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Agricultural Property Market in Norway – Basic Information

Abstract. The agricultural structure in Norway is strongly dependent on agricultural policy, which is a major determinant of its development. The structure of farming – comprised by the distribution of farms, size of farms, forms of ownership, transfer of land rights act – is controlled by legal and economic instruments. The objective of the publication is to describe a background of the market of agricultural properties in Norway. In particular, the paper details laws that are the basis of Norwegian agricultural policy and the agricultural property market. It is important and also interesting because these aspects of human life and national reality are so different from Poland. Some part of the publication is devoted to presenting the situation of the agricultural properties market in Norway in 2014.

Key words: Norway, agricultural property, agricultural policy, legalization instruments

Introduction

This publication is only a preliminary article about the agricultural property market in Norway. This study is part of research which has been conducted under the framework of "Scholarship and Training Fund Mobility Projects In Higher Education. Individual Training Programme For Staff Training Mobility" in Østfold University College in Norway. The author of this study is planning further publications and analysis dedicated to the market of agricultural property, as well as agricultural policy in Norway.

The objective of the publication is to describe the background of the agricultural property market in Norway. In particular, the paper details legal and economic instruments that are the basis of Norwegian agricultural policy and of the agricultural property market. It is important and also interesting because these aspects of human life and national reality are so different from Poland. A part of the publication is devoted to presenting the situation on the Norwegian agricultural properties market in 2014.

Norway is a country with a small population, the number of persons registered as living in Norway is equal 5,204,434 persons as of 1 October 2015 [sb.no 2015]. It is also a country with a rather large area divided between the mainland, Svalbard and Jan Mayen. The area of each part is shown in Table 1 [www.ssb.no].

Table 1. Land and fresh water in Norway in square kilometres (km²)

| | In all | Land | Fresh water |
|-----------------------|---------|---------|-------------|
| The Kingdom of Norway | 385,171 | 365,191 | 19,980 |
| The mainland | 323,772 | 304,193 | 19,579 |
| Svalbard | 61,022 | 60,627 | 395 |
| Jan Mayen | 377 | 371 | 6 |

Source: Statistics Norway [www.ssb.nob].

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The Norwegian subdivision consists of five geographical regions i.e. Eastern Norway, Southern Norway, Western Norway, Trøndelag, and Northern Norway. The administrative division of Norway takes place at three levels. The first one is the kingdom covering the mainland, Svalbard and Jan Mayen. The second level is 19 counties (*fylker* in Norwegian). The third level is 430 municipalities (*kommune* in Norwegian). There are also three dependent external uninhabited territories located in the Southern Hemisphere: Bouvetøya, Queen Maud Land and Peter I Island [www.ssb.no].

The total agricultural and forest area is 80,124 km², which is 26% of the land on the mainland part of Norway. The agricultural area in use covers 9,859 km² (3.2% of land) of which fully cultivated is 8,103 km² (2.7% of land). Whereas the forest area is 70,264 km² (23% of land) [www.ssb.no]. The map of the agricultural area and of the forest area, in counties, is presented in Figure 1.

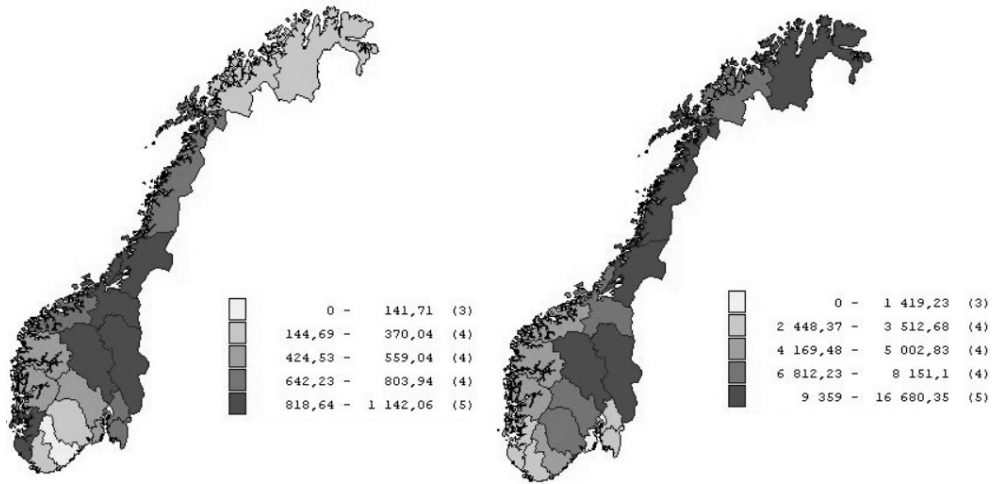


Fig. 1. The map of the agricultural area (left) and of the forest area (right)

Source: Statistics Norway [www.ssb.no 2014].

The agricultural structure in Norway is measured by numbers of agricultural and forestry properties. The Statistics Norway defined agricultural property as property that is used (or could be used) for agriculture, belonging in its entirety to the same owner within a single municipality. It is property with at least 0.5 ha of productive area. Forestry property is similarly defined, as property that is used (or could be used) for forestry and belonging to the same owner within a single municipality. Forest property is property with at least 2.5 ha of productive forest area [www.ssb.no].

In 2014 the total number of agricultural and forestry properties was 185,732 of which 89% were property with agricultural area and 71% were property with productive forest area [www.ssb.no]. The structure of agricultural and forestry properties in numbers is presented in Table 2.

Table 2. Agricultural and forestry properties in 2014

| | Number | Percent |
|---|---------|---------|
| Total | 185,732 | 100 |
| Type of property | | |
| Property with agricultural area | 164,484 | 89 |
| Property with productive forest area | 132,510 | 71 |
| Property with dwelling house | 149,654 | 81 |
| Uninhabited property with dwelling house | 31,103 | 17 |
| Type of owner | | |
| Male | 125,548 | 68 |
| Female | 47,125 | 25 |
| Properties of persons deceased/legal person/unknown | 13,059 | 7 |

Source: Statistics Norway [www.ssb.no 2014].

The agricultural structure in Norway is strongly dependent on agricultural policy, which is a major determinant of its development. The structure of farming, which comprises the distribution of farms, size of distribution of farms, size of farms, forms of ownership, and transfer of land rights act, is controlled by legal and economic instruments. Both are applied to obtain the main goals of Norwegian agricultural policy [Magnar et al. 2014, Dramstad W.E., et al. 2010].

The main objective of Norwegian agricultural policy is to ensure self-sufficiency and security in the field of agricultural production (especially food production). Emphasized, above all, is the need to maintain (increase) the area of cultivated land while striving to maintain existing agricultural land in good condition and not worsening its quality. All mentioned objectives are realised under rather unfavourable geographical and climatic conditions. This is one of the main reasons for which the Norwegian agricultural policy is still strongly state regulated, through legislation and economic instruments. In this publication there is a short description of only those legal instruments that have the biggest impact on the Norwegian agricultural properties market [Magnar et al. 2014, Dramstad et al. 2010].

Legislation on the agricultural property market

The relations of agricultural property are regulated by three different legislative instruments, i.e. the Allodial Act, the Concession Act, the Agricultural Act.

The Allodial Act is an ancient law that is derived from Roman law. It is an almost distinctively Norwegian law. Some vestiges of allodial law are also found in the Scotland market [Magnar et al. 2014, Mackenzie 2004].

In Norway, the allodial right is an old legal tradition and it is a right to reclaim property, but not to inherit it. It means that family members have the status of preferred buyer of "family" property in situations where this property is available for sale. In other words, the owner of property with allodial rights can sell (or even give) the property to whom he wishes. The sale cannot be stopped by those with allodial rights, but they can claim the property from a new owner. The Allodial Act has several sets of rules that define which property can become allodial properties, who has allodial rights, how to rank owners

of allodial right in order of priority, when to claim allodial rights, procedures for claiming rights, and rules for surviving spouses or partners. The property can be allodial property under two conditions: The first is that the property must have at least 2.5 ha of cultivated land or at least 50 ha of forest productive area. The second condition is that the property must have the same owner for a period of 20 years. The first person who is the owner of the property for 20 years establishes allodial rights for himself and his descendants. The descendant in allodial right is a grandchild, a child, a nephew. A child has a higher priority than a grandchild, and a grandchild has higher priority than a nephew. The eldest grandchild or child or nephew has higher priority than the younger [Forbod 2006, Gjerdåker 2001, Landbruks- og matdepartementet 2011 – 2012, Lilleholt 1998, Magnar et al. 2014].

The first Concession Act was established in 1974, the second came into effect in 2004. The concession law, just as allodial law, is definitely rare in other countries and can be treated as a specificity of Norwegian legislation. The Concession Act regulates state control of all methods of transferring ownership of agricultural property in Norway i.e. it applies to sales, inheritance, donation, gift, lease, rental, etc. Each kind of transfer of agricultural property requires a Concession Permit. It also regulates the price to acquire farm property. There are a lot of rules stated in the Concession Act. Three of them are treated as primary and are of specific interest to changing land ownership. First of all, the investor must have the concession if the area of cultivated land is larger than 2.5 ha or the total area of farm is larger than 10 ha. Secondly, there is a general obligation of residency i.e. the buyer has to reside on the agricultural property for at least five years after transaction. This is a part of agricultural policy which prevents farm expansion through land purchase and regulates the number of farm properties that can be owned by one person. And, thirdly, this Act provides preference to those investors who are active farmers and regulates purchase by legal persons [Forbod 2006, Lilleholt 1998, Magnar et al. 2014].

The Agricultural Act was adopted in 1994. One of the objectives of this Act is to provide that all agricultural land is used and treated in the best possible way. Land areas including forests and mountains and all land resources must be used in a manner that is most beneficial to society and to those working in the agricultural sector. For example, the area of cultivated land or some areas of pasture land must be farmed. This means that soil must be cultivated and harvested at least once a year and pasture land must be kept in good condition. In the case of omission of duties by the farmer, the municipality can decide on sanctions. One of the sanctions is that local authorities can order the owner to lease the land or can lease the land for the owner. All mentioned resources shall be disposed with a view to the needs of future generations. The management of it shall take into consideration protection of the soil (production factor) and preservation of land and cultural landscapes as a basis for life, health and well-being for human beings, animals and plants. The Act lays stress *inter alia* on promoting rural settlement, employment and agricultural development. Another aspect of the Agricultural Act concerns the conditions of eventual partition of agricultural property, which generally is not allowed. There are only few exceptions for partition of farmland [Magnar et al. 2014, www.regjeringen.no].

The current situation on the market of agricultural property

The Norwegian real estate market can be classified in two ways. Firstly, by method of transfer of property. In this situation the transfer is defined as not only an ordinary sale, but also as a donation, compulsory sale and eminent domain, licensed decedent property, inheritance of decedent property. The above-mentioned donation is defined as transfer of property for a price lower than the tax base or the market value. The main class of transfer of title for property is free market sale. This means that rights for the property are sold for a price corresponding to the market value. The classification of type of transfer by registered transfer of real property covers:

- establishment of lease
- transfer of lease
- transfer of title
 - free market sale
 - donation
 - compulsory sale and eminent domain
 - expropriation
 - forced sale
 - licensed decedent estate
 - inheritance of decedent estate
 - other or not specified [www.statbas.ssb.no].

Table 3. The classification of type of properties by purpose of use

| First level | Second level | Third level |
|--|--------------------------|---|
| Dwelling property | With building | Detached houses/ Semidetached houses/ Row-houses/Flats in multi-dwelling houses/Semidetached houses/Other |
| | Without building | |
| Holiday property | With or without building | |
| Agricultural/forestry/fishery property | With or without building | |
| Commercial/office property | With or without building | |
| Industrial/mining property | With or without building | |
| Transportation properties | Public roads | With or without building |
| | Transportation area | With or without building |
| Other properties | Protected area | With or without building |
| | Institutions | With or without building |
| | Recreation purposes | With or without building |
| Not specified | | |

Source: Statistics Norway [www.ssb.no].

An essential, important and significant part of the market of agricultural real estate is establishment of lease and transfer of lease. This is due to legal restrictions regarding the possibility of acquiring agricultural land. The reasons for this state of affairs can also be discerned in the Norwegian tradition and socio-spatial relationships between people and

property. It can be assumed that owners have a propensity to enact their properties according to a view of ownership evoked by the ‘emotions of property’ [Flemsæter 2009]. These aspects of the Norwegian market of agricultural properties will be discussed in the next publication.

Table 4. The structure of transfers of agricultural properties by type of transfer in 2014

| Type of transfer | Number |
|---|--------|
| Free market sale | 2826 |
| Donation | 1938 |
| Licensed and inheritance of decedent estate | 3271 |
| Compulsory sale | 76 |
| Other | 1204 |
| Total | 9315 |

Source: Statistics Norway [www.ssb.no].

A second way of classification is by a property’s purpose of use. This classification is presented in Table 3. The basis of this classification is in the General register of real properties addresses and buildings.

Table 5. The structure of transfers of agricultural properties by type of properties in 2014

| Type of properties | Number |
|--------------------|--------|
| Dwelling | 2077 |
| Holiday | 968 |
| Agriculture | 5676 |
| Other | 594 |
| Total | 9315 |

Source: Statistics Norway [www.ssb.no].

As was mentioned above, in 2014 the total number of agricultural and forestry properties was 185,732. The Norwegian market of agricultural properties is rather small. In 2014, the total number of transfers of agricultural properties was 9315, so it concerned only 55% of all agricultural property [www.ssb.no]. The structure of transfers of agricultural properties by type of transfer is presented in Table 4. The structure of transfers of agricultural properties by type of properties is presented in Table 5.

Table 6. The agricultural properties sold on the free market depending on the purchase price (in 2014)

| Price in NOK | Number of properties by purchase price |
|-------------------------------------|--|
| Until 999 000 | 1153 |
| 1 000 000 - 1 999 000 | 701 |
| 2 000 000 - 2 999 000 | 462 |
| 3 000 000 - 4 999 000 | 351 |
| More than 5 000 000 | 159 |
| Average purchase price per transfer | 1 989 000 NOK |

Source: Statistics Norway [www.ssb.no].

As can be seen, the share of transfers in category "Free market sale" in the total number of transfer in 2014 is around 30% and it is only 1.5% of the total number of agricultural properties [www.ssb.no].

The agricultural properties on the free market in Norway are expensive. The average purchase price per transfer in 2014 was 1,989,000 NOK. Almost 60% of sold properties received a price above 1,000,000 NOK and almost 10% of them received a price above 5,000,000 NOK [www.ssb.no]. The empirical distribution of prices of property on the Norwegian agricultural real estate market in 2014 is presented in Table 6. The distribution of the number of transactions and the distribution of the average purchase price per transfer between the counties is presented on Figure 2.

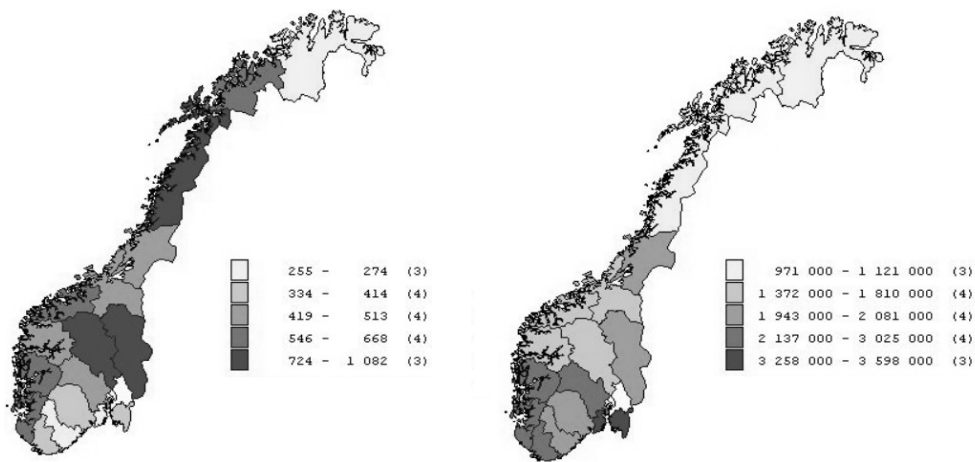


Fig. 2. The map of the distribution of the number of transactions (left) and the distribution of the average purchase price per transfer between the counties (right)

Source: Statistics Norway [www.ssb.no].

The biggest average price (in approximation) per 1m² was achieved for properties with an area less than 4 ha and for properties with an area between 10 ha and 20 ha. The lowest average price (in approximation) was achieved for properties with an area between 0.5 ha and 10 ha [www.ssb.no]. The distribution of the purchase price of sold agricultural property depending on agricultural area is presented in Table 7.

Table 7. The purchase price of sold agricultural property by agricultural area (in 2014)

| Area of agriculture property | Average purchase price in NOK | Approximate average price in NOK per 1m ² |
|------------------------------|-------------------------------|--|
| 0,0 - 4,0 ha | 1 479 000 | 73,95 |
| 0,55 - 9,9 ha | 1 772 000 | 37,70 |
| 10,0 - 19,9 ha | 2 679 000 | 54,12 |
| 20,0 ha and more | 5 190 000 | 51,90 |

Source: Statistics Norway [www.ssb.no] , own calculations

For a better overview of prices of the agricultural area it is worth mentioning that the average monthly earnings in Norway were 42,300 NOK and average monthly earnings in section of "Agriculture, forestry and fishing" were 38,800 NOK in 2014.

Conclusions

Norway is one of the last European countries in which the structural development of agriculture is really strongly regulated by legislative acts and economic instruments. It is also one of the European countries with a large number of very small farms. Similar to agricultural policy and structure of agricultural land, the Norwegian agricultural real estate market is strongly regulated by law, especially by the Allodial Act, the Concession Act, the Agricultural Act and also other legal requirements.

As it was shown, the Norwegian market of agricultural property is closed, small and very expensive. High prices and the small number of transactions on the market of agricultural property stem not only from the Norwegian agricultural policy and the above-listed legislative acts. It can be assumed that they are also the result of tradition and socio-spatial relationships between people and property which will be the subject of another publication [Flemsæter 2009]. In Norwegian society 'the rural way of living' has been the hegemonic norm for 'quality of life', and rural values have played a significant part in how Norwegians want to live their lives [Flemsæter 2009].

Due to the nature of Norwegian agricultural policy as well as the Norwegian market of agricultural real estate and due to single publications in English (also in Norwegian) the author plans further studies and subsequent publications.

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