

Extended Abstract

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Paper Title	Trust in Scottish Farmland Market: Tenancy or Joint Venture?
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Abstract	200 words max
<p>This paper explores how social networks work in farmland markets, with a special focus on the role of trust. For this purpose, New Economic Sociology (NES) is applied and compared to New Institutional Economics (NIE) to build a theoretical framework, and a Social Network Analysis is adopted to individual case studies. Specifically, parish case studies were conducted in Scotland, where dynamic land pattern changes can be observed. It allowed for the comparison of one parish dominated by tenancies in the land market with another parish where a joint venture unfolds. After the entire land market network for each parish was identified, the connections between actors were traced through in-depth interviews. The paper examines the role of trust in farmland markets, especially in relation to the information flow between actors (e.g., tenant, private agents, landowner and business partner). Results highlight how trust as social capital works in land transactions, in addition to the economic impacts (e.g., price, rent and transaction costs). The findings support the NES theory and suggests the importance of trust in designing governmental schemes that could support and encourage the development of farmland markets in the future.</p>	
Keywords	Land market, Trust, Tenancy, Joint Venture
JEL Code	Q15 Agriculture: Land Ownership and Tenure see: www.aeaweb.org/jel/guide/jel.php?class=Q
Introduction	100 – 250 words
<p>How land in rural areas is owned and used is a fundamental issue that requires insights from a range of disciplines, such as the New Economic Sociology and the New Institutional Economics. Despite some similarities between these two theories around the transaction costs (Nee and Swedberg, 2008), NES (Granovetter, 2017) emphasises the importance of social capital (trust) among social networks, whereas NIE places a greater importance on the role of formal institutions and governmental regulations and support.</p> <p>Social capital, such as trust, has already been considered in land market analysis as one of the key institutional factors that reduce transaction costs (Ciaian <i>et al.</i>, 2012). However, existing research have not explained how trust and social networks influence transaction costs. This paper which applies NES and compares with NIE, emphasises the positive role of trust in mitigating social costs. Additionally, Social</p>	

Network Analysis is used to identify the various actors in the farmland market, both in tenancy-dominant land market and in joint venture, as a different but rather ignored (within the literature) form of land transaction.

This paper aims to address two research questions (RQs) for the comparison between tenancy and joint venture:

RQ1. Who are the key actors in social networks in rural Scottish land market?

RQ2. How do these actors interact and what is there a role for trust within land transactions?

The paper also aims to suggest some key recommendations regarding future land policy design in Scotland, and draw best lessons that could be applied to other countries.

Methodology

100 – 250 words

To answer the above RQs, a community-based case study approach is employed to assess social networks. This has great value in the empirical testing of theories and provides the opportunity for new concepts to emerge. Local communities, i.e. parishes in rural Scotland with a rich history of land transactions, including changes brought about by recent land reforms were identified and have formed the sample for the analysis. A Social Network Analysis (Borgatti *et al.*, 2009; Scott and Carrington, 2011) supported by in-depth interviews with key actors involved in land transactions, such as farmers, landowners, and agents to explore networks and their practices (Hollstein, 2011) was also employed.

Two parish case studies were conducted in the Scottish Borders: Parish X dominated by tenancy relationships between actors in the farmland transactions, and Parish Y which is characterised by a joint venture, as a form of business partnership. The case studies followed two steps. First, mapping the social network in which a tenant farmer is embedded, through the identification of his/her landowners or business partners by snowballing (Scott, 2017). Second, tracing the connections between actors, using structured questionnaires followed by in-depth interviews. Specifically, the second step (which coincides with qualitative data collection) focused *inter alia* on how contact between actors take place, the identification of types of relationships and main reasons for transacting land.

Results

100 – 250 words

In the two parishes within the Scottish Borders most of the land transactions are taking place between relatives, neighbours and friends through their personal contacts, which it means that they are associated with the so-called “informal networks”.

Within these networks, two different ways in which trust works in farmland market are identified. In Parish X, a tenant farmer chose not only ‘Price/Rent’ but also

'Obligation' and 'Trust' as key reasons for the transaction between him and a private agent who is his neighbour. In Parish Y, a share farmer also chose 'Trust' as well as 'Price/Rent' for the partnership with his business associate who have a working experience with him before. In addition, in-depth interviews with each actor show that not only economic aspects such as price and rent but also personal relationships are valued in decision making for land transactions both in tenancy dominant market in Parish X and a case of joint venture in Parish Y.

Discussion and Conclusion

100 – 250 words

This research aims to identify the various social network actors and their roles in Scottish farmland market. Results show that farmland market basically works in association with informal social networks, both in direct transaction between tenant/share farmers and landowners and in intermediated transactions facilitated by land agents. Specifically, the personal relationships among neighbours (as in the case of Parish X) or on previous working experience (as in the case of Parish Y) build trust and encourage land transactions.

From a theoretical point of view, both case studies underline the NES position, highlighting the importance and the role of trust and how trust works in farmland markets. In either case, personal relationships based on trust offer advantages in mitigating transaction costs by addressing the issues around market barriers and information asymmetry often pointed out in existing studies (e.g., Ciaian and Swinnen, 2006).

However, it is also true that an official institution called Land Matching Service has started to function in rural Scotland to match farmers and landowners (Mc Kee *et al*, 2018), which reflects more on New Institutional Economics position rather than New Economic Sociology. Nonetheless, this research can emphasise the importance of trust and informal communication between social network actors as its essential base, in designing government scheme in farmland market.