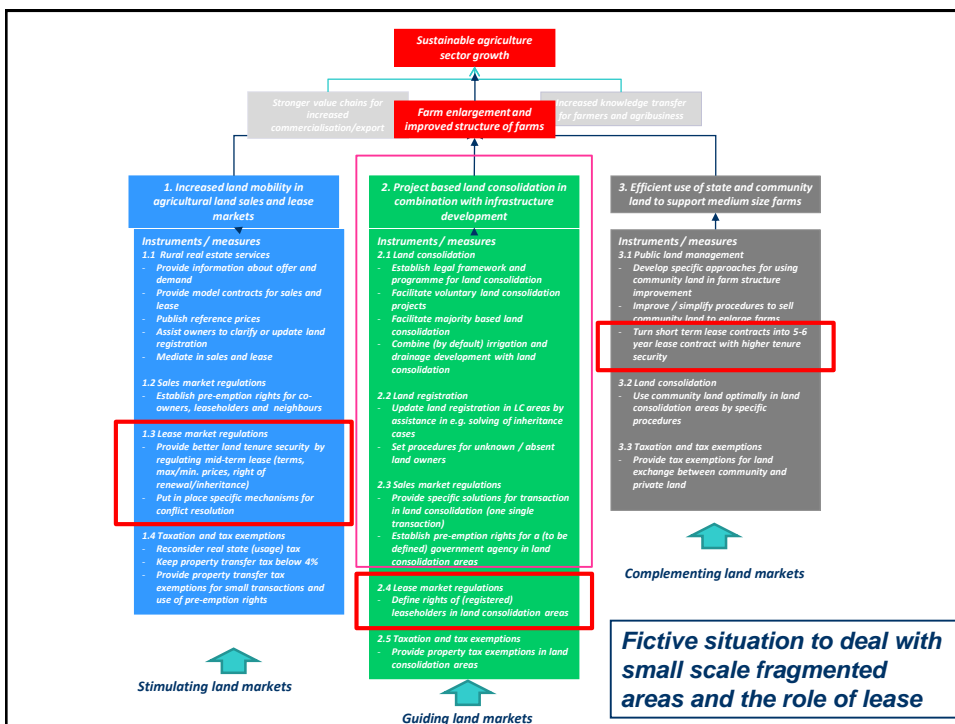
Context

The aim of the LANDNET is to stimulate proper and timely responses to (changing) needs of society regarding land use and land tenure in rural and peri-urban areas.

The scope is the broad set of institutional requirements needed to facilitate, guide and complement rural land markets. This concerns both the 'hard side' of regulatory / legal frameworks for market functioning like laws of land ownership and leasing, taxation and the 'soft side' like promotional measures, mediation and solving of land use conflicts. Moreover it includes the range of public and public/private interventions to adjust the use and/or the ownership structure of land to the current economic, environmental and social reality. Interventions often take place as integrated territorial development projects serving different objectives at local, regional and national level, including instruments like land swapping, land consolidation (voluntary or statutory) and land banking.



9th International LANDNET Workshop – Budapest 2-5 October 2017



Three main issues

1. Lease market regulations to achieve increased agricultural land mobility (in general)
2. Lease market regulations as part of project based land consolidation (in particular areas)
3. Lease regulations as part of public land management

Focus on 1 and 2 in this presentation



9th International LANDNET Workshop – Budapest 2-5 October 2017

Lease market regulations to achieve increased agricultural land mobility (in general)



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

- **Presentation of Prof. Liesbet Vranken in 2012 workshop:
Why lease markets matter?**
 - Land renting is fully consistent with modern agricultural
 - Practice widespread in developed economies
 - Can have positive effects on income distribution and poverty reduction
 - Can provide these benefits with more flexibility and lower transaction costs



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

- **Presentation of Prof. Liesbet Vranken in 2012 workshop:
One of her recommendations:**
 - Encourage efficient land rental markets while protecting the rights of small landholders by providing better information about transactions to small land owners to enhance their bargaining power, and providing trusted mechanisms for resolving contract disputes.



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

- **Keynote of Quico Onega in 2013 workshop: Advantages of leasing arrangements:**
 - Less influenced by credit market imperfections
 - Overcome retention of land as wealth storage/safety net...
 - Saves money to be allocated in technology, equipment (or just keeping liquidity levels higher)
 - Rental prices closer to net land rent (compared with sale prices)
 - Less [partly] transaction costs



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

- **Keynote of Quico Onega in 2013 workshop: What makes land leasing work?**
 - Balance between owner and tenant:
 - Mutual agreement (customs) vs. regulation (rules): trust!
 - Tenancy length, termination and renewal
 - Rent price
 - Quantities
 - Rights-duties
 - Transaction costs
 - Information
 - Procedures and taxes
 - Indirect effects – institutional-legal environment



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

- **Keynote of Quico Onega in 2013 workshop: What makes land leasing work?**
 - Contract enforcement and moral hazard
 - Covenants: compensations , conditions of return, improvements
 - Dispute resolution models (agreement on)
 - Control and resolution mechanisms



9th International LANDNET Workshop – Budapest 2-5 October 2017

Improved land lease (in LANDNET)

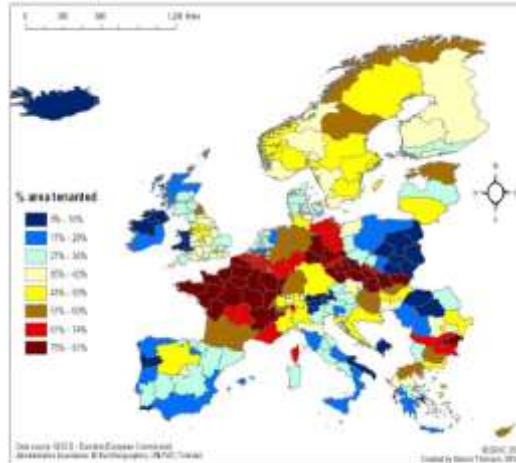
- **Country presentations in 2013 workshop:**
 - Albania: limited private to private lease, state land via local authorities (limited area)
 - Poland: 30% lease, 8,5% state land ANR experiences with leasing out state land
 - UK: 30% lease: developments, protection

Land leased from ANR (in hectares, as of 31.03.2012)



9th International LANDNET Workshop – Budapest 2-5 October 2017

Land lease - overview Europe



9th International LANDNET Workshop – Budapest 2-5 October 2017

Studies done / resources

- Study on the Functioning of Land Markets in the EU Member States under the Influence of Measures Applied under the Common Agricultural Policy, Swinnen, J, Ciaian, P, and d'Artis K. (2008) CEPS
- Key Issues and Developments in Farmland Rental Markets in EU Member States and Candidate Countries. Working Paper N° 13 – FP7-KBBE-Comparative Analysis of Factor Markets for Agriculture across Member States, Ciaian, P., Kancs, A., Swinnen, J, Van Herck, C. and Vranken, L. (2012)
- Scottish agricultural tenure evidence review, Scottish Government Social Research (2014)
- Various publications can be searched via the FIG / OICRF portals;
 - <http://fig.net/resources/index.asp>
 - <http://www.oicrf.org/>



9th International LANDNET Workshop – Budapest 2-5 October 2017

Regulatory frameworks

- **the tenancy duration:** quite some countries have set minimum terms like for example 5, 6 or 9 years
- **the price range:** many countries have minimum and/or maximum rental prices set by government agencies (Belgium, France, Greece and the Netherlands).
- **right of renewal/inheritance:** in several countries (e.g. France) the renewal (e.g. automatic renewal) and inheritance of rental contracts, are regulated
- **mechanisms to resolve contract disputes:** many countries have land specific bodies either at a local and/or national level, for example, Denmark, France and the Netherlands,



9th International LANDNET Workshop – Budapest 2-5 October 2017

Regulatory frameworks

- **pre-emption rights:** many countries grant first refusal to private and public tenants through a pre-emptive right to buy land if offered for sale (e.g. Belgium, France and Sweden) either accompanied by price controls (e.g. France, Hungary) or not
- **lease rights in land consolidation:** some countries (e.g. Netherlands) provide rights to lease holders in land consolidation
- **land lease registration:** some countries require registration by notaries, special chambers or farmers' organisations (Italy) to be able to benefit from subsidies



9th International LANDNET Workshop – Budapest 2-5 October 2017

International guidelines

- VGGT: general framework, not specific
- IFC standard 5, Land Acquisition and Involuntary Resettlement: general principals to respect tenure
- FAO: Good Practice Guidelines for Agricultural Leasing Arrangements: 2001 publication containing many relevant
 - Nature / context lease arrangements
 - Principal issues for tenants and owners
 - Elements of tenancy arrangements
 - Good practice in tenancy arrangements
 - Good practice in contextual issues (e.g. taxes)



9th International LANDNET Workshop – Budapest 2-5 October 2017

Questions

- *Can we define a common set of principles of lease market regulations beneficial for dealing with fragmented small scale farming areas?*
- *How can we compare effectively lease market regulations (and their impact) between countries? Presentations? Survey? Research? Other?*



9th International LANDNET Workshop – Budapest 2-5 October 2017

Lease market regulations as part of project based land consolidation (in particular areas)



9th International LANDNET Workshop – Budapest 2-5 October 2017

Issues: Lease in LC

- What is the right of the lease holder?
- What form of lease is taken into account? (e.g. informal lease, minimum term of lease)
- What proof is needed? (e.g. registration)
- Does the leaseholder have (partial) voting rights?
- What is 'leading' in the reallocation, the owner or the leaseholder?
- Can lease and ownership be separated in the reallocation process?



9th International LANDNET Workshop – Budapest 2-5 October 2017

Questions

- *Is this (or will this be) an issue in your country?*
- *Should we pay more attention to this topic?*
- *How can we compare effectively regulations for lease rights in land consolidation between countries? Presentations? Survey? Research? Other?*



9th International LANDNET Workshop – Budapest 2-5 October 2017

Thank you for your attention!



9th International LANDNET Workshop – Budapest 2-5 October 2017