

# Swedish Experiences from Modernisation of the Agricultural Sector

Bengt-Olof SVENSSON<sup>1</sup>, Sven NILSSON<sup>2</sup>

<sup>1</sup>Nordic Consulting Group d.o.o. Croatia, Tomislavov trg 17, 10000 Zagreb, Croatia  
(e-mail: bos@ncg.dk)

<sup>2</sup>Nordic Consulting Group A/S Denmark, Kirkevej 8, DK-2630 Taastrup, Denmark

## Abstract

In the period 1947 to 1995 the average Swedish farm size increased from 12 to 32 hectares in parallel with a decrease of total number of farms, from 280,000<sup>1</sup> to 90,000 (40% of the remaining farm units in 1995 were part-time, demanding less than 400 working hours per year). In spite of less favoured natural conditions, Swedish agriculture proved to be competitive at the EU accession in 1995.

However, to be fair, the Swedish agriculture had 50 years to prepare itself for the accession, which not is the case for Croatia. Another important factor was that people leaving the Swedish agricultural sector in these years had few problems in getting employment – often on better conditions.

After 1995, the restructuring process continues, but now without the support of the Land Transaction Act. The present number of units is around 65,000 with an average size of around 40 hectares.

To conclude, there was a great need to reallocate and strengthening the Swedish family farms sixty years ago, a process that hardly could have happened without public interventions in form of the above-mentioned sticks and carrots.

However, the outcome is only partly a result of these measures. A main part of the process is a result of agreements between individual farmers without the (very costly) intervention by the State. But, as mentioned above, the mere existence of the Land Acquisition Act has indirectly guided the land market along the desired direction.

A general conclusion of the Swedish experiences is that a land consolidation policy must be seen as only one of several accompanying elements of an agricultural policy, and that the State must be very selective when deciding on the content, scope, and costs of its interventions.

It can also be concluded that the County Agricultural Boards and Offices, with their broad-based mandate to promote the rationalisation of the sector, have played an indispensable role in the process to modernise the Swedish Agriculture.

---

<sup>1</sup>Farms > 2 hectares. In addition there were more than 100,000 units with less than 2 hectares.

## Švedska iskustva u modernizaciji poljoprivrednog sektora

### Sažetak

U razdoblju od 1947. do 1995. godine veličina prosječnog švedskog poljoprivrednog gospodarstva porasla je s 12 na 32 hektara, uz istodobno smanjenje ukupnog broja farmi od 280.000<sup>1</sup> na 90.000 (40% preostalih farmi iskorištavano je samo povremeno u 1995. godini - s manje od 400 radnih sati na godinu). Usprkos manje povoljnim prirodnim uvjetima, švedsko se poljodjelstvo pokazalo konkurentnim tijekom pristupa Europskoj Uniji 1995. godine.

Doduše, švedska je poljoprivreda imala 50 godina da se pripremi za pristup, što nije slučaj s Hrvatskom. Druga važna činjenica je da ljudi koji su u Švedskoj napuštali poljoprivredu tih godina nisu imali problema sa zapošljavanjem – često pod boljim uvjetima.

Nakon 1995. godine nastavlja se proces restrukturiranja, ali bez potpore Zakona o poljoprivrednom zemljištu. Danas u Švedskoj ima oko 65.000 agrarnih jedinica s prosječnom veličinom od oko 40 hektara.

Naposlijetku, švedska obiteljska gospodarstva bilo je nužno prenamijeniti i ojačati prije šezdeset godina. Taj proces bio bi nemoguć bez javnih intervencija u obliku već spomenutih batina i mrkvi. Ishod je, međutim, samo djelomice rezultat tih mjera. Proces je većim dijelom rezultat sporazuma između pojedinačnih farmera bez (vrlo skupe) državne intervencije. Ali, kako je već rečeno, samo postojanje Zakona o zemljištu neizravno je vodilo tržište zemljištem u pravom smjeru.

Švedska iskustva upućuju na zaključak da politiku okrupnjavanja zemljišta treba smatrati tek jednim od nekoliko elemenata agrarne politike te da Država mora vrlo selektivno donositi odluke o sadržaju, opsegu i cijenama svojih intervencija.

Drugi je zaključak da su okružni poljoprivredni uredi, sa svojim širokim ovlastima promicanja racionalizacije agrarnog sektora, odigrali ključnu ulogu u procesu modernizacije švedske poljoprivrede.

### Background to the Croatian Land Consolidation Project

In the light of a possible accession to the European Union and its common market, the Government of Croatia recognized the urgent need to improve the competitiveness of its agricultural sector. The Government had identified the unfavourable farm structure as the main impediment for development of the sector and this fact constituted the basis on which it was decided in 2005 by the governments of Croatia and Sweden to cooperate on a land consolidation project.

It was understood from the outset that the Swedish experiences in this field could not be applied for the Croatian circumstances, and it has never been the idea to make a blueprint of the Swedish model, although elements of Swedish (or say, West European) experiences have been applied in the formulation.

Therefore, the following should be seen as a more general contribution for broadening the discussion on the search for a Croatian land consolidation policy by highlighting some more important elements of the Swedish model, applied at varying degree and success from around 1950 to the mid-90s.

### Background to Swedish Agricultural Policies

During WW II, Swedish farmers were protected from competition from the outside world and could sell what it produced at very favourable prices. As a result, agriculture was lagging far behind other economic sectors in efficiency and productivity; the farm structure was characterised by a large number of small farms; and there were few incentives for the sector itself to modernise and to address the land structure.

However, the adverse effects of the situation drew political attention. There was a growing demand for labour from the manufacturing industries, and an interest to keep consumers' cost for food in check. The

<sup>1</sup> Gospodarstva > 2 hektara. Uz to, bilo je više od 100,000 jedinica manjih od 2 hektara.

way out of the dilemma was found to be modernisation of the agricultural production; not only land consolidation, but also mechanisation, drainage, specialisation, and improved productivity.

By the end of the 40s a new agricultural policy was enforced with the objective to facilitate the development of profitable and effective farming enterprises. The centrepiece was the Land Transaction Act, as a means for improving the farm structure, based on two objectives:

- To facilitate that arable and forest land is kept in the hands of efficient family farmers (farmer interest),
- To contribute to improved farm structure and sector productivity (consumer interest).

To administrate the process a special authority was established, the National Board of Agriculture. It falls under the Ministry of Agriculture, but has its own Board and therefore has a certain autonomy. It is important to note the division of responsibilities: the Ministry as the policy maker and the National Board of Agriculture as the executing and operational authority.

The National Board of Agriculture decentralised its operations through County Agricultural Offices under County Agricultural Boards in all 24 counties. The links out to the municipalities was maintained by a Local Representative – normally a trustworthy and respected farmer who was nominated by the local government.

While the State intervened in improving the structure of the farms, initially the sector itself became responsible for the modernisation through its County Agricultural Societies.

However, the outcome of the rationalisation in the 50s and 60s proved to be rather slow and the politicians found it justified that the public sector also took a greater interest in the modernisation of the production.

The new agricultural policy from 1968 was based on two main principles:

- Development of the farms should be the responsibility of the individual farmer,
- Public sector assistance could be justified when the public support returned financial and economic benefits, i.e. financial benefits for the farmer and economic benefits for the society as a whole.

In addition to the Land Transaction Act, the Agricultural Rationalisation Act was enforced and thereby resources made available for subsidised Technical Advisory Services, for State grants, and for State Guarantee on investment loans. These guarantees could be applied on farm rationalisation investments in stables and other farm buildings, mechanisation, drainage, but also for purchase of farms, purchase of additional land, and for working capital. The State guarantee facility proved to be very successful. The Banks appreciated the security of the State loan guarantees by offering loans on favourable conditions.

The National Agricultural Board as well as the County Agricultural Boards and Offices got accordingly a much broader mandate and more resources to coordinate the broad-based effort to modernisation the sector. A County Board Office included a total staff of around 50, of which around 30 were technicians.

### The Means

To achieve the objectives the developing agricultural policy, the Agricultural Boards and Offices were guided by:

- The Land Acquisition Act.
- The Law on Property Registration.
- The Land Fund.
- (The Law on Agricultural Rationalisation)

The Land Acquisition Act from 1948 has then been adjusted several times and still remains in force, but is very liberally applied and mostly to pursue regional development policies.

When the Act was introduced it had various objectives. The most important one was consolidation of agricultural and forest land.

But the intention was also to strengthen the connection between ownership and use of farmland. Special clauses were therefore included in the Act to prevent capital investment and speculations with agricultural land.

The function of the Act implies that all buyers of agricultural land – outside the family circles – had to apply for an approval from the County Board of Agriculture. Without the approval, the purchase couldn't be registered in the Land Book and therefore not be mortgaged.

An application was analysed by a technician. If the analysis concluded that the agricultural and/or forest land belonging to the acquired farm would be better used to strengthening one or several developing holdings in the vicinity, the technician would propose the responsible Committee (under the County Agricultural Board) to reject the application. The County Boards and Committees were composed by representatives for the political parties, which ensured political control and influence. If the responsible Committee under the Board agreed to the technician's analysis, the sale was rejected and the contract between the buyer and the seller became legally invalid.

In cases of rejection, the buyer could appeal against the decision at the National Board of Agriculture and, as a last resort, bring the case to the Court. The County Agricultural Board had to present a credible plan for the future use of the land – if not, the appeal could turn out to be successful for the buyer.

When the rejection gained legal force, the seller could either keep the farm or claim that the County Board of Agriculture bought the farm at the price of the original contract. The Board did so if not the price was exorbitant, which could happen in exceptional cases.

The number of cases when the sale contract was rejected corresponded to around 10 per cent of all land transaction outside the family circles. However, beyond the direct effect, the Act had a significant indirect influence on the land market, since buyers, sellers, estate agents, and banks knew how the Act was applied and refrained voluntarily from unsuitable sales.

The Law on Property Registration is the responsibility of the Swedish Surveying Authorities. Through the cadastral and land registration proceedings in accordance to this law, existing boundaries can be changed. However, changes of the boundaries can only be accepted if the final result will imply a better structure of the involved farms. In cases when a new farm unit is created, it must be suitable for its purpose; i.e. it must be possible to run a profitable enterprise. Farms that once have been merged cannot be split up again and co-ownership cannot be dissolved through division of the farm. The dwelling houses cannot be parcelled out if not the land is sold to adjacent farms.

The parcelling of agricultural and forest land in small plots is so severe in some parts of Sweden that the only way out is a radical reallocation of land. Such projects can be initiated through clauses in the Law on Property Registration. Although independent entities, there has always been a close collaboration between the Board of Agriculture and the Land Surveying Authorities in these cases. Application of the Land Acquisition Act in combination with an active purchasing policy by means of the Land Fund resulted in building up land reserve to facilitate the re-allocation process. The outcome of these re-allocations is not only fewer parcels per holdings but also a reduced number of holdings – each with more land.

The Swedish Land Fund was used to

- Finance the State's purchase of farm land when a "willing buyer – willing seller" transaction had been rejected by application of the Land Acquisition Act
- Purchase of farm- or forestland on the open market when a Land Reserve was required to facilitate larger reallocation projects.

As mentioned, the application of the Land Acquisition Act implied that the County Board of Agriculture was obliged to buy when a transaction has been rejected, if the seller so required and the price was reasonable. In such cases, the Land Fund was used to finance the transaction.

In areas where the development of the agricultural sector was hampered due to many small and scattered parcels, the purpose could be to improve the farm structure by larger reallocation projects.

The County Board of Agriculture could also buy land on the open land market. The seller could be a farmer who was leaving the agricultural sector, or a retiring farmer, or the heirs who wanted to sell their parents' old farm. The County Board of Agriculture acted in these cases as an ordinary actor on the land market and paid the current market price. However, the County Board was seen as an attractive and reliable buyer because it paid the seller in cash without delays on the agreed date.

There were in principle two ways to use the purchased land:

- To increase the land holding for one or several farms in the neighbourhood. In such cases the land could rapidly be sold.
- To facilitate Land Consolidation projects by putting accumulated State owned land into the stake so participating farmers have more agricultural land and a better concentration of parcels after the restructuring.

The Swedish experience of these concentrated reallocation projects is that they take time, and are costly and resource demanding for the State. They turn out to be costly also for the involved beneficiaries, even if there are some subsidies involved. Some procedures must also be compulsive in order to bring the proceedings to an end.

Frequently, the Land Fund has been used to purchase land from public and private companies, as well as larger estates owned by e.g. the Church or the State. The land of these larger estates has subsequently been sold to strengthen family farms in the vicinity. By doing so the connection between ownership and use of agricultural land was reinforced.

The Swedish Land Fund should be understood as monetary resources that were set aside by the Government for these purposes. When land was purchased, the Fund paid – when the land was resold, the Fund was replenished by the proceeds. The Land Fund was in other words a revolving fund. Market prices were applied which meant that when land was bought and resold rapidly there was rarely a profit. However, land that remained under the Fund for a longer period could generate a profit due to adjusted market prices and be used to cover deficits or be returned to the State's coffers.

As regards subsidies, the State assisted with some costs for i.e. land survey and land registration in connection with larger land reallocation projects, in order to facilitate the process.

A Land Fund can be used in combination with EU's subsidy scheme for Early Retirement that can be granted to farmers who decide to definitively cease all commercial farming activity under the condition that all their agricultural land is transferred to adjacent farmers. In such cases a Land Fund can serve as an intermediary and transfer the land to other farmers in accordance to development plans to enhance the farm structure. EU has also schemes to support general activities related to Land Consolidation.

The Land Fund is thus a flexible measure for the Land Consolidation process and the application can be adjusted to the existing conditions and circumstances.

### **Examples on how the Land Fund could be applied in the Croatian Context**

#### Vrbovec

A main hurdle in Vrbovec is the landowner's doubt about the possibility to implement Land Consolidation on a voluntary basis. Another obstacle is the ongoing investments in infrastructure and commercial buildings. This creates an uncertainty concerning the value of the land. In the pilot area there is 200 hectares of state owned land with unsettled property relations.

A Land Fund would intermediate between sellers and buyers and speed up the land swapping process. A Land Fund would also be very useful for facilitating the ongoing implementation of infrastructure projects. If the Land Fund was given the mandate to dispose over the state owned land, the farm structure could be considerably improved.

#### Krašić

A main impediment caused by the fragmentation in Krasic is a lack of organised agricultural production. This has discouraged the landowners from participating in the land consolidation project.

A Land Fund would be important in order to offer land on the market to potential buyers at decent prices. In combination with other measures such as subsidies for early retirement the land consolidation process could be speeded up. It is also expected that the younger generation would prefer to sell agricultural land to a reliable buyer and invest the proceeds in housing or otherwise. In these cases a Land Fund would be very useful to facilitate the process.

The landscape and nature in Krasic has high values. A Land Fund could be used in order to ensure preservation and protection of valuable landscapes.

#### Tompojevci

There are no main obstacles in Tompojevci. One problem though is the limited number of potential sellers. Another problem is that a few cadastral units are owned by persons not resident in Croatia.

With a Land Fund it would probably be easier to get agricultural land out on the market, since the experience is that it can be easier for a seller to sell land to a neutral third party. Agricultural land purchased by the Land Fund would be sold immediately to neighbouring farms to promote their layout and increase their size. Also land owned by persons not resident in Croatia would probably be easier for a Land Fund to acquire.

#### Vidovec

One problem in Vidovec is the disorder in land register and cadastre. An obstacle is that landowners hesitate to sell out their land even if they are not active farmers. In this case - as in Tompojevci - a Land Fund would probably be useful in combination with i.e. an Early Retirement scheme.

#### Novi Vinodolski

Identified obstacles to the realization of land consolidation in Novi Vinodolski are very small land parcels, numerous co-owners, a considerable number of unknown owners, disorder in land books and cadastre, uncultivated land, low interest among the local population and high expected land prices.

Under these circumstances a Land Bank would probably provide a better opportunity to takeover (given an appropriate legislation in this respect) or to purchase abandoned land, and land owned by emigrants. A Land Reserve owned by the Land Fund would facilitate comprehensive land consolidation projects. One outcome could be that interventions by the Land Fund would establish reasonable and affordable prices on agricultural land.

sa2008\_0008