

LAND RUSH IN THE HIGHEST GEAR?



Farmland deals and investment strategies in Romania

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WHY IS ROMANIA INTERESTING?



- the country in the EU with the largest share of farmland owned by foreign investors.
- most fleet rise of farmland prices in the world.
- particular case in the global land rush: emerging economy and frontier market, with considerable area of abandoned land; EU country with relatively strong property rights, obtaining EU subsidies.

METHODOLOGY



- web search - agribusiness media, investor websites and reports, online news, podcasts and video registrations, governmental agencies, conferences
- secondary literature
- interviews

ROMANIA LAND GRAB CONTEXT



EUROPE/EE

Initially low land prices

Potential for yield increases

Abandoned land

Aging rural population

EU stability

Consolidation

Better infrastructure

Rise in prices

FSU RUSSIA

Russia-low land prices

Potential for yield increases

Abandoned land

More risky

GLOBAL SOUTH

Potential for yield increases

Consolidation

SA-poorer infrastructure

CONTEXT



Driver: 2007-2008 food crisis

- Renewed interest in agriculture
- Shift from financial and real estate assets to agricultural (soft) commodities and energy crops
- Farmland represents 1,3% of investment portfolios
- Financialization of agriculture

FARMLAND ROMANIA



- Land ownership structures
chaotic legal system – missing ownership documents, poor cadaster

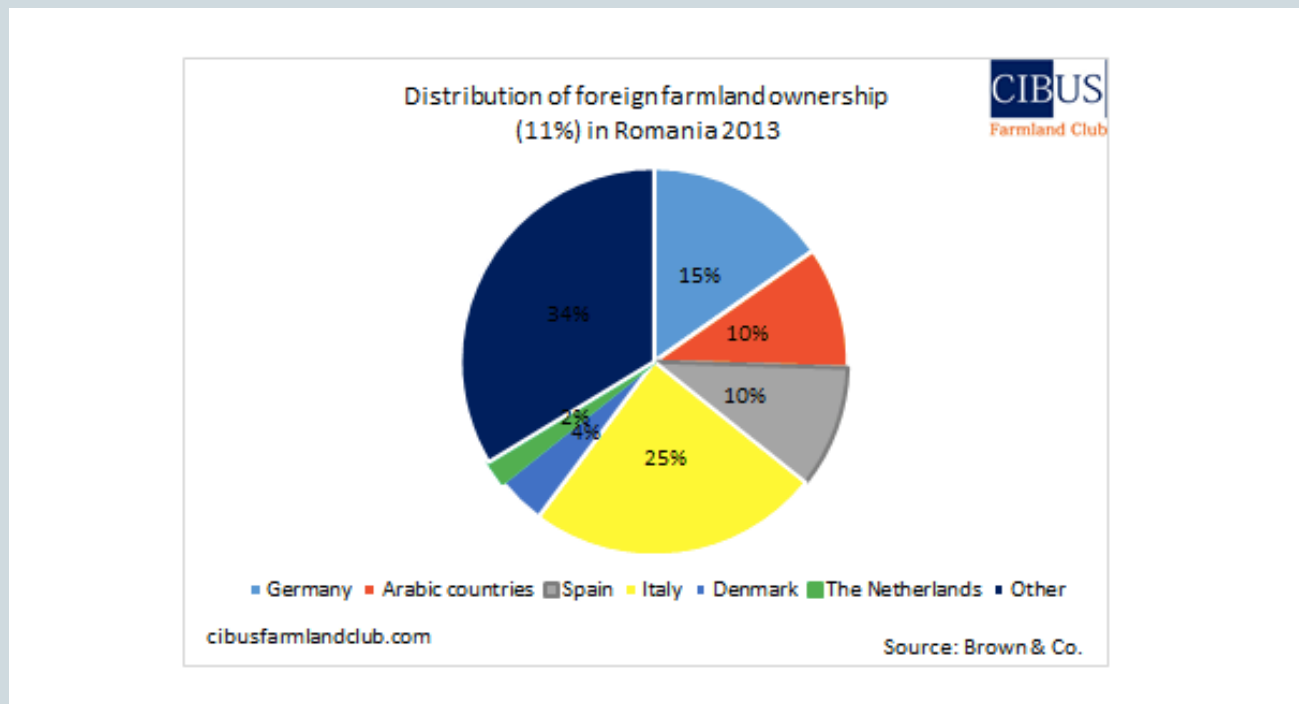
Unconsolidated and consolidated land



FOREIGN INVESTORS



9.3 mill ha arable land – 11 % owned by foreign investors



Source Figure: CIBUS Farmland Club (2015)

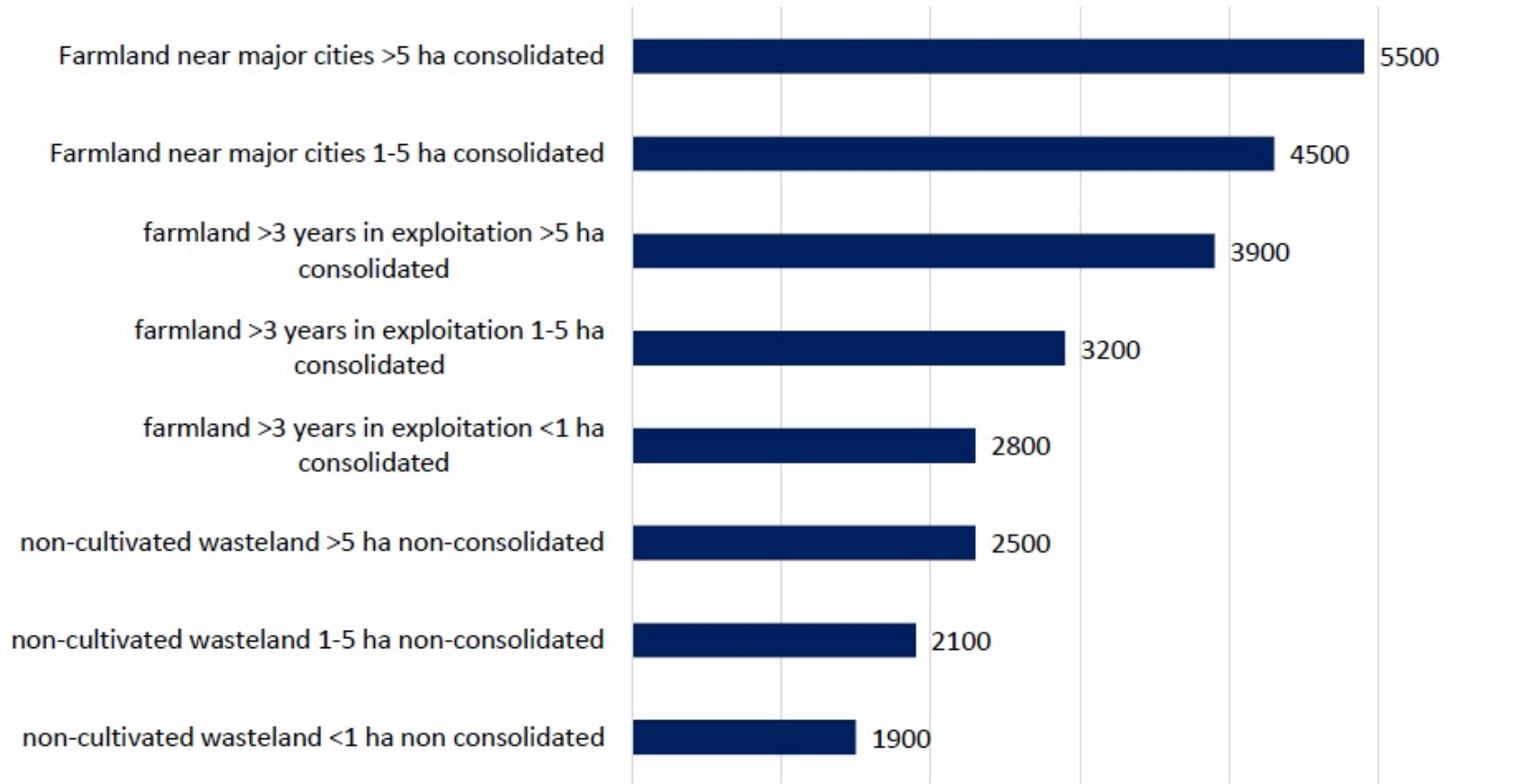
ROMANIA COUNTRY FACTS



- Highly fertile chernozem soils (black soil)
- Favourable climate for a variety of crops
- Strategically located for trade (Port of Constanta Black Sea and The Danube)
- Cheap land prices
- Abandoned land-unused agricultural surface
- Aging rural population
- Poor (agricultural) infrastructure



Price trends



Price trends



| Class/ price | Country | Price in euro/ha | Price level compared to previous year |
|-----------------|-------------------|---------------------|--|
| 1 | The Netherlands | 49 000 | +4.4 % |
| 2 | Denmark | 20 600 | -6 % |
| 3 | Italy | 19 400 | +0,6% |
| 4 | England and Wales | 18 000 | +12% |
| 5 | Germany | 16 400 | +11 % |
| 6 | Spain | 10 000 | -1,6 % |
| 8 | Poland | 4 900 | +7,7 % |
| 9 | France* | 5 420 | +1,1 + |
| 10 | Romania** | 2 700 | +8 % |

INVESTORS

- **Farmers**

- individuals or companies

Primary motive: generation of income from farming

- **Investors**

- investment funds (equity funds, pension funds, sovereign wealth funds etc.)

Primary motive:

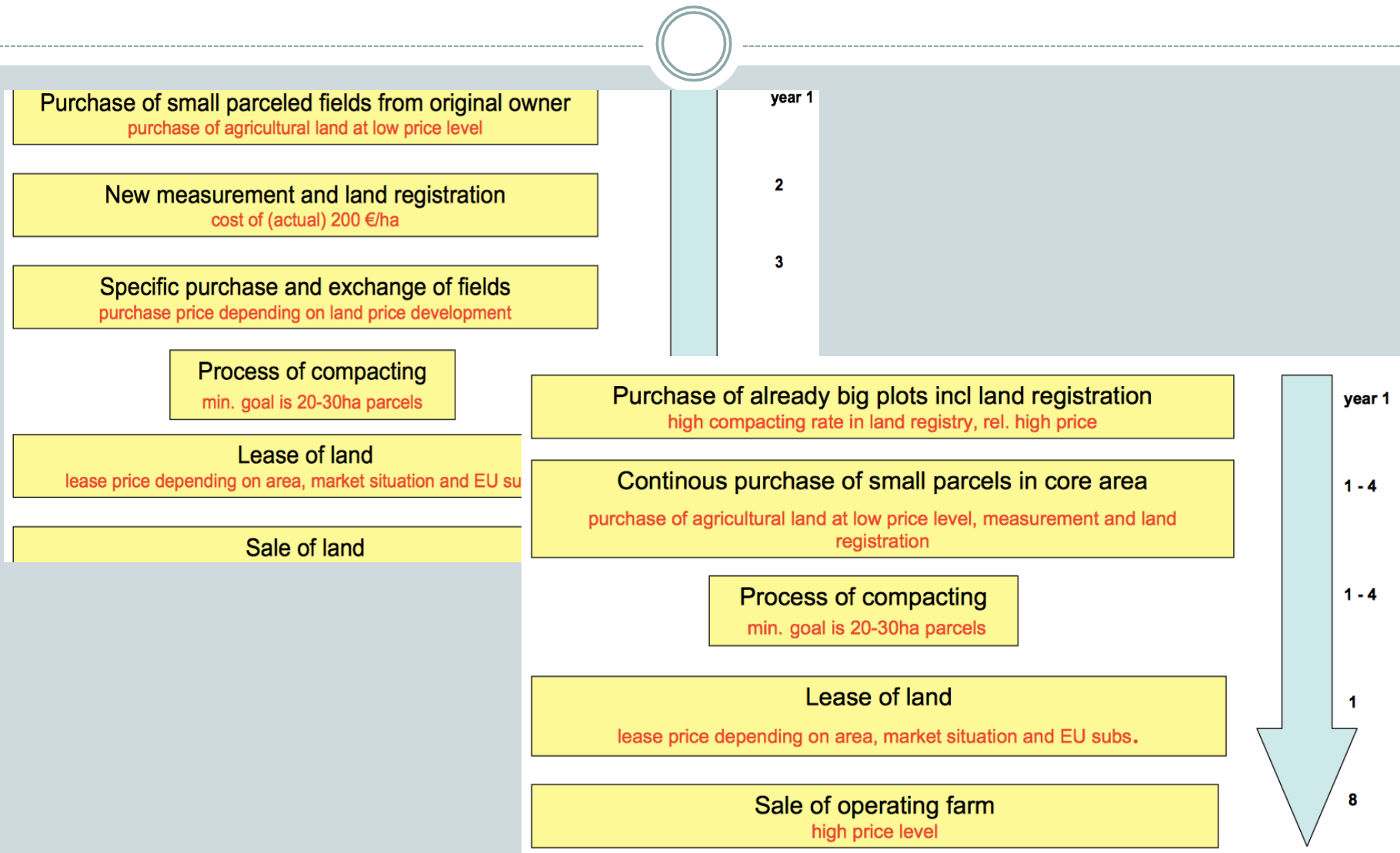
Capital appreciation (increasing land value) and increase of income through commercial farmland

FOUR INVESTMENT PERIODS



1. Early 1990s – little foreign investment and local barons took over most of the land
2. 1997-2005 – foreign farmers and farming companies (Italy, Germany etc.)
3. 2009-2014 – large investment funds
4. 2014-present

EXAMPLE INVESTMENT MODEL



INVESTMENT VEHICLES



- a variety of investment models with different fund structures

Buy-cultivate-lease; buy-lease; buy-consolidate-sell; combined with different asset management, consultancy, due diligence services etc.

The variety is dependent on the expertise of the investment groups but we assume it also is related to the regions invested in, local knowledge and level of established relationships

POTENTIAL IMPACTS

ECONOMIC, SOCIAL AND ENVIRONMENTAL COSTS

- Diminished farmland jobs-poverty
- De-peasantisation
- Reinforcing rural outmigration (esp. youth)
- Loss of cultural identity
- Export-oriented agriculture
- Mono-culture dominated landscapes
- Biodiversity loss-sustainability

CONCLUSIONS



- Romania is an attractive target country for farmland investments
- Combines attractive factors found in emerging economies and developing countries
- Additional benefits as a EU country (lower risk, rise of subsidies, land appreciation etc.)

OPEN QUESTIONS



1. Is the variety of investment vehicles that can be applied by investors in Romania a pull factor for investments?
2. Why does Romania allow for such a diversity of investment modalities?
3. What is the exact scale of investments?
4. Who are the predominant investors?
5. What are the key drivers of land demand?
6. What role does the quality of land governance play?
7. What are the trade-offs and opportunity costs?
Who wins and who loses, at what level and at what time?



THANK YOU FOR YOUR ATTENTION!

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