



# Drivers of change in Norwegian agricultural land control and the emergence of rental farming<sup>☆</sup>



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## A B S T R A C T

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Norway represents one of the last countries in Europe where the structural development of agriculture is strongly state regulated through legislation and economic instruments. The result is an agriculture dominated by very small farms while, in most of the rest of Europe, farming has been rationalised into much larger units – thus improving the structural efficiency of agriculture. This study looks at how and why the pattern of farmland control (ownership and renting) in Norway has changed over the last fifty years. Using a study of agricultural policy documents, an investigation of statistics on farmland control changes, and a qualitative survey, we explore the considerable growth in the number of partly rented farms over this period. We suggest that change is attributable to three key factors: techno-economic development leading to a growing need for economies of scale, social norms curbing the transfer of farm properties outside of the family, and policy and legal instruments reducing the extent of property transfer. In addition, the weakening of compensation to smaller farmers since the 1990s has encouraged many to leave agriculture and made more rental land available – ultimately leading to a rapid shift from traditional owner occupation to a predominantly rented land system.

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## 1. Introduction

The nature of agriculture is changing. Within the European Union, for example, multifunctional policies are encouraging the development of a diversified agricultural sector while, on the other hand, the forces of “market productivism” are restructuring agriculture in favour of larger, more commercialised and specialised businesses (Potter and Tilzey, 2007). Norway, a country outside the EU but strongly influenced by EU policy approaches, is now experiencing similar structural change. In 1959 there were 198,315 agricultural holdings in Norway with 87 percent of the properties wholly owned by the farmer operator (Statistics Norway, 2002). Half a century later the total number of agricultural holdings has

fallen to 46,624 (Statistics Norway, 2011b), while the number of agricultural properties has remained relatively stable.<sup>1</sup> These changes can be attributed to two main factors: firstly, working farms have increased in size over the last 50 years and, secondly, there has been a dramatic change in the way farmland is controlled – a shift from owner occupation to renting such that, by 2008, farmers in Norway were on average leasing 40 percent of their land (Landbruks- og matdepartementet, 2011-2012).

This represents an important shift in Norwegian agriculture. Historically, agriculture in Norway was based on a post-WWII “social contract” between the government and the then largely rural Norwegian population (Almås, 2004), which placed emphasis on productivity, self-sufficiency, efficiency and maintaining an average farming income comparable to that of urban workers – as well as contributing to rural employment and rural settlement (Rønningen et al., 2012). Later, ensuring a viable agriculture and living cultural landscapes throughout the country became an important objective. However, as Bjørkhaug and Richards (2008) point out, even though Norway is “situated toward a ‘strong’ end of a continuum of a level of multifunctional agriculture” (see Wilson, 2008), this multifunctionality is based firmly on active farming. Only farmers on the production register qualify for subsidies for the provision of public goods such as biodiversity, cultural landscapes, viable rural communities and so forth (Ministry of Agriculture and Food, 2006).

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<sup>1</sup> In 2010 there were 185,098 agricultural and forestry properties in Norway. Of these 170,734 had farmland. On 126,433 properties the farmland was rented out or not used while the rest, 44,301 properties, had owner-occupied agricultural activity (Statistics Norway, 2011a). The reason this figure is somewhat smaller than the number of holdings registered in the Census of Agriculture and Forestry (46,624) is that some farms have more than one holding.

Nevertheless, Norwegian agriculture is not sufficiently economically viable to maintain the many relatively small farms across the country. Low profitability and long hours combined with a strong urban labour market have meant that payments for production have not been sufficient to stem a steady decline in the number of active farms.

In this paper, we seek to explore changes in farmland control as part of the general development of agriculture in Norway over the last half century. In particular, we detail legal and economic instruments that have guided Norwegian agriculture and assess how they, together with other factors, have contributed to the observed changes. The outline of the paper is as follows. First, we review changes in property relations in Europe and the importance of farmland control. Second, we present a methodology for the investigation of the issue. Third, we present the results in three parts: a description of agricultural policy with a specific focus on legal and economic instruments, an analysis of public statistics on farmland control, and a qualitative survey of farmers. Finally, we discuss the results and propose a model of farmland control before concluding on the likely future for land control in Norway.

## 2. Farmland control – changes in property relations in Europe

There are two key dimensions to control over farmland. The first dimension concerns how the control is exerted, that is through formal or informal means. Formal control exists through legislature, regulatory agencies and courts, whereas informal control takes place mainly in families, communities and associations. The second dimension regards the type of governance. In principal, farmland can be controlled through spontaneous as well as intentional forms of economic governance (Williamson, 1996). Spontaneous governance corresponds to the classical market – the “invisible hand” (Smith, 1991 [1776]). Intentional governance refers to conscious, purposeful governance, of which agreement and ownership are two forms. In practice, the long-term nature of agricultural production has meant that intentional governance through agreement and ownership have been the most widely used ways to control farmland (Geisler and Salamon, 1993).

Why is this important? From a structural perspective, the control dimensions noted above have different consequences for farming systems in terms of incentives, adaptability, legislation and bureaucratic costs (Williamson, 1996). However, they are also important from a social perspective. Brown (2007) for example, notes that the nature of property and land control matters because of the role it plays in determining how people can engage with land, in particular, who can access specific parts of land and how they are able to use it. Thus land tenure, in a sense, governs the relationship between people and the environment by setting restrictions and rights on our physical interaction and consequently defining permissible cultural engagement. This relationship is reciprocal. Changes in society can also alter our needs for land governance such that institutional structures that functioned in the past may cease to adequately reflect the changing requirements of the population (Blomley, 2005).

One of the key drivers of change in farmland control in Norway is the liberalisation of economic and political governance (e.g. Potter and Tilzey, 2005; Potter and Tilzey, 2007). While neoliberal reforms involve multiple changes, those relevant to the relationship between people and agricultural land are largely concerned with the reduction in state regulation, promotion of individual choice, enforcement of private property rights and increased emphasis on market based solutions (see Peck and Tickell (2002), for a critical overview). These tendencies have been apparent in agricultural policy since the 1990s, but the result so far is far from complete liberalisation. There are both strong elements of social

democracy and rights remaining (e.g. allodial law) and sectorally based differences in the level of adherence to market principles. In terms of land use change in Europe, the influence of neoliberalism is evident in the loosening of government regulation but, more generally, in farmers’ increasing need to rely on market forces rather than government financial support. In this context, as Evans (2009) observes, “renting land is clearly a quick and convenient way of increasing the size of the farm business and responding to market and/or policy signals”.

However, the increased flexibility associated with market reforms and globalization has also been argued to create greater need for security of identity within an increasingly uncertain society (Beck, 1992). As a result, land control is being governed by two competing forces – one pushing flexibility of land use as a market resource and the other leading farming families to seek security of identity. As market forces push some (many) farms out of business as economic units, so the desire to maintain family identity compels historically farming families to hold on to farmland, with the consequent development of land rental markets (while maintaining control over the resource) providing a solution to both issues.

These shifting patterns of ownership/rental land control can be seen as part of a long history of land ownership change in Europe (Kloppenborg and Geisler, 1985; Munton, 2009). Prior to c1900 this relationship was heavily in favour of the land owner (Gjerdåker, 2002; Lunden, 2002) with ownership holding connotations of power, status, self-determination and even the democratization of society. In this era the self-sufficient farmer owning and controlling his/her own farmland became a powerful political ideal in both the United States (Gasson and Errington, 1993; Wunderlich, 1993) and European countries such as Norway (Gjerdåker, 2002; Lunden, 2002). As a result, widespread legislation was introduced leading to a significant reduction in the proportion of land under rental agreements in many countries – for example, England (Gasson and Errington, 1993), the US (Kloppenborg and Geisler, 1985), and Norway (Gjerdåker, 2002).

In recent decades we have seen a return to the trend of leasing land for agricultural production (Dramstad and Sang, 2010; Munton, 2009; Wunderlich, 1993). However, rather than the simple landlord/tenant exchanges of the past, these arrangements are becoming increasingly complex. As Hodge (2009) observes, even the hybrid categories of land ownership such as “part-owner-operatorship” (Kloppenborg and Geisler, 1985) and “mixed tenure farmers” (Hill and Gasson, 1985) are often no longer sufficient to describe land/resource control as farm businesses gain access to land and resources by a wide variety of arrangements (Evans, 2009; Ward et al., 1990). Moreover, Ravenscroft (1999) found that a ‘neo-feudal’ lease system where there is a balance between owner and leaser underpinned by government is a more stable and flexible way of controlling farmland than ‘extreme’ systems where either the owner is the dominant (‘feudal’ systems) or the leaser is the most powerful (‘post-feudal’ systems). Further, he contends that notions of a linear historical progression from feudalism to post-feudalism should be rejected.

At the moment, land leasing seems to be becoming an increasingly important means of developing the required economies of scale for modern agriculture. For example, Smithers and Johnson (2004) observed that farmers were using tenancy to enlarge the scale of their operation as part of an “assisted growth” strategy. Valbuena et al. (2008) identified a group of young well educated farmers on already relatively large farms (“expansionist diversifiers”) who were seeking to increase both income from non-agricultural sources and agricultural production scales. In another case, Maye et al. (2009) in a study of 390 tenant farmers in the UK observed that, whereas only 18.5 percent of farmers were renting from landed estates, 20 percent of tenant farmers in their survey were renting from 3 or more private landlords. Recent research in

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