

COMMON METHODOLOGY
ON LAND PRICES AND RENTS
Version February 2017¹

¹ Repeals and replaces version dated December 2010 which had been established at a meeting of the Working Group on Agricultural Accounts and Prices, 1-2 December 2010 (Annex 1 of document ASA/AAP/133).

1. Introduction

1.1 Aim of the common methodology

The objective of an EU agricultural land prices and rents methodology is to collect comparable statistical information on the prices and rents of agricultural land for agricultural use in the European Union, as land is a primary resource in agricultural production.

The enlargement of the EU in the early part of the 21st Century increased the need for data on land prices. The main use of these statistics is to make comparisons among Member States on the level of and the trend in agricultural land prices and rents (selling, purchase price/rental price). Agricultural land prices and rents data are published every year in the Annual Report of DG AGRI and also at regular intervals at national level in several Member States.

Regarding user needs, key users such as DG AGRI (Directorate-General of the European Commission for Agriculture and Rural Development), other European Commission services and National Accounts need to follow developments in the land market and to evaluate the impact of policies on it. For this purpose, the provision of data on Member State level on rents and land prices are a necessity.

Absolute prices facilitate an insight into various key issues (sales versus rental markets, effect of new users, CAP changes, environmental pressures, etc.) which have a bearing on the land rental price and land value. In addition, absolute prices help to properly assess how the farm land value relates to the agricultural income and hence whether farms remain viable given changes in land prices and rents. Furthermore, regional data allow identification of where land (rental) prices are a driving factor in structural change and where not.

1.2 Cooperation with the Member States

The national authorities of the Member States (National Statistical Offices and/or Ministries of Agriculture) are responsible for collecting absolute land prices and rents, and calculating the corresponding average prices for their country.

Like some other components of agricultural statistics, EU agricultural land price and rent statistics are based on voluntary agreements between Eurostat and the Member States.

All questions relating to EU agricultural land price and rent statistics are discussed by the Working Group on Agricultural Accounts and Prices (AAP), which normally meets once a year in Luxembourg.

1.2.1 Frequency and time schedule for data delivery

Agricultural land price and rent data are provided annually. The deadline agreed between Eurostat and Member States for the transmission is, for agricultural land prices, 270 days after the end of the reference year, and for rent statistics, is one year after the end of the reference year.

1.2.2 Coverage

The prices of agricultural land in the EU can vary very considerably within countries, depending on, among other things, the geographical situation of the agricultural land. The sources of data used should enable information to be provided at least at NUTS II level.

To calculate the average price, it is up to the Member States to decide whether or not to apply a threshold to the size of land exchanged, to cut-off the extreme prices in order to exclude outliers from the collected information.

1.2.3 Metadata

The methods used should be well documented as part of a statistical metadata system. Metadata is systematic, descriptive information about the statistics produced which ensure the increase of cross-national comparability of the data. After the first collection, metadata revisions should be encouraged every five years.

1.3 Treatment of data

Eurostat checks the agricultural land price and rent data which it receives from the Member States. Any queries are dealt with on a bilateral basis with the competent experts in the Member States.

1.3.1 Conversion into EURO

The agricultural land price and rent data expressed in national currency are converted into Euro by Eurostat using the annual exchange rate of the corresponding year, in order to allow comparisons between the Member States.

1.3.2 EU 28 data aggregation

When data on land prices and rents are available for all EU Member States, the aggregation of the land prices and rents for the European Union as a whole can be made by calculating a weighted average using the national data converted into Euro and the information on area provided by the latest Farm Structure Survey (FSS) data available by category of land (arable land, permanent grassland). Agricultural land prices and rents for year n , $n+1$ and $n+2$ can be weighted by the FSS data of year n .

1.3.3 Data storage and dissemination

Data from Agricultural Price Statistics are stored in the Eurostat dissemination database and can be consulted by external users free of charge via the Eurostat web site.

(<http://ec.europa.eu/eurostat/data/database>).

2. EU agricultural land price statistics

The aim of these statistics is to show the price of one hectare of **free** agricultural land in the reference period (calendar year). Therefore, depending on the data sources in each Member State, these prices can be collected from the owner of agricultural land who is selling agricultural land for agricultural use (selling prices) or from the physical person/legal person/legal entity who is purchasing agricultural land for agricultural use (purchase prices).

2.1 Field of observation

The **price** of one hectare of agricultural land sold/purchased for agricultural use is proposed as the observation unit. The field of observation should **include** the arable land and/or permanent grassland sold to (or purchased from) private owners or estate agencies who sell land for agricultural use. In order to keep the price of agricultural land as pure as possible, transactions for non-agricultural purposes (e.g. construction sites) and transactions of land between relatives should be **excluded**.

The categories of land for which prices are observed are arable land and permanent grassland. Member States are not obliged to provide data for land categories below 5 per cent of utilized agricultural land based on the latest Farm Structure Survey data.

- **Arable land** - land worked (ploughed or tilled) regularly, generally under a system of crop rotation (as defined for the latest Farm Structure Survey).

For those Member States for which the irrigable arable land area² exceeds 15 per cent of the total Utilised Agricultural Area (UAA) according to the latest Farm Structure Survey (FSS) data available **and** the price differences per hectare show significant higher level (more than 50 percent) in comparison with the non-irrigable arable land price per hectare, the information provided should also be broken down into irrigable and non-irrigable arable land.

The distinction between irrigable and non-irrigable land area is made on the basis of the definitions below:

- **irrigable arable land** – arable land area which could, if necessary, be irrigated in the reference year using the equipment and the quantity of water normally accessible;

²

Although the area of irrigable land and arable land are provided by FSS, the area of irrigable arable land is not necessarily provided. Member States concerned may need to use additional sources.

- **non-irrigable arable land** - arable land area which cannot be irrigated due to the lack of access to water for irrigation.³
- **Permanent grassland** - land used permanently (for five years or more) to grow herbaceous forage crops, through cultivation (sown) or naturally (self-seeded) and which is not included in crop rotation.

2.2 Reference period of the results

The agricultural land prices should represent the average price of the sold/purchased arable land (irrigable and non irrigable), and permanent grassland in a calendar year.

2.3 Price of agricultural land

According to the market price concept, the price of agricultural land (arable land, permanent grassland) is the price received/paid by the holder in free trade without deduction of taxes or levies and without the inclusion of subsidies. In practice, this means the actual price agreed upon by the transactors. Any taxes that the seller may have to subsequently pay as a result of selling the land, such as capital gains tax, would not be deducted from the price.

The selling/purchase price of land should thus:

- **exclude** costs of transferring ownership (therefore lawyer's fees, registration taxes and real estate tax are not included in the land price);
- **exclude** deductible VAT;
- **exclude** the entitlements related to the land;
- **exclude** the value of any monetary compensation received by farmers for the sale/acquisition of the Utilized Agricultural Area (UAA);
- **exclude** the value of any building on the sold/purchased agricultural land;
- **exclude** inheritance transfers.

2.4 Aggregation at country level

Agricultural land prices at NUTS 0 and NUTS I levels are aggregated by calculating a weighted average using the regional (NUTS II) average price and the information on area (NUTS II) provided by the latest data from Farm Structure Survey (FSS) by category of land (arable land, permanent grassland). Agricultural land prices for year n , $n+1$ and $n+2$ will be weighted by the FSS data of year n .

The average price could be expressed in the form:

$$\bar{p}_i = \frac{\sum_j p_{ij} \omega_{ij}}{\sum_j \omega_{ij}} \dots \dots \dots \text{for } i \in NUTS1, \text{ and } j \in NUTS2$$

where $NUTS2 \subset NUTS1$

$$\bar{p} = \frac{\sum_i \bar{p}_i \omega_i}{\sum_i \omega_i}$$

³ Represents the price of arable land which is not included under irrigable arable land

where

p_{ij} is the average price of a hectare in the j^{th} NUTS2 region within the i^{th} NUTS1 region

\bar{p}_i is the average price in the i^{th} NUTS1 region

\bar{p} is the average price at national level

w_{ij} is the area of arable land (or the permanent grassland) for the j^{th} NUTS2 region within the i^{th} NUTS1 region

$\sum_j \omega_{ij} = \omega_i$ is the weight of the i^{th} NUTS1 region measured by the hectares of arable land or permanent grassland

3. EU agricultural land rent statistics

The agricultural land rent represents the price of renting one hectare of agricultural land in the reference period (calendar year). The renting prices should be collected from the person renting the agricultural land for agricultural use (renting price paid).

3.1 Field of observation

The renting price of one hectare of arable land and/or permanent grassland rented for agricultural use is proposed as the observation unit. The categories of land for which rent prices are observed are arable land and permanent grassland.

- **Arable land** - land worked (ploughed or tilled) regularly, generally under a system of crop rotation. (as defined for the latest Farm Structure Survey).
- **Permanent grassland** - land used permanently (for five years or more) to grow herbaceous forage crops, through cultivation (sown) or naturally (self-seeded) and that is not included in crop rotation.

All Member States should provide aggregated figures for arable land/permanent grassland. Where separate data are available for the two, these should also be reported.

3.2 Reference period of the results

The agricultural land prices should represent the average price for renting the arable land and permanent grassland in a calendar year.

3.3 Rent of agricultural land

Rents correspond to payments made to the owner of land in return for him making assets available to another physical person/legal person/legal entity. In practice, this means the actual rent price agreed upon by the transactors including the value of related levies/taxes and including payments in kind⁴ valued at the current year price. No distinction is made taking into consideration the duration of the renting contract/agreement and the time for contracting. Therefore, all rents for land (even if the land is rented for more than one year) should be taken into account for the calculation of average rent.

The rental price of agricultural land should:

- **exclude** the entitlements related to the land;
- **exclude** deductible VAT;
- **exclude** the rentals of buildings or dwellings situated on it and any other expenses related to other assets except the agricultural land (current maintenance expenditure on buildings,

⁴ Contracts concerning payment in kind, partially or solely, are in scope.

buildings insurance, depreciation of buildings, rents paid for the professional use of non-residential buildings etc.).

3.4 Aggregation at country level

The aggregation of agricultural rents at NUTS 0 and NUTS I levels is made by calculating a weighted average using the regional (NUTS II) average renting price and the information on rented area (NUTS II) provided by the latest data available from the Farm Structure Survey (FSS). Agricultural land rents for year n , $n+1$ and $n+2$ will be weighted by the FSS data of year n .

4. Data sources for land prices and rents

Bearing in mind the general objective established in the common methodology, the statistical data can be collected by means of (not necessarily in order of priority):

- **Direct observation of land prices and rents** by category of agricultural land described in the common methodology. In this case, the agricultural holding is contacted directly and asked about prices of actual transactions related to the holding or about an average theoretical price/rent. The data can be collected through separate surveys or be integrated into the system of surveys which already exists (i.e. land use surveys, agricultural economic indicators, FSS etc.)
- **Statistical data collection via a network of experts** – "expert estimates". This practice could involve experts from the regional statistical offices, local representations of the ministries of agriculture, agents from the real estate agencies at the regional level, the agricultural advisory service, etc.
- **Use of administrative data** to obtain statistical information.

In some cases, Member States could combine one or both of the first two data collection methods mentioned above with the administrative data sources.