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Land ownership and market functionality in the mountain areas – the case study of Romania

Abstract: *The study "Land ownership and land market functionality in the mountain areas – the case study of Romania" is a part of a larger research work on the sustainable rural development in the mountain area Muscel in Romania, from a multi criteria perspective, for the formulation of feasible alternatives for local development. The natural resources, land resources in particular and land use represent an important resource for ensuring rural household food security and welfare.*
The main objectives of the study are the following:
determining the importance of land resources for the local sustainable development of mountain areas,
highlighting the particularities of land ownership and of land market role in the mountain areas with different accessibility levels,
influence of mountain community accessibility on rural market functionality, land market in particular, and upon the commercial behaviour of households.

Key words: *land market, mountain areas, sustainable development, Romania*

Introduction

The present study is a part of an ample research work having in view a multi-criteria analysis of an important mountain zone in Romania, the Muscel zone, focusing upon the rural area in the proximity of the town Campulung Muscel. The research study tried to analyze the development type of the investigated rural communities and the response mechanisms to the challenges of the external environment generated by the deep economic and social transformations that were produced after December 1989 and by the de-structuring of the village--town relations (the economic decline of the urban centres, the change in the status of towns as polarizing centres). Data were collected in 2004 through a questionnaire-based survey applied to a representative sample of rural households belonging to four communes in the Muscel zone (Albesti, Leresti, Schitu--Golesti and Valea Mare Pravat) that are also considered representative for the rural zone adjacent to the Campulung Muscel municipality.

As part of this research, this study, the conclusions of which will be presented next, focuses upon the resources and land market of the investigated mountainous rural zone. The analysis of the adaptive response of the rural household to the changes and de-structuring of the external environment was done with a view on the re-valuation of the land resources as means to ensure food security and/or welfare. Within this framework, the main objectives of the study included: determining the importance of land resources for the present local development of the investigated mountain zone; observing the land ownership and land market particularities in the mountain zone; testing the influence of the rural communities accessibility upon the rural land market functionality and the commercial behaviour of households.

Land ownership

According to their size, expressed by the land area in their ownership, the very small and small-sized households prevail in all four communes. Most of the households without land were noticed in Valea Mare Pravat, followed by Leresti. There is a low interest in land property in these communes, owing to the high share of population employed in the urban areas, that does not leave too much time for agricultural work and generates incomes, which limit the dependence of people upon the food produced on their own households. The lowest share of households with no land was found in the commune Albesti – 3.9%, followed by Schitu Golesti with 5.1% of the total number of households in the sample. For all the communes, the polarization phenomenon is obvious in the zone with very small land properties, however with different degrees of intensity. Thus, the smallest share of households with land properties less than 0.5 ha is found in Albesti – 26.0%, followed by Leresti and Schitu Golesti with about 40% of total households and Valea Mare Pravat – 44.6%.

Table 1. The structure of households by size (land ownership) in %.

	Albesti	Leresti	Schitu Golesti	Valea Mare Pravat
Without land	3.9	7.3	5.1	10.7
Under 0.1 ha	6.5	15.9	11.4	19.6
0.1–0.5 ha	15.6	15.9	24.1	14.3
0.5–1 ha	16.9	20.3	16.5	12.5
1–2 ha	23.4	26.1	21.5	25.0
2–3 ha	10.4	7.3	8.9	5.4
3–4 ha	11.7	2.9	5.1	5.4
4–5 ha	3.9	1.5	1.3	1.8
Over 5 ha	7.8	2.9	6.3	5.4
Totals	100.0	100.0	100.0	100.0

Source: Own calculations based upon the questionnaire applied in four Muscel communes, 2004

Higher frequency of households with larger properties (over 3 ha) is noticed in the commune Albesti, when compared to all the other communes, which pro-

vides the basis for the manifestation of high intensity of active commercial behaviour in this area.

Land properties are small and their structure is specific for the hilly zone where the four investigated communes are located. The acreage of the average household property (Table 2) is larger for the two communes where the population has adopted a traditional economic consumption pattern – Albesti, Schitu Golesti – land being main production factor in agriculture. The biggest average acreage of land property is noted for the commune of Albesti. In this commune, the highest share of population having as main occupation agriculture was also found.

Table 2. Average land property and its structure by communes in hectares

Commune	Albesti	Leresti	Schitu Golesti	Valea Mare Pravat
Average land property, out of which:	2.13	1.42	1.76	1.32
- arable land	0.75	0.59	0.75	0.52
- pastures and hayfields	0.81	0.42	0.73	0.44
- orchards	0.42	0.18	0.19	0.19
- vineyards	0.04	0.00	0.06	0.07
- forests	0.11	0.22	0.03	0.10

Source: Own calculations based upon the questionnaire applied in 4 Muscel communes, 2004

For Albesti, a comparative advantage is thus created, the households having the possibility to generate a larger total crop production and to raise more animals. This permits, on the one hand, to satisfy to a larger extent the household consumption needs from its own resources and, on the other hand, to create a larger supply on the market for agricultural products. In the commune of Albesti, the highest share of households that sell agricultural products in towns, i.e. over 14%, can be found.

In the land use structure of the average land property of a household, the arable land areas and those under pastures and hayfields have the highest importance, these two categories of use being allocated relatively equal shares.

Orchards are on the third place in the structure of land ownership, except for the commune of Leresti, where the land areas under forests are larger than those under fruit-trees on the average.

The analysis of the land ownership distribution reveals a relative balance as regards the number of households which own the three most important categories of use (arable, pastures/hayfields, orchards) in the case of the commune Albesti, while in the other communes the share of households with arable land areas is much higher than of those having pastures and orchards. This land ownership structure is the foundation of a relatively larger diversity of production (merchandise) for a high share of the households from Albesti, compared to the other communes. There are also significant differences between communes as

Table 3. Average land property by categories of use

	Albesti	Leresti	Schitu Golesti	Valea Marea Pravat
Arable – hectares	1.01	0.66	0.83	0.65
% of households owning this land in their total no	*74.0*	*89.9*	*89.9*	*80.4*
Pastures, hayfields – hectares	1.22	0.75	1.57	0.95
% of households owning this land in their total no	*66.2*	*56.5*	*46.8*	*46.4*
Orchards – hectares	0.58	0.33	0.52	0.33
% of households owning this land in their total no	*72.7*	*55.1*	*36.7*	*57.1*
Vineyards – hectares	0.41	0.13	0.37	0.67
% of households owning this land in their total no	*9.1*	*2.9*	*15.2*	*10.7*
Forest – hectares	0.79	0.72	0.52	0.62
% of households owning this land in their total no	*14.3*	*30.4*	*6.3*	*16.1*

Source: Own calculations based on the questionnaire applied in four Muscel communes, 2004

regards the average areas owned by each category of use for the valid cases[1]. The maximum of arable area in the average peoprty is found in Albesti, 1.01 hectare, followed by Schitu Golesti with 0.83 hectare, while for the other two communes the average value is about 0.65 hectare. In Schitu Golesti there is a relative specialization in livestock production for 46.8% of the households, revealed by the largest area under pastures and hayfields, i.e. 1.57 hectare. The same orientation is also found in Valea Marea Pravat, but the land area dedicated to this activity is smaller, i.e. 0.95 hectare on the average. For Leresti, the forestland represents an important resource for 30.4% of the households.

The Land Market

Purchasing agricultural land

In the communes, whose households have the smallest land resources – Leresti and Valea Mare Pravat, an active behaviour is manifested on the land market, 11.6% and respectively 7.1% of the households purchasing arable land.

Land acquisitions are rather more the result of the pressure from food consumption needs of the households and less of the intention to sell agricultural production on a commercial basis, the Pearson's correlation coefficient between the purchased agricultural land area and the sale of agricultural products having a negative value (–0.547).

[1] Valid cases – households owning land from the respective category of use.

Table 4. Average land area bought (purchased) by categories of use

	Albesti	Leresti	Schitu Golesti	Valea Marea Pravat
Arable – hectares	0.50	0.41	0.13	0.5
% households having purchased land in total of households	*1.3*	*11.6*	*2.5*	*7.1*
Pastures, hayfields – hectares	0.25	0.83	0.20	na
% households having purchased land in total of households	*1.3*	*4.4*	*1.3*	*na*
Orchards – hectares	1.00	na	0.6	0.50
% households having purchased land in total of households	*1.3*	*na*	*2.5*	*3.6*
Forest – hectares	na	0.40	na	na
% households having purchased land in total of households	*na*	*1.5*	*na*	*na*

na – not applicable

Source: Own calculations based on the questionnaire applied in four Muscel communes, 2004

Land lease

From the perspective of the present study, the land lease market importance resides in the fact that, by the way in which it operates, it can provide important information as regards the type of rural economy characterizing the investigated areas. Thus, it can be assessed to what extent the community economies operate either on a contract or informal basis depending on the modality in which the transactions are carried out on the lease market, namely, whether the written contracts or the verbal agreements prevail. At the level of all the investigated communes, it is the informal economy which prevails, the greatest part of the land lease relations developing on the basis of the simple agreement between parties, not registered or made official under any form.

Besides the disadvantages of the informal economy, namely the deviation from the market laws based on competition, lack of transaction transparency, absence of a formal basis according to which the contractual parts could be obliged to respect their agreement, etc., there is also a positive aspect – the inter-personal trust, in the absence of which these "informal contracts" could not exist. Dumitru Sandu used to declare that the trusting phenomena are part of an open culture, where the value foundations are honesty, acceptance of a calculated risk, and cooperation. The confidence culture is specific to open social spaces, characterized by plentiful status and environmental resources (Sandu 1999). The inter-personal trust has higher values for the older men, with education and wealth resources. The poorer people are less confident, oriented to a lesser extent towards an open life style, based upon mutual trust. In general, the richer the material and human capital of people, the higher the probability that these people get involved in interactions based upon confidence (Sandu 1999).

The determinants of the active behaviour on the land lease market are represented by: some of the intrinsic features of the household (land property size, the household head's educational level, his occupation); assessment of opportunities and risks involved by this action; external aspects of the household – the position rent as regards the obtaining certain agricultural products, which create a comparative advantage with respect to the market access.

When analyzing the data collected in the field, it can be seen that the land lease phenomenon plays rather the role of food security regulator for the category of arable lands, as there is no correlation between the sale of agricultural products obtained from the arable land and the increase of farm size through land lease. For the agricultural products specific for the hilly zones, land lease plays an active role in the increase of the household's power on the market, a positive correlation existing between the sale of products on the urban markets and the leasing of areas under orchards (Pearson's correlation coefficient equal 0.684) and between leasing of areas under pastures and the sale of bovine products for which Pearson's coefficient takes values between 0.75 and 1. There is also a positive correlation between the size of arable land and orchards property, on one hand, and the demand on the land lease market. Thus, the larger the land area from the two categories of use, the larger the lease of land area from the same category. This is explained through the low average size of the land property. The larger households have the motivation to make investments for production purposes as the land operation on a commercial basis could prove to be efficient, unlike those with less land, for which the rate of return per hectare of investment could be very high.

Table 5. The share of households participating in the land lease market and the types of contracts in use

	% of households leasing out land		
	Total	***out of which:***	
		written contract	***verbal agreement***
Albesti	9.1	*1.3*	*7.8*
Leresti	2.9	n.a.	*2.9*
Schitu Golesti	7.6	*1.3*	*6.3*
Valea Mare Pravat	10.7	*na*	*10.7*
Total	**7.5**	***0.7***	***6.8***
	% of households leasing in land		
	Total	***out of which:***	
		written contract	***verbal agreement***
Albesti	16.9	*1.3*	*15.6*
Leresti	11.6	*1.4*	*10.1*
Schitu Golesti	20.3	*2.5*	*17.7*
Valea Mare Pravat	16.1	*na*	*16.1*
Total	**16.4**	***1.4***	***14.9***

n.a. – not applicable

Source: Own calculation based upon the questionnaire applied in four Muscel communes, 2004

The share of households leasing out land is invariably lower than of those leasing in land, which could be understood as:

- the demand on this market is larger than the supply,
- the owners use a risk-sharing strategy, dividing the leased out area between several lessees.

This finding is also confirmed also by the difference in size between the given average areas that are leased out and leased in, as presented in Tables 6 and 7. Obviously, the transacted areas are small, but it can be seen that the share of households providing supply on this market is higher in the communes of Albesti and Valea Marea Pravat, whose employed population work in urban centres. As a consequence, the rural-urban occupational mobility, through the time budget constraints (resulting from both the working time and the commuting time), imposes giving up operating the agricultural areas on an individual basis. The diversification of the activities in the rural area goes in the same direction, and hence one can state that there is a certain potential for land lease market growth, mainly in the two above-mentioned communes.

Table 6. The average leased out area by communes hectares

	Arable	Pastures and hayfields	Orchards	Vineyards
Albesti	1.74	1.53	0.75	1.00
Leresti	1.00	0.83	na	na
Schitu Golesti	2.43	2.69	0.50	1.00
Valea Marea Pravat	0.88	1.60	0.50	na
Total	1.56	1.79	0.63	1.00

na – not applicable

Source: Own calculations based upon the questionnaire applied in four Muscel communes

The highest discrepancy between demand and supply appears in the case of the commune Schitu Golesti, where the number of households leasing in land is almost double compared to the number of households that lease out land. The particularity of this situation is due mainly to the fact that in this commune agriculture is the main secondary occupation, the share of 92.0% of those that declare that they practice farming as a secondary activity being higher than in the other communes. This is also the reason for which the average leased in area is the lowest in Schitu Golesti. The average areas leased out reach a maximum value in the same commune, followed by Albesti. In this ranking, on the last positions are placed the communes Leresti and Valea Mare Pravat due to the smaller size of land properties.

The average leased in area is the largest in the commune Albesti, where the share of the population working in agriculture is higher.

Table 7. Average leased in area per commune hectares

	Arable	Pastures and hayfields	Orchards	Vineyards
Albesti	1.48	1.32	1.23	na
Leresti	0.72	0.92	na	na
Schitu Golesti	0.37	0.92	na	na
Valea Marea Pravat	0.50	1.06	na	2.00
Total	0.72	1.08	1.23	2.00

na – not applicable

Source: Own calculations based upon the questionnaire applied in four Muscel communes

The motivational structure of the supply on the land lease market

The dominant motivation for the households, who have leased out their land is, for the commune Albesti and Valea Mare Pravat, the lack of time, at the household level, necessary for the field crops (Table 8). In Albesti the respondents place on the second place the motivation that operating under land lease scheme is more profitable than farming land by themselves; in Valea Mare Pravat, the health problems (old age problems, in majority of cases) are considered the second factor hindering the household to farm their land by themselves.

The motivational structure is perfectly balanced in the case of Leresti, the distribution of answers being equal between "we do not have time", "operating under land lease is more profitable", "health". For Schitu Golesti, the dominant motivations are the lack of time and the profitability of giving up the use of the agricultural land by leasing it out.

Table 8. The main motivation for the supply on the lease market % of total valid answers

	Albesti	Leresti	Schitu Golesti	Valea Marea Pravat	Total
We do not have enough time	57.1	33.3	28.6	57.1	45.8
We do not have enough money	0.0	0.0	14.3	0.0	4.2
It is more profitable	28.6	33.3	28.6	14.3	25.0
It is difficult to purchase land	0.0	0.0	14.3	0.0	4.2
Health*	14.3	33.3	14.3	28.6	20.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* old age problems in majority of cases

Source: Own calculations based upon the questionnaire applied in four Muscel communes

So, in three communes out of four, a positive perception is manifested, in the case of the households which leased out land, as regards the land lease phenomenon, and mainly as regards the economic profitability induced by farming the land under the land lease system.

Table 9. The main motivation of those who do not lease out land % of total valid answers

	Albesti	Leresti	Schitu Golesti	Valea Marea Pravat	Total
Nobody wishes to lease in	7.4	16.7	11.1	8.3	9.5
It is not profitable	81.5	16.7	77.8	25.0	63.5
It is not a tradition	7.4	66.7	5.6	8.3	12.7
Other	3.7	0.0	5.6	58.3	14.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Own calculations based upon the questionnaire applied in four Muscel communes

The motivational structure of those who **do not** lease out land is correlated with the place where they are developing their main activity. Thus, the inhabitants of the communes Albesti and Schitu Golesti, who have their working place in the central village of the commune or in the neighbouring villages, declare that farming under the land lease system is not profitable. Most of people from Leresti consider that the land lease market did not develop because there is no tradition in this respect, and those from Valea Marea Pravat choose the answer "other reasons" with the specification of a too small land property. In this case, the land areas leased out are very small, given the extremely small size of land property.

In general, those households lease out land whose household head has a higher educational status; this position facilitates for them the access to well-paid jobs, which does not permit them to have the necessary time for farming. On the other hand, those households create demand land on the land lease market that are managed by persons with limited professional training; however, in the communes Albesti and Valea Mare Pravat, a relatively significant share is found of people with a high training level, who see in agriculture a business opportunity.

Those household heads give up farming land by themselves who have jobs that demand a longer time per day either because this implies commuting to town, or because this asks more than the usual time for a working day – as it is the case of some managers of private companies with other object of activity than agriculture. In the same category one should also include the social security pensioners, whose incomes permit meeting the strictly necessary needs and their subsistence is not strictly dependent on agriculture.

Instead of conclusions

A synthetic picture of the most important aspects of land ownership and land market, which define the rural areas in from the proximity of the town Campulung Muscel, could be obtained through the evidence of strengths and weaknesses characterizing each of the four investigated communes.

In the assessment of the land potential of a household we must take into account not only the land ownership but also the farm size. It is thus necessary to estab-

lish the average area which a household effectively uses and its benefits (on a full basis as a landowner or in part as a lessee).

Table 10. Average size of the agricultural farm by communes hectare

	Albesti	Leresti	Schitu Golesti	Valea Marea Pravat
Farm average, of which	2.28	1.42	1.57	1.35
- arable	0.73	0.56	0.67	0.49
- pastures and hayfield	0.97	0.46	0.65	0.47
- orchard	0.45	0.18	0.18	0.18
- vineyards	0.02	0.00	0.04	0.11
- forest	0.11	0.22	0.03	0.10

Source: Own calculations based upon the questionnaire applied in four Muscel communes

Tracing a parallel between the average and the structure of property and farm, at the level of each of the four communes, the role played by the land lease market can be determined according to the classification into the following three tendencies:

- the positive re-distribution of the agricultural areas materialized into the increase of the farm size;
- the neutral re-distribution – maintaining as constant the farm size;
- the negative re-distribution – the diminution of household land size compared to the situation when the land lease market would not function.

Thus, for Albesti the average area of the farm grew by 0.16 ha through land lease compared to the area effectively in ownership and for Valea Mare Pravat, the same effect was noticed, however the increase in size is less significant – 0.03 ha. In the case of Leresti, the re-distribution of the agricultural areas available through land lease has a neutral effect, the average farm size after the action of transactions on the land lease market being the same with that of the land into ownership.

The commune Schitu Golesti represents the only case of negative redistribution, the average farm size being by 0.19 ha smaller than that of the average land area into ownership per household.

The land lease market also induces changes in the land structure: the average arable land areas of households are lower for all the four communes; the average areas by household increase in the case of pastures (except for the commune Schitu Golesti). This restructuring is correlated with the role provided in the agricultural farm organization to the two main categories of use. Thus, production obtained from the arable areas mainly goes for self-consumption (the share of households selling potatoes or maize – the main cultivated crops – is small), and the areas allocated to those crops are low. That is why the households are trying to „get rid of the land surplus“ above the land area necessary for satisfying their own consumption needs. Among the households selling agricultural products, most of them sell bovine products (livestock, meat, milk, and cheese),

the pastures and hayfields being the main resource in increasing the production of these products, under the condition of a traditional technological practice.

As it was mentioned above, the increase of land areas under pastures by household through land lease involves a higher frequency of trade with bovine products. Thus, the transactions on the land lease market are made, in the case of arable areas, for redistribution purposes, while in the case of pastures and hayfields, for commercial purposes.

The synthetic picture of the strong and weak points having in view the land ownership and market briefly describes the importance of these at the level of each commune and indirectly provides information about the commercial orientation of the farms.

The criteria, which served as the basis for the analysis of strong and weak points of the land ownership and land market, were chosen in order to reveal two important aspects:

- the influence of land transactions upon the size of agricultural farms (*structure of land ownership, land lease market*)
- the juridical nature of land transactions (*type of land lease contract*) in order to reveal the formal or informal character of transactions.

The choice of these three criteria i.e. structure of land ownership, type of land lease contract, influence of the land lease market on the farm size, was based on their demonstrated relevance for the insertion of rural households in the commercial flows with agricultural products and in the assessment of the contractualist or informal behaviour in the commercial relationships.

As regards the first criterion of the analysis, the structure of land ownership, the following factors were taken in consideration in the assessment: the shares of households according to the size of land ownership and the share of households which bought land. In conformity with this criterion we appreciated as strong point, in the context of the area studied, a small share (≤ 5%) of households without land under ownership (Albesti, Schitu Golesti), a share of around 1/4 of households with farm sizes over 3 hectares (households with commercial potential, given the positive correlation between land ownership and sales of agricultural products – Pearson's correlation coefficient is 0.213). Now, concerning the second factor of the first criterion – land purchase – the data collected from the field survey revealed that: in the commune of Leresti, the share of households having purchased land is almost double in comparison with that of households without land ownership. As we showed in Section 2, in general, households purchased land in order to satisfy their subsistence needs, so the demand for purchasing comes significantly from the households without land or with less land under ownership. In conclusion, for commune Leresti, although the share of households with no land is bigger than 5%, we appreciate that the frequency of land sale-purchase transactions will generate a rapid decrease of this share. In the case of commune Valea Mare Pravat predominant are the weak points as

Strong and Weak Point Analysis

Commune	Albesti	Leresti	Schitu Golesti	Valea Mare Pravat
		Strong points		
Structure of land ownership	Share of landless households – 3.90% Share of households with less than 0.5 ha of land – 25.97% Share of households with more than 3 ha of land – 23.28%	Share of landless households – 7.25%	Share of landless households – 5.06%	
Type of land lease contract	Informal – based on confidence	Informal – based on confidence	Informal – based on confidence	Informal – based on confidence
Influence of land lease market upon the farm size	Positive re-distribution – increase of size of the average farm compared to average ownership			Positive re-distribution – increase of size of the average farm compared to average ownership
		Weak points		
Structure of land ownership		Share of households with ownership under 0.5 ha – 39.6% Share of households with ownership over 3 ha – 7.25%	Share of households with ownership under 0.5 ha – 40.5% Share of households with ownership over 3 ha – 12.66%	Share of landless households – 10.71% Share of households with ownership under 0.5 ha – 44.6% Share of households with ownership over 3 ha – 12.51%
Type of land lease contract	Non-contract based economy	Non-contract based economy	Non-contract based economy	Non-contract based economy
The influence of the land lease market upon the farm size		The neutral re-distribution – the change of the average farm size with respect to the average ownership: 0 ha	The negative redistribution – the change of the average farm size compared to the average ownership: –0.19 ha	

Source: Own calculations based upon the questionnaire applied in four Muscel communes

regards the structure of land ownership. In this commune, the share of landless households is two times bigger than that of households having purchased land and the share of households with very small properties – under 5 ha – is of almost 45%, which reduces the chances to improve the structure of land ownership.

The second criterion – land lease market – shows synthetically what is the effect of functioning of the lease market upon the size of the agricultural farm, more exactly, how the average area of land that a farm operates after the conclusion of a lease agreement is changed. In this context we appreciated as strong point a positive re-distribution, meaning the effect of the lease market leading to an increase of size of the average farm compared to the average ownership. The stationary or regressive developments – from the point of view of the farm acreage – resulting from the redistribution by lease of agricultural lands, were assessed as a weak point, in view of the reduced size of land ownership of the investigated households.

The third criterion – type of lease contract – is a reflection of the type of contractual relationship characteristic for the zone studied. As we already evidenced in Section 2, the majority of contracts are of "verbal agreement" type for the whole area studied. This fact is both a strong and a weak point. It is a strong point, because it reveals an important confidence/trust capital between contracting parts, formed and perpetuated in time, absolutely necessary in the movement of economic relationships of this type (see Section 2). On the other hand, informal economy implies a series of risks connected with the impossibility of the parts to juristically impose the respect for the non-formal agreement in case it is being violated. Moreover, non-contract based economy represents a weak point also for the fact that it perpetuates a series of commercial autarchic relationships, which are in contradiction with the modern operational mechanisms, necessary for the process of integration into the agrifood channels.

Reference

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