Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:173

Number: 173

Title:Off-farm Labour Decision of Italian Farm Operators

Author-Name: Raimondi, Valentina

Author-Name: Curzi, Daniele

Author-Name: Bertoni, Danilo

Author-Name: Olper, Alessandro

Creation-Date: 2013-08

Length: 13 pages

Abstract: This paper analyses the factors affecting off-farm labour decisions of Italian farm operators. Using micro-level data from the Farm Business Survey (REA) over the pre- and post-2003 CAP reform periods, we investigated the impact that operator, family, farm and market characteristics exert on these choices. Among other things, the paper focuses also on the differential impact of those variables for operators of smaller and larger holdings. The main results suggest that operator and family characteristics have a significant impact on the decision to participate in off-farm work more for smaller than for bigger farms. By contrast, farm characteristics are more relevant variables for bigger farms. In particular, decoupled farm payments, by increasing the marginal productivity of farm labour, lower the probability of working off the farm only in bigger farms, while coupled subsidies in pre-reform years do not have a significant impact on labour decisions. Finally, we show that, after accounting for the standard covariates, local and territorial labour market characteristics generally have a low effect on off-farm work operators’ choices.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%20No%2061%20Off-farm%20labour%20decision%20of%20Italian%20Farm%20Operators-2.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:172

Number: 172

Title:Determinants of Farm Labour Use: A Comparison between Ireland and Italy

Author-Name: Loughrey, Jason

Author-Name: Hennessy,Thia

Author-Name: Hanrahan, Kevin

Author-Name: Donnellan, Trevor

Author-Name: Raimondi, Valentina

Author-Name: Olper, Alessandro

Creation-Date: 2013-08

Length: 17 pages

Abstract: This paper examines the effect of the decoupling of farm direct payments upon the off-farm labour supply decisions of farmers in both Ireland and Italy, using panel data from the Farm Business Survey (REA) and FADN database covering the period from 2002 to 2009 to model these decisions. Drawing from the conceptual agricultural household model, the authors hypothesise that the decoupling of direct payments led to an increase in off-farm labour activity despite some competing factors. This hypothesis rests largely upon the argument that the effects of changes in relative wages have dominated other factors. At a micro level, the decoupling-induced decline in the farm wage relative to the non-farm wage ought to have provoked a greater incentive for off-farm labour supply. The main known competing argument is that decoupling introduced a new source of non-labour income i.e. a wealth effect. This may in turn have suppressed or eliminated the likelihood of increased off-farm labour supply for some farmers. For the purposes of comparative analysis, the Italian model utilises the data from the REA database instead of the FADN as the latter has a less than satisfactory coverage of labour issues. Both models are developed at a national level. The paper draws from the literature on female labour supply and uses a sample selection corrected ordinary least squares model to examine both the decisions of off-farm work participation and the decisions regarding the amount of time spent working off-farm. The preliminary results indicate that decoupling has not had a significant impact on off-farm labour supply in the case of Ireland but there appears to be a significantly negative relationship in the Italian case. It still remains the case in both countries that the wealth of the farmer is negatively correlated with the likelihood of off-farm employment.

File-URL:http://www.factormarkets.eu/system/files/FM60%20Determinants%20of%20Farm%20Labour%20Use%20-%20A%20Comparison%20between%20Ireland%20and%20Italy-2.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:171

Number: 171

Title:Does it matter how much land your neighbour owns? The functioning of land markets in Poland from a social comparison perspective

Author-Name: Fałkowski, Jan

Creation-Date: 2013-08

Length: 23 pages

Abstract: While many factors have been studied in relation to the functioning of land markets, the role of land distribution has received relatively little attention. In this paper, we ask to what extent farmers’ propensity to buy land is related to the difference between them and their neighbours in terms of land ownership. To this end, we employ the concept of relative deprivation. Drawing on micro-level data from the transition period in Poland and using both OLS and instrumental variables strategy, we find that interpersonal comparisons with others in one’s reference group may have motivated a farmer’s

behaviour in the land market. In particular, the propensity to purchase land is positively associated with experiencing higher relative deprivation. In addition, this relationship waned over time in a predictable manner: late in the transition period it was weaker than at the beginning of the period.

File-URL:http://www.factormarkets.eu/system/files/FM59%20Looking%20at%20the%20functioning%20of%20land%20markets%20in%20Poland-1.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:170

Number: 170

Title:Empirical Evidence of the Distributional Effects of the CAP in New EU Member States

Author-Name: Ciaian, Pavel

Author-Name: Kancs, d'Artis

Author-Name: Pokrivcak, Jan

Creation-Date: 2013-08

Length: 25 pages

Abstract: This study, carried out in the context of the Factor Markets research project, investigates the impact of the SAPS (Single Area Payment Scheme) on farmland rental rates in the new EU member states. Using a unique set of farm level panel data with 20,930 observations for 2004 and 2005 we are able to control for important sources of endogeneity. According to our results, the SAPS has a positive and statistically significant impact on land rents in the EU. However, the estimated incidence is smaller than predicted theoretically. Land rents capture only 19 cents of the marginal SAPS euro, and around 10% of the SAPS benefit non-farming landowners through higher farmland rental prices. As the share of rented land is higher in corporate farms than individual ones, family farms benefit more from the SAPS than corporate farms do.

File-URL:http://www.factormarkets.eu/system/files/FM58%20Empirical%20evidence%20...%20%20CAP%20in%20New%20EU%20MSs-3.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:169

Number: 169

Title:Synthesis Report on the Impact of Capital Use

Author-Name: Petrick, Martin

Author-Name: Kloss, Mathias

Creation-Date: 2013-08

Length: 17 pages

Abstract: This paper examines the drivers of productivity in EU agriculture from a factor markets perspective. Using econometrically estimated production elasticities and shadow prices of factors for a set of eight EU member states, we focus on field crop farms represented in the FADN database for the years 2002-08. As it turned out that output reacts most elastically to materials input, we investigate this factor further and find different rationing regimes represented in different member states. Marginal return on materials is low in Denmark and West Germany, but significantly above typical market interest rates in East Germany, Italy and Spain. In the latter countries and in Denmark it also increased towards the end of the observed period. This finding is consistent with a perception of tightening funding access, possibly induced or reinforced by the unfolding financial crisis. Marginal returns to land, labour and fixed capital are generally low. We conclude that the functioning of factor markets plays a crucial role for productivity growth, but that factor market operations display considerable heterogeneity across EU member states.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP57%20Synthesis%20report%20on%20the%20impact%20of%20capital%20use-2.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:168

Number: 168

Title:Simulation Results on the Impact of Changes in the Main EU Policy Tools on Farm Investment Behaviour

Author-Name: Guastella, Giovanni

Author-Name: Moro, Daniele

Author-Name: Sckokai, Paolo

Author-Name: Veneziani, Mario

Creation-Date: 2013-06

Length: 17 pages

Abstract: This paper completes the comparative analysis of the investment demand behaviour, of a sample of specialised arable crop farms, for farm buildings and machinery and equipment, as a function of the different types and levels of Common Agricultural Policy support, in selected European Union Member States. This contribution focuses on their quantitative interdependence calculating the relevant elasticity measures. In turn, they constitute the methodological tool to simulate the percentage expected change in average net investment levels associated to the implementation of the, recently proposed and currently under discussion, reductions in the Pillar I Direct Payments disbursed under the Common Agricultural Policy. Evidence suggests a statistically significant elastic and inelastic relationship between both types of subsidies and the investment levels for both asset classes in Germany and Italy, respectively. An elastic dependence of investment in farm buildings on decoupled subsidies exists in Hungary while changes in the level of coupled payments appear to translate into less than proportional changes in the demand for both farm buildings and machinery and equipment in France. Coupled payments appear to influence the UK demand for both asset classes in an elastic manner while decoupled support seems to induce a similar effect on investment in machinery and equipment. Since the currently discussed Common Agricultural Policy reform options imply, almost exclusively, a reduction in the level of support granted through Direct Payments, simulated effects were expected to reveal a worsening of the farm investment prospects for both asset types (i.e., a larger negative investment or a smaller positive one). The actual evidence largely respects this expectation with the sole exception of investment in machinery and equipment in France and Italy reaching smaller negative or larger positive levels irrespectively of the magnitude of the implemented cuts in Direct Payments.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP56%20Impact%20of%20Changes%20in%20EU%20Policy%20Tools-1.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:167

Number: 167

Title:Simulation Results of AgriPoliS about Diminishing Capital Subsidies and Restrictions

Author-Name: Sahrbacher, Christoph

Author-Name: Sahrbacher, Amanda

Author-Name: Ostermeyer, Arlette

Creation-Date: 2013-06

Length: 40 pages

Abstract: This paper investigates the impacts of high interest rates for borrowed capital and credit restrictions on the structural development of four European regions. The method used is the model AgriPoliS which is a spatial-dynamic agent-based model. It is able to provide aggregated results at the regional level, but very individual results as well by considering farms as independent entities. Farms can choose between different investment options during the simulation. Several scenarios with different interest rates for borrowed capital on the one hand as well as with different levels of credit restrictions on the other hand are tested and compared. Results show that higher interest rates have less impact on declining production branches than on expanding ones. If they have the possibility farms invest in the most profitable production branch which relative profitability might have changed with high interest rates. Credit restrictions lead farms to choose smaller and cheaper investments than expensive and large ones. Results also show that income losses in both cases due to under-investment compared to the reference situation are partially compensated by lower rental prices. The impacts on structural change also differ depending on the region and the initial situation. In summary, credit subsidies or imperfections on credit markets might have indirect impacts on the type of dominant investment and therefore on the whole regional agricultural sector as well.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP55%20Simulation%20Results%20of%20AgriPolis-1.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:166

Number: 166

Title:Farm/Household-level Simulation Results of Testing Policy and Other Scenarios

Author-Name: Viaggi, Davide

Author-Name: Bartolini, Fabio

Author-Name: Puddu, Marco

Author-Name: Raggi, Meri

Creation-Date: 2013-06

Length: 17 pages

Abstract: Among the different production factors, land is the one that most often limits farm development and one of the most studied. The connection between policy and other context variables and land markets is at the core of the policy debate, including the present reform of the Common Agricultural Policy. The proposal of the latter has been published in October 2011 and in Italy it will include the switch of the payment regime from an historical to a regional basis. The authors’ objective is to simulate the impact of the proposed policy reform on the land market, particularly on land values and propensity to transaction. They combine insights and data from a farm household investment model revised and extended in order to simulate the demand curve for land in different policy scenarios and a survey of farmers stated intention carried out in the province of Bologna (Italy) in 2012. Based on these results, the authors calibrate a mathematical programming model of land market exchanges for the province of Bologna and use this model form simulation. The results of the model largely corroborate the results from the survey and both hint at a relevant reaction of the land demand and supply to the shift from the historical to the regionalised payments. As effect, the regionalisation would result in increased rental prices and in a tendency to the re-allocation of land.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP54%20Farm-Household%20Simulation%20Results-1.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:165

Number: 165

Title:The Empirical Content of the Present Value Model: A survey of the instrumental uses of farmland prices

Author-Name: Latruffe , Laure

Author-Name: Ay, Jean-Sauveur

Creation-Date: 2013-06

Length: 20 pages

Abstract: After reviewing the Present Value Model (PVM), in its basic form and with its major extensions, the authors carried out a literature review on the instrumental uses of farm land prices; namely what land prices may reveal in the framework of the PVM. Urban influence, non-market goods and climate change are topics where the PVM used with applied data may reveal farmers’ or landowners’ beliefs or subjective values, which are discussed in this paper. There is also extensive discussion of the topic of public regulations, and how they may affect land price directly, or through its present value.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP53%20Empirical%20Content%20of%20the%20Present%20Value%20Model.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:164

Number: 164

Title:The Role of Environmental and Land Transaction Regulations on Agricultural Land Price: The example of Brittany

Author-Name: Latruffe , Laure

Author-Name: Minvie, Jean Joseph

Author-Name: Salanié, Julien

Creation-Date: 2013-06

Length: 19 pages

Abstract: Using data from individual transactions for the period 1994-2010 in the French NUTS2 region Brittany, the authors investigated how environmental regulations and transaction land regulations influence the price of sold plots. Regressions on three sub-samples of buyers were performed in order to assess whether different buyers have different attitudes or plans regarding the farmland purchased: a sub-sample including only farmer-buyers, a sub-sample including non-farmer individual buyers, and a sub-sample including non-farmer non-individual buyers. Estimations were performed ignoring and accounting for spatial interactions (model SARAR). Results indicate that the price of land decreases when buyers are farmers, that the nitrate surplus area zoning increases the price of land, even more so for farmer-buyers. Regarding land transaction regulations, there is a negative effect, on land price, of the purchaser being the current tenant or being the land regulating public body SAFER. Estimating the model on different sub-samples depending on the buyers’ type shed light on the factors that are more important for each buyer.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP52%20Role%20of%20Environmental%20%2526%20Land%20Transaction%20Regs.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:163

Number: 163

Title:Influence of Agricultural Support on Sale Prices of French Farmland: A comparison of different subsidies, accounting for the role of environmental and land regulations

Author-Name: Latruffe , Laure

Author-Name: Piet, Laurent

Author-Name: Dupraz, Pierre

Author-Name: Le Mouël, Chantal

Creation-Date: 2013-06

Length: 23 pages

Abstract: This paper investigates the determinants of agricultural land price in several regions in France over the period 1994-2011, using individual plot transaction data, with a particular emphasis on agricultural subsidies and nitrate zoning regulations. It found a positive but relatively small capitalisation effect of the total subsidies per hectare. The data revealed that agricultural subsidies capitalised, at least to some extent, but the magnitude of such a capitalisation depends on the region considered, on the type of subsidy considered, and on the location of the plot in a nitrate surplus zone or not. Only land set-aside premiums significantly capitalise into land price, while single farm payments have a significant positive capitalisation impact only for plots located in a nitrate-surplus zone.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP51%20Influence%20of%20Ag%20Support%20on%20Sales%20Prices-2.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:161

Number: 161

Title:Agricultural Labour Market Flexibility in the EU and Candidate Countries

Author-Name: Loughrey, Jason

Author-Name: Donnellan, Trevor

Author-Name: Hanrahan, Kevin

Author-Name: Hennessy, Thia

Creation-Date: 2013-06

Length: 38 pages

Abstract: Factor markets that function well are a crucial condition for the competitiveness and growth of agriculture. Institutions and regulation may give rise to agricultural labour market heterogeneity, which could have important effects on the functioning of the labour market and other agricultural factor markets in EU member states. This paper first defines the institutional framework for the labour market, and then presents a brief literature review of previous studies of labour market institutional frameworks. Based on the literature, a survey to characterise agricultural labour markets was undertaken, which was implemented for a selection of EU27 and EU candidate countries, with responses based on expert opinion. The survey data were then used to construct indices of labour market flexibility/rigidity for the countries examined. These indices were used to make inter-country labour market comparisons and to draw inferences about the institutions and functioning of the agricultural labour market.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP49%20Ag%20Labour%20Market%20Flexibility%20in%20the%20EU%20and%20CC-1.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:160

Number: 160

Title:Will improved access to capital dampen the need for more agricultural land? A CGE analysis of agricultural capital markets and world-wide biofuel policies

Author-Name: Banse, Martin

Author-Name: Rothe, Andrea

Author-Name: Tabeau, Andrzej

Author-Name: Van Meijl, Hans

Author-Name: Woltjer,Geert

Creation-Date: 2013-06

Length: 19 pages

Abstract: This paper analyses the consequences of enhanced biofuel production in regions and countries of the world that have announced plans to implement or expand on biofuel policies. The analysis considers biofuel policies implemented as binding blending targets for transportation fuels. The chosen quantitative modelling approach is two-fold: it combines the analysis of biofuel policies in a multisectoral economic model (MAGNET) with systematic variation of the functioning of capital and labour markets. This paper adds to existing research by considering biofuel policies in the EU, the US and various other countries with considerable agricultural production and trade, such as Brazil, India and China. Moreover, the application multi-sectoral modelling system with different assumptions on the mobility of factor markets allows for the observation of changes in economic indicators under different conditions of how factor markets work. Systematic variation of factor mobility indicates that the ‘burden’ of global biofuel policies is not equally distributed across different factors within agricultural production. Agricultural land, as the pre-dominant and sector-specific factor, is, regardless of different degrees of inter-sectoral or intrasectoral factor mobility, the most important factor limiting the expansion of agricultural production. More capital and higher employment in agriculture will ease the pressure on additional land use – but only partly. To expand agricultural production at global scale requires both land and mobile factors adapted to increase total factor productivity in agriculture in the most efficient way.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP48%20Capital%20Markets.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:159

Number: 159

Title:Factor Markets in General Computable Equilibrium Models

Author-Name: Banse, Martin

Author-Name: Shutes, Lindsay

Author-Name: Dixon, Peter

Author-Name: Van Meijl, Hans

Author-Name: Rimmer, Maureen

Author-Name: Tabeau, Andrzej

Author-Name: Woltjer,Geert

Author-Name: Rothe, Andrea

Creation-Date: 2013-06

Length: 64 pages

Abstract: One objective of Computable general equilibrium (CGE) models is the analysis of economywide effects of policy measures. The focus of the Factor Markets project is to analyse the functioning of factor markets for agriculture in the EU-27, including the Candidate Countries. While agricultural and food markets are fully integrated in a European single market, subject to an EU-wide common policy, the Common Agricultural Policy (CAP), this is not the case for the agricultural factor markets capital, labour and land. There are partly serious differences with regard to member state regulations and institutions affecting land, labour and capital markets. The presentation of this heterogeneity of factor markets amongst EU Member States have been implemented in the CGE models to improve model-based analyses of the CAP and other policy measures affecting agricultural production. This final report comprises the outcome of a systematic extension and improvement of the Modular Applied GeNeral Equilibrium Tool (MAGNET) model starting from an overview of the current state of the art to represent factor markets in CGE models to a description of work on labour, land and capital in MAGNET.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP47%20Final%20Modelling%20Report.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:158

Number: 158

Title:Determinants to Leave Agriculture and Change Occupational Sector: Evidence from an Enlarged EU

Author-Name: Tocco,Barbara

Author-Name: Bailey, Alastair

Author-Name: Davidova, Sophia

Creation-Date: 2013-06

Length: 24 pages

Abstract: The objective of this paper is to explore the determinants to leave agriculture and change occupational sector. We adopt a 3-step multivariate probit where we control for selection bias at two stages in the decisions to work and, at a later stage, exit agriculture. The analysis is based on the European Union Labour Force Survey data expanded with additional regional indicators. The main results suggest that younger individuals are more likely to leave farming activities, although the largest outflows of agricultural labour are mainly associated with the retirement of people. Self-employed and family workers are generally less likely to leave agriculture and those with low levels of educations are found to be significantly constrained in entering the non-farm economy. Moreover, labour market conditions at the regional level do matter for switching occupational sector. Differences in the results among the selected NMS and the EU-15 can be explained by the diverse production structures, suggesting different capacities to release and absorb labour.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP46%20Determinants%20to%20Leave%20Agriculture.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:157

Number: 157

Title:The Reallocation of Agricultural Labour across Sectors: An Empirical Strategy for Micro Data

Author-Name: Tocco,Barbara

Author-Name: Bailey, Alastair

Author-Name: Davidova, Sophia

Creation-Date: 2013-06

Length: 10 pages

Abstract: This paper presents an empirical methodology for studying the reallocation of agricultural labour across sectors from micro data. Whereas different approaches have been employed in the literature to better understand the mobility of labour, looking at the determinants to exit farm employment and enter off-farm activities, the initial decision of individuals to work in agriculture, as opposed to other sectors, has often been neglected. The proposed methodology controls for the selectivity bias, which may arise in the presence of a non-random sample of the population, in this context those in agricultural employment, which would lead to biased and inconsistent estimates. A 3-step multivariate probit with two selection and one outcome equations constitutes the selected empirical approach to explore the determinants of farm labour to exit agriculture and switch occupational sector. The model can be used to take into account the different market and production structures across European member states on the allocation of agricultural labour and its adjustments.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP45%20Reallocation%20of%20Farm%20Labour.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:156

Number: 156

Title:The Theoretical Framework and Methodology to Estimate the Farm Labour and Other Factor-Derived Demand and Output Supply Systems

Author-Name: Tocco,Barbara

Author-Name: Bailey, Alastair

Author-Name: Davidova, Sophia

Creation-Date: 2013-06

Length: 18 pages

Abstract: This paper provides a conceptual framework for the estimation of the farm labour and other factorderived demand and output supply systems. In order to analyse the drivers of labour demand in agriculture and account for the impact of policies on those decisions, it is necessary to acknowledge the interaction between the different factor markets. For this purpose, we present a review of the theoretical background to primal and dual representations of production and some empirical literature that has made use of derived demand systems. The main focus of the empirical work is to study the effect of market distortions in one market, through inefficient pricing, on the demand for other inputs.

Therefore, own-price and cross-price elasticities of demand become key variables in the analysis. The dual cost function is selected as the most appropriate approach, where input prices are assumed to be exogenous. A commonly employed specification – and one that is particularly convenient due to its flexible form – is the translog cost function. The analysis consists of estimating the system of costshare equations, in order to obtain the derived demand functions for inputs. Thus, the elasticities of factor substitution can be used to examine the complementarity/substitutability between inputs.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP44%20Theoretical%20Framework%20to%20Estimate%20Farm%20Labour.pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:155

Number: 155

Title:Performance Indicators in Agricultural Financial Markets

Author-Name: Hedman Jansson, Kristina

Author-Name: Lagerqvist, Carl Johan

Creation-Date: 2013-06

Length: 30 pages

Abstract: This study attempts to develop performance indicators for the financial markets based on the findings in an earlier Factor Markets Working Paper (No. 33, “Agricultural credit market institutions: A comparison of selected European countries”) and on FADN (Farm Accountancy Data Network) data. Two indicators were developed. One measured the long-term economic sustainability of agriculturalfirms since the financial characteristics of the firms were perceived as important factors when rejecting a loan applicant. If the indicator works, it should show that a low value in this indicator is related to the performance in the financial markets. The second indicator was the loan-to-value (LTV), or debtto-asset ratio, the reasoning behind this indicator is that low values can point to credit constraints, and in WP 33 we saw that the interviewed experts expected LTVs to be much higher than what is actually the case. We find that the first indicator can’t be used to measure the performance of the financial institutions, since we can’t show any relationship between the indicator and activities in the financial markets. However, the indicator is valuable for its measurement of the long-term financial sustainability of the agricultural sector, or of the firms. The loan-to-value indicator does imply that most countries would have room to increase the credit.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP43%20Performance%20Indicators%20of%20Ag%20Financial%20Mkts.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:154

Number: 154

Title:Investment behaviour of EU arable crop farms in selected EU countries and the impact of policy reforms

Author-Name: Guastella,Giovanni

Author-Name: Moro, Daniele

Author-Name: Sckokai, Paolo

Author-Name: Veneziani, Mario

Creation-Date: 2013-05

Length: 24 pages

Abstract:This working paper provides a comparative analysis, among selected EU member states, of the investment demand of a sample of specialised field crop farms for farm buildings, machinery and equipment as determined by different types and levels of Common Agricultural Policy support. It allows for the existence of uncertainty in the price of output farmers receive and for both long- and short-run determinants of investment levels, as well as for the presence of irregularities in the cost adjustment function due to the existence of threshold-type behaviours. The empirical estimation reveals that three investment regimes are consistently identified in Germany and Hungary, across asset and support types, and in France for machinery and equipment. More traditional disinvestment-investment type behaviours characterise investment in farm building in France and the UK, across support types, and Italy for both asset classes under coupled payments. The long-run dynamic adjustment of capital stocks is consistently and significantly estimated to be towards a – mostly non-stationary – lower level of capitalisation of the farm analysed. By contrast, the expected largely positive short-run effects of an increase in output prices are often not significant. The effect of CAP support on both types of investment is positive, although seldom significant, while the proxy for uncertainty employed fails to be significant yet, in most cases, has the expected effect of reducing the investment levels.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP42%20Investmetn%20Behaviour%20of%20EU%20Farms%20final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:152

Number: 152

Title: RED vs. REDD: Biofuel Policy vs. Forest Conservation

Author-Name: Dixon, Peter

Author-Name: van Meijl, Hans

Author-Name: Rimmer, Maureen

Author-Name: Shutes, Lindsay

Author-Name: Tabeau, Andrzej

Creation-Date: 2013-05

Length: 22 pages

Abstract:This paper assesses the complex interplay between global Renewable Energy Directives (RED) and the United Nations programme to Reduce Emissions from Deforestation and forest Degradation (REDD). We examine the interaction of the two policies using a scenario approach with a recursive-dynamic global Computable General Equilibrium model. The consequences of a global biofuel directive on worldwide land use, agricultural production, international trade flows, food prices and food security out to 2030 are evaluated with and without a strict global REDD policy. We address a key methodological challenge of how to model the supply of land in the face of restrictions over its availability, as arises under the REDD policy. The paper introduces a flexible land supply function, which allows for large changes in the total potential land availability for agriculture. Our results show that whilst both RED and REDD are designed to reduce emissions, they have opposing impacts on land use. RED policies are found to extend land use whereas the REDD policy leads to an overall reduction in land use and intensification of agriculture. Strict REDD policies to protect forest and woodland lead to higher land prices in all regions. World food prices are slightly higher overall with some significant regional increases, notably in Southern Africa and Indonesia, leading to reductions in food security in these countries. This said, real food prices in 2030 are still lower than the 2010 level, even with the RED and REDD policies in place. Overall this suggests that RED and REDD are feasible from a worldwide perspective, although the results show that there are some regional problems that need to be resolved. The results show that countries directly affected by forest and woodland protection would be the most economically vulnerable when the REDD policy is implemented. The introduction of REDD policies reduces global trade in agricultural products and moves some developing countries to a net importing position for agricultural products. This suggests that the protection of forests and woodlands in these regions reverses their comparative advantage as they move from being land-abundant to land-scarce regions. The full REDD policy setting, however, foresees providing compensation to these countries to cover their economic losses.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%20No%2041%20RED%20ve%20REDD.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:151

Number: 151

Title: Does land fragmentation affect farm performance? A case study from Brittany

Author-Name: Latruffe, Laure

Author-Name: Piet, Laurent

Creation-Date: 2013-04

Length: 24 pages

Abstract:Agricultural land fragmentation is widespread and may affect farmers’ decisions and impact farm performance, either negatively or positively. We investigated this impact for the western region of Brittany, France, in 2007. To do so, we regressed a set of performance indicators on a set of fragmentation descriptors. The performance indicators (production costs, yields, revenue, profitability, technical and scale efficiency) were calculated at the farm level using Farm Accountancy Data Network (FADN) data, while the fragmentation descriptors were calculated at the municipality level using data from the cartographic field pattern registry (RPG). The various fragmentation descriptors enabled us to account for not only the traditional number and average size of plots, but

also their geographical scattering. We found that farms experienced higher costs of production, lower crop yields and lower profitability where land fragmentation (LF) was more pronounced. Total technical efficiency was not found to be significantly related to any of the municipality LF descriptors used, while scale efficiency was lower where the average distance to the nearest neighbouring plot was greater. Pure technical efficiency was found to be negatively related to the average number of plots in the municipality, with the unexpected result that it was also positively related to the average distance to the nearest neighbouring plot. By simulating the impact of hypothetical consolidation programmes on average pre-tax profits and wheat yield, we also showed that the marginal benefits of reducing fragmentation may differ with respect to the improved LF dimension and the performance indicator considered. Our analysis therefore shows that the measures of land fragmentation usually used in the literature do not reveal the full set of significant relationships with farm performance and that, in particular, measures accounting for distance should be considered more systematically.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%20No%2040%20Land%20Fragmentation\_Farm%20Performance.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:149

Number: 149

Title: The Influence of the Common Agricultural Policy and Heterogeneous Land Quality on Land Rent and Land Allocation

Author-Name: Feichtinger, Paul

Author-Name: Salhofer, Klaus

Creation-Date: 2013-03

Length: 13 pages

Abstract:Against the background of the current discussion about the EU’s common agricultural policy (CAP) after 2013, the question of the impact of government support on land prices is crucially important. Validation of the CAP’s success also hinges on a proper assessment of a choice of policy instruments. This study therefore has the objective of investigating on a theoretical basis the effects of different government support measures on land rental prices and land allocation. The different measures under consideration are the price support, area payments and decoupled single farm payments (SFPs) of the CAP. Our approach evaluates the potential impact of each measure based on a Ricardian land rent model with heterogeneous land quality and multiple land uses. We start with a simple model of one output and two inputs, where a Cobb-Douglas production technology is assumed between the two factors of land and non-land inputs. In a second step, an outside option is introduced. This outside option, as opposed to land use of the Ricardian type, is independent of land quality. The results show that area payments and SFPs become fully capitalised into land rents, whereas in a price support scheme the capitalisation depends on per-acreage productivity. Moreover, in a price support scheme and a historical model, the capitalisation is positively influenced by land quality. Both area payments and price supports influence land allocation across different uses compared with no subsidies, where the shift tends to be larger in an area payment scheme than in a price support scheme. By contrast, SFPs do not influence land allocation.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%20No%2038%20Influence%20of%20the%20CAP%20on%20Land%20Rent%20Allocation.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:148

Number: 148

Title: CAP Subsidies and the Productivity of EU Farms

Author-Name: Rizov, Marian

Author-Name: Pokrivcak, Jan

Author-Name: Ciaian, Pavel

Creation-Date: 2013-03

Length: 28 pages

Abstract: This paper investigates the impact of subsidies from the common agricultural policy on the total factor productivity of farms in the EU. We employ a structural, semi-parametric estimation algorithm, directly incorporating the effect of subsidies into a model of unobserved productivity. We empirically study the effects using samples from the Farm Accountancy Data Network for EU-15 countries. Our main findings are clear: subsidies had a negative impact on farm productivity in the period before the decoupling reform was implemented; after decoupling the effect of subsidies on productivity was more nuanced, as in several countries it turned positive.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP37%20by%20Rizov%20et%20al%20-%20final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:146

Number: 146

Title: Patterns and Determinants of Off-Farm Migration: Transfer frictions and persistency of relative income gaps

Author-Name: Olper, Alessandro

Author-Name: Raimondi, Valentina

Author-Name: Bertoni, Danilo

Author-Name: Cavicchioli, Daniele

Creation-Date: 2013-01

Length: 18 pages

Abstract: The inter-sectoral migration of agricultural labour is a complex but fundamental process of

economic development largely affected by the growth of agricultural productivity and the

evolution of the agricultural relative income gap. Theory and some recent anecdotal evidence

suggest that as an effect of large fixed and sunk costs of out-farm migration, the productivity gap

between the agricultural and non-agricultural sectors should behave non-monotonically or

following a U-shaped evolution during economic development. Whether or not this relationship

holds true across a sample of 38 developing and developed countries and across more than 200

EU regions was empirically tested. Results strongly confirm this relationship, which also

emphasises the role played by national agricultural policy.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP36%20Patterns%20%20Determinants%20of%20Off-Farm%20Migration.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:145

Number: 145

Title: The Market for Tractors in the EU: Price Differences and Convergence

Author-Name: Jörgensen, Christian

Author-Name: Persson, Morten

Creation-Date: 2013-01

Length: 22 pages

Abstract: This study evaluates the degree of segmentation of the market for agricultural machinery and

equipment in the EU. We focus on agricultural tractors, the most common and biggest investment

in machinery and equipment in the agricultural sector. By using country price data for individual

tractor models, we test the law of one price, i.e. the existence of a common price for tractors

across EU member states. We find that significant price differences exist, yet unlike most other

studies we find that large price deviations are penalised within a short time. The study also shows

that transport costs are an important source of price differences, as domestic production leads to

lower prices on the domestic market and as price convergence is negatively correlated with

distance. Finally, price differences should not solely be understood from a geographical

perspective, as evidence supports the idea that farmers’ buying power is significant in explaining

price differences within countries.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP35%20EU%20Market%20for%20Tractors.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:144

Number: 144

Title: Identifying Factor Productivity from Micro-data: The case of EU agriculture

Author-Name: Petrick, Matin

Author-Name: Kloss, Mathias

Creation-Date: 2013-01

Length: 41 pages

Abstract: The classical problem of agricultural productivity measurement has regained interest owing to

recent price hikes in world food markets. At the same time, there is a new methodological debate

on the appropriate identification strategies for addressing endogeneity and collinearity problems

in production function estimation. We examine the plausibility of four established and innovative

identification strategies for the case of agriculture and test a set of related estimators using farmlevel

panel datasets from seven EU countries. The newly suggested control function and dynamic

panel approaches provide attractive conceptual improvements over the received ‘within’ and

duality models. Even so, empirical implementation of the conceptual sophistications built into

these estimators does not always live up to expectations. This is particularly true for the dynamic

panel estimator, which mostly failed to identify reasonable elasticities for the (quasi-) fixed

factors. Less demanding proxy approaches represent an interesting alternative for agricultural

applications. In our EU sample, we find very low shadow prices for labour, land and fixed capital

across countries. The production elasticity of materials is high, so improving the availability of

working capital is the most promising way to increase agricultural productivity.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP34%20Identifying%20Factor%20Productivity%20from%20Micro-Data.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:143

Number: 143

Title: Agricultural Credit Market Institutions: A Comparison of Selected European Countries

Author-Name: Hedman Jansson, Kristina

Author-Name: Huisman Chelsey, Jo

Author-Name: Lagerkvist, Carl Johan

Author-Name: Rabinowicz, Ewa

Creation-Date: 2013-01

Length: 30 pages

Abstract: In this paper, we describe and compare the institutional framework of the agricultural credit

markets in selected European countries. The institutions can be both formal (rules, regulations,

authorities and actors) and informal (norms, values and relations). They also interact and in a

situation where the formal institutions are weak, the informal ones increase in importance. The

study is based on a questionnaire sent to agricultural financial experts in selected countries.

The case studies show that credit regulations are typically general, with no specific regulations for

the agricultural credit market. On the other hand, several countries support agricultural credit in

various forms, implying that the governments do not perceive the general credit market to

function in the case of agricultural firms. In a risk assessment, the most frequent reasons for

rejecting a loan application are all linked to economic performance and the situation of the

farmer. Personal characteristics, such as educational level or lack of experience, were generally

perceived as less influential. Another interesting point when it comes to risk assessment is that in

some countries the importance of asset-based lending compared with cash flow-based lending

seems to differ when concerning a first-time applicant and when there is an application to extend

a loan. To get an idea of the availability of credit, the loan-to-value (LTV) ratio was calculated, and

it showed remarkably low values for Poland and Slovakia. For all the countries, the calculated

value was lower than what the financial experts would have expected. This might imply credit

rationing in agriculture in some of the countries studied. At the same time, the financial experts

all judged the possibility of an agricultural firm obtaining a loan as higher than that for other

small rural firms, implying that the latter are also credit-rationed.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP33%20Credit%20Market%20Institutions.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:142

Number: 142

Title: Effects of Economic Factors on Adoption of Robotics and Consequences of Automation for Productivity Growth of Dairy Farms

Author-Name: Heikkilä, Anna-Maija

Author-Name: Myyrä, Sami

Author-Name: Pietola, Kyösti

Creation-Date: 2012-12

Length: 18 pages

Abstract: In the long term, productivity and especially productivity growth are necessary conditions for the survival of a farm. In this paper, we focus on the technology choice of a dairy farm, i.e. the choice between a conventional and an automatic milking system. Our aim is to reveal the extent to which economic rationality explains investing in new technology. The adoption of robotics is further linked to farm productivity to show how capital-intensive technology has affected the overall productivity of milk production. In our empirical analysis, we apply a probit model and an extended Cobb-Douglastype production function to a Finnish farm-level dataset for the years 2000–10. The results show that very few economic factors on a dairy farm or in its economic environment can be identified to affect the switch to automatic milking. Existing machinery capital and investment allowances are among the significant factors. The results also indicate that the probability of investing in robotics responds elastically to a change in investment aids: an increase of 1% in aid would generate an increase of 2% in the probability of investing. Despite the presence of non-economic incentives, the switch to robotic milking is proven to promote productivity development on dairy farms. No productivity growth is observed on farms that keep conventional milking systems, whereas farms with robotic milking have a growth rate of 8.1% per year. The mean rate for farms that switch to robotic milking is 7.0% per year. The results show great progress in productivity growth, with the average of the sector at around 2% per year during the past two decades. In conclusion, investments in new technology as well as investment aids to boost investments are needed in low-productivity areas where investments in new technology still have great potential to increase productivity, and thus profitability and competitiveness, in the long run.

File-URL:http://www.factormarkets.eu/system/files/FM%20No%2032%20Dairy%20Farming%20Keikkilaetal%20et%20al.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:140

Number: 140

Title: Defining a theoretical model of farm households’ labour allocation decisions

Author-Name: Donnellan, Trevor

Author-Name: Hennessy, Thia

Creation-Date: 2012-10

Length: 10 pages

Abstract: This paper presents a theoretical model for the analysis of decisions regarding farm household labour allocation. The agricultural household model is selected as the most appropriate theoretical framework; a model based on the assumption that households behave to maximise utility, which is a function of consumption and leisure, and is subject to time and budget constraints. The model can be used to describe the role of government subsidies in farm household labour allocation decisions; in particular the impact of decoupled subsidies on labour allocation can be examined. Decoupled subsidies are a labour-free payment and as such represent an increase in labour-free income or wealth. An increase in wealth allows farm households to work less while maintaining consumption. On the other hand, decoupled subsidies represent a decline in the return to farm labour and may lead to a substitution effect, i.e. farmers may choose to substitute non-farm work for farm work. The theoretical framework proposed in this paper allows us to examine these two conflicting effects.

File-URL:http://www.factormarkets.eu/system/files/FM%20No%2031%20Household%20Labour%20Allocation%20Decisions.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:137

Number: 137

Title: Drivers of agricultural capital productivity in selected EU member states

Author-Name: Petrick, Martin

Author-Name: Kloss, Mathias

Creation-Date: 2012-09

Length: 44 pages

Abstract:The aim of this Working Paper is to provide an empirical analysis of the marginal return on working capital and fixed capital in agriculture, based on data gathered by the Farm

Accountancy Data Network from seven EU member states. Particular emphasis is placed on the detection of credit market imperfections. The key idea is to provide farm group-specific estimates of the shadow price of capital, and to use these to analyse the drivers of on-farm capital use in European agriculture. Based on Cobb Douglas estimates of farm-type specific production functions, we find that working capital is typically used in more than economically optimal quantities and often displays negative marginal returns across countries and farm types. This is less often the case with regard to fixed capital, but it is only in a small set of sectors where access to fixed capital appears severely constrained. These sectors include field crop and mixed farms in Denmark, dairy farms in East Germany, as well as mixed farms in Italy and the UK. The relationship between farm financial indicators and the estimated shadow prices of capital varies considerably across countries and sectors. Among the farms with a high shadow price for fixed capital in Denmark, high debt levels and little owned land tended to induce more intensive capital use, which may reflect the liberal Danish banking system. In East Germany, Italy and the UK, high debt levels made farmers more tightly capital constrained. Hence, in the latter group of countries, more traditional mechanisms of capital allocation based on debt capacity seemed to be at work. As a general conclusion, EU agriculture appears to be characterised by overcapitalisation rather than by credit constraints.

File-URL:http://www.factormarkets.eu/system/files/FM%20No.%2030%20\_D5.1%20Petrick%20%2526%20Kloss.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:134

Number: 134

Title: Income Distributional Effects of Decoupled Payments: Single Payment Scheme in the European Union

Author-Name: Ciaian, Pavel

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Creation-Date: 2012-07

Length: 32 pages

Abstract:This paper analyses the effects of the Single Payment Scheme (SPS) with and without farm

structural change. Particular focus is placed on how income distributional effects and farm

restructuring are impacted by the SPS under: alternative entitlement tradability, crosscompliance

and CAP ‘greening’ requirements, different SPS implementation models, the

entitlement stock, market imperfections and institutional regulations. The authors find that the

SPS implication details are highly significant: farmers’ benefits can range from 100% of the SPS

value to a negative policy incidence, and farm structural change may be hindered by the SPS.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP29%20Ciaian%20et%20al%20SPS%20in%20the%20EU.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:133

Number: 133

Title: Does the Common Agricultural Policy Reduce Farm Labour Migration? Panel data analysis across EU regions

Author-Name: Olper,Alessandro,

Author-Name: Raimondi,Valentina

Author-Name: Cavicchioli,Daniele

Author-Name: Vigani,Mauro

Creation-Date: 2012-07

Length: 25 pages

Abstract:This paper deals with the determinants of labour out-migration from agriculture across 149 EU

regions over the 1990–2008 period. The central aim is to shed light on the role played by

payments from the common agricultural policy (CAP) on this important adjustment process.

Using static and dynamic panel data estimators, we show that standard neoclassical drivers, like

relative income and the relative labour share, represent significant determinants of the

intersectoral migration of agricultural labour. Overall, CAP payments contributed significantly to

job creation in agriculture, although the magnitude of the economic effect was rather moderate.

We also find that pillar I subsidies exerted an effect approximately two times greater than that of

pillar II payments.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%2028%20CAP%20%2526%20Farm%20Labour%20Migration.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:132

Number: 132

Title: Simulation of Land Use and Investment Behaviour under Different Policy Scenarios: Results of the extended farm/household model

Author-Name: Puddu,Marco

Author-Name: Bartolini, Fabio

Author-Name: Viaggi,Davide

Creation-Date: 2012-07

Length: 30 pages

Abstract:Factor markets are a central issue in analyses of farm development and of agricultural sector vitality. Among the different production factors, land is one of the most studied. Several studies seek to estimate the effect of government policy payments on land value or land rental prices. The studies mostly agree that government payments and other types of policy support are significant in explaining land prices and account for a large share of them. In October 2011, the European Commission published a new policy proposal for the common agricultural policy (CAP) up to 2020. The proposed regulation includes a shift from historical to regional payments. The objective of this paper is to provide an ex ante analysis of the impact of the new CAP policy instruments on the land market. In particular, the effect of the regionalisation of payments in Italy is examined. The analysis is based on the use of a mathematical programming model to simulate the changes in land demand for a farm in Emilia Romagna. The results highlight the relevance of the new policy mechanism in determining a change in land demand. Yet the effect is highly dependent on initial ownership of entitlements under the historical payment scheme.

File-URL:http://www.factormarkets.eu/system/files/FM%20WP%20No%2027%20Puddu%20et%20al.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:130

Number: 130

Title: The Institutional Framework of the Labour Market: Completed Labour Market Questionnaire

Author-Name:Donnellan,Trevor

Author-Name:Hanrahan,Kevin

Author-Name:Hennessy,Thia

Creation-Date: 2012-02

Length: 19 pages

Abstract:Following the identification of relevant labour market characteristics in Deliverable 9.1 (Factor Markets Working Paper No. 25), a survey was designed and implemented across the participant countries in the Factor Markets project. These survey results are detailed in this paper, Deliverable 9.3. The focus is of the survey, which was completed with the assistance of project partner teams, included, employment market, labour legislation, wage-setting mechanisms, unions, taxation and social benefits, education and training, labour mobility and general features of agriculture. Based on the questions posed and the responses received in the survey, in broad terms the agricultural labour market characteristics in the countries under study are not as heterogeneous as one might anticipate. . Some of the differences, such as minimum rates of pay, are common to sectors other than agriculture also. There is a notable lack of a regional pattern to the labour market characteristics, i.e. no strong evidence of a north/south or east/west divide. Moreover, the labour market characteristics of one country are not necessarily a good indicator of the labour market characteristics of neighbouring countries.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP25%20The%20Institutional%20Framework%20of%20the%20Labour%20Market%20%28D9.3%29-1.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:129

Number: 129

Title: Defining an Institutional Framework for the Labour Market

Author-Name:Donnellan,Trevor

Author-Name:Hanrahan,Kevin

Author-Name:Hennessy,Thia

Creation-Date: 2012-02

Length: 7 pages

Abstract: This paper describes a conceptual framework for the empirical analysis of farmers’ labour allocation decisions. The paper presents a brief overview of previous farm household labour allocation studies. Following this, the agricultural household model, developed by Singh, Squire and Strauss (1986), which has been frequently applied to the study of labour allocation, is described in more depth. The agricultural household model, the theoretical model to be used in this analysis, is based on the premise that farmers behave to maximise utility, which is a function of consumption and leisure. It follows that consumption is bound by a budget constraint and leisure by a time constraint. The theoretical model can then be used to explain how farmers decide to allocate their time between leisure, farm work and off-farm work within the constraints of a finite time endowment and a budget constraint. Work, both farm and off-farm, provides a return to labour which in turn relaxes the budget constraint allowing the farm household to consume more. The theoretical model can also be used to explore the impact on government policies on labour allocation. It follows that subsidies that decrease commodity prices, such as reductions in intervention prices, mean that farmers have to work more (either on or off the farm) to maintain income and consumption levels. On the other hand, income support subsidies that are not linked to output or labour, such as decoupled subsidies, are a source of non-labour income and as such allow farmers to work less while maintaining consumption levels, known as the wealth effect.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP24%20Defining%20an%20Institutional%20Framework%20for%20the%20Labour%20Market%20%28D9.1%29-1.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:127

Number: 127

Title: Factor Markets in Applied Equilibrium Models: The current state and planned extensions towards an improved presentation of factor markets in agriculture

Author-Name:Shutes, Lindsay

Author-Name:Rothe,Andrea

Author-Name:Banse, Martin

Creation-Date: 2012-02

Length: 26 pages

Abstract: This paper describes how factor markets are presented in applied equilibrium models and

how we plan to improve and to extend the presentation of factor markets in two specific

models: MAGNET and ESIM. We do not argue that partial equilibrium models should

become more ‘general’ in the sense of integrating all factor markets, but that the shift of

agricultural income policies to decoupled payments linked to land in the EU necessitates the

inclusion of land markets in policy-relevant modelling tools. To this end, this paper outlines

options to integrate land markets in partial equilibrium models.A special feature of general equilibrium models is the inclusion of fully integrated factor

markets in the system of equations to describe the functionality of a single country or a group

of countries. Thus, this paper focuses on the implementation and improved representation of

agricultural factor markets (land, labour and capital) in computable general equilibrium

(CGE) models. This paper outlines the presentation of factor markets with an overview of

currently applied CGE models and describes selected options to improve and extend the

current factor market modelling in the MAGNET model, which also uses the results and

empirical findings of our partners in this FP project.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP23%20Shutes%20et%20al%20Factor%20Markets%20in%20Applied%20Equilibrium%20Models%20final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:126

Number: 126

Title: Key Issues in Agricultural Labour Markets: A Review of Major Studies and Project Reports on Agriculture and Rural Labour Markets

Author-Name: Tocco, Barbara

Author-Name: Davidova, Sophia

Author-Name: Bailey, Alastair

 Creation-Date: 2012-02

Length: 41 pages

Abstract: This paper provides a synthesis of the empirical literature on the key issues in agricultural and rural

labour markets since the 1960s, drawing mainly upon studies from the United States and the

European Union, but also including relevant material from developing countries. The contribution of

this meta-analysis lies in its unique structure as it covers the main research questions that have been

addressed in the literature and includes the most cited papers from the American Journal of

Agricultural Economics, Journal of Agricultural Economics, European Review of Agricultural

Economics and Agricultural Economics as well as other reports and EU-funded projects. Each research

question is accompanied by a tabular summary that classifies the individual studies according to the

methodology and the variables employed. The heterogeneous conditions across countries, the different

research questions and methodologies, and the type of data employed have sometimes led to

conflicting results. Nevertheless, by comparing the results, it is possible to assess the significance and

the direction of the determinants of rural labour allocation and its adjustments, and thus contribute to

a better understanding of the functioning of rural labour markets. Lastly, by recognising the

importance of the institutional framework, the paper provides useful policy insights.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP20%20Tocco%20et%20al%20Key%20Issues%20in%20Agricultural%20Labour%20Market%20\_D8.1\_.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:125

Number: 125

Title: Commonalities and Differences in Labour Market Developments and Constraints in Different EU Regions

Author-Name: Tocco, Barbara

Author-Name: Davidova, Sophia

Author-Name: Bailey, Alastair

 Creation-Date: 2012-02

Length: 37 pages

Abstract:This paper provides a detailed overview of the differences across EU member states’ labour markets, through the extensive use of descriptive statistics. The objective is two-fold: firstly, it identifies the commonalities and differences in rural labour markets across EU regions and their developments, with special regard to agriculture, and secondly it emphasises the constraints that may hinder the efficient functioning of labour markets. Therefore, the paper starts with a description of the main indicators in the general labour market theory, such as the structure of the population in terms of age and gender distribution, unemployment and activity rates, employment levels, quality of human capital, migration patterns, and so forth. Secondly, we focus on the differences among rural and urban areas to then look closely at the agricultural sector. The institutional framework in which labour market institutions operate is also included. Lastly, as an attempt to summarise the analysis and to classify the EU member states according to certain rural and specific agricultural indicators, cluster analysis is also employed. Policy implications include investment in human capital and vocational training, support to young farmers, promoting economic diversification and upgrading infrastructure, with special regard to the new member states and to the Southern parts of Europe.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP22%20Tocco%20et%20al%20Commonalities%20%2526%20Differences%20in%20Labour%20Markets%20\_D8.3.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:124

Number: 124

Title: Supply and Demand Side Limitations Affecting the Structure of Agriculture and the Rural Economy

Author-Name: Tocco, Barbara

Author-Name: Davidova, Sophia

Author-Name: Bailey, Alastair

 Creation-Date: 2012-02

Length: 13 pages

Abstract:This paper criticises the neo-classical assumptions of perfect factor markets and of complete information, which constitute central elements in labour market theory. Based on a literature review and on economic reports from transition economies, as well as developing countries and more advanced economies, this deliverable focuses on the structural impediments and imperfections that often characterise rural labour markets and that may prevent an efficient allocation of labour. According to empirical studies, transactions costs and rigidities hinder the well-functioning of labour markets and constrain labour adjustments. The paper attempts to classify the various limitations of rural labour markets from both the supply and demand side, although the distinction is not always clear-cut as some problems occur on both sides. The identification of these issues is extremely important as it allows us to highlight the inefficiencies and the failures in labour markets and to understand their impact on labour allocation. In this context, market intervention is desirable and the paper provides particular support for rural development policies such as investments in human capital. Lastly, labour institutions can play a key role in promoting the efficient functioning of labour markets, and thus it is fundamental that they are well established.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP21%20Tocco%20et%20al%20Supply%20and%20Demand%20Side%20Limitations%20\_D8.2.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:123

Number: 123

Title: Determinants of Financial Capital Use: Review of theories and implications for rural businesses

Author-Name: Curtiss, Jarmila

Creation-Date: 2012-02

Length: 54 pages

Abstract:This paper presents a review of financial economics literature and offers a comprehensive discussion and systematisation of determinants of financial capital use. In congruence with modern financial literature, it is acknowledged here that real and financial capital decisions are interdependent. While the fundamental role of the (unconstrained) demand for real capital in the demand for finance is acknowledged, the deliverable focuses on three complementary categories of the determinants of financial capital use: i) capital market imperfections; ii) factors mitigating these imperfections or their impacts; and iii) firm- and sector-related factors, which alter the severity of financial constraints and their effects. To address the question of the optimal choice of financial instruments, theories of firm capital structure are reviewed. The deliverable concludes with theory-derived implications for agricultural and non-agricultural rural business’ finance.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP19%20Determinants%20of%20financial%20capital%20use%20\_D4.3.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:122

Number: 122

Title: Drivers of Agricultural Physical Capital Development: Theoretical Framework and Hypotheses

Author-Name: Kataria, Karin

Author-Name: Curtiss, Jarmila

Author-Name: Balmann, Alfons

Creation-Date: 2012-02

Length: 26 pages

Abstract:This paper aims to identify drivers of physical capital adjustments in agriculture. It begins with a review of some of the most important theories and modelling approaches regarding firms’ adjustments of physical capital, ranging from output-based models to more recent approaches that consider irreversibility and uncertainty. Thereafter, it is suggested that determinants of physical capital adjustments in agriculture can be divided into three main groups, namely drivers related to: i)expected (risk-adjusted) profit, ii) expected societal benefits and costs and iii) expected private nonpecuniary benefits and costs. The discussion that follows focuses on the determinants belonging to the first group and covers aspects related to product market conditions, technological conditions, financial conditions and the role of firm structure and organization. Furthermore, the role of subjective beliefs is emphasized. The main part of this paper is concerned with the demand side of the physical capitalmarket and one section also briefly discusses some aspects related to supply of farm assets.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP18%20Kataria%2C%20Curtiss%20%2526%20Balmann%20Agric%20Physical%20Capital%20\_D4.2.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:121

Number: 121

Title: Ownership and Investment Behaviour in Transition Countries: A Case Study of Collective and Corporate Farms in the Czech Republic

Author-Name: Curtiss, Jarmila

Author-Name: Ratinger, Tomáš

Author-Name: Medonos, Tomáš

Creation-Date: 2012-02

Length: 36 pages

Abstract:Cooperative and corporate farms have retained an important role for agricultural production in many transition countries of Central and Eastern Europe. Despite this importance, these farms' ownership structure, and particularly the ownership's effect on their investment activity, which is vital for efficient restructuring and the sector's future development, are still not well understood. This paper explores the ownership-investment relationship using data on Czech farms from 1997 to 2008. We allow for ownership-specific variability in farm investment behaviour analyzed by utilizing an errorcorrection accelerator model. Empirical results suggest significant differences in the level of investment activity, responsiveness to market signals, investment lumpiness, as well as investment sensitivity to financial variables among farms with different ownership characteristics. These differences imply that the internal structure of the Czech cooperative and corporate farms will be developing in the direction of a decreasing number of owners and an increasing ownership concentration.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP17%20Curtiss%20et%20al%20Collective%20and%20Corporate%20Farms%20in%20CR\_0.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:118

Number: 118

Title: Institutional Factors Affecting Agricultural Land Markets

Author-Name:Ciaian, Pavel,

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Author-Name: Van Herck, Kristine

Author-Name: Vranken, Liesbet

Creation-Date: 2012-02

Length: 22 pages

Abstract:This paper analyses the main institutional factors affecting the rental and sales markets for agricultural land. Particular attention is paid to the effects of the common agricultural policy on land markets, and more specifically the underlying mechanism through which agricultural subsidies are capitalised into land values and farmland rents. This paper also provides a broad overview of the empirical studies that estimate the impact of agricultural support policies on land rents and land prices. Various other fundamental factors that affect agricultural land markets are discussed, such as land market institutions and regulations, transaction costs, credit market constraints and levels of profitability, the legal means of contract enforcement and land use alternatives.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP16%20CEPS%20on%20Institutional%20Factors%20Affecting%20Ag%20Land%20Markets\_D15.3\_final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:117

Number: 117

Title: Rental Market Regulations for Agricultural Land in EU Member States and Candidate Countries

Author-Name:Ciaian, Pavel,

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Author-Name: Van Herck, Kristine

Author-Name: Vranken, Liesbet

Creation-Date: 2012-02

Length: 22 pages

Abstract:In this paper, we describe the regulations governing the rental markets for agricultural land in selected EU member states and candidate countries. The analysis focuses on various kinds of regulations and institutions connected with the land rental market, including price, tenancy duration, quantity and other regulations, as well as transaction costs. The diverse government regulations on price restrictions and tenancy duration are analysed, along with the social norms observed for rental payments and contracts. The paper also examines the type and registration of contracts, the contract enforcement rules, the regulations on the inheritability of contracts and the pre-emptive right of tenants to buy the land.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP15%20CEPS%20on%20Rental%20Market%20Regulations\_D15.2\_final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:116

Number: 116

Title: Sales Market Regulations for Agricultural Land in EU Member States and Candidate Countries

Author-Name:Ciaian, Pavel,

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Author-Name: Van Herck, Kristine

Author-Name: Vranken, Liesbet

Creation-Date: 2012-02

Length: 32 pages

Abstract:All agricultural markets are subjected to institutional regulations that – in one way or another –affect the functioning of these markets, and this is no different for the agricultural land market in the EU. In this paper, we describe the existing regulations in the sales markets for agricultural land in selected EU member states and candidate countries. The analysis focuses on three types of sales market regulations and institutions: quantity regulations, price regulations and transaction costs. The differences in the regulatory framework between land acquisition and ownership by domestic and foreign investors are analysed, as well as the taxes associated with land sales and ownership, zoning regulations and market imperfections.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP14%20CEPS%20on%20Sales%20Market%20Regulations\_D15.1\_Final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:115

Number: 115

Title: Key Issues and Developments in Farmland Rental Markets in EU Member States and Candidate Countries

Author-Name:Ciaian, Pavel,

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Author-Name: Van Herck, Kristine

Author-Name: Vranken, Liesbet

Creation-Date: 2012-02

Length: 30 pages

Abstract:In this paper, we describe recent developments in the rental market for agricultural land in selected EU member states and candidate countries. The analysis focuses on the importance of the rental market as well as on the evolution of rental prices. It appears that the share of rented land in the total utilised agricultural area varies considerably among member states. In the old member states, the share of rented land ranges between 18% in Ireland and 74% in France, while in the new member states (NMS) it ranges from 17% in Romania to 89% in Slovakia. For the former, different strategies to provide tenure security to tenants can explain differences in the importance of rental markets. Changes in the significance of land rental have also reflected changes in institutions and in economic and political conditions. In the NMS, diverse approaches to land reform have resulted in assorted ownership structures and hence in differences in the share of rented land. Regarding rental prices, governments impose price restrictions on agricultural land rents in some countries, such that large divergences are observed in rental prices between and within member states.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP13%20CEPS%20on%20Key%20Issues%20in%20Farmland%20Rental%20Markets\_D14.2\_final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:114

Number: 114

Title: Key Issues and Developments in Farmland Sales Markets in the EU Member States and Candidate Countries

Author-Name:Ciaian, Pavel,

Author-Name: Kancs, d’Artis

Author-Name: Swinnen, Jo

Author-Name: Van Herck, Kristine

Author-Name: Vranken, Liesbet

Creation-Date: 2012-02

Length: 34 pages

Abstract:This paper describes recent developments in sales markets of agricultural land in selected member states of the European Union and its candidate countries. Analysis focuses on the importance of the sales market for agricultural land, the average size of transacted plots, and the evolution and magnitude of the land sales prices. The share of agricultural land sold on the market is relatively stable in most of the old member states, with the exception of Finland, the Netherlands and the UK, where a more dynamic market is observed. For the new member states, the sales market for agricultural land is strongly affected by public sales under the ongoing land privatisation programmes, while strong variation prevails in the private sales market. Substantial differences are also observed in both the average size of the transacted plots and the sales prices. For the latter, price regulations partially explain the heterogeneity in the evolution of sales prices.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP12%20CEPS%20on%20Key%20Issues%20in%20Farmland%20Sales%20Markets\_D14.1\_final.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:113

Number: 113

Title: Agricultural Land Markets and Land Leasing in the Former Yugoslav Republic of Macedonia

Author-Name:Angelovska, Neda Petroska

Author-Name:Ackovska, Marija

Author-Name:Bojnec, Štefan

Creation-Date: 2012-02

Length: 21 pages

Abstract: The aim of this study is to identify the driving forces that shape agricultural land structures, land market and land leasing in the Former Yugoslav Republic of Macedonia (FYROM).

Institutional developments and land reforms have so far been modest in the FYROM, and have not contributed to significant changes in agricultural ownership, operational structures, or land market and land leasing arrangements. Land ownership and land use are bimodal, consisting of several small-scale family farms and a few large-scale agricultural enterprises. The small family farms own and operate land on several small parcels, which is one of the major obstacles to the modernisation of family farm production. They produce food for household subsistence with mixed crop, fruit, vegetable, grapevine and livestock production. A considerable portion of the land is uncultivated, which affects land market and land leasing values. Due to underdeveloped institutional frameworks and market institutions in support of small-scale farms, a large proportion of state-owned land is rented by agricultural enterprises.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP11.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:112

Number: 112

Title: The Valuation of Agricultural Land and the Influence of Government Payments

Author-Name: Feichtinger, Paul

Author-Name: Salhofer, Klaus

Creation-Date: 2011-12

Length: 24 pages

Abstract: This study gives an overview of the theoretical foundations, empirical procedures and derived results of the literature identifying determinants of land prices. Special attention is given to the effects of different government support policies on land prices. Since almost all empirical studies on the determination of land prices refer either to the net present value method or the hedonic pricing approach as a theoretical basis, a short review of these models is provided. While the two approaches have different theoretical bases, their empirical implementation converges. Empirical studies use a broad range of variables to explain land values and we systematise those into six categories. In order to investigate the influence of different measures of government support on land prices, a meta-regression analysis is carried out. Our results reveal a significantly higher rate of capitalisation for decoupled direct payments and a significantly lower rate of capitalisation for agri-environmental payments, as compared to the rest of government support. Furthermore, the results show that taking theoretically consistent land rents (returns to land) and including non-agricultural variables like urban pressure in the regression implies lower elasticities of capitalisation. In addition, we find a significant influence of the land type, the data type and estimation techniques on the capitalisation rate.

File-URL: http://www.factormarkets.eu/system/files/Factor%20Markets%20WP%20No%2010%20on%20Agricultural%20Land%20and%20Influence%20of%20Government%20Payments%20D16.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:110

Number: 110

Title: Developments in the Agricultural and Rural Capital Market of the Former Yugoslav Republic of Macedonia

Author-Name: Angelova, Biljana

Author-Name: Bojnec, Štefan

Creation-Date: 2011-10

Length: 21 pages

Abstract: The undeveloped rural capital market in the Former Yugoslav Republic of Macedonia is constrained by an urban–rural development gap, with limited capacities for rural development and imperfections in the rural capital market. Among the most striking hindrances are the illegal status of a large share of agricultural buildings and other real estate in rural areas, particularly on the individual family farms that prevail in the country, and the insufficient knowledge and abilities of individual farmers in applying for credit. National, EU and other donor funds are being used to improve knowledge, skills and other human resources, and to address the illegal status of buildings and facilities. During the most recent years, government support for agricultural, rural and regional development has been introduced to promote good agricultural practices, production and economic activity in rural areas. The elimination of imperfections and improvements to the functioning of the capital market – making access to credit and funds easier, especially for small-scale family farms and for rural development – are seen as measures contributing to agriculture and more balanced rural and regional development.

File-URL: http://www.factormarkets.eu/system/files/Factor%20Markets%20WP%20No%209%20Angelova%20%2526%20Bojnec%20on%20Agriculture%20in%20FYROM.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:108

Number: 108

Title: Agricultural and Rural Capital Markets in the EU Candidate Countries: Croatia, the Former Yugoslav Republic of Macedonia and Turkey

Author-Name: Bojnec, Štefan

Creation-Date: 2011-10

Length: 13 pages

Abstract: This paper analyses agricultural and rural capital factor markets in the three European Union

candidate countries: Croatia, the Former Yugoslav Republic (FYR) of Macedonia and Turkey.

Aggregate capital market indicators and their dynamics, and factors driving agricultural and rural

capital markets are analysed and compared in these countries.

In general, agricultural and rural capital markets show similarities with general capital market

developments, but agricultural and rural capital markets are facing specific credit constraints related

to agricultural assets and rural fixed asset specificities, which constrain their mortgages and collateral

use. Credit market imperfections have limited access to the investment credits necessary for the

restructuring of small-scale individual farms. Government transfers are used to differing extents in the

candidate countries, but generally tend to increase over time. Remittances and donor funds have also

played an important role in agricultural and rural economy investments.

File-URL: http://www.factormarkets.eu/system/files/FM\_WP8.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:105

Number: 105

Title: Farm Level Capital: Capital positions, structures, the dynamics of farm level investments, capital accumulation and leverage positions

Author-Name: Myyrä, Sami,

Author-Name: Pietola, Kyosti

Author-Name: Heikkilä, Anna-Maija

Creation-Date: 2011-10

Length: 43 pages

Abstract: This paper aims to describe and highlight the key issues of farm capital structures, the dynamics of investments and

accumulation of farm capital, and the financial leverage and borrowing rates on farms in selected European

countries. Data collected from the Farm Account Data Network (FADN) suggest that the European farming sector

uses quite different farm business strategies, capabilities to generate capital revenues, and segmented agricultural

loan market regimes. Such diverse business strategies have substantial, and perhaps more substantial than expected,

implications for the financial leverage and performance of farms. As an illustration, the financial risks clearly

increased in the Danish agricultural sector with loan rates following an upward sloping trend in 2006; the first sign

of the forthcoming financial crisis that may also severely hit highly leveraged agricultural firms.

By using standard measures for farm assets and lending rates, we reveal that countries adopt different approaches to

evaluating agricultural assets, or the agricultural asset markets simply differ substantially depending on the country

in question. This has implications for most of the financial indicators. In those countries that have seen rapidly

increasing asset prices at the margin, which were revised accordingly in the accounting systems for the whole stock

of assets, firm values increased significantly, even though the firms had been disinvesting. If there is an asset price

bubble and it bursts, there may be serious knock-on effects for some countries. The large variation in leverage

positions and their substantial decrease over time raises new issues to be addressed in more analytical studies.

File-URL: http://www.factormarkets.eu/system/files/Factor%20Markets%20WP%20No%207.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:102

Number: 102

Title: Agricultural and Rural Labour Markets in the EU Candidate Countries of Croatia, Former Yugoslav of Macedonia and Turkey

Author-Name: Bojnec, Štefan

Creation-Date: 2011-09

Length: 18 pages

Abstract: This paper provides an overview and comparison of labour markets in agricultural and rural areas in

the three candidate countries for the EU membership: Croatia, the Former Yugoslav Republic of

Macedonia and Turkey. We analyse and compare the labour market structures and the factors driving

them. The analyses are based on the available cross-section and time-series data on agricultural labour

structures and living conditions in rural areas. Considerable differences are found among the

candidate countries in the importance of the agricultural labour force, between rural and urban labour,

and in poverty and living conditions in rural areas. Agricultural and rural labour market structures are

the result of demographic and education processes, in addition to labour flows between agricultural

and non-agricultural activities, from rural areas to urban ones and migration flows abroad. Declines in

the agricultural labour force and rural population are foreseen for each of the candidate countries, but

with significant variations between them. Showing different patterns over time, labour market

developments in the sector and rural areas have been shaped by the overall labour market institutions,

conditions and other factors in each country, such as the legal basis, educational attainment and

migration flows, as well as the presence of non-agricultural activities in rural areas.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP6.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:101

Number: 101

Title: Rural Labour Market Developments in the Former Yugoslav Republic of Macedonia

Author-Name: Bojnec, Štefan

Author-Name: Janeska, Verica

Creation-Date: 2011-09

Length: 20 pages

Abstract: The significant changes in the quantitative and qualitative characteristics of human resources in rural Macedonia can be explained by the continued trend of emigration from villages to urban areas and abroad. The intensity of emigration has altered the demographic structure and reproductive base of the rural population, along with the income of rural households. The rural and agricultural labour market faces a mismatch with respect to the unfavourable age, education and spatial distribution of the total labour force. A reduction in the participation of women in the agricultural labour force is a new feature. The overall transformation is apparent in the income structure of rural households. An increase in the share of households with mixed income sources notably stems from households that receive remittances and foreign currency funds from family members abroad. The demographic revitalisation of rural areas depends on economic revitalisation, with a more rational use of the labour force and human resources, as well as a restructuring of agricultural production and agricultural holdings. In addition, improvements are necessary in the functioning of market institutions to better meet the needs of smaller farmers and the rural economy.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP5\_Janeska%20and%20BojnecN.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:100

Number: 100

Title: Do agricultural subsidies crowd out or stimulate rural credit institutions? The Case of CAP Payments

Author-Name: Ciaian, Pavel

Author-Name: Pokrivcak, Jan

Creation-Date: 2011-09

Length: 25 pages

Abstract: In this paper we estimate the impact of subsidies from the EU’s common agricultural policy on farm bank loans. According to the theoretical results, if subsidies are paid at the beginning of the growing season they may reduce bank loans, whereas if they are paid at the end of the season they increase bank loans, but these results are conditional on whether farms are credit constrained and on the relative cost of internal and external financing. In the empirical analysis, we use farm-level panel data from the Farm Accountancy Data Network to test the theoretical predictions for the period 1995–2007. We employ fixed-effects and generalised method of moment models to estimate the impact of subsidies on farm loans. The results suggest that subsidies influence farm loans and the effects tend to be non-linear and indirect. The results also indicate that both coupled and decoupled subsidies stimulate long-term loans, but the long-term loans of large farms increase more than those of small farms, owing to decoupled subsidies. Furthermore, the results imply that short-term loans are affected only by decoupled subsidies, and they are altered by decoupled subsidies more for small farms than for large farms; however, when controlling for endogeneity, only the decoupled payments affect loans and the relationship is non-linear.

File-URL:http://www.factormarkets.eu/system/files/Factor%20Markets%20WP%20No%204%20Ciaian%20and%20Pokrivcak.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:99

Number: 99

Title: Productivity and Credit Constraints: Firm-Level Evidence from Propensity Score Matching

Author-Name: Ciaian, Pavel

Author-Name: Fa?kowski, Jan

Author-Name: d’Artis, Kanc

Author-Name: Pokrivcak, Jan

Creation-Date: 2011-09

Length: 29 pages

Abstract: Drawing on a unique, farm-level panel dataset with 37,409 observations and employing a matching estimator, this paper analyses how farm access to credit affects farm input allocation and farm efficiency in the Central and Eastern European transition countries. We find that farms are asymmetrically credit constrained with respect to inputs. Farm use of variable inputs and capital investment increases up to 2.3% and 29%, respectively, per €1,000 of additional credit. Our estimates also suggest that farm access to credit increases total factor productivity up to 1.9% per €1,000 of additional credit, indicating that an improvement in access to credit results in an adjustment in the relative input intensities on farms. This finding is further supported by a negative effect of better access to credit on labour, suggesting that these two are substitutes. Interestingly, farms are found not to be credit constrained with respect to land.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP3\_Ciaian%20et%20al.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:97

Number: 97

Title: The Penetration of Financial Instability in Agricultural Credit and Leveraging

Author-Name: Pietola, Kyösti

Author-Name: Myyrä, Sami

Author-Name: Heikkilä, Anna-Maija

Creation-Date: 2011-09

Length: 24 pages

Abstract: This paper describes the aggregate rural capital markets of the EU and the main differences between the markets of its member countries. The results of our study suggest that the agricultural credit markets are still quite segmented and the segments are country- rather than currency- or region-specific. Financial instability in Europe is also penetrating the agricultural sector and the variation of interest rates for agricultural credit is increasing across countries. Perhaps the most dramatic signal of growing financial instability is that the financial leverage (gearing rate) of European farms rose in 2008 by almost 4 percentage points, from 14 to 18%. The 4 percentage-point annual rise was twice the 2 percentage-point rise observed during the economic recession in the late 1980s and early 1990s. The distribution of the financial leverage of agriculture across countries does not, however, reflect the distribution of country-specific risk premiums in the manner that they are observed in government bond yields. Therefore, in those countries that have the weakest financial situation in the public sector and in which the bond markets are encumbered with high country-specific risk premiums, the agricultural sector is not directly exposed to a very large risk of increasing interest rates, since it is not so highly leveraged. For example in Greek and Spanish agriculture, the financial leverage (gearing) rate is only 0.6% and 2.2% respectively, while the highest gearing rates are found elsewhere (in Denmark), reaching 50%.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP2\_Pietola%20et%20al.pdf

File-Format: Application/pdf

Template-Type: ReDIF-Paper 1.0

Handle: RePEc:eps:fmwppr:96

Number: 96

Title: Land Markets in the EU Candidate Countries of Croatia, Former Yugoslav Republic of Macedonia and Turkey

Author-Name: Bojnec, Štefan

Creation-Date: 2011-09

Length: 14 pages

Abstract: The paper provides an overview and a comparison of land markets covering the three candidate countries for European Union membership: Croatia, the Former Yugoslav Republic (FYR) of Macedonia and Turkey. We analyse and compare agricultural land structures and factors driving land markets. The analyses are based on the available cross-section and time-series evidence on agricultural land structures and land productivity (yields). The land productivity measured by production per hectare of agricultural land varies between the three countries. Agricultural land structures are the result of historical evolution in land markets and land-leasing developments with additional different institutional environments and agrarian and land reforms.

File-URL:http://www.factormarkets.eu/system/files/FM\_WP1.pdf

File-Format: Application/pdf