4. REVIEW OF NATIONAL LEGAL AND INSTITUTIONAL FRAMEWORKS

The Review was aimed at identifying the most relevant policies besides EU agricultural policy that may have had effects on the structure of the farming sector in the EU27 Member States in the period of analysis. Where relevant, the analysis tries to take into account policy and legislation changes introduced after 2005. The main findings helped to interpret observed structural change and to distinguish the effects of direct payments from the impact of other national policies.

The results of the analysis were organised into 27 comprehensive country reports. Here we provide a synthesis containing relevant information about most sensitive policy areas.

4.1 Methodology implemented for the Review and limitations

The Review of national legal and institutional frameworks entailed extensive research and should represent a fairly comprehensive reference tool for policies implemented by each of the EU27 MS. However, a word of caution is necessary, as the Review cannot be considered to be exhaustive of all national instruments that may be relevant in terms of their structural effects on national farming sectors. Other limitations are due to lack of up-to-date information for all countries in the analysed policy areas and the heterogeneous level of detail across countries and for each policy measure.

The relevant policy areas and relative instruments that have been identified and examined are:

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Policy instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land consolidation</td>
<td>Measures used to remove fragmentation by land re-parcelling and adjusting farm structures; land consolidation at farm or rural community level; land consolidation as rural development tool; land consolidation in support of land markets and in support of farm competitiveness</td>
</tr>
<tr>
<td>Land planning and use</td>
<td>Measures to solve conflict between rural land use and urban/industrial expansion; measures to indicate most suitable rural use: arable land, grazing, forestry, wildlife, tourism; preservation of agricultural activity; soil protection; nature conservation.</td>
</tr>
<tr>
<td>Land markets</td>
<td>Mechanisms to regulate land sale and land sale price. Taxation of land acquisition, property and inheritance: partial and total exemptions. Mechanisms to regulate land rental (rental prices, contract duration, taxation, farm succession, tax exemptions)</td>
</tr>
<tr>
<td>Credit and insurance</td>
<td>National measures to facilitate farm access to credit incentives for use of crop and other type farm insurance</td>
</tr>
<tr>
<td>Labour and social security</td>
<td>Labour contracts; collective agreements; exemption from social security contributions; special treatment of family labour; employment flexibility</td>
</tr>
<tr>
<td>Agricultural taxation</td>
<td>Direct taxation (partial or total exemptions in agriculture) and Indirect taxation (partial or total exemptions in agriculture, reduced VAT and excise duties)</td>
</tr>
<tr>
<td>Diversification</td>
<td>Measures to support development of diversified (agricultural and non-agricultural) activities on farms (farm tourism, direct sales, processing of farm produce, energy production/supply; Organic agriculture; etc.). In general, any activity able to improve the economic viability of farms by reducing their dependence on primary agricultural production</td>
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<tr>
<td>National Programmes</td>
<td>Specific measures for specific national issues.</td>
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</table>

The needed information was collected using various sources: extensive review of published literature and national legal and policy documents (38 cross-country and 97 country-level literature and legislation references, see § List of references, page 80); interviews with 12 national legal/policy experts; 68 questionnaires sent out to agricultural professional organisations and national authorities in all EU27 MS (responses were collected from Austria, Estonia, Finland, Netherlands, Portugal, Slovakia, Slovenia and the UK).
Furthermore, State aids\textsuperscript{21} data have been collected for each MS from the European Commission - DG Competition database. Several selection criteria have been applied in order to obtain a useful pool of data for the evaluation’s purposes\textsuperscript{22}. As a result of the selection procedure, we analysed information for a total of 270 State aids schemes over 1632 collected. The following table shows for each objective, the MS granting subsidies under one or more schemes and the size of the annual budget (total budget per year in the period 2005-2011).

Tab. 6 - MS adopting State aid schemes related to farm structural change

| Objectives                                         | AL | BE | BG | CY | CZ | DK | EE | FI | FR | DE | GR | HU | IE | IT | LT | LU | LV | MT | NL | PL | PT | RO | SK | SI | SP | SE | UK |
|----------------------------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Support to agricultural holdings/SMEs              | •  | •  | *  | •  | *  | •  | •  | •  | •  | *  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Dismantling/relocation of farm buildings           | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Land repurcycling                                   | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Early retirement                                    | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Setting up of young farmers                         | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Agroenvironmental commitments                      | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Support for livestock sector                        | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Support to quality production                       | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Support to producers groups                         | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Support for forestry sector                         | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Remedy for a serious disturbance in the economy     | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Insurance premiums                                  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Reimbursement of credit interest                    | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Investments in renewable energy sector              | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| R&D in the agricultural sector                      | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |
| Tax exemption/reduction                             | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  | •  |

Source: Elaborations based on EU-DG Competition database

Legend: • = 0.01-5.00 M euro year; •• 5.01-20.00 M euro year; ••• more than 20.01 M euro year

4.2 National policies with potential impact on structural change

This section provides a synthesis of the policy areas and instruments that we have identified as the most likely to influence different structural characteristics of farms in each MS. For each State, most sensitive policy areas are summarised in the table below and briefly described in the pages that follow.

Tab. 7 - Policy areas with potential effects on structural changes in the EU27 Member States

<table>
<thead>
<tr>
<th>Country</th>
<th>Land consolidation</th>
<th>Land use</th>
<th>Land market</th>
<th>Credit &amp; Insurance</th>
<th>Labour &amp; social sec.</th>
<th>Agricultural taxation</th>
<th>Diversifica-</th>
<th>National Programmes</th>
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21 State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities (subsidies granted to individuals or general measures open to all enterprises do not constitute State aid). The EC Treaty leaves room for a number of policy objectives for which State aid can be considered compatible. The European Commission has established a system of rules under which State aid is monitored and assessed in the EU.

22 Only State aids included in economic sectors A1 (Crop and animal production, hunting and related service activities) and A2 (Forestry and logging) have been selected. All selected aid schemes have been published between 2005/01/01 and 2010/12/31. Only State aids having national coverage have been selected. We have excluded aids pursuing objectives not directly related to structural change: Natural disasters or exceptional occurrences; Adverse weather conditions / climatic events; Animal diseases; Plant diseases, pest infestation; Technical support; Advertising; Training. Finally, we have also excluded aids directed to the non-productive forestry sector.
<table>
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<tr>
<th>Country</th>
<th>Land consolidation</th>
<th>Land use</th>
<th>Land market</th>
<th>Credit &amp; Insurance</th>
<th>Labour &amp; social sec.</th>
<th>Agricultural taxation</th>
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It should be mentioned that the Central and Eastern European countries accessing the EU in 2004 and 2007 experienced a remarkable transition from a centrally-planned economy towards a market economy after 1989 when the Iron Curtain was lifted. Land reforms aimed at privatising state-owned agricultural land, managed by large-scale collective and state farms, were introduced in most of these countries at the beginning of the transition. Over 20 years later, some countries have completed land reforms, others are still in the process. Such land policies (restoration of property rights, land consolidation, etc.) are likely to have had (and still have) an important effect in shaping farm structures after EU accession and simultaneous introduction of the Single Farm Payment.

**AUSTRIA**

In Austria two policy areas seem the most likely to bear an impact on the structure of the farming sector: policies regulating land use and diversification of farm activities.

**Land use policy.** The Federal Spatial Planning Laws identify the “priority agricultural areas” and/or “protected green areas”. Soil quality is the most important criterion to define “priority agricultural areas”. Prevention of landscape fragmentation is the key objective to delineate “protected green areas”. Both area types are protected from conversion into building/development land.

**Diversification.** In Austria about 50% of all employed in agriculture are engaged in off-farm activities and the share of farm household income generated by non-agricultural activities is about 47% (BMLFUW, 2007). Most Austrian farms diversify into on-farm food processing, including direct marketing (44%). Important proportions of farms are engaged in farm tourism (35%) and service contracting (29%).
Farm diversification policies have a strong focus on direct marketing of agricultural products and also on renewable energy. Farm-gate sale and farmers’ markets are the most frequent ways of direct marketing. “Green Stock Exchanges”, established in almost all Federal Provinces, encourage cooperation between farm producers and the catering industry.

Renewable energies satisfy just over a quarter of Austria’s energy needs - the third highest level of renewable energy consumption in the EU after Sweden and Latvia (Eurostat). In 2009, biomass and waste represent the largest share of renewable energy production and consumption of Austria. This sector has experienced considerable expansion during the past few years as Austria has set itself ambitious targets in terms of energy production from biomass from agriculture and forestry by introducing an obligation for the oil industry to substitute a specific percentage of fuels based on mineral oil with biofuels. A number of facilities have been built for processing agriculture biomass into fuels. Several facilities produce biodiesel from plant oils, in particular rapeseed.

BELGIUM

After the Federal Ministry of Agriculture ceased to exist in 2001, agricultural policy is set at the regional level. The policies that may have impact on farm structures are those regulating land use and lease of agricultural land.

**Land use/zoning regulations.** Both Flemish and Walloon regions have land use policies in place. For the period 1997-2007, the Spatial Structure Plan for Flanders established a limitation for new developments, with 60 % to be realised in urban areas and 40 % in rural regions. The Plan was subsequently revised in 2004 and 2010 by introducing even stricter development targets and providing a more integrated approach to urban development. According to the annual Environment Report (2007), land take in rural areas has been decreasing. In the Walloon Region, 23 Plans on land use aim to manage the pressure from urbanisation puts on the territory by defining development zones and zones to be used for agriculture, forests, or wildlife. Since 2005, any new zone to be urbanised must be compensated either by a modification in the Plan (i.e. for a similar-sized agricultural, forest or natural area not to be urbanised), or by alternative measure defined by the Walloon Government. Furthermore, the implementation of urbanisation projects depends on approval of an impact report.

**National provisions regulating rental of agricultural land.** In relation with the high proportion of rented agricultural land (about 67%), Belgium has developed a number of policies to protect tenant farmers thus preserving the continuation of farming activity. The Law of 4.11.1969 (amended in 1988) regulates agricultural land rental and establishes long-term contracts (minimum 9 years). However, very long-term contracts from 27 up to 99 years are common. Maximum rental price determined for a 9 year rental contract is equal to the (non indexed) cadastral income of the plot, multiplied by a tenancy coefficient. The coefficient is increased by fix percentages in case of longer contracts. Rental contracts are automatically renewed for the same duration of the initial contract, unless tenant or landlord gives notice. In case of land sale, tenants have pre-emptive right to purchase the land.

BULGARIA

Bulgaria suffers from various problems relating to lack of a unified strategy for land use planning (including agricultural land). Formal land consolidation policy was only introduced in 2007. The fragmentation of land ownership, created by the land restitution process, and under-developed rural infrastructure represent a significant barrier to long-term investments, to land improvements and to the proper development of a land sale market.

The responsibility for land policy has been split between three ministries, resulting in conflicting aims, no comprehensive policy and lack of transparency in the registration of property rights (Bulgaria has never had title-based property rights). Inheritance law also contributes to land fragmentation: Bulgaria still follows a Napoleonic Code (all heirs receive a share fixed by the law). In 2007 the Land Act (1991) was amended to include voluntary land consolidation. The amendments include procedures for land re-parcelling, infrastructures and irrigation, and environmental measures.

The main obstacles hampering the development of the land market are: land fragmentation (according to expert assessment, land fragmentation keeps land prices 30% lower than they would be) and the
lack of reliable information about land value and prices. Capital values of farmland published under the Local Taxes and Fees Act are frequently higher than actual market prices and the tax is assessed on the higher values. Transaction costs are too high and reduce the attractiveness of land sales, especially in case of small holdings 0.5-1 ha. Furthermore, in Bulgaria the land restitution process was completed in 2000 and prior to that time, the many claims to land caused insecure land tenure. At this time, while land tenure is legally secure, landowners do not have confidence in the security of their rights because the restitution law has changed many times. However, most agricultural land in Bulgaria is rented (79%) and the rental market seems to be better regulated than the sale market.

**National Programmes.** In addition to EU policies, the Ministry of Agriculture directly finances national programmes. Some of these programmes may have implications for farm structures: the Agricultural Land Programme (BGN 71m) aims to ensure sustainable use of land resources through policy for protection and consolidation of agricultural land and the creation of the Land Parcel Identification System (LPIS is the admin and control system used for CAP area payments), the Hydro-amelioration Programme (BGN 8.9m), the Food Quality Programme (BGN 1.7m).

**CYPRUS**

In Cyprus the defective land tenure structure seems to be a major structural obstacle to the development of agriculture. Land consolidation policy (Consolidation and Reallocation of Agricultural Land Laws 1969 to 2003) includes measures to increase the size of holdings, to eliminate dual ownership of land, to reallocate agricultural land so as to form holdings of adequate size and regular shape suitable for cultivation and to carry out land improvement work. 2010 marks the completion of 72 land consolidation schemes (17,481 ha), the implementation of another 14 schemes (3,265 ha) and the initiation of further 36 schemes (5,126 ha). Another factor to be taken in account when analysing farm structures in Cyprus could be the Agricultural Insurance Scheme, subsidised at 50% by the Government. Its main objectives are to safeguard farmers’ welfare and stabilise farm income. According to an assessment of his effectiveness, these objectives were achieved in a satisfactory way. Every year the Government adopts ad hoc measures for crops not included in the scheme.

**CZECH REPUBLIC**

Even though from 1991 the Land law opened up the possibility for private family farming, very often the large collective and state farms broke up into smaller (but still large) co-operative farms and continued as before through lease agreements with private landowners who had withdrawn their land from the cooperatives\(^{23}\). As a result of the land reform process, Czech agriculture is characterised by a dual structure: about 90% of farming units are small family farms controlling only 10% of the total land, whereas large collective or corporate farms (10% of farming units) control 90% of the land.

Today, two policy areas are identified as the most likely to impact on the structure of the farming sector in the period of analysis: land use policy and farm access to credit.

**Land use policy.** Until the early 1990s, the loss of agricultural land was constantly increasing in Czechoslovakia. The Act on Protection of Agricultural Land Resources was enforced in the former Czechoslovakia in 1992 and one year later, when Czechoslovakia dissolved, both Czech Republic and Slovakia retained it. Preservation of the best agricultural land and high quality soils in outer city belts is one of the main objectives of the Spatial Development Policy. Based on the Act on Protection of Agricultural Land, the conversion of high quality agricultural land to building land requires a compensation fee. The system defines five classes of agricultural land of which the classes I and II are the most fertile. Conversion of Class I and II soils requires a special permit and a fee to the State Environment Funds. The fee ranges from 828 €/ha to 2,776 €/ha, depending on soil fertility. Since the implementation of this mechanism, a decreasing trend of soil consumption was observed (2000-2008). However, according to national experts, the fee is too small to represent a barrier for new

\(^{23}\) As the land of cooperative members was often not formally expropriated, in most cases after 1991 the owners or their successors were able to regain possession of their land through an informal procedure of withdrawal from the cooperative. On the other hand, legal restitution procedures had to be set up in the case of state farms, in which the land had been formally expropriated from the owners. The Land Fund was established in 1992 to manage the restitution process.
developments. The Czech Ministries for Agriculture and Environment are currently preparing an amendment to the Act in order to increase the compensation fees (European Commission, 2011).

**Farm access to credit.** The Czech Republic has a system of financial services for agricultural holdings dating back to the end of the communist era. Credit subsidies and loan guarantees, which are administered by the Support and Guarantee Fund for Farmers and Forestry (SGFFF), play an important role in facilitating structural adjustment. Credit facilities are available for investment as well as for working capital needs. The SGFFF provide collateral guarantees and interest-rate subsidies for long-term credit. A significant initiative in the administration of mortgage credit and agricultural land collateral came with the State programme "SOIL" (2004), aimed to enable farmers to purchase land from private. All the same, small and medium-sized farms face significant problems in accessing credit because of lack of capital and inefficient farm management.

**DENMARK**

The policy instruments likely to have had effect on the structure of the Danish farm sector are those regulating land markets, closely related to land use and planning policies, and agricultural taxation.

**Land market.** 62% of the area of Denmark has been designated as agricultural land, and registered in the Cadastre as farming obligation, thus subject to the Agricultural Act on acquisition (Act no. 435/2004). The Act includes provisions on duty of residence, rules on joint operation and tenant farming. License from the land authorities is required if the holding owner wishes to purchase a new property above 30 ha (but a family property can be sold to relatives without any constraints on the properties already owned). Until recently, land ownership was restricted to Danish citizens only, rules have recently been relaxed to allow other EU citizens and corporate farms to own land.

Denmark has also specific policy in place that strongly regulates rental of whole farm properties. Tenancy of whole farms only concerns 2.4% of total agricultural area (19% of the total agricultural area of the country is rented). According to the agricultural Holdings Act, 1989, the maximum term of lease of whole farms is 30 years. Tenants must live on the holding whether they manage the farm or not. Tenants must not own or farm land from more than five holdings. Maximum holding size is 125 ha unless there is proof that more land is needed to dispose of manure. To help tenants become landowners, the government set up state funds to subsidize land purchase by tenants, either directly or through regulating prices, subsidized loan conditions or tax benefits.

**Agricultural taxation.** Denmark has high environmental taxes. Farmers pay tax for the use of herbicides (13% of the sales price) and pesticides (27% of the sales price). With the aim of improving the health of the population, in October 2011 the Danish government has introduced a controversial fat tax on food products, the first of its kind in the EU. The tax affects dairy products, vegetable oils and meat. The fat tax rate is DKK 16 per kg of saturated fat and applies to domestic and imported food products with saturated fat content exceeding 2.3%.

**ESTONIA**

Soon after Estonia gained independence, the Law on Land Reform in 1991 and the Law on Agricultural Reform in 1992 were established to re-distribute land to former owners or users. However, the process of land restitution and privatization has been very slow. Nowadays, Estonia carries a large stock of fallow agricultural land as in many cases land was restored to owners who did not intend to farm it. Potential tenants willing to lease the land are also scarce, since rural regions are heavily affected by out-migration. At the same time, there are no legal provisions regulating the use of agricultural land as urban sprawl is not competing with agricultural activity (most cities are situated in areas characterised by sandy soils not appropriate for agriculture).

The review of instruments implemented within the analysed policy areas do not highlight the existence of important drivers of structural change (or, *vice versa*, policies hampering structural change). The only policy area worth mentioning is that concerning diversification. The renewable energy sector has also rapidly developed; the majority of investments (2005-2009) were made for the establishment of combined heat and power plants and wind farms. Too, in 2005 a market development measure was
introduced to cover costs associated with market promotion and research, product development and quality improvement to increase marketing possibilities for (processed) agricultural products.

**FINLAND**

Based on interview carried out at the national level and other data, the early retirement programme for farmers, the start-up aid for young farmers and state aid for investments (lower loan rate, grants and direct support for certain investments) have been the most important measures producing a significant impact in terms of accelerating farm structural change. On the contrary, the following elements are deemed to have had effect in terms of hindering structural change: no exemption for inheritance tax; farm land and forests are valued as all other property; increased land price and rental price (direct support increases land lease process\(^{24}\)); right of municipalities to buy arable land if it is close to land owned or of interest for the same municipality.

The farm land market has been dynamic, especially in the years introducing the SPS. The average area interested by transactions was 47,000 ha per year over the period 1998 - 2007. However, 2005 was an exceptional year, when almost twice as many land transactions were registered compared to 2004. This exceptional year could be related to changes in investment support programmes, regulations for generational transfer and farmers’ expectations about CAP changes, as well as uncertainty over the continuation of the temporary early retirement programme (which has encouraged farmers to exit the sector before the end of the programme. Moreover, the introduction of support grants for new farmers in 2005 boosted inter-generational land transfers remarkably (i.e. sales between relatives). After 2005, land transactions have been steadily decreasing as well as inter-generational transfers.

National Programmes. At the time of EU accession negotiations, Finland had negotiated the right to pay extra, nationally financed aids. Aids may not be used to increase production, nor may the total amount of support exceed the level in existence prior to EU membership. There are six national support areas: 1) Northern aid to areas north of the 62nd parallel and adjacent areas, which represent 55.5% of the arable area in Finland; 2) National aid for southern Finland; 3) National aid for crop production; 4) National supplement to environmental support; 5) National supplement to LFA support (the whole agricultural area of the country is classified as LFA); 6) Other national aids.

**FRANCE**

In France, structural policy and land policy have been historically important (Agricultural Modernisation Plan in 1947, the first Law of Agricultural Orientation in 1960). The following paragraphs concisely describe new or revised measures regulating farm installation policy, agricultural land markets, labour contracts and the agricultural tax system.

Support to generational change and setting-up of young farmers. Young farmers meeting established conditions may benefit from Young Farmer Grants and reduced rate medium-term loans. These loans serve to finance the take-over of farm capital, land acquisition and working capital requirements (Decree no 2007/1261). The Law no 2006/11 provides the opportunity for young farmers who buy a farm to stipulate a special contract (*progressif*, i.e. a deferred acquisition of property), for which the payment of half of the purchase can be spread over a period of 8 to 12 years. The seller also benefits from a tax reduction. Financial assistance can be provided to farm managers without successors and aged 56 to 65 years, who transmit all or part of their farm to one or more young people outside the family circle who benefit from Young Farmers Grants.

Land sale market. In France agricultural land cannot be purchased freely, the SAFER agencies (*Sociétés d’Aménagement Foncier et d’Etablissement Rural*, 29 agencies throughout the country), regulate the land market and represent one of the key components of the French structural policy.

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\(^{24}\) According to the European Court of Auditors (Special Report 5/2001) under the regional and hybrid models, the number of payment entitlements is very close to the overall number of hectares of eligible agricultural land. This situation had an important effect on land lesse prices, because farmers with more payment entitlements than land were prompted to lease land for the purpose of activating the largest part possible of their payment entitlements. This pushes up the overall demand for leased land and results in higher land lease prices.
Created in 1960, SAFER was designed to purchase farm land in order to reorganise land parcels and enlarge farms that were below the threshold of profitability and to equip and settle young farmers. Nowadays, SAFER’s purpose is "to ameliorate agricultural structures, increase the surface area of certain farms and assist farmers as they settle in and begin to cultivate the land". The agencies have pre-emptive right on most rural property (each department has a minimal land area determined by the prefecture below which SAFERs do not have pre-emptive right; however, the thresholds are very low). SAFER can pre-empt at the sales price and on the other terms stated in the sales contract. However, if they disagree with the price, they can resort to legal action.

The land purchase tax is 5.09% of the land price, reduced for non built agricultural land. For young farmers tax is 0.715% of the land price. Transactions from or via SAFER are exempted from tax.

**National provisions regulating rental of agricultural land.** The *statut du fermage* defines the terms of rental contracts. Rental contracts usually are for at least 9 years (*bail rural*), there is also the *bail de long terme* (18 years), and the *bail de carrière* (25 years). The tenant benefits from pre-emptive rights, with the possibility to have the price reduced via SAFER intervention. In case of tenant's retirement or decease, contracts are inheritable. Law no 2005-5 introduced a new type of rental transferable contract (*bail cessible*): tenants without successor can transfer the contract to whom they want. In this case the rental price increases (50% at most). Such contracts can be only for 18 years and do not entail automatic renewal. Rental prices of agricultural land are also regulated: each department sets a price index for built and non-built land, used to set minimum and maximum prices.

**Labour contracts.** There are various instruments in place to facilitate agricultural employment. Law no 2006-11 encourages the creation of employer groups: an employee working for several farmers can have a single employer; farmers who are members of an employer group may benefit from reduced social contribution rates for the employment of casual workers (art. 26), and the reduction of social charges (art. 27). Law no 2006-11 also establishes the possibility of employing one month per year workers under 26 years exempt from social security contributions. The same law establishes the status of collaborating spouse for the farmer spouse/partner. Job-training contracts (*contrat emploi-formation en agriculture*: Decree 151-2006, Art. 1) facilitate agricultural employment by combining work with training, allowing seasonal employees to have access to training during periods of low activity. The maximum permitted length is 18 months. France has bilateral agreements for seasonal workers with Poland, Tunisia and Morocco, under which workers are admitted for a maximum of 6/8 months. Terms must meet French standards.

**Agricultural taxation.** The agricultural income tax system is composed of three core tax regimes and numerous options, differentiated according to farming income and structure (there is a separate regime for forestry). The applicable regime is determined on the basis of revenue (receipts), including subsidies and allowances, calculated over two years. Young farmers that start farming are allowed to reduce their taxable agricultural income for 5 consecutive years by 50%.

**GERMANY**

Germany has long-standing experience in policy programmes to support development of rural areas. Such programmes started in the 1960s and were almost entirely focused on agriculture, including improvements of local natural and infrastructure conditions and land consolidation. The Joint Task for the Improvement of Agricultural Structures and Coastal Protection (GAK) is of primary importance.

**Land consolidation.** The German Land Consolidation Act (lastly amended in August 2008) establishes that to improve production, working conditions in agriculture and forestry, as well as general land use planning and land development, owned land may be consolidated. This is executed by means of official procedures with the participation of the totality of land owners and competent authorities25. East German Länders abide an additional Law on Adjustment of Agriculture (1990) that

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25 A number of tools are applied in both East and West Germany: comprehensive land consolidation (main approach); voluntary land exchange; accelerated land consolidation; simplified land consolidation; land consolidation in case of permissible compulsory purchase. Two measures apply to East Germany alone: procedure on restitution of ownership; joining of land and building ownership. (Thomas 2004)
regulates re-arrangement and adjustment of farms and serves the purpose of integrating the former legal system into West German Civil Code concerning land ownership\textsuperscript{26}.

**Land sale market.** The Law on Sale of Agricultural Land regulates land transactions. Sale of agricultural land bigger than a certain minimum size requires a permit by the regulatory authority. The minimum size is set by each Federal State (e.g. 2 ha in Bavaria). The regulatory authority examines the existence of pre-emptive rights and has power to stop transactions in case of inefficient allocation of agricultural land, reduction of agricultural parcels and too high/too low sales price. A regulation which in some areas has an impact on land prices is the Hartz IV law (taking effect on January 1, 2005), which regulates benefits for long-term unemployment. The law establishes that unemployed people can receive no aid as long as they own any property. In regions with high unemployment rate this law leads to unemployed people having to sell their land. In East German Länders additional land sale regulations concern the ongoing privatisation of state-owned land being carried out by the trust company BVVG, created in 1992 as a subsidiary of the Treuhand (the agency that privatized East German enterprises). BVVG was involved in the restitution of land ownership rights and holds the mandate to privatise about 1.8 million parcels of state-owned land for a total area of 2.3 million ha.

Sales price is also regulated: the Compensation and Indemnity Act gives former land owners (current tenants) who lost their agricultural land in the collectivisation of the 1950s and 60s an opportunity to buy land at 65% of the current market price. The amount of agricultural land that can be purchased at the lower price depends on soil quality\textsuperscript{27}. For land sales that do not fall under the conditions of the Compensation and Indemnity Act, the BVVG established a new tool, the invitation bid. Public land under contracts with remaining duration of two years has to be publicly offered for sale or rental. As the highest bid will receive the land, the former tenant must buy the land if he does not wish to lose it.

**Land rental market.** In Germany transfers of agricultural land mostly take place on the rental market (CEPS, 2010). Although prices have been relatively stable at the aggregate level (2005-2010), in East Germany they increased in 2006-2007 (the use of invitation bids by BVVG caused an average rise by 22 %), while in the Western regions they have edged down.

**Agricultural insurance.** Ad-hoc measures for large-scale disasters (fully State funding) and animal disease funds (partial State funding) are available. Insurance funds provided by the government to affected farmers concern: emergency measure; lease extensions or waivers for areas leased from the State; advances or early pay-out of direct payments; early pay-out of compensatory allowance for LFA; remission of land tax by the local authorities due to considerable decrease in yield; government subsidies for holdings at risk of bankruptcy in the case of national crises.

**Social security & agricultural taxation.** A special system operates for farmers, their spouses and family members working on the farm covering pensions, health and injury insurance. Government-subsidised social contributions to farmers represent an incentive to stay in the sector. Germany stands out for the highest level of social contributions in the EU-15 and among the lowest direct and indirect taxes. Income tax rates for farmers are the same as for other unincorporated businesses but there is a simplifying and possibly beneficial procedures for farmers (flat-rate system applied below an area ceiling of 20 ha/other ceilings are in place for animal production, vineyards and other highly profitable activities; intermediate cash-based procedure is available for farms with profit, turnover or an imputed economic value below € 25,000 in order to limit the administrative burden on very small farms. Agricultural land is given a reduced county real estate tax rate (in 2004, 0.43% opposed to 1% for other land) and a reduced municipal tax rate: max 1.2% for agricultural land and 2.4% for other land.

**Diversification: biogas production.** The 2000 German Act on Granting Priority to Renewable Energy Sources (last amended in 2009) regulates guaranteed feed-in prices and premiums for

\textsuperscript{26} Three factors are particularly relevant for land consolidation in East Germany: 1) privatisation of state-owned land confiscated in 1946 (BVVG Land Fund); 2) transformation of large collective or state-owned farms into smaller private farms, partnerships or corporations; 3) reduction of old debts from the Communist system.

\textsuperscript{27} With the current 600,000 hectares of agricultural land, the BVVG is still the biggest land owner in the newly formed German States. It is estimated that 42% (250,000 ha) of this land will be sold at the reduced price. The remaining land (approx. 350,000 ha) will be sold at market value, but not exceeding 25,000 ha annually, therefore not ending until 2020.
electricity produced from renewable energy sources, including biogas. Payment is guaranteed for 20 years. Thanks to this policy, energy production from agricultural biogas experienced a boom in Germany, encouraging primarily medium scale farms (5-50 ha) to invest in biogas.\(^{28}\)

**GREECE**

In spite of policies to prevent abandonment of rural areas and to improve land consolidation dating back to the 1950’s, the agricultural sector is still fragmented in Greece, with low average farm size. The main measures likely to preserve agricultural activity in Greece appear to be the follow.

- Since 1979, the subdivision of agricultural land below the minimum parcel size of 0.4 ha is forbidden. The State promote land re-distribution at a rate of 7 000 ha per year between 1996 and 2003 (one-third of agricultural land is owned by the State and a significant acreage is owned by the Orthodox Church). However, in 2006 there still were about 750 000 ha to be re-distributed.
- The Agricultural Bank of Greece offers loans at special conditions for the purchase of agricultural land to benefit, in particular, young farmers.
- Law no 2961/2001, amended by Law no 3091/2002, establishes exemptions to transfers of farm land so as to maintain activity. Exemptions are also granted on the real estate transfer tax for the purchase of farm land. Conditions for exemption include being a young farmer under 40 years of age and the purchase of land adjoining agricultural land already owned by the buyer. Farmers are also granted tax exemption for inheritance or inter-generational transfer of agricultural land.

**HUNGARY**

Hungary’s post-communist land reform has generated a great diversity of agricultural holdings: large incorporated privately owned farms (land is leased); cooperatives operating on owned land; individual private farms and household farms. The sector is characterised by a dual structure: 10% (collective and corporate farms) of farming units control about 90% of the land.

**Land lease market.** Land concentration is pursued primarily through the lease market: surveys conducted by the World Bank have shown that individual farms with leased land are significantly larger than farms using only their own land. The lease system is, however, imperfect (e.g. the minimum lease term is not regulated by the law, and in 95% of cases the lease is less than 5 years) and may not promote long-term investment in farms. Moreover, according to the European Court of Auditors (Special Report 16/2012) SAPS payments have had an effect on lease conditions and prices. The Court observed a strong increase of lease prices for state owned land of low agricultural value such as marginal grassland. Before 2004 sheep breeders traditionally using this land had paid no or very low lease fees but with the introduction of SAPS demand for such land increased. This is explained by the fact that SAPS payments being proportional to area guarantee a high level of aid in relation to the low productive value of the land. The authorities started organising public tenders for awarding lease contracts which resulted in significantly higher lease fees that affected all farmers working on this type of land. The Court identified lease contracts where the lease was directly expressed as a percentage of SAPS and/or complementary national direct payments and was thus increasing proportionally to the evolution of these payments.\(^{30}\)

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\(^{28}\) Germany is the EU leader in biogas production with 5 300 plants in operation in 2010, requiring 800 000 hectares (compared to 3.3 million ha for wheat production). The production of energy and raw materials derived from agriculture for industrial production has become an additional source of income in agriculture. The area devoted to all renewable resources from agriculture has doubled since 2003. The impact of bio-energy production on land sale prices and rents was assessed as strong in West Germany but as very small in East Germany (due to the different average farm size)

\(^{29}\) Hungary’s land privatisation programme was based on compensation of former owners, rather than land restitution, with landless workers on state farms and cooperatives also receiving small land grants. 50% of the country’s land area was interested by compensation claims, and over 2.1 million new land units were created during this process.

\(^{30}\) The Court also observed that, in Hungary, tenant farmers could only sign or prolong land lease contracts under the condition that they transfer the payment entitlements to be allocated to them in the case of a future introduction of a new support scheme, free of charge, to the owner of the land.
**Land sales market.** In Hungary, land markets have been slow to develop due in part to legal restraints on land sales to legal persons and foreigners. Hungary restricts private land owners to holdings of no more than 300 hectares. Hungary also agreed during EU accession negotiations that foreign legal persons will be able to buy arable land, but not until 2011\(^{31}\) (the Ministry of Agriculture requested an extension until 2014: one of the arguments for this measure is the low market price of farmland).

**Farm access to credit.** Since 2000, Hungary has developed a system of farmers’ credit programmes (harmonised with EU regulations after accession). The Agricultural Development Credit Programme (Government Regulation 39/2005) supports the sector with preferential medium and long-term credit. Credit may be used for the setting-up of young farmers, the improvement of production and modernisation of existing facilities, the processing and marketing of own products (except for milk/dairy substitutes and sugar processing/marketing activities). Furthermore, the farmers’ credit line programme (Government Regulation 30/2000) provides interest subsidy and state guarantee to diminishing the indebtedness of agricultural producers and establishing an effective farming structure.

**Agricultural taxation.** Farmers’ income is not taxed if agricultural revenue is less than €2,384 (Act CXVII of 1995). Farmers with crop production pay 15% taxes and animal breeders pay only 6%. If farmers have more than 60% costs, which is often the case, no income tax is due.

**IRELAND**

The policy instruments likely to have had effect on the structure of the Irish farm sector in terms of maintaining farming activity are those concerning social security and agricultural taxation:

- Ireland has established a number of social protection measures for those engaging in farming activities with the objective of preserving agricultural employment. Farm Assist Scheme is a weekly means-tested payment for low income farmers aged between 18 and 66 years.

- Several provisions in place from 2010 onwards impact on the taxation of income from farming. Among other: Income tax deductions apply to farms increasing the value of trading stock (higher for young trained farmers). Furthermore, farmers paying tax on their farming profits may claim a 7-years allowance for capital expenditure on the construction of farm buildings other than dwelling and certain other works. Farmers can also benefit from allowances for capital expenditure on construction of farm buildings for pollution control (waste storage facilities and winter housing for cattle and sheep). Individual full-time farmers may elect to be charged income tax on the basis of the average of farming profits and losses of 3 years.

On the contrary, access to credit is deemed as one of the main economic barriers to the development of Irish agriculture together with low family farm income. Indeed, Ireland does not have any specific policy to facilitate farm access to credit\(^{32}\).

**Diversification: Energy recovery.** The Bioenergy Establishment Scheme provides grants to farmers to plant willow and miscanthus to produce biomass suitable as a renewable source of heat and energy. The scheme provides establishment grants of up to €1,300/ha or 50% of the cost. The scheme was launched on a pilot basis in 2007 and supported the planting of 2,500 ha by the end of 2009.

**ITALY**

In Italy, changes introduced in 2001 (Law no 228/2001) and in 2004 (Law no 99/2004) to civil and fiscal regulation of agricultural holdings appear to be particularly relevant. In particular, Decree 99/2004 defines and regulates legal entities and business activities in agriculture and introduces the Professional Agricultural Entrepreneur (Imprenditore Agricolo Professionale-IAP). IAP qualification gives farmers the opportunity to access various tax and credit benefits, particularly for the purchase of

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\(^{31}\) However, foreign citizens will be able to purchase land if they have been residents for at least three years, farm for a living, pay taxes and if Hungarian farmers renounce their purchase option.

\(^{32}\) In July 2011, the Bank of Ireland announced a €200 million Agri Farm Investment Fund to support the financial needs of the agricultural sector. The new fund is available for a variety of investments including purchase of machinery and land, upgrading housing and other facilities, construction of farming buildings and for purchasing stock.
land. The IAP must have relevant knowledge and professional skills, devoting at least 50% of his working time to agricultural activity and obtaining from it at least 50% of his working income (before, both rates were set at 33%). In addition, the law extends to companies that exclusively exercise farming activity the benefits already applying by law to natural person farmers.

Several measures aim at **consolidation of agricultural land parcels** and enlargement of holdings: Law 99/2004 provides incentives to land transfers to achieve the minimum level of profitability required by EU legislation for access to investment aids. Artt. 9 and 10 establish tax reductions for farmland mergers, exchange of parcels, correction of land boundaries, rental of adjacent lands. Law 296/2006 modifies inheritance tax rates, making them less burdensome than they were in the past. In mountain areas, less onerous inheritance tax rates are in place (Law 97/1994).

Furthermore ISMEA, a public economic institution, manages measures such as: i) takeover in agriculture: granting of loans (90%, up to a max of €1,032,000) for investments fostering generational change (Decree 185/2000); Setting-up of young farmers: setting-up aid for the purchase of land by young farmers aged 18-39 subject to certain eligibility criteria (Aid scheme XA 259/2009 replacing XA 110/2001); iii) granting of loans (at a 2% rate) for the purchase of land by professionally qualified farmers. ISMEA is also involved in public land privatisation.

**Land market.** Rules on transfer of land are based on laws dating back to 1965 and 1982 respectively and are modelled around two legal entities: small farmer and agricultural entrepreneur (now replaced by IAP)\(^{33}\). Provisions in place since 2005 for agricultural land purchase/sale regulate the different taxes on land transfers depending on the subjects: 15% registration tax, + 2% mortgage dues + 1% land registry tax, but grants the following tax reliefs: fixed tax rate for small farmers, reduction to 8% for IAPs. These benefits are extended to agricultural enterprises with IAPs. Art. 5bis of Law 97/1994 grants tax relief for the purchase of land in mountain areas.

**Agricultural taxation.** The system provides for the cadastral taxation of agricultural income on the basis of agrarian income and farmland income\(^{34}\), with a tax exemption ceiling at 7,000 euro. Law 80/2005 created a special VAT system applied to all agricultural producers who, in the previous calendar year, had turnover in excess of 20,658.28 euro, while maintaining the option for the standard VAT regime, irrespective of turnover.

**Diversification.** Law 228 /2001 has re-drafted the definition of agricultural activity to include related activities\(^{35}\). Farm diversification policies have a strong focus on:
- Direct sales and farmer’s markets. Law 228 /2001 has enabled agricultural enterprises to exploit direct sales channels, to benefit from tax relief, and to sell non-farm products. A simplified scheme for authorisations has been introduced. Law 296/2006 establishes requirements and standards for the creation of a farmer’s market (sales methods, price transparency) and eligibility criteria for farmers to participate.
- Rural tourism activities. Law 96/2006 draft the definition of rural tourism activities: hospitality in dwellings or open spaces; the offering of meals and beverages, consisting mainly of own products and products of farms operating in the same area; product tasting initiatives; the organisation, also outside the enterprise, of recreational, cultural, didactic, sport and touring activities.
- Energy recovery. Legislation relative to energy generation dates back to 1999. Law 266/2005, art. 1 § 423, establishes economic incentives to agro-energy activities and methods for guaranteeing

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\(^{33}\) Art. 8 of Law 590/1965 establishes pre-emptive rights to purchase for current tenants and neighbour farmers. Also the rental market was heavily regulated for many years and is still subject to certain rental price regulations. Rules were modified several times in order to balance the contract positions of tenant and landowner. Until 2002 the duration of the contract and the value of the rental was based on the “*equo canone*” (fair rent) agreement: the rental price is not negotiated between the parts but it is defined by a technical commission which determines the rental value based on prices of agricultural products, production costs and farmer’s income. Given that the "*equo canone*" value usually was underestimated and fixed for several years, owners were discouraged to rent out land.

\(^{34}\) Farmland income consists of land-based revenue, agrarian income refers to revenue deriving from land use.

\(^{35}\) Recently, Law 266/2005 states that “generation and sale of electricity and heat from renewable agricultural, forestry and photovoltaic sources and of fuels obtained from vegetable products and of chemical products derived from agriculture constitute farm-related are deemed to produce agrarian income”. 
traceability of biomass to be used for power generation. Decree Law 159/2007 introduced a scheme for power generation deriving from facilities fuelled by biomass of agricultural origin. The provision also promotes agricultural products and by-products used for energy supply, with specific incentives for energy produced from biomass. Law 244/2007 revamps the green certificates system and defines incentives relating to the average rated power of the facility.

LATVIA

Land consolidation. When the post-soviet Land Reform started in Latvia, state farms and collective farms accounted for 92% of all agricultural land. The first stage of the reform (1992-1994) concerned farms’ privatisation through establishment of limited liability and corporate companies, whereas restitution of land ownership started after 1993. Land privatization and restoration of property rights are now completed. A “second wave” of land reform is planned, concerning re-parcelling and consolidation of agricultural properties.

Land use. Almost half of Latvia’s territory is covered in forests (45.7%) and agricultural land covers a further 37.7%, down from 38.5% in 2000 (EEA, 2010). The slight decrease of the agricultural area is related to forestation and the transformation of agricultural land for development. There does not seem to be conflict between different land uses as the agricultural production potential is twice as high as Latvia’s consumption rate suggesting that there is no particular pressure to preserve a certain quota of agricultural area. Nonetheless, there is special government policy concerning transformation of agricultural and forest land through the Agriculture and Rural Development Law of 2004 by which changes of land use are subject to a state fee. Between 2006 and 2007 the Rural Support Service of the Ministry of Agriculture issued permits for transformation of 7,064 ha and further 7,958 ha of agricultural land. About 77% of this land was planned to be transformed into forest land.

Policies for development of renewable energy sources. The development of renewable energy sources may be related to changes in the transformation of agricultural land into forests. Biomass is in fact the most important renewable energy source of Latvia (production of wood for energy represented 30.4% of the total consumed energy in 2007 and this proportion would be higher, but considerable volumes of wood for energy production are exported) and is probably likely to grow further.

LITHUANIA

One of the most serious problems afflicting Lithuanian rural areas is the abandonment of agricultural land. It is estimated that about 3.4 million hectares of agricultural land are farmed, whereas 500 to 600 thousand hectares of agricultural land are currently not in use[36] . In this context, the policies likely to influence farm structures are those concerning land consolidation and regulation of land markets.

Land consolidation. Land consolidation is still an ongoing process in Lithuania (land consolidation legislation was adopted in January 2004). Between 2005 and 2008 the first 14 land consolidation projects have been carried out on an area of 4,827 ha with the participation of 388 landowners. In 2008 a second phase started through a Government Programme 2008-2012 and the establishment of a State Land Fund, financed through the 2007-2013 RDP.

Land market. In Lithuania a large proportion of agricultural area is rented. However, after 2000 the land sales market has been strongly affected by public sales under the land privatisation programme (about 1 million ha have been privatised between 2002 and 2006, Swinnen and Vranken, 2010). With the increase of land sales, land rentals slightly decreased. The share of privately owned land increased by more than 60% from 2000 to 2006. By 2011 privatisation of an additional 0.9 million ha was foreseen. In Lithuania there is an upper limit of 500 ha for the amount of agricultural land that can be owned by one person. Lithuania was granted a transitional period during which restrictions apply to

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[36] Various causes for abandonment are reported: i) with the land reform, land ownership was restored to owners not living in rural areas and not interested in farming who hold on to the land because it is an investment or security for the future; ii) outmigration from rural to urban areas, especially of young people; iii) fragmentation / bad quality / inaccessibility / small size of agricultural land remaining unsold after the land reform. The result of the restitution process has been an agricultural structure with an average farm size (12 ha) less than the average farm size in 1939 before WWII.
foreigners for acquisition of agricultural real estate. However, there are exceptions for those foreigners who have been permanently living and farming in Lithuania for at least 3 years or who marry a Lithuanian citizen (provided s/he becomes a Lithuanian citizen).

**LUXEMBOURG**

The review do not highlight the existence of important drivers of structural change. The only policy area worth mentioning is that of diversification into organic farming. The national plan developed for the purpose of increasing organic acreage to 6,000 ha allocates funds for a range of measures.

**MALTA**

Two thirds of the agricultural land in the Maltese Islands is owned by the State and the remaining by the private sector. 80.4% of UAA is rented, the present land tenure system, which is meant to protect farmers and cultivation, is actually proving to be a heavy deterrent to new entrants.

National programmes. Until EU accession the agricultural sector was protected through trade barriers. Malta negotiated a special transition aid that incorporates 9 specific aid schemes (tomatoes, fresh fruits, fresh vegetables, potatoes, wine, pigs, dairy, poultry and egg farming). All sector schemes provide price subsidies to compensate for the eliminated import levies. In addition, some sector schemes contain support for restructuring and marketing as well as area payments: restructuring (investment) assistance for wine and livestock sectors, marketing aid for tomatoes and potatoes, and area payments for wine grapes and potatoes.

**NETHERLANDS**

Land is a scarce resource in the Netherlands. Land available for farming is decreasing, with increased pressure from non-agricultural uses. Policies regulating land use and land rental market appear as the most relevant in terms of possible structural effects on agriculture.

Policies for agricultural land use and consolidation. Farms have changed over recent years from mixed production to specialisation in arable crops, horticulture, intensive greenhouse horticulture and animal production. The intensification of production has had a negative impact on wildlife and land consolidation has been considered to be a major contributing cause. At present, the government has designated a limited number of areas for these sectors aimed at reducing impact on landscape and the environment. In environmentally sensitive areas, land management plans are now adopted and, where appropriate, compensation is paid to farmers for any loss of income they suffer by taking land out of production, or restricting the use of the land.

Land market. Agricultural land transactions have always been relatively free. On the contrary, the rental market has always been heavily regulated (Tenure law introduced in 1958) and strongly orientated to protect tenants’ rights (i.e. regional rent ceilings were established by the government allowing for only modest annual adjustments; tenants had pre-emptive right to buy the land). This policy has restrained the development of agricultural land lease. From September 2007 onwards rental agreements for less than 6 years are not subject to any of the historic constraints.

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37 According to the Agricultural Leases (Re-letting) Act (1967), both State and private land is automatically re-let to the existing tenant or his/her descendants. This Law effectively impedes the eviction of tenants or any substantial rent increases, even on privately owned land. Given the cheap prices at which land is rented, both tenants and private landowners tend to hold on to their land resulting in shortage of land for new agricultural ventures.

38 In 2002 the Concentration Areas Reconstruction Act introduced measures for geographical concentration of intensive livestock farming. This Act, originally intended for the layout of pig-free areas following the outbreak of swine fever in 1997, has become an instrument for spatial improvement of the five provinces in which intensive livestock farms are concentrated. The objective of the Act is to relocate farms from areas in which intensive livestock farming is regarded as undesirable and to oppose expansion of farms in these areas. The implementation of this programme has encountered serious difficulties: land prices tend to increase sharply in areas designated as agricultural development areas; resistance from environmental groups and local citizen initiatives. In 2005 the Dutch government decided to aggregate greenhouse horticulture in three so-called ‘Greenports’. These accommodate over 3,800 ha of greenhouses, 38% of the total greenhouse area. The Greenports are supplemented with 18 project locations, smaller areas of concentration, distributed across the country. These are intended as alternative areas for farms who wish/are forced to leave the Greenports.
POLAND

Differently from most other Eastern European countries, in Poland as much as 75% of the agricultural land remained in private ownership (i.e. family farms) throughout the socialist era. However, from 1982 onwards, Poland applied land consolidation as an instrument to address the severe structural problems of land fragmentation and small farm sizes, mainly affecting southern and eastern regions. Privatisation of agricultural land owned by state farms is close to completion by the Agricultural Property Agency (APA).

Still today the agricultural sector is dominated by owned family farms with 80% of total area (family farms are defined as farms with no more than 300 ha of arable land leading by an individual farmer). The policy instruments likely to bear an impact on farm structures through the preserving of farming activity are those regulating land markets, taxation system, social security and agricultural insurance.

Land sales market. The land sales market in Poland is specific, as there exist two parallel markets. The land market comprises private land and State-owned land managed by the Agricultural Property Agency (APA), which offers for sale real estate owned by the State Treasury. The sales of state-owned farmland are mainly achieved by the means of tendering. Auctions are usually held so that the highest land prices are obtained. It is ever more common for the limited tendering to take place, this being solely open to small farmers intent on increasing their family holdings. Private land transactions are free39, but pre-emption right applies in case transactions occur between family members or the farm is purchased by a tenant renting for at least 3 years and in case the purchase contributes to enlarging the family farm to 300 ha.

Land lease market. As in Hungary, the European Court of Auditors noted the capitalisation of part of the SAPS support in land lease prices (i.e. increase of lease prices for land of low agricultural value).

Taxes. Polish farmers pay land taxes depending on the acreage and quality of the soil, but they may be exempted from taxes in a number of ways (e.g. if the farmer has increased the size of the farm to 100 ha, if the land is bought or leased from APA). Corporate and personal income taxes are not levied on income from revenue generated by agricultural activity (Ministry of Finance, 2004). Income tax is only applied to specific agricultural products: greenhouse production, poultry, mushroom production, bee keeping, large-scale pig farming, fur animals, silkworms.

Insurance & Social security. In the period 2003-2013, the Government covers up to 50% of the cost of crop and livestock insurance against natural disaster. Large holdings are excluded from the aid. The Act of 21/12/1997 concerning social insurance payments for farmers (OJ. 1998, No. 7) created a social security fund for farmers (known as KRUS) which provides retirement payments, over 90% of which comes directly from the state budget. Contributions into the KRUS are lower than under the normal scheme. All residents of Poland owning over 1 ha of agricultural land may register for KRUS.

PORTUGAL

Portugal has developed various measures to facilitate access to credit for farmers, either landowners or farmers renting the land. Legislative Decree 298/1998 of 28/09/1998 regulates Short-Term Credit for agriculture, forestry and livestock supporting farm investments. The financing Programme to Tenant Farmers used to provide rural tenants with the possibility of acquiring agricultural land which was under their direct exploitation; refunds to direct heirs; funding for land consolidation. Beneficiaries were all tenant farmers, with priority given to young farmers. The Programme ended on 1st September 2005. Since 2008, various credit systems have been set up specifically for micro, small and medium-sized enterprises, operating in agriculture, livestock, forestry and agro-industry to provide resources for investments in tangible or intangible fixed assets; strengthen the working capital needed to develop the activity; settle debts with credit institutions or suppliers of production inputs including capital.

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39 There are limitations for foreigners: EU inhabitants are allowed to buy land after 3 or 7 years lease. Citizens of other countries will be allowed to acquire lands not until 2016. EU inhabitants can by land in Poland without special permission if: plots are under 1 ha and are not near the border, buyer lives in Poland from 5 years or he is married with a polish citizen. The foreign individuals can inherit land. Legal entities can buy lands after getting permission.
Despite the lack of studies on the effect of credit policies, it is opinion of the Confederation of Agricultural Producers (CAP) that these measures are undoubtedly important, contributing to structural adjustment by creating assets for agricultural enterprises and promoting investments.

ROMANIA

The land reform process (dismantling of the majority of cooperative farms and restitution of land to former owners) resulted in significant land fragmentation: the sector assumed a dual structure with many small-scale farms on the one hand, and few large-scale farms on the other hand. Similarly to what happened in other new EU Member States, a sharp increase in land prices was observed in 2005 when the Act of Accession was signed. Between 2004 and 2005, agricultural land sale prices increased by more than 200%. Further land price increase occurred with actual accession into the EU: from around 900 euro/ha in 2005 to 1,400 euro/ha in 2008.

Land sales market. The Land Sale and Purchase Law (no. 54/1998) posed some restrictions on the size of farm properties (acquired property could not be more than 200 ha in arable equivalent per family) and on ownership rights by foreigners. Law no. 312/2005 establishes that EU citizens and stateless persons with domicile in a Member State or in Romania, as well as legal entities established in EU, can acquire ownership rights on agricultural land, forests and forestland after 7 years from the date of Romania’s accession to the EU. Law no 247/2005 eliminates the pre-emption right.

Land lease market. The ECA Special Report 16/2012 identified in Romania too the phenomenon of capitalisation of SAPS direct payments in land lease price: the Court founded lease contracts where the lease was expressed as a percentage of SAPS and/or CNDP and was thus increasing proportionally to the evolution of these payments.

Social security. Romania had a separate scheme for farmers until 2000. This optional scheme did not work as intended, as only a small number of farmers subscribed to it. From 2000, farmers are fully integrated into a reformed mandatory public pension scheme (certain administrative details may be different for farmers though). The new unemployment insurance system Law (76/2002) came into force on 1 March 2002. The law is oriented to reduce unemployment, and to assist unemployed persons to find a job. The reference in earlier legislation excluding farmers with more than a minimum area of land from unemployment benefit has been removed.

Agricultural taxation. Income from agricultural activities is determined either on a fixed income quota basis, or by single entry accounting, by applying a flat rate of 16% to taxable income. The tax due for income earned by taxpayers from selling their products to certain designated collection units is calculated and withheld at the source and amounts to 2% (flat rate) of the value of the products sold.

SLOVAKIA

Consolidation of agricultural land is still seriously hindered by the unfinished process of restitution of ownership rights due to unsettled outstanding claims. It is estimated that about 360,000 ha (one quarter of the total agricultural area) is affected by uncertain legal status. The result is persisting high fragmentation and very small size of farm holdings (less than 2 ha).

Land use. Slovakia has a number of measures in place aimed at preserving the best agricultural soils and agricultural activity (Decree No 1141/2001 on Rules of the State Soil Policy, Act No 220/2004 on Protection and Utilisation of Agricultural Soil). This protection regime entails a compensation system for agricultural land. In total there are 9 soil classes, the best of which are protected. The conversion of

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40 Land Law n. 18/1991 and subsequent Law no 1/2000, Law no 247/2005. Property rights were returned to each landowner who was forced to join a collective farm. The Law stipulated that each former owner can reclaim land up to a limit of 10 ha (Law no 1/2000 raised the limit to 50 ha). The Law no 247/2005 resulted in new provisions on the circulation of land in order to liberalize the land market and speed up trials related to the land properties restitution. The new law practically restarted the land restitution process. By 2009, 10.5 million hectares of land were returned. By 2005 almost 95% of land was privately owned (up from 9% in 1990).

41 With a number of exceptions (residence permit, inheritance; ecc.)
such land into building land is charged with a fee ranging from 6 – 15 Euro per m², depending on soil quality. Currently 21% of agricultural land is interested by this regime, regulated at regional level.

**Land sales market.** Slovakia has a fairly heavily regulated land market, pre-emptive right for purchase exists if there are more owners to the same rented land. The aim is to simplify the process of reallocation of land and reduce fragmentation. At the time of EU accession, Slovakia was granted a 7 years transitional period during which it could maintain existing provisions restricting the acquisition of agricultural land by foreigners 42. Upon request of the Slovak Republic, the European Commission granted a three years extension until 30 April 2014 (Decision 2011/241/EU of 14 April 2011). The property tax paid on agricultural land has reduced rates of 0.75% on arable land, hop gardens, vineyards and orchards and 0.25% on permanent grass lands, forest lands, fishponds and other water plots. Since 1992 individual farmers who were new entrants have been exempt from the land property tax for a 5 year period. Act No. 595/2003 on income tax confirms the 0% tax rate for the first 5 years after purchasing the land. After the first 5 years, though, the property tax rate is 20%.

**Land lease market** 43. The Act no. 504/2003 regulating rental of agricultural land establishes the minimum price of the rented land. Contract duration is minimum 5 years and maximum 15 years. The tenant has no pre-emptive right on re-rental or purchase of the land he/she occupies. According to professional organisations, this regulation has the effect of protecting landlords’ interests but also to contribute to securing the use of rented land for agricultural purposes.

**Farm access to credit.** Act. No 144/1998 establishes support to the interest rate paid by farmers for commodity loans secured by warehouse receipts. This support system was maintained until 2006.

**SLOVENIA**

**Land consolidation policy.** Land consolidation policy dates back in the 1980s, but between 1990 and 1995 the process came to a halt due to lack of financial resources. Land consolidation was necessary because of the dispersion of agricultural parcels, the very small size and a problem with oddly shaped parcels and no road access. In 1995 the Ministry of Agriculture re-established financing for consolidation of agricultural parcels (Agricultural Land Act No. 59/96 last updated in 2011, No. 71/11). In 2006 there were 950,000 ha of agricultural land in use, of which approximately 59,000 ha have been consolidated.

**The role of the Farmland and Forest Fund.** The Farmland and Forest Fund acts as a market trader with the objective of land consolidation through sale and lease and restrictions to prevent fragmentation. The Fund controls state land not yet returned to owners and can lease it to small private farmers as well as large enterprises. The Fund also buys oddly shaped parcels, parcels difficult to access, and land adjacent to existing farms, at the request of farmers, and then leases the land to them. Agricultural land units over 5 ha must be conveyed as whole units and cannot be subdivided.

**Land sales market.** The size of the sales market is small: land prices are very high, particularly in relation to land profitability prospects. Some argue that low land taxes have encouraged land ownership to the detriment of land sales and that land markets have been hampered by the lack of a mortgage banking infrastructure. The Agricultural Land Act regulates transactions: Art. 19 stipulates that the acquisition of title to agricultural land through legal transactions may only be possible subject to approval of the relevant administration. In addition, art. 18, 19 and 23 stipulate restrictions such as sub-division of farms, inheritance rights, permitted parcel size. Art. 23 establishes the order of pre-emption right. There are no national provisions for price setting in sale of agricultural land. Inherited or donated agricultural land is exempt from inheritance tax.

**Land lease market.** The Agricultural Land Act establishes pre-emptive rights for land rental in favour of neighbouring farmers. Furthermore, the Act establishes the length of contracts depending on type

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42 Similarly to other EU12 States, there are exceptions

43 Renting of land is important in Slovakia (over 90% of the utilised agricultural area is rented). Corporate farms account for the vast majority of rented land. Between 2001 and 2005, real rental prices increased by more than 90% in Slovakia as an effect of EU accession. Still, in 2005 Slovakia had the lowest rental prices among the new EU Member States (18€/ha), whereas sales prices were the highest (over 5,000€/ha). (Swinnen and Vranken, 2010).
of crop: 25 years for vineyards, orchards or hop gardens; 15 years for fast-growing hardwood plantations; 10 years, for other purposes. The Farmland and Forest Fund annually establishes a maximum and a minimum rental price of state-owned land in order to standardise rental fees.

**SPAIN**

**Land consolidation.** In the past the magnitude of the rural exodus pushed the government to undertake a programme of land consolidation, to bring together small scattered plots that characterized the *minifundio* sector. The Act no 19/1995 (Modernisation of Agricultural Holdings), amending Act 118/1973, was introduced to correct imbalances and structural weaknesses that affect the competitiveness of farms. The Act uses as a baseline the concept of “priority farm”, so as to ensure economic viability and in order to justify the granting of preferential public support. As the limited size of many farms was one of the problems affecting viability, the Act introduced measures to boost land markets, allow easier access to property and leasing through tax incentives in the case of formation or consolidation of priority farms and special incentives to benefit young farmers. The Act foresees also incentives for long-term rentals (over 8 years) for priority farms. It consists of an annual aid for 8 years and tax relief in the transmission of forest areas.

**Irrigation policy.** The use of irrigation water depends on two legal texts: the Water Framework Directive and the New Text of the Water Law. This situation has led to an in-depth review of the National Irrigation Plan (PNR) known as the Action Plan for the Modernisation of Irrigation, which is being applied in 2006 and 2007. The objective of the review is to find ways of making important efficiency gains in the consumption of water.

**Insurance system.** The Government annually establishes the Agricultural Insurance Annual Plan. The Plan contains assurance from the Government not to bestow extraordinary aids to the farmers affected by damages on production caused by insurable risks. The main characteristics of the agricultural insurance system are the following: the participation of farmers in the system is voluntary; the average subsidy is 50% of the total insurance premium. Subsidies positively discriminate some groups, such as: professional farmers, priority holdings, young farmers and women farmers; all insurance companies operating within a pool, assume the risk in a co-insurance regime. This avoids insurance companies to compete in prices.

**Agricultural taxation.** A special VAT system exists for farmers. The standard VAT rate is 18% (16% before July 2010). A reduced rate of 8% (7% before July 2010) applies to food, animals, some goods used in agricultural activities, water, etc. A super-reduced rate of 4% applies to various basic necessities. Under the special system for farmers, agricultural goods are taxable at a rate of 8% whether farm supplies are taxed at the standard rates. Excise duties, taxes on production and environmental taxes are among the EU lowest.

**SWEDEN**

Policies regulating land markets (sales and rental) as well as the Swedish government strategy for the production of energy from renewable sources appear to be the most likely to impact farms structures.

**Land market.** The land sale market in Sweden has never been a very dynamic one and a respectable proportion of agricultural land is rented (around 40%). However, the land market has been recently affected by changes in the taxation system. The abolition of the wealth tax in 2007 has made agricultural estate an attractive investment. Acquiring farm properties is becoming more and more popular among large companies for tax reasons. Inheritance tax was also abolished in 2004.

The introduction of the SPS has had effect on the land rental system. In Sweden both formal (written) contracts and informal land rental contracts are used. The introduction of the SPS represented an advantage for tenants in case of long-term rental contracts (in most cases the contracts could not be terminated in time for the landowner to apply for SPS entitlements that were then allocated to those

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44 The economic transformation in the 1970s caused outmigration from rural areas. Moreover, between 1976 and 1985, when the economy was experiencing serious difficulties, the fall in farm employment averaged 4% per year: the decreased size of the rural work force affected Spanish agriculture because of its traditionally labour-intensive practices.
farming the land). In the case of short-term or informal contracts, the SPS created conflict between tenants and landowners. It is possible that the SPS has affected the average duration of rental contracts, as contracts now tend to be shorter. One year contracts have become more common than they were in the past. In 2005, when the SPS was introduced, rental prices in the north increased by as much as 76%, whereas in the western part of south Sweden rental prices in some cases decreased. In particular, land rental prices appear to have increased in the regions where payments were redistributed from cattle to arable land due to decoupling.

**Renewable energy sources.** On June 16, 2009, the Swedish Parliament approved the Government’s new energy and climate strategy, described as Europe’s most ambitious strategy to improve energy efficiency and cut greenhouse gas emissions: by 2020 50% of all energy produced to come from renewable sources. The share of bio-fuels produced from agricultural products in Sweden is still rather small. About 3% of Sweden’s agricultural land is used for energy production. The main crops are wheat for ethanol production, willow (Salix) for heating and rapeseed for bio-diesel.

**UNITED KINGDOM**

In the UK, policies regulating land use and planning, agricultural land rental markets as well as farm diversification are the most relevant in terms of potential impact on the structure of the farming sector.

**Land use.** The national government issues guidance notes called Planning Policy Statements - PPS which have to be followed in the design of local Action Area Plans. The implications of PPS for farms are not negligible, as nearly any change of use of agricultural land45 or buildings requires permission by local planning authorities. Changes in agricultural operations or for the use of existing farm buildings for agricultural purposes do not require planning permission. Farm diversification for non-farming use requires planning permission. Environmental Impact Assessment (EIA, 2006) protects uncultivated land and semi-natural areas from being damaged by agricultural activity and guard against possible negative environmental effects from the restructuring of rural land holdings. EIA will not normally be required for most small scale development but is mandatory in certain developments, such as large installations for intensive rearing of poultry and pigs.

**Provisions regulating rental of agricultural land: England and Wales.** Due to policy orientation, until 1984 the land lease market in England and Wales was not important. In 1984 the Government removed the rights of succession for new tenancies, introduced various retirement provisions, and adjusted the rent assessment formula. But the real turning point came with the Agricultural Tenancies Act in 1995 (ATA). The ATA allowed greater flexibility for landowners and tenants to draw up tenancy agreements to suit their particular circumstances: any length of time can be agreed (long term leases could be used to encourage tenants to invest capital in the business), for a wide range of activities, including non-agricultural activities; provisions for notices to quit provide reasonable safeguards to the tenant; tenants are entitled to compensation for improvements which increase the value of the property; freedom to choose whether and when to have rent reviews, with provision for arbitration on an open market rental basis; landlords and tenants have right to arbitration on disputes.

The Regulatory Reform (Agricultural Tenancies) Order 2006 amended the ATA 1995 in order to encourage farm diversification, maintain and improve viability, allow restructuring of holdings, improve flexibility and maintain a balance between landlord and tenant interests. The right to succeed in a farm tenancy helps maintain farm size and avoid splitting up farm properties.

**Provisions regulating rental of agricultural land: Scotland.** In Scotland there are 4 forms of lease: “traditional”, grazing or mowing lease (no more than 364 days), 5 years Short Limited Duration Tenancies, Limited Duration Tenancies (at least 15 years). The Agricultural Holding Act of Scotland 2003 introduced changes for tenants holding “traditional” tenancy: pre-emptive right to buy the land they lease. In addition, it is possible to diversify: if a tenant intends to diversify activities or plant and harvest woodland s/he must notify the landlord, who can seek further information or impose reasonable conditions relating to the proposed new use.

45 Since the 1980s, the UK has a system of Agricultural Land Classification (ALC), by which land is graded from 1-excellent to 6-very poor quality agricultural land. The best quality agricultural land is defined as Grade 1, 2 and 3A.
Provisions regulating rental of agricultural land: Northern Ireland. In Northern Ireland the conacre system is in place, for which land is let on a seasonal basis (nominally for 11 months or 364 days) without entering into long-term commitment.

Diversification. When food processing, farm sales and farm tourism are limited, small scale and directly related to the products grown or raised on the farm, they are considered ancillary to the agricultural enterprise. Processing activities would include egg packing on a poultry unit, but not an abattoir. Small scale use of a farmhouse for tourist accommodation/catering does not require planning permission. Regular use and conversion of farm buildings require planning permission.

The Town and Country Planning Act does not define production or supply of energy as agricultural activity. The national legislation makes general provisions to stimulate production and supply of energy from renewable sources, not restricted to the agricultural sector. In addition, until 2011, limited support was available in the form of capital grants for renewable energy projects through Pillar II of the CAP. While the National Farmers Union expects the profitability of some farms to increase as a result of these policy measures (energy generation through solar photo-voltaic ground- and field-mounted; small scale production of biofuels such as vegetable oil and biodiesel; biomass heating), they are not expected to result in significant structural change.

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