

### TRENDS IN AGRICULTURAL LAND PRICES AND RENTS IN THE EU 1973 - 1993

#### Introduction

Eurostat is now publishing for the first time data on agricultural land prices and rents in the European Union<sup>1</sup>. The first issue of this new publication on land prices and rents in the Member States of the EU has appeared and will be updated annually. However, some of these data have already been published in the annual report of the European Commission "The Agricultural Situation in the Community".

Data on **agricultural land prices** in most Member States originate from administrative sources, having been recorded by the land registration or tax authorities. The amount of editing, adjustment and correction of the basic sales records varies from country to country. In some cases only the average sales price is published and in others the market value of (unsold) land is also estimated. The many important methodological differences across countries make the comparison of land prices very difficult, and even within a country changes in methodology can reduce comparability over time.

A certain amount of land comes on the market every year for reasons such as the retirement of the owner. High land prices have been reported

to attract more land onto the market, increasing supply.

Data on **agricultural rents** are collected in most countries by means of surveys, for use as an indicator of the return of land as a factor of production. Renting, which takes place in a different legal framework in each country, permits flexibility, and thus the more productive use of land. Agricultural land prices and rents might be expected to change in parallel. Although this is sometimes observed, there are often exceptions as may be seen in the graphs below.

**Tenure structure**, the proportion of land owner occupied or rented, differs greatly from one Member State to another. In Belgium and France the majority of the agricultural land in the late 1980's was rented (68% and 53% respectively) but at the other extreme very little was rented in Ireland (4%). Agricultural land is rented, of course, by farmers but the landowners offering land for rent may be public and semi-public bodies, traditional institutions (e.g. churches), companies or trusts, in addition to private individuals.

<sup>1</sup> "Agricultural Land Prices and Rents in the EC 1973-1993", Theme 5, Series C, ISBN 92-826-8819-4.

The **availability of data** varies across Member States. In **Belgium**, there are figures on both land prices and rents for arable land and meadow. The land price figures are the weighted average of public and private sales. Agricultural land price data in **Denmark** refer to holdings in the size range 10-100 ha with buildings. Rent data were provided in the past but are no longer available. In **Germany**, there are figures for agricultural land prices and for both current and new rents, and these rent data are gathered in biannual surveys.

Price data are gathered in **Greece** for both irrigated and non-irrigated land. Rents are available for arable land, most of which is irrigated. In **Spain**, there are price figures for both irrigated and non-irrigated land, but no rents. Agricultural land price data in **France** are presented for arable land and natural meadow. Rents are only available for arable land. The series is based on surveys in 1969, 1980 and 1992 and is updated using the rent index for wheat production.

In **Ireland** and **Italy** there are data for the price of land but no average rent figures. **Luxembourg** has both land price and rent figures. In the **Netherlands** prices are gathered for arable land and meadow, land with vacant possession in each case. Rents are also available for arable land and meadow. There are no such data from **Portugal**, either for agricultural land prices or rents.

The situation varies in the **United Kingdom** across the four parts of that country. Prices and rent data are gathered in **England** and **Wales**, and prices cover sales of all agricultural land (i.e. with and without buildings) with vacant possession and of more than 5 ha. Prices in **Scotland** refer to farms, that is land and buildings, of more than 5 ha, and rents are also available. In **Northern Ireland** there are prices for sales of all agricultural land of more than 2 ha. There are no rent data comparable to those of the other parts of the United Kingdom.

### Agricultural Land Prices

A series of prices of agricultural land, deflated using the national consumer price index, and expressed relative to 1985=100, was calculated for each Member State (see Table 1). These deflated price relatives, subsequently called indices, showed an overall downward trend in most Member States from **1973 to 1990**, exceptions being Germany, Luxembourg and the Netherlands. The median of the data available across all Member States was about 150 in 1973 falling to about 95 in 1990. However, within this trend, all Member States for which data were available (including D, L and NL) showed a peak in land prices around 1979 with a median index value about 175. In Ireland the index even reached 281 in that year. In Germany land prices peaked somewhat later, where the index was 105 in 1979 and 121 in 1981. A second, usually lower peak was seen in several Member States (DK, E, IRL, I, L, NL and UK) within the period 1986 to 1991.

Patterns in the land price series were examined using regression analysis. Annual rates of change in the deflated land price were regressed on the real interest rate<sup>2</sup>, and the annual rate of change in the consumer price index (inflation rate), deflated index of agricultural producer prices, and the indicator 1 of agricultural income<sup>3</sup>.

Land price was found to vary with the interest rate in several Member States (notably B, DK, D, IRL, I, NL, UK-NI). Regression coefficients for these Member States ranged from -1.6 for Italy to -5.7 for the Netherlands (meadow). Thus a rise in interest rate was associated with a fall in land price in these Member States. Such a relationship can be explained by the fact that as credit for the finance of land purchases becomes more expensive, demand for land and hence land price would be expected to decline.

---

<sup>2</sup> Interest rate minus the inflation rate

<sup>3</sup> Real net value added at factor cost per AWU.

For these same Member States (except Germany) the real price of land did not keep pace with inflation and a change in land price was found to have a negative association with the inflation rate. Regression coefficients for these Member States ranged from -1.6 for Italy to -5.0 for the Netherlands (meadow). A rise in the inflation rate was thus associated with a fall in real land price.

No notable effect of agricultural producer prices or income on the annual rate of change in land prices was detected.

**Recent developments** in the deflated price of agricultural land (1991 to 1993, latest data available), point to a downward trend in all Member States. The decrease was moderate, between -2.5% and -5.1% per year, for several countries:- Belgium, Denmark, Spain (irrigated land), France, Ireland, Italy, the Netherlands and Northern Ireland. In the case of the Netherlands a rise in the price of meadow in 1992 was not enough to compensate the fall in price the previous year. The decline in the real land price index was steeper, between -5.8% and -8.7% per year for Luxembourg, Germany, Greece and Spain (non-irrigated land), and steepest for England, Wales and Scotland where the index fell, more than -12% per year.

### Agricultural Rents

During the period from 1973 to 1990, the deflated index for agricultural rents (see Table 2), unlike the land price index, showed little overall pattern. Real rents fell over this period in Belgium, Greece and France; returned to their initial level in Luxembourg; but rose in Germany, the Netherlands and Great Britain. A peak in rents around 1979 was clearly seen only in Greece and the Netherlands.

**Recent developments** in real rents for agricultural land showed a reversal in 1993 of the downward trend seen in 1991 and 1992 in several Member States (B,GR, F, NL meadow, UK-Wales, UK-Scotland). Indeed, real rents increased notably in 1993 in the Netherlands for meadow (+12.7%) and Greece for arable land

In Ireland over the period 1970 to 1991, the level of agricultural land prices was reported to have been strongly influenced by agricultural producer prices and incomes. From 1979 to 1984 real land prices fell in Spain. The decline was reportedly due to land having lost some of its character as a tax shelter at that time. The price of agricultural land in France fell over the period 1983 to 1988 due to several factors arising from the low profitability of real estate. The real price of unattached grassland fell from 1990 to 1991 in the Netherlands. This was probably the result of fewer land transfers involving the transfer of a milk quota. Transfers of milk quotas in the Netherlands have increasingly been the result of lease contracts.

In Luxembourg, the rapid rise in the recorded price of agricultural land from 1988 to 1990 might be due to non-agricultural factors. In 1992, increased fiscal pressure and the prospect of diminished producer prices and incomes, led to a reduction in the demand for agricultural land in Italy and thus a fall in prices. The brake on inflation and the slowing of economic growth in that country ended the role of land as a "refuge good".

(+8.6%). In contrast, a downward trend in 1993 was recorded in other Member States (D, L, NL arable land, UK-England).

The agricultural rent series for England, Wales and Scotland were reported to be much smoother than the series for agricultural land prices. This is partly because rents are reviewed only every 3 years in those countries, and partly because the rental market may be less affected than the land market by the non-agricultural reasons for holding land. In France, the level of rents in contracts of several years is often indexed to the price of agricultural produce. Falling real producer prices may lead to falling real rents.

**Table 1 : Real indices of agricultural land prices (1985 = 100)**

		S e r i e s	Price index				Annual rate of change		
			1973	1979	1985	1990	1991	1992	1993
<b>B</b>	Arable land	S01	148	183	100	101	-5.5	-0.5	-3.4
	Meadow	S02	150	187	100	95	-0.6	-2.1	-5.0
<b>DK</b>	Agricultural land	S05	120	175	100	95	1.0	-7.2	-8.4
<b>D</b>	Agricultural land	S07	71(1)	105	100	85	-6.2	-11.1	-5.2
<b>GR</b>	Irrigated land	S10	:	:	100(2)	70	-11.4	-8.8	-7.8
	Non-irrigated land	S11	:	:	100(2)	84	-7.9	-9.4	-5.6
<b>E</b>	Irrigated land	S13	:	123	100	99	-12.5	-21.4	-8.4
	Non-irrigated land	S14	:	132	100	112	-9.7	-15.1	-3.5
<b>F</b>	Arable land	S15	156	169	100	86	-4.0	-5.4	-6.2
	Meadow	S16	166	180	100	78	-4.9	-5.4	-5.9
<b>IRL</b>	Agricultural land	S18	153	281	100	102	-5.0	-2.2	:
<b>I</b>	Agricultural land	S19	131	174	100	124	-1.9	-5.9	:
<b>L</b>	Agricultural land	S20	198(1)	174	100	276	-5.8	:	:
<b>NL</b>	Arable land	S22	55	145	100	100	-5.5	-1.8	:
	Meadow	S23	52	145	100	130	-16.5	9.2	:
<b>P</b>			:	:	:	:	:	:	
<b>UK</b>	Agricultural land								
	England	S26	173	142	100	93	-15.3	-15.7	:
	Wales	S27	156	160	100	91	1.7	-30.2	:
	Scotland	S30	176	219	100	163	-18.2	-21.2	-3.5
	Northern Ireland	S31	106	178	100	83	-5.7	0.7	:

The series codes (S01, S02 etc.) refer to the graphs on the following pages.

(1) 1974 (2) 1986

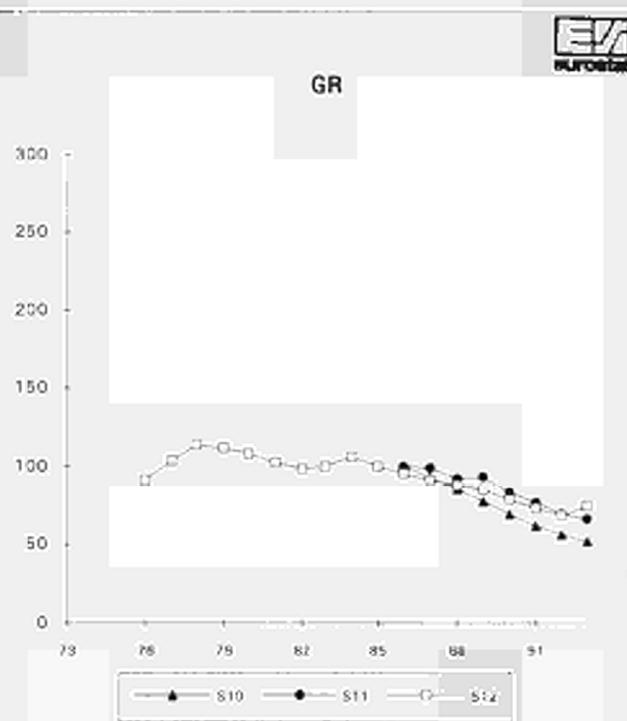
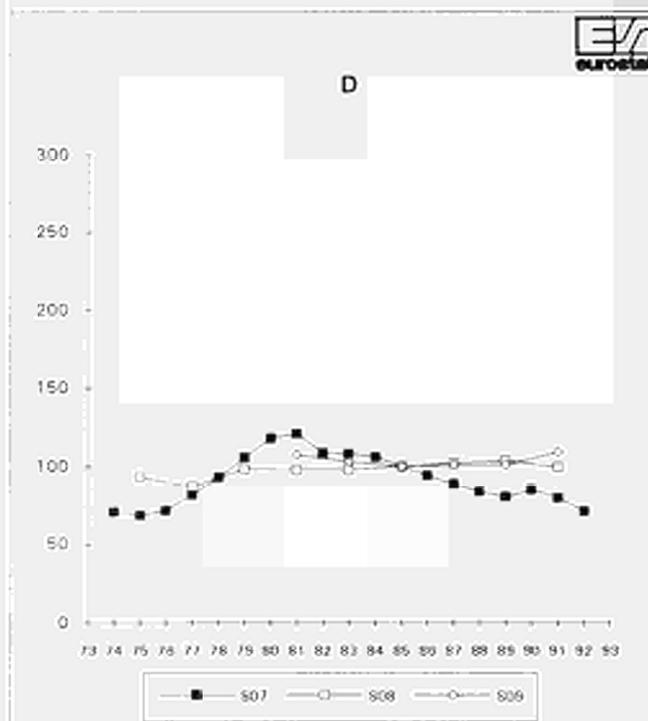
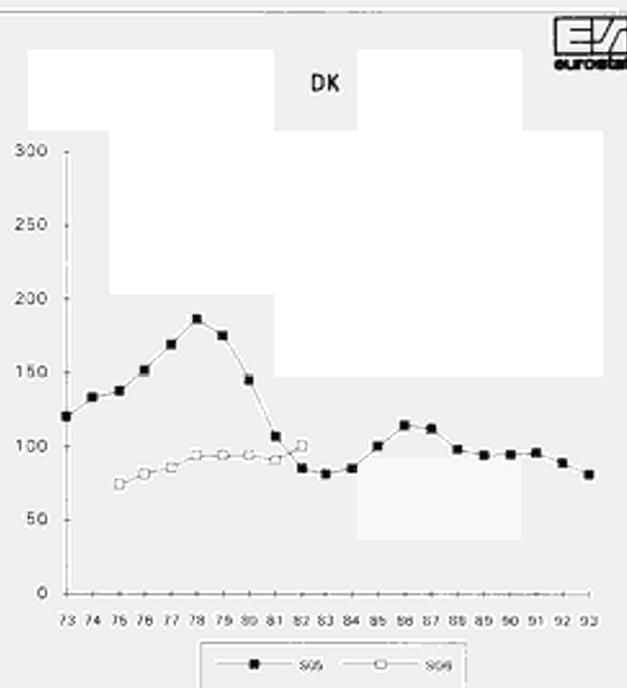
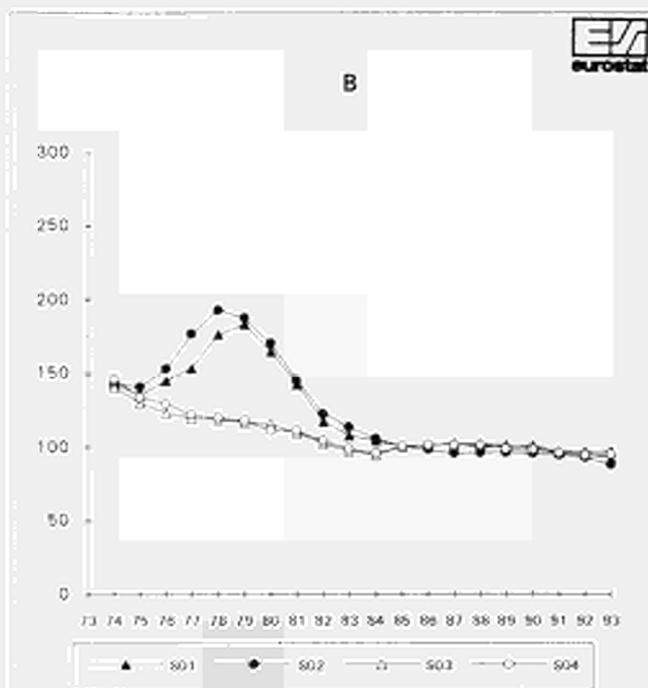
**Table 2: Real indices of agricultural rents (1985 = 100)**

		S e r i e s	Rent index				Annual rate of change		
			1973	1979	1985	1990	1991	1992	1993
<b>B</b>	Arable land	S03	155	117	100	100	-2.6	-0.5	0.4
	Meadow	S04	161	118	100	98	-2.4	-1.6	0.5
<b>DK</b>	Agricultural land	S06	74(1)	94	100(3)	:	:	:	:
<b>D</b>	Agricultural land								
	All leases	S08	93(1)	99	100	99(4)	-2.3	-3.3	-3.3
	New leases	S09	:	107(2)	100	109(4)	4.0	-1.8	-1.8
<b>GR</b>	Arable land	S12	:	112	100	79	-7.1	-6.4	8.6
<b>E</b>			:	:	:	:	:	:	:
<b>F</b>	Arable land	S17	120	119	100	96	-1.2	-0.4	0.3
<b>IRL</b>			:	:	:	:	:	:	:
<b>I</b>			:	:	:	:	:	:	:
<b>L</b>	Agricultural land	S21	99(1)	108	100	99	-0.1	0.8	-7.3
<b>NL</b>	Arable land	S24	84	104	100	105	-2.1	-2.2	-4.2
	Meadow	S25	97	102	100	105	2.4	-6.0	12.7
<b>P</b>			:	:	:	:	:	:	:
<b>UK</b>	Agricultural land								
	England	S28	74	81	100	85	-4.2	-3.6	-3.6
	Wales	S29	68	80	100	87	-2.9	-0.6	2.0
	Scotland	S32	77	76	100	87	-3.2	-3.6	1.3
	Northern Ireland		:	:	:	:	:	:	:

The series codes (S03, S04 etc.) refer to the graphs on the following pages.

(1) 1975 (2) 1981 (3) 1982 (4) 1991

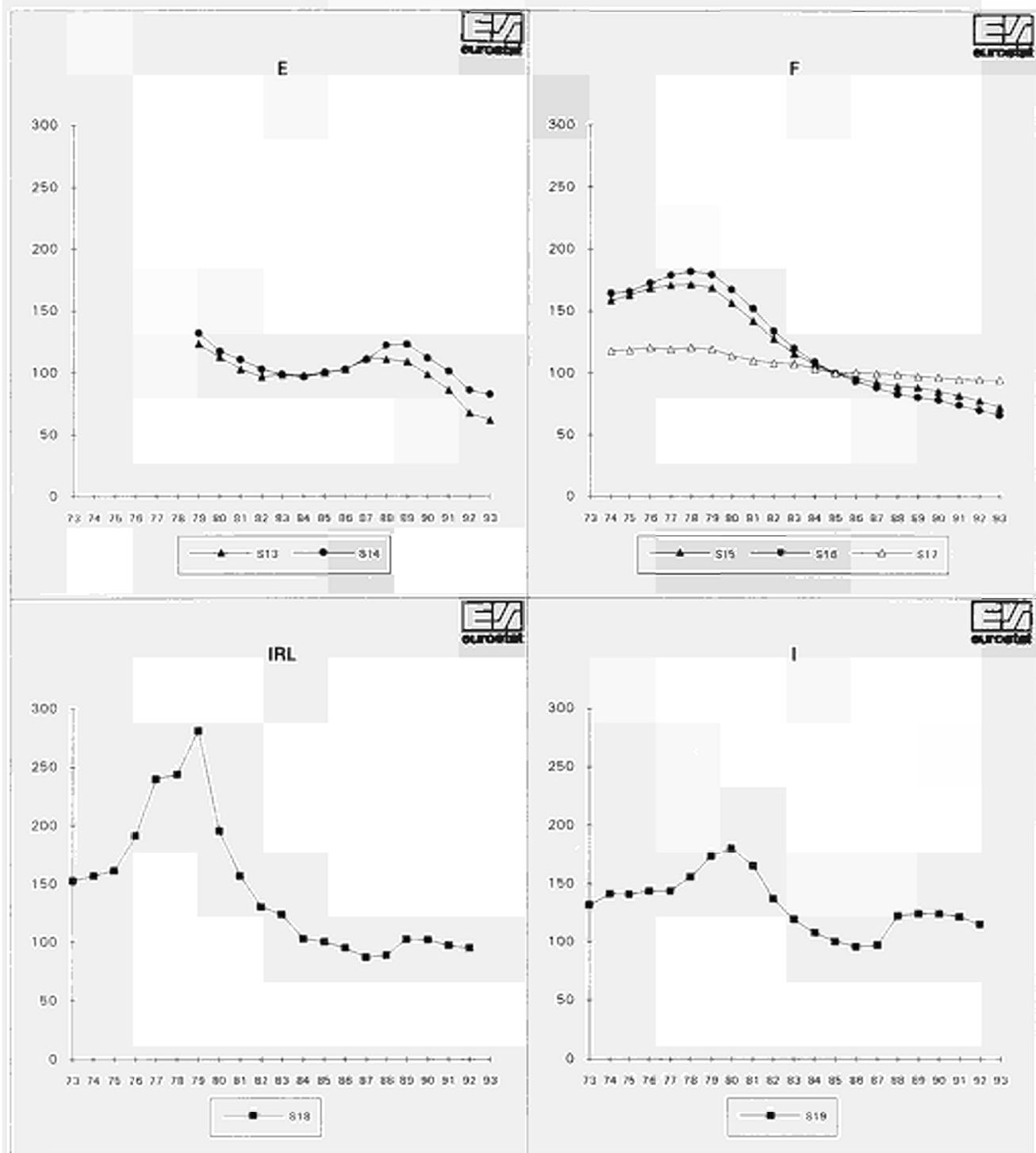
## Real index of agricultural land prices and rents



See Tables for titles of series (S01, S02, etc.)

Filled symbols: land prices. Open symbols: rents

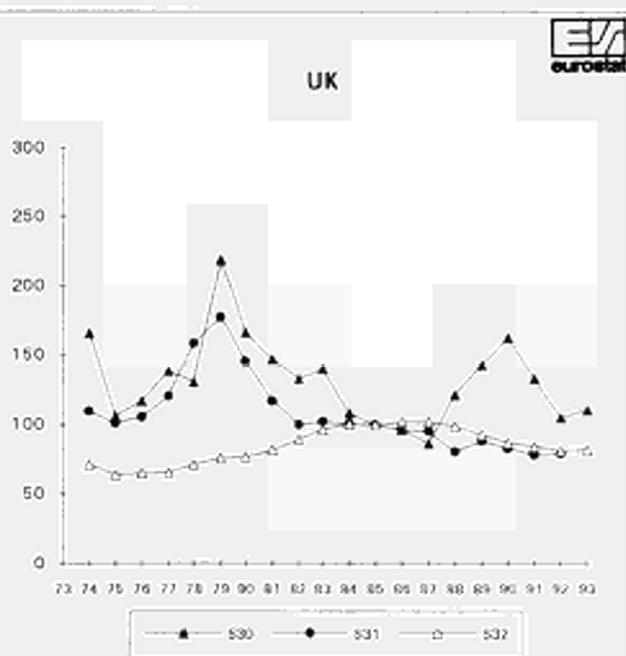
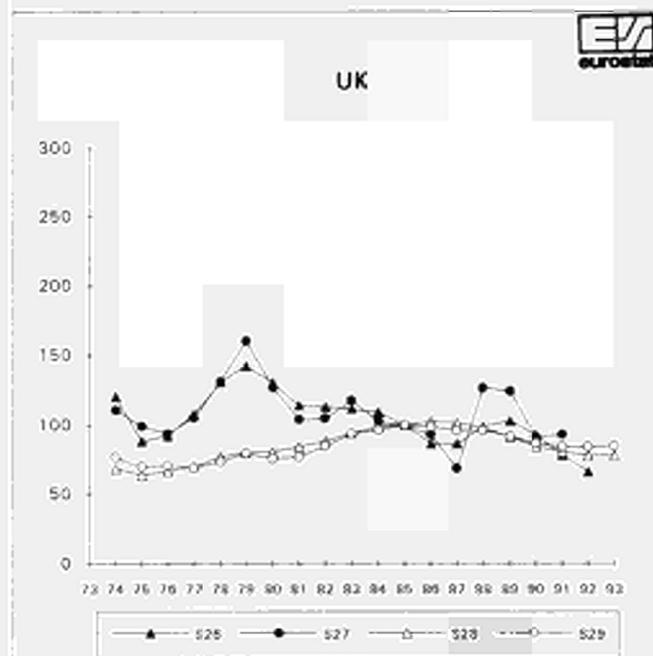
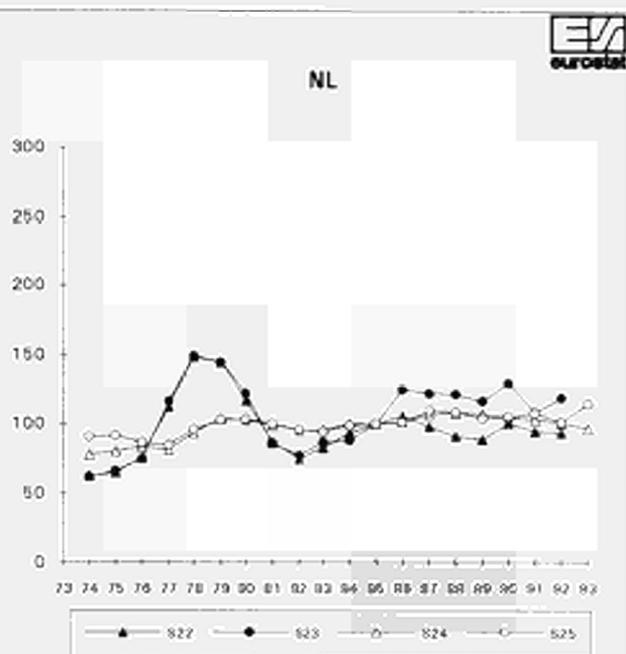
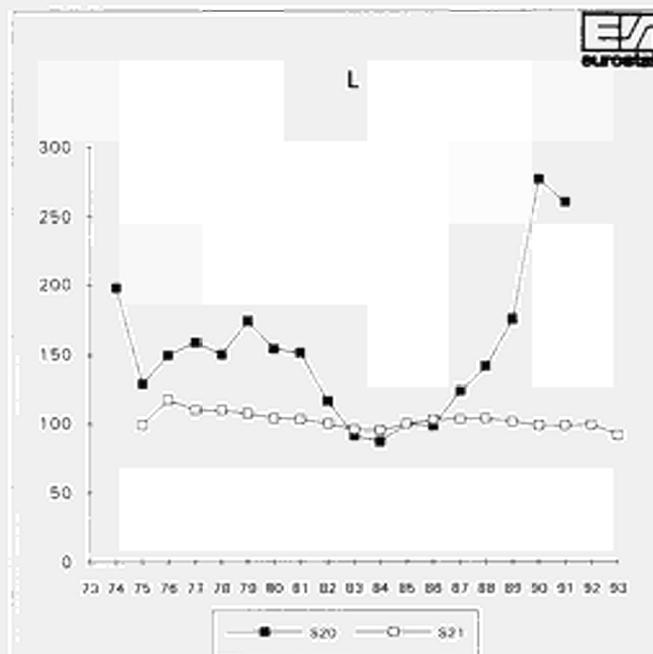
## Real index of agricultural land prices and rents



See Tables for titles of series (S01, S02, etc.)

Filled symbols: land prices Open symbols: rents

## Real index of agricultural land prices and rents



See Tables for titles of series (S01, S02, etc.)

Filled symbols: land prices Open symbols: rents