THE INFLUENCE OF THE CAP (COMMON AGRARIAN POLICY) ON THE LAND MARKET: THE CASE OF SPAIN

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ABSTRACT: Since the mid 20th century a structural adjustment in agriculture has taken place which accelerated with Spain entering the European Union given the drastic disappearance and concentration of its agricultural uses, as well as a marked improvement of its Gross Margin generated per hectare of the agricultural surface area used ASAU. Nonetheless, Spanish agriculture is still dogged by a notable structural backwardness, which is reflected in the low economic dimension of its agricultural uses. Therefore in the year 2005, the majority of agricultural uses were undertaken on less than 5 ha (52.7%), and those of more than 100 ha represent only 4.7% of the total. It is necessary to highlight the marked expansion registered in the last decade by leasing: leased ASAU increased during the period between the censuses of 1989 and 1999 by 2.2 million hectares, and went from 20% to 27% of the total ASAU. This expansion is closely related to the accelerating structural adjustment in our agriculture. In this context, in 2003 as a result of the reform of the Common Agriculture Policy, it was established a new system of subsidies for agriculture, the Single Payment Scheme (SPS), providing decoupled support to farmers. The member states of the EU-15, Spain between them, had to implement the SPS at least by 2007. The main objective of this study is to analyze the way in which agriculture support has been provided to Spain and its influence on the land market from the beginning of the CAP. For achieving this goal, econometric models are applied, using different kind of variables.

Keywords: Spanish agriculture, SPS, CAP, European Union.

1. INTRODUCTION

The Common Agricultural Policy (CAP) has had to change dramatically during last years to overcome new challenges. At first, CAP focused not only on fulfilling the goals set out in Article 39 of the Treaty of Rome (increase productivity, assume an equal standard of living for farmers, and provide reasonable prices for commodities), but also on correcting the «changes» that might have emerged. After concentrating on prices cuts, CAP also granted subsidies to farmers. Finally, the current CAP reform (2003) (Directive 1782/2003/CEE; OJ, 2003) modified the reform of 1992, that is, by substituting the measures of support prices for direct aids and by introducing the single payment system (SPS) in 2005/2006.

Furthermore, this reform supported the Rural Development Policy (RDP), which led to increasing interest towards aids for rural development in Spain during the period 1990-2007.
Although most European countries (Belgium, Denmark, Germany, Ireland, Austria, Portugal, Sweden, the United Kingdom and Italy) adopted the SPS which granted decoupled aids from production in 2005, Spain, Greece, Finland, France and Netherlands adopted it one year later. Currently, the European Commission (EC) has guaranteed and budgeted CAP until 2013.

The SPS implies direct aids being received by farmers. The SPS grants two kinds of aids, coupled and decoupled, whose distribution varies in accordance with the decision each country makes.

Spain has opted to partially apply the SPS from the year 2006. One part of the aid is paid to farmers as a single payment, while the second part is paid as coupled payments for production, which are only received if crops continue to grow or livestock are still bred.

Decoupled aids have brought about important changes in the development of the agrarian sector. In particular, the impact of land use and its productivity was modelled by Gohin (2006), Tranter et al. (2007) and Gorton et al. (2008), while the influence on land rent was analysed by Roberts et al. (2003).

The objective of this system was to assure that farmers’ incomes remained stable and that the competitiveness and the sustainability of European agriculture improved.

Each country member has opted for a different system to estimate and make SPS payments to farmers (Kilian and Salhofer, 2008); these payments are made by assigning entitlements to farmers.

One of the options consists in estimating the SPS on the direct payments that the farmer receives during a reference period, which may involve different levels of SPS for each farmer. This option is known as a historical model. France, Portugal, and Spain, among other countries, have opted for this model.

Another option for estimating the SPS involves calculating the average of all the payments at a national or regional level (regional model). Finally, the third option is the mixed model which combines the previous methods for estimating payments for the different regions in the same country.

As a result of the application of the SPS, a new agricultural asset has emerged: the entitlement (Caballer et al., 2009). Farmers can manage entitlements in various ways, for instance: purchasing or selling them without land, linking them to land trade or renting the land. However, it is compulsory for both owners and tenants to justify any kind of eligible land to receive the entitlement payment. Entitlements are unquestionably a new intangible of an administrative nature that is not linked to land (Caballer, 2008), which may be traded in a more or less competitive and transparent market, and whose valuation is a necessity given its novel and special features.

In addition, entitlements may only be traded under certain conditions when they have been, and can be, assigned only to those farmers who are officially located in Spain; although they may be traded between regions, this practice involves paying a penalty.

Nevertheless farmers have to not only report any trade entitlement but also the reason why it has been traded to the Spanish Agrarian Guarantee Fund (FEGA), there is no obligation to report the market price of the entitlements. Therefore, such information remains unknown. At the same time, it is not a speculative market given the consequences of the uncertain future of
entitlements after 2013. This may imply an adjustment process within the agrarian sector as a consequence of not having to justify lands to trade entitlements (Moreno- Pérez and Ortiz, 2008).

By taking all this in account, the main objective of this study is to analyze the way in which agriculture support has been provided to Spain and its influence on the land market from the beginning of the CAP.

This paper is structured as follows: Section 1 focuses on the application of the SPS and on the origin of farming entitlements in Spain. Section 2 analyses the land markets prices in Spain. Section 3 focuses on describing the variables that influences the prices of land. Section 4 illustrates the results of the statistic study. Finally, Section 5 presents the main conclusions of the paper.

2. LAND MARKETS

The land market analysis includes both land in property and its leasing. Recently in Spain both these markets, the property and the leasing markets, have performed differently as a result of the different interests shown in them by the various agents involved. In general, rural property is purchased for two reasons, production and profit, while the former is taken into account when leasing a rural property. We now go on to study the tradability market.

Figure 1, which shows the development of land values according to the crop grown, clearly demonstrates that there are three easily distinguishable stages. The first step, from 1983-1989, is one of moderate growth; the second, from 1989 to 1992, is one in which land values dropped regardless of which crop was grown; and the third, from 1992 to the present day, is one which shows a marked rate of growth, especially in the last few years.

![Figure 1. Evolution of land market values according to the different crops grown in euros current/hectare.](image-url)
In 1992 a sharp inflection in market land prices took place, from land prices dropping to land prices increasing, as a result of the CAP coming into being. As aid payments were linked to productivity, land market prices went up.

Specifically in the period 1997-1999, land prices increase the most owing to EU aids. Once again in the two-year period 2005-2006, land prices increased due to urban pressure and to the spectacular increase of housing prices in Spain.

In this way, it may be stated that the main characteristic of the land market in Spain in recent years has been the constant increase of its market value. On the one hand this has been due to increased productivity and to the higher number of aids, and on the other hand, to making land artificial in the sense that rural land becomes urban land, and to land being used for alternative uses.

Figures since 1990 indicate that the average annual increase in current values until 2006 has been 5.47%, particularly for the period 1997-1999, in which the average increase was about 13.95%. However, this increase has neither been homogenous for the Autonomous Communities (AC) nor for land uses.

If we analyse the different AC, an increase of 10.3% was noted in the Canaries followed by the Basque Country with 8.91% and Andalusia with 7.66% given their more relevant crops: banana plantations in the Canaries and olive groves in Andalusia; as opposed to Cantabria, Galicia, Asturias and Aragon, with only an increase in the period 1990-2006, of 1.69%, 2.09%, 2.33% and 3.21 %, respectively.

The price of non-irrigated grown olives for processing rose the most with an average of 9.43% in the period 1990-2006, and in general terms, the opposite occurred with meadow lands which registered an increase of only 1.67 %.

As for land prices per AC, the highest price corresponds to the Canaries, for banana plantations, followed by the Valencian Community, for orange groves and because of the influence of tourism, which were followed by the Balearics and Andalusia, whose values in the year 2006 were of 73,902, 31,635, 20,736 and 20,536 euros/ha, respectively. Conversely, the lowest prices were given to Aragon, Extremadura and Castille-Leon, 3,786, 4,419 and 4,554 euros/ha, respectively.
If we analyse prices per crop (Figure 2), the highest went to irrigated orange groves, 70,385 euros/ha in the year 2006, not because of their profitability as a crop, but because they are located in the Valencian Community and part of Andalusia, as it was said before the pressure created through tourism is immense. The pasture lands obtained the lowest price in the whole period considered, the price being 2,883 euros/ha.

Therefore, while land prices have been characterised by a continuous increase, which is set at 6.86% a year in the period 1998-2006, it has been verified that leasings in current euro have scarcely grown in the same period, (4.09%) which, in real terms, means that they have practically been maintained. The highest average increase took place in 1999, this being 8.33%, due to the spectacular increase of leasing olive groves which was 30.52 %. However in 2004, the average increase was only 0.65%.

The land property market in Spain is poorly transparent, but highly active, as we can deduce from the 200,000 property deeds of sales and purchases of rural properties, and the 50,000 mortgages that have been set up on average in Spain in the years 2004-2007.

This poor transparency of the land market is due to the fact that there is not enough detailed information available, and besides, the statistics offer delayed information because in May 2008, the values for the AC and the large crop groups for the year 2007 were still to be published. At the autonomic level, the data are somewhat more detailed since the 17 AC are disaggregated into 48 provinces. Furthermore, the direct access to these data, which have been broken down, is not automatic since some communities have not supplied their data.

On the other hand, the average value of the mortgages is seen to grow more rapidly in recent years to an average of 12.8% in the period 1990-2007, and of 27.9% in the period 20003-2006 than the price of land, which increased at an average value of 5.47 % in the period 1990-2006.

This indicates that the land is becoming concentrated and, therefore, the rural properties are bought or mortgaged are becoming increasingly higher.

A slight decrease in the number of property deeds for purchases and sales was noted in 2007, which went from 218,787 purchases/sales and 53,590 mortgages in 2006 to 189,785 purchases/sales and 47,910 mortgages in 2007. The reason for this was the decrease in the rural land offer, partly because of the uncertainty perceived about the future of the SPS, but especially because of the expected capital gains through urban development, of the recent real estate crisis which has made land become a safe asset that the owner does not wish to be parted with, and because of the other recent alternative land uses: biofuel production and the installation of solar energy plants.

3. SOURCES OF INFORMATION AND METHODOLOGY

The information sources and the data used in the study to explain the value land drivers have been obtained from different sources. The regressions of the empirical studies conducted to account for land value in Spain, as cited earlier, in the United States (Xu et al., 1993; Barnard et al., 1997; Shi et al., 1997) include variables related to the farms’ characteristics (size), some which account for agricultural productivity (temperature, rainfall), and others with no agricultural influence given their possible alternative uses (tourism, demographic pressure, location), and others of an economic kind (inflation, taxes, salaries). Consequently, the data have been divided into four groups of variables, climatic features, economic context, location and aid policy, which are shown as follows:
~ Climatic features.

Rainfall (X1): the average annual rainfall (in mm) of each AC for the period 1990-2000. This information was obtained from the Food and Agriculture Statistics Year Book in Spain of 2006, published by the Spanish Ministry of Agriculture, Fishery and Food (www.marm.es; MAPA, 2006a). It has a constant value for each year.

Average temperature (X2): measured by the annual temperature (in °C) of each AC over the period 1990-2000. This information was also obtained from MAPA (2006a). It is a constant value for each year.

~ Economic environment

Price of non-subsidised housing (X3): a registry of the price per square meter for each AC. This information was obtained from the Spanish Ministry of Housing (www.mviv.es).

Number of rooms in hotels and Number of rooms in hotels/Km2 (X4; X5): a registry of the number of estimated rooms in hotels of each AC and for Sq Km. The data were obtained from the Spanish National Statistics Institute (INE, www.ine.es).

Number of apartments and Number of apartments /Km2 (X6; X7): a registry of the number of estimated beds in tourist apartments in each AC and for Sq Km. The data were obtained from the INE.

Consumer’s price index (X8): the variation of an annual index of consumer prices for each AC. The data were obtained from the INE.

Free Interest rate (X9): estimated as the return on a 3 year debt, published by Tesoro Público. (www.tesoro.es).

Unemployment rate in the agrarian sector (X10): the rate of unemployment in each AC. It is presented as a percentage, which is calculated as the total number of the non working population in the agrarian sector over the total number of non working population for each AC. The data were obtained from the INE.

Wages of temporary labour in the agrarian sector (X11): The data were obtained from the INE.

UAA (X12): this is calculated in hectares for each AC. The data were obtained from the INE.

Rural property tax /UAA (X13): a total tax liability paid per hectare of the UAA. This value was estimated by the information provided by the State Property Registry of the Spanish Ministry of Economy and Finance and INE. Each AC presents a value.

Size of farms (X14): this data was obtained by dividing the UAA by the number of farms.

~ Geographical location

Coastlin (X15): calculated by the number of kilometers of coastline for each AC

Surface of the AC (X16): the surface of each AC presented by SqKm.

Island (X17): if the AC is an island or not.

~ Aid policy

The subsidies to the livestock (X18), subsidies to the crops (X19), and the total subsidies (X20). The data were provided by MAPA.
The value of entitlements: the entitlements derived from the aid available for surface areas, and from bonuses and supplementary aids obtained by farms with surface areas, are accounted as follows: 1 entitlement = 1 hectare or fraction of hectare.

With regard to supplementary livestock bonuses and aids, obtained by farms without surface areas, the number of entitlements is calculated as so:

\[
\text{Number of entitlements} = \frac{\text{amount of reference}}{5,000}
\]

The value that each entitlement has will be calculated by dividing the reduced reference amount, once the 3% destined to the National Reserve and any other applicable discounts have been deducted (applying Article 69 and the financial discipline, for example), by the number of entitlements. Calculations will be done with three decimal places and will be rounded off to two. The study enclosed the value of special entitlements (X21), nominal entitlements (X22), average value of the entitlements (X23), rural development aids (X24), subsidies to underprivileged areas (X25), and subsidies to energy crops (X26).

The statistical analyses have been carried out using the SPSS statistical programme applied to the Social Sciences.

A quantitative analysis, using Pearson’s land value correlation coefficients, in current euros per hectare, in its original and logarithmic form, with each one of the explanatory variables was carried out. These values come from the data base put together using the land market prices for each Autonomous Community and crop, and the differing values of the external characteristics or signs, as it was commented previously.

4. RESULTS

Table 1 provides the results of the Pearson’s land value correlation coefficients.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Explanatory Variable</th>
<th>Pearson Coefficient Price</th>
<th>Pearson Coefficient Ln Price</th>
<th>Nº values</th>
<th>Period of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>Time</td>
<td>.319(**)</td>
<td>.422(**)</td>
<td>1803</td>
<td>1983-2007</td>
</tr>
<tr>
<td>Productivity of land</td>
<td>Temperature</td>
<td>.393(**)</td>
<td>.265(**)</td>
<td>1804</td>
<td>1990-2007</td>
</tr>
<tr>
<td></td>
<td>Rainfall</td>
<td>.000()</td>
<td>.199(**)</td>
<td>1804</td>
<td>1990-2007</td>
</tr>
<tr>
<td>Irrigation</td>
<td></td>
<td>.314(**)</td>
<td>.399(**)</td>
<td>1804</td>
<td></td>
</tr>
<tr>
<td>Economic Environment</td>
<td>Nº apartments</td>
<td>.701(**)</td>
<td>0.509 (**))</td>
<td>469</td>
<td>2002-2007</td>
</tr>
<tr>
<td></td>
<td>Nº apartments/Km2</td>
<td>.707(**)</td>
<td>.502(**))</td>
<td>469</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nº hotel rooms</td>
<td>.304(**)</td>
<td>0.332(**)</td>
<td>469</td>
<td>2002-2007</td>
</tr>
<tr>
<td></td>
<td>Nº hotel rooms/Km2</td>
<td>.378(**)</td>
<td>.375(**)</td>
<td>469</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CPI</td>
<td>.284(**)</td>
<td>.405(**)</td>
<td>1778</td>
<td>1990-2007</td>
</tr>
<tr>
<td></td>
<td>Property Tax/ASAU 2006</td>
<td>.488 (**)</td>
<td>0.325(**)</td>
<td>1581</td>
<td>1995-2007</td>
</tr>
<tr>
<td></td>
<td>Nº new homes</td>
<td>.278 (**)</td>
<td>0.379(**)</td>
<td>1405</td>
<td>1995-2007</td>
</tr>
</tbody>
</table>

1 The price has also been used in form of a logarithm in order to achieve more homogeneous variables and so better statistical results.
### Table 1. Correlation coefficients between value of land and explanatory variables.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Pearson Coefficient Price</th>
<th>Pearson Coefficient Ln Price</th>
<th>N° values</th>
<th>Period of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free house pricing</td>
<td>.222(**)</td>
<td>.325(****)</td>
<td>1150</td>
<td>1995-2007</td>
</tr>
<tr>
<td>Return on 3 year debt</td>
<td>-.269(****)</td>
<td>-.347(****)</td>
<td>1599</td>
<td>1988-2007</td>
</tr>
<tr>
<td>Wages of temporary labourers</td>
<td>.131(****)</td>
<td>.226(****)</td>
<td>642</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate in agricultural sector</td>
<td>-.123(****)</td>
<td>-.159 (**)</td>
<td>1608</td>
<td>1990-2004</td>
</tr>
<tr>
<td>Size of farm</td>
<td>-.395(****)</td>
<td>-.436(****)</td>
<td>1581</td>
<td></td>
</tr>
<tr>
<td>ASAU</td>
<td>-.233</td>
<td>-.287(****)</td>
<td>1581</td>
<td>1995-2007</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coast</td>
<td>.321(****)</td>
<td>.364(****)</td>
<td>1804</td>
<td></td>
</tr>
<tr>
<td>Island</td>
<td>.437(****)</td>
<td>.331(****)</td>
<td>1804</td>
<td>1990-2007</td>
</tr>
<tr>
<td>Autonomous communities</td>
<td>-.196(****)</td>
<td>-.254(****)</td>
<td>1804</td>
<td>1990-2007</td>
</tr>
<tr>
<td>Population density</td>
<td>0.098(****)</td>
<td>.135(****)</td>
<td>1804</td>
<td>1990-2007</td>
</tr>
<tr>
<td>Aid policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock subsidies</td>
<td>.293(****)</td>
<td>.379(****)</td>
<td>1591</td>
<td>1986-2006</td>
</tr>
<tr>
<td>Crop subsidies</td>
<td>.165(****)</td>
<td>.210(****)</td>
<td>1591</td>
<td>1986-2006</td>
</tr>
<tr>
<td>Total subsidies</td>
<td>.219(****)</td>
<td>.281(****)</td>
<td>1591</td>
<td>1986-2006</td>
</tr>
<tr>
<td>Value of special entitlements</td>
<td>-.232(****)</td>
<td>-.327(****)</td>
<td>104</td>
<td>2006-2007</td>
</tr>
<tr>
<td>Value of normal entitlements</td>
<td>.236(****)</td>
<td>.215(*)</td>
<td>104</td>
<td>2006-2007</td>
</tr>
<tr>
<td>Average value of entitlements</td>
<td>.286(****)</td>
<td>.257(****)</td>
<td>104</td>
<td>2006-2007</td>
</tr>
<tr>
<td>Rural development</td>
<td>.006</td>
<td>-.006</td>
<td>639</td>
<td>2000-2006</td>
</tr>
<tr>
<td>Underprivileged areas</td>
<td>.120(****)</td>
<td>.213(****)</td>
<td>639</td>
<td>2000-2006</td>
</tr>
<tr>
<td>Aid for energy crops</td>
<td>.062</td>
<td>.041</td>
<td>354</td>
<td></td>
</tr>
</tbody>
</table>

It is necessary to comment on the fact that some of these variables may be correlated, for example irrigation and small holdings.

The variables can be grouped into 3 main areas: real estate index, agricultural profitability and alternative uses.

### 4.1. Real estate index

Land used for farming purposes is a real-estate asset and, as such, it is submitted to the real-estate market. At the same time, this real-estate market is marked by the economic context and location.

In the variables relating to the economic context, we essentially find pressure as a result of tourism and urban development. The former is only present in tourist areas while the second extends throughout Spanish territory. Pressure through tourism has a significant and positive effect on both prices and leasings. However, urban pressure only influences prices, but not leasings. This effect of tourism on prices and leasings allows for two interpretations to be made:
There is a close relationship between tourist areas and the smallholdings and more intense crop-growing (citrus fruits, plantations, etc.), which are typical of the southern and eastern areas of Spain.

Tourist urban development occupies more territory than housing developments.

Indeed we may observe how the land value has followed the same trend in recent years as the value of housing (Figure 3), except for a slight time lag, and it is possible that the present reserve of the housing market has an influence, if only in part, on the land market of forthcoming years since the rest of the market drivers will possibly counteract this effect. In this sense, we may note that in those communities for which the 2007 land prices are known, the first data allow to estimate the land market growth to be 6.35% for 2007, whereas the housing market growth was lower in the same year, estimated at 5.08%.

Figure 3. Development of housing and land prices in the period 1985-2006.

Other factors within the economic context are salaries, the consumer price index, return on debt, the unemployment rate, all affect land prices. So a positive effect of the first two factors is noted in such a way that an increase in salary and inflation leads to an increase in land prices. However an increase in both return on debt and the unemployment rate means that land prices lower.

As for location, the presence of the coastline factor has a positive effect on prices and the island factor also increases it. Nonetheless, population density is highly related to urban development pressure and influences prices.

4.2. Agricultural profitability

The profitability of farms depends on the productivity and profitability of the land and also on the aids received.

Land profitability may be linked to, or separated from, property. In owned lands with crops, greater profitability will lead to a higher land value; likewise, leased lands with crops will lead to a higher leasing rate.

On the other hand, agricultural aids increase the farmer’s level of profitability, with which an increase of the land price.
The variables which influence greater land productivity are: temperature, rainfall and irrigation, among others, all of which are linked with farming performance. In statistical terms, it has been verified how both irrigation and temperature positively affect the land value in such a way that the value is higher in regions with higher temperatures and irrigated lands due to the possibility of incorporating certain tree crops (citrus fruits and banana plantations) or protected crops (greenhouse production). On the other hand, the land value does not vary from other dryer regions in those regions with greater rainfalls. Furthermore, leasing are also higher in regions with higher average temperatures and in irrigated land than in non-irrigated areas, which also occurred with land prices. Nonetheless with land prices, it is noticed as owning land implies having not only speculative purposes, but also merely productive ones.

Neither the aids destined to rural development nor to energy crops affect land prices or land leasings, probably because they are still recently established aids.

The value of entitlements per region also increases the land value, except for the average value of the special entitlements in the AC which, according to the results of the quantitative analysis, lower the land value precisely because they are not linked to the land owned. In other words, in regions with a higher average normal entitlement value, a higher average land value is also given. However, this does not mean that the SPS is always going to have an effect that increases the land value directly because, if the SPS aids are applied for by the land owner, the land price will increase. However, if the tenant applies for such aids, they do not necessarily affect the land value directly, although they may have an indirect effect through the leasing and value relationship.

4.3. Alternative uses

In recent years, alternative uses for farming land are becoming increasingly important, essentially to produce biofuels, to install solar energy plants, and because areas are declared as nature reserves as a measure to conserve the natural environment.

5. CONCLUSIONS

In the present-day, there is considerable uncertainty in agriculture as the future is unclear. This has led to hesitation to invest and, therefore, to less market transactions (the effect of biofuels in the USA). Until 2006, farmers received help to farm their land. Therefore, land was implicitly entitled. Now entitlement is not necessarily linked to land. So land with or without entitlements may be clearly differentiated.

Consequently, and according to different opinions collected from the survey, the SPS may have various effects on land prices in terms of how the land is classified because there are lands which are either entitled or not to aids. Furthermore, there is the possibility of being paid entitlements without having to cultivate the land, simply by justifying that the land is owned or being leased, and by keeping it in good conditions in environmental terms. Therefore, different situations emerge:

- With regard to the influence that crops have, one basis is that some crops are highly profitable, like fruit and vegetables, while there are others that are not so profitable and which basically depend on aids. Such aids represent additional income for the farmer and have always acted as an income for the farmer to fall back on if faced with bad weather conditions (drought, hail storms, etc.) which result in bad harvests which other countries do
Consequently the SPS has not affected the sale price of the most profitable crops, which have continued to increase, and this is precisely what has happened in recent years. Furthermore in smallholdings, which are commonplace in the Valencian Community for example, the effect of the SPS as an economic variable is only slight when compared with large estates, mainly located in Andalusia, whose situation may well be totally different. Indeed and as we have already noted, as the average entitlement values in a region are higher, the land value is also higher. With regard to leasings, a slight increase has been observed because many verbal contracts have emerged to justify the entitlements.

Conversely in the least profitable crops which depend more on aids, sale prices and leasing rates have been affected in the sense of them being linked to entitlements or not. Evidently, the possibility of farming land without entitlements is less profitable, and as a result, leasing rates of lands without entitlements have lowered. Indeed it might even be said that land without entitlements has no leasing value. These circumstances in the land leasing market may imply lower sale prices of land as leasing is not feasible. To this, we need to add the uncertainty perceived regarding the lack of continuity of the financial perspectives for the farming sector in the EU beyond the year 2013.

On the other hand, because the vast majority of aids in many cases may be received without having to sow land or having livestock, there may be many producers of low profit-making crops interested in the non-production option, or in production at the minimum cost even if this option entails less production. It seems evident that under such circumstances, land must significantly lower in price in terms of both leasing and sales. With leased lands where the beneficiary is the owner, the land may even be leased free of charge or at a very low rate in exchange for the tenant maintaining the lands in accordance with the Conditionality, and in this way, the owner may receive the Single Payment. Conversely, if the beneficiary is the tenant, they may use their entitlements in any other land, and in Spain, there is a surplus of eligible land where beneficiaries may use Single Payment Entitlements (SPEs), which may equally imply lease rates dropping.

The land price for 2007 increased by 6.3%, according to data on developments in the AC of Aragon, Asturias, the Balearics, Castille-La Mancha, Catalonia, the Valencian Community, Extremadura, Galicia, La Rioja, R. of Murcia, Navarre and the Basque Country. In Andalusia, the scarcity of supply and higher demand has meant greater increases in most developments over the last five years. The most frequent prices have increased by more than 14% in 2007, and have reached 17% in dry pasture lands. If investors sought the best land uses in former years, the trend nowadays is to buy whatever is offered, be it good or regular, despite the fact that prices continue to rise. There are two factors behind this: the scarcity of untilled land in areas of olive groves to the south and southwest of the province of Córdoba, which means having to acquire dry lands and pasture lands to plant olive trees; the spectacular increase in the price of wheat and sunflowers. Another interest in these lands is to set up solar groves.

It is possible that the implementation of the SPS will delay certain tradability operations until the exact entitlement transfer procedures are known. However, the SPS has not led to a decrease in land prices; indeed, the exact opposite has occurred.

No significant differences have been observed in the way land prices have developed between the areas either affected or not by the SPS. Each crop and region has practically followed the trend of former years with a barely perceptible direct relationship with the SPS because other factors exist which significantly influence the variation of land prices, as we have already mentioned. An example of such is pressure through urban development and tourism in the Valencian Community, Andalusia, R. Murcia and Catalonia.
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7. BIBLIOGRAPHY


