



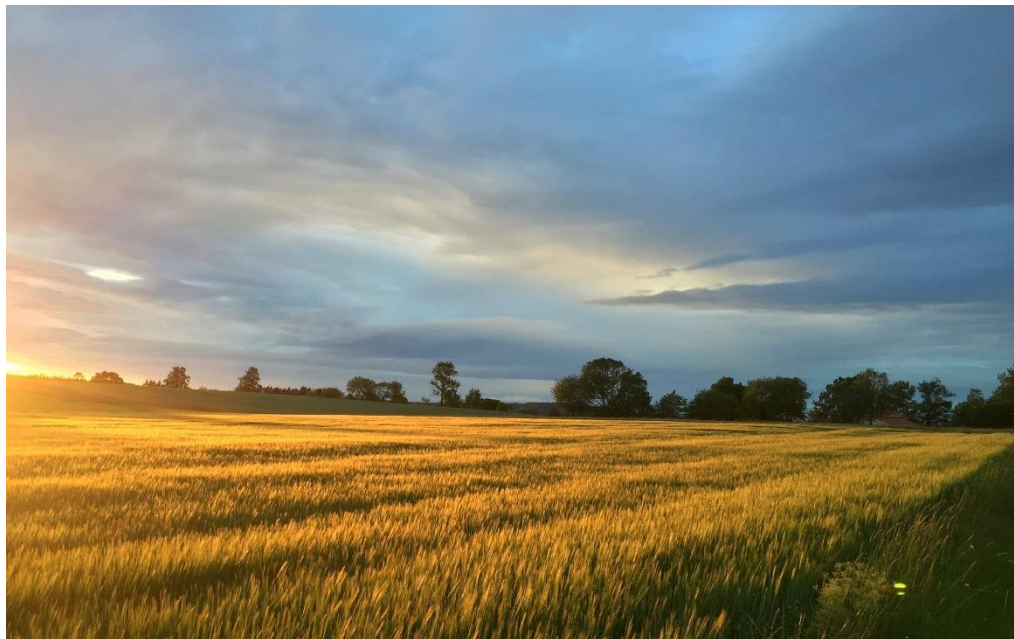
Sveriges lantbruksuniversitet
Swedish University of Agricultural Sciences

Department of Economics

Young farmers' opportunity to enter and maintain farming through tenancy

- A multiple case study in southern Sweden

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Emelie Persson*



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Uppsala, June 2018



Anna Lundberg



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Abstract

The agricultural sector is capital intensive compared with other industries and the conditions for managing a farm have changed during the recent decades. During the past few years, the price of farmland and rental rates have increased which results in difficulties to maintain a stable and profitable business. Furthermore, the average age of farmers in Sweden is 58 years old and the number of retired farmers will increase in the future. Right timing of transferring the farm's to the next generation has a significant impact on the business development and future profitability and therefore it is necessary to consider the problem with the increasing age. Young farmers tend to have more tenancy agreements and less owned arable land. This is because young farmers do not have any other option than enter tenancy agreements since they usually do not have sufficient capital, or the income will not be good enough to meet the financing payments. This study focuses on to connect the principal-agent theory and the stakeholder theory to the problem concerning young farmers' opportunity to enter and maintain farming through tenancy. The aim of the study is to increase the understanding of young farmers' opportunities to enter and maintain farming through tenancy agreements, by analyzing the importance of a relationship between a landowner and a tenant and significant external actors. Additionally, the relevance of the relationship between the tenant and their external actors is examined.

The study applies a qualitative research approach with a multiple case study design and which entails twelve respondents. Eight of these twelve respondents are young farmers. The other four respondents are external actors within the agricultural sector that might have an impact on the young farmers' possibility to develop their farm business. The empirical data has been analyzed through the theoretical framework, which entails the principal-agent theory and the stakeholder theory. The results of the study indicate that young farmers have difficulties to enter and maintain farming through tenancy agreements. Although, good relationships with landowners and other external parties are the most important aspects for a tenant farmer to observe. Young farmers usually face more difficult financial conditions and therefore good relationships, reputation and different unique experiences are essential for the possibility to enter farming through tenancy.

Sammanfattning

Lantbruk är en kapitalintensiv näring och förutsättningarna för att bedriva lantbruksverksamhet är under ständig förändring. Under de senaste åren har åkermarks- och arrendepreiserna ökat vilket har orsakat svårigheter att skapa en stabil och lönsam verksamhet. Den genomsnittliga lantbrukaren i Sverige är 58 år och antalet pensionerade lantbrukare kommer att öka dramatiskt i framtiden. Det är av väsentlig betydelse att göra generationsskiften vid rätt tidpunkt eftersom det har en stor inverkan på verksamhetens utveckling och framtida lönsamhet.

Unga lantbrukare tenderar att bruka mer arrenderad än ägd åkermark. Många unga lantbrukare har inte några andra alternativ eftersom de inte har tillräckligt med eget kapital för att köpa åkermark. Intäkterna från lantbruket är heller inte tillräckliga för att täcka de finansiella kostnaderna och amorteringarna av gårdslånen. Denna studie fokuserar på att sammankoppla principal-agent teorin och intressentteori till problemet gällande unga lantbrukares möjlighet att etablera och bedriva jordbruk genom arrende. Syftet med denna studie är att öka förståelsen för unga lantbrukares möjlighet att etablera och bedriva en lantbruksverksamhet via arrende. Detta genom att analysera betydelsen av relationen mellan markägare och arrendatorer samt viktiga externa aktörer.

Studien tillämpar en kvalitativ forskningsmetod med flera fallstudier. Totalt har tolv respondenter intervjuats varav åtta av dessa är unga lantbrukare. De resterande fyra respondenterna är externa aktörer inom jordbrukssektorn som kan ha stor påverkan och betydelse för de unga lantbrukarnas möjligheter att utveckla sin verksamhet. Den empiriska datan har analyserats genom den teoretiska syntesen som är principal-agent teori och intressentteori. Resultatet av studien visar att unga lantbrukare har stora svårigheter att etablera lantbruksverksamheter genom arrenden. Däremot är goda relationer med markägare och andra externa aktörer inom den agrara näringen en av de viktigaste aspekterna för en arrendator att observera. Unga lantbrukare möter vanligtvis mer problematiska förutsättningar vid etablering av arrende. Därför är det av avgörande betydelse för dem att skapa goda relationer, gott rykte och olika unika erfarenheter för att få möjligheten att etablera en lantbruksverksamhet genom arrende.

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1 Introduction

In this section, the thesis problem background is presented. Additionally, the research aim and questions are highlighted, followed by delimitations and thesis structure.

1.1 Problem background

The agricultural and food industry is still considered to be one of the most important industries in Sweden (Johansson *et al.*, 2014). Furthermore, the agriculture has become an important political matter, and it has also gained more interest from consumers and society (Rivera-Ferre, 2008). Although, there is a need for further knowledge in the agricultural sector in order to achieve a more sustainable production system since it is a complex industry.

The traditional farm business is capital intensive compared with other industries (Johansson *et al.*, 2014). The reason the agricultural sector is capital intensive is mainly because of substandard investments in buildings and machinery. Additionally, the price changes within the sector vary since they depend on the world market economy (Wählstedt, 1987). The price fluctuations create uncertainties concerning the planning and decision-making of the farm business. Companies with significant holdings of long-term assets seem to have more difficulties, which is typical within the agricultural sector.

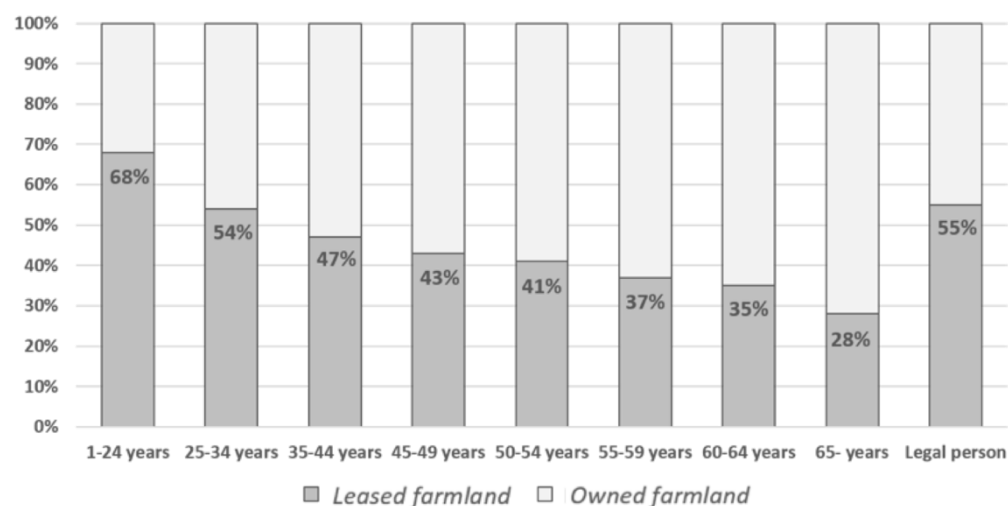
Since Sweden in 1995 became a member of the European Union (EU) the conditions for managing a farm changed (Johansson *et al.*, 2014). One reason is because the price of farmland has increased since the entry in EU (Enhäll, 2017). The development of farmland prices is linked to agricultural policy provisions and intervention where the most fundamental reason is related to the implementation of area-support payments. The increased farmland prices have caused difficulties in developing a stable and profitable business. The price of farmland differs in Sweden and depends mainly on the fertility of soil (Helin, 2017). One of the most fertilized soils is located in Scania in southern Sweden. The average price for farmland in 2017 was 138 000 Swedish crowns per hectares and has increased by 10 % since 2016. Although, the price of farmland during the last year has decreased with 3 % which can be explained by lower profitability within the sector. Additionally, the average rental rate for farmland has increased by almost 50 % but during the past five years the price has leveled off (Enhäll, 2017).

Farmers have to make more well- reasoned decisions and with strategic planning in order to operate a sustainable business (Errington & Nolan, 1998; Öhlmér *et al.*, 1998). The timing of the farm's transfer to the next generation has an effect on the farm's future profitability. Usually, farmers have already experienced a decline in productivity when they consider transferring their estate to the next generation, and in general, farmers are most efficient during the age of 30-40 years (Kimhi, 1994). The decision for the next generation of farmers whether to enter into farming by purchase farmland or leasing depends on the occasion and the life situation.

The average age of farmers in Sweden is 58 years (Karlsson, 2018). Additionally, over 30 % of all the Swedish farmers are 64 years or older (www, SCB, 2017). The average age of the Swedish population will rise dramatically in the next few years, mainly due to a large number of children being born in the 1940's. These circumstances will increase the number of retired people in the future (www, Boverket, 2016). The right timing of transferring a farm to the next generation has a significant effect on the farm business development, and therefore it is necessary to consider that.

Statistics from LRF Konsult indicate that the average age for landowners that sell farmland is 67 years old and, on the other hand, the average age for those who purchase farmland is 50 years old (Helin, 2017). In Sweden, the proportion of farmland tenancies was 38 % in 2016 of the total amount of farmland which has been consistent over decades (Grönvall, 2017). The older farmer tends to own more farmland instead of leasing farmland (www, Jordbruksverket, 2014). According to the *table 1*, farmers under the age of 25 operate 68 % farm tenancy out of their total use of farmland whereas farmers 65 years or older have 28 % farm tenancy. Hence, younger farmers operate more rented land and less owned arable land.

Table 1: Distribution of tenant and owned farmland based on the farmers' age (%)
(Jordbruksverket, 2014; own modification).



1.2 Problem statement

As argued in the problem background it is necessary for farmers to transfer their property to the next generation at some point, though it can be difficult (Bradshaw *et al.*, 2016). One major problem is that arable land is expensive and requires a significant capital investment, especially for young farmers (Stoneberg, 2017). In this study, a young farmer is defined under the age of 40 years old, which is based on EU enterprise support for young established farmers (www, Jordbruksverket, 2018).

Usually, young farmers do not have an option to purchase arable land since they do not have sufficient capital for the investment (Stoneberg, 2017). Especially, concerning the limited possibilities to obtain credit from the bank without any collateral (Stoneberg, 2017; Wästfelt, 2014). Additionally, without other previous conditions, it may also be difficult to enter through tenancy (Wästfelt, 2014). However, if the farmer does not have the opportunity to

purchase farmland, tenancy agreement may be a solution to enter a farm business without significant investments. Although, a tenancy agreement can be unsecured regarding the investment and development of the business from a long-term perspective. The reason is that it is hard to take advantage of the farmlands full potential since the contract might be terminated and with no possibilities to be part of any land price appreciation.

As previously stated, young farmers face problem to enter farming through tenancy. This circumstance is mainly due to a capital intensive sector, the difficulties with achieving credits from the bank without any security and, that older farmers usually keep the property for a longer period (Stoneberg, 2017). Previous research has explored the importance of the relationship between a tenant and a landowner, regarding the contract arrangement from an international perspective (Huffman & Just, 2004; Grubbström & Eriksson, 2018). Furthermore, the study shows that there are different types of risks in a tenancy relationship. Although, to the best of our knowledge there is no previous study in the Swedish perspective concerning the importance of the tenant's relationship to the landowner. This problem can be seen as gap-spotting which implies a lack of knowledge in the research field. Because of the difficulties for young farmers to enter farming through tenancy this study focus on analyzing the relationship between the landowner and the tenant and the impact of the external environment. Therefore it is of interest to examine if the relationships between landowner and tenant may be a key factor for young farmers to achieve a tenancy agreement.

1.3 Aim and research questions

The aim of the study is to increase the understanding of young farmers' opportunities to enter and maintain farming through tenancy agreements, by analyzing the importance of a relationship between a landowner and a tenant. Additionally, the relevance of the relationship between the tenant and their external actors is examined. Based on the aim of the study following research questions were formed.

Research questions:

- How does the relationship to the landowners influence the young farmer's opportunity to enter and maintain a tenancy agreement?
- How do the external actors affect young tenant farmers' business conditions within the agricultural sector?

1.4 Delimitations

This thesis focus on young farmers' opportunity to enter farming through tenancy where insights from both young farmers and external actors within the agricultural sector are analyzed. The chosen respondents of young farmers are younger than 40 years old in order to be categorized as a young farmer in this study. Furthermore, all farmers within the study have entered their business through a tenancy agreement, and most of them have remained in these agreements as a dominant part of their business strategy.

The selection of external actors is based on their relevance to farmers' possibilities to enter farming through are tenancy. In this study private landowner, institutional landowner, bank, and tenancy specialist chosen for the study. A high density of tenancy motivates the chosen geographical location in southern Sweden and with one of the highest rental rate in Sweden. Because of the delimitations and chosen approach in the study, the results may not be

generalized to every young farmer's opportunity to enter farming through a tenancy agreement in Sweden. The reason is because there might be different opportunities for a young farmer to enter a tenancy agreement depending on for example previous experiences.

1.5 Structure of the report

Chapter one (1) contains a problem background, problem statement within the subject area. Additionally, the chapter also includes the aim of the study, research questions, and delimitations. The literature review of previous research in the field is presented in chapter two (2). The choice of theoretical framework and relevance to the study is described in chapter three (3). In chapter four (4) are the research approach and the design of the study presented. Furthermore, the chapter also includes a description of the process concerning data collection, presentation of the data, analysis and ethical considerations. The interviewed respondents and the results of the study are presented in chapter five (5). Chapter six (6) contains analysis and discussion of the theoretical framework and empirical findings. The conclusions and future research are presented in chapter seven (7).

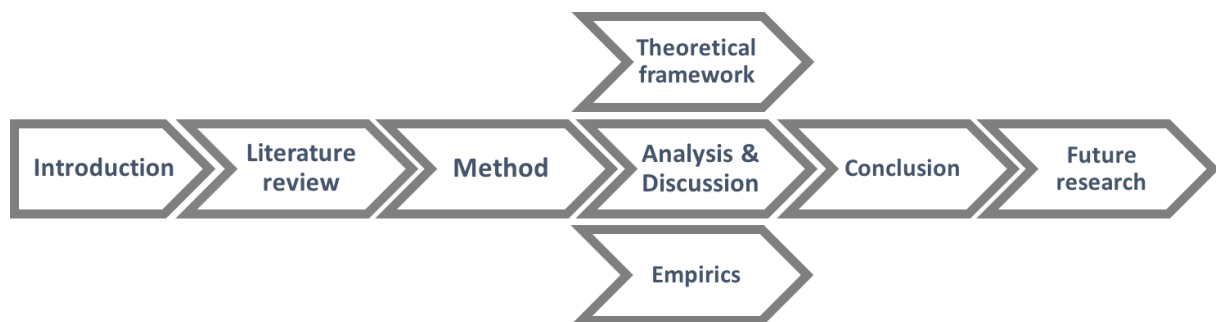


Figure 1: The Structure of the report. Own modification

2 Literature review

The literature review includes an introduction of the Swedish tenancy legislation and previous research with tenancy agreements in the agricultural sector. This chapter aims to develop a better understanding of the current knowledge gap in the research field. See overview for the literature review in appendix 3.

2.1 Agricultural tenancy within the Swedish context

A farmer can have own agricultural land, be a tenant or combine these two (Andersson, 2014). In most countries it is common to enter farming through tenancy since it is less capital intensive. The structure of a tenancy agreement has an essential function for establishing and developing an agricultural business. A tenancy agreement entails a price risk since the tenant must control the product prices and the crop yield. Therefore it is necessary to be flexible in order to handle the price fluctuations for the products that is produced (Pålsson, 2014). A tenant is not a part of the price development of the farmland and has, therefore, difficulties to have a long-term planning. This is compared to own property where you are directly a part of the price development. Furthermore, *figure 2* illustrates different risks that can occur for a landowner whether they cultivate their own land or have a tenant that cultivate their farmland (Andersson, 2014).

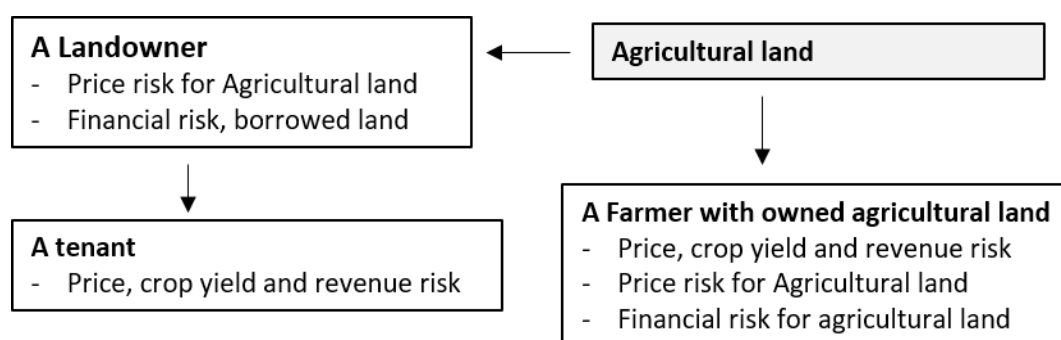


Figure 2: Different risks for a landowner and a tenant (Andersson, 2014; own modification).

The Swedish legislation defines tenancy as an agreement for the use of land with compensation (Bäärnhielm, 2014). All tenancy that is classified for agrarian use is categorized as an agricultural tenancy (9 chaps. 1§ Code of Land Laws¹). According to the Swedish legislation the compensation for the use of farmland has to be determined in monetary terms in order to be a tenancy agreement (9 chaps. 29§ Code of Land Laws).

There are two different types of tenancy agreement for an agricultural property in the Code of Land Laws, which are farm tenancy and side tenancy (Svensson, 1997). The farm tenancy and the side tenancy are described in the 9 chap. 2§ and 7§ in the code of Land laws. If a tenancy arrangement for a specific period includes housing for the tenant, it is a farm tenancy, and the term of the leasehold should be minimum five years for the tenant. The side tenancy, on the other hand is constructed as farm tenancy without housing for the tenant farmer included in the tenancy agreement.

¹ The code of Land laws: The Swedish legislation for tenancy agreement (Jordabalk, 1970).

The tenancy arrangement has different legal implications concerning the duration of the contract and thereby protection of the tenant. Axelsson (2014) describes that a protected tenancy gives the tenant the right to an extension of the tenancy agreement even if the landowner has given notice, besides a few exceptions. The legislation for the protected tenancy are mandatory rules and refer to farm tenancy and side tenancy, with the requirement that the contract are beyond a year. If there are any disputes in the relationship between a landowner and a tenant, it is possible to receive support from a tenancy tribunal. It is an administrative authority and is the first level of investigation if a dispute occurs.

2.2 Contracts arrangements for farm businesses

Young farmers have different opportunities to enter farming and thereby have to decide whether to purchase or lease farmland (Grubbström & Eriksson, 2018). Although, the number of sold properties is not as common as for leased farmland and therefore could it be difficult to purchase farmland. One reason for fewer available properties on the market might be due to personal relationships at the current farm. Tenancy agreement might be an opportunity for former farmers who want to keep the property within the family and thereby later on be able to decide future plans.

It is necessary to obtain an in-depth understanding of farmers' underlying reasons and decisions for how they have entered the farming business (Pietola & Lansink, 2001; see Hanson *et al.*, 2012). Psychological concepts influence farmers decisions for their activities in the farm business (Hansson *et al.*, 2012). Agricultural companies may combine their business with other activities and thereby generate extra income (Carter, 1998). For example, the farmer may choose to diversify their crop production and to expand the livestock production, or enlarge in external contracting activities. Another crucial factor in order to be able to expand a farm business, is to have access to property assets in form of farmland. This can be essential for future strategic developments.

Reiss (1960), argues that newly established farmers have to compete with growing farms. Newly established farmers face more difficult circumstances, especially those who have limited possibilities to obtain financial support from their families or external environment. Although, a good start might be to enter farming gradually by tenancy arrangements. However, one of the main factors that are considered to affect the opportunity to purchase farmland or entry a tenancy is the possibility to access credit from the bank (Deininger & Feder, 2001). Thereby, the bank has a significant influence whether young farmers have the opportunity to enter farming in the agricultural sector. Usually, ownership of some arable land facilitate the opportunity for the farmer to access credit.

From a historical perspective, the relationship between farmers and the social environment has been necessary for the land tenure, as well as availability of capital (Blaikie & Brookfield, 1987). Landowners and farmers may have different types of relationship (Grossman, 1992). Depending on the frame of the contract, the parties may form a landlord-tenant relationship, an employer- employee relationship or a partnership.

The landowners behavior usually depend on their own experience and personality (Amis, 1984). Some landowners are more sympathetic towards different situations, while others are more insensitive in a contract relationship. There is no clear explanation why these differences occur. Furthermore, there is limited evidence that a larger landowner would be more formal than smaller landowners. However, smaller landowners may develop a closer relationship to the tenant.

Fraser (2004), emphasizes that farmers who own land make more long-term strategic decisions compared to farmers with tenancy agreements. Furthermore, it is argued that there is no guarantee that tenants will keep long-term benefits from the land unless they apply good managerial strategies to maximize their short-term profits. Long-term agreements, on the other hand are more similar to owning property.

Landowners and tenants that have series of contracts over time with each other enable collection of information based on their previous performance in the arrangement (Allen & Lueck, 2002). By using past performance to develop standard contracts, it might generate incorrect incentives in the long-term perspective between the contracting parties. Those farmers who have little information to display concerning performance in the past are usually offered contracts based on low expectations of output. Meanwhile, those farmers who have performed well in the past and provide information of their knowledge will be offered deals with high future standards.

3 Theoretical framework

Chapter three contains the theoretical framework for this study. The chapter includes the principal-agent theory and the stakeholder theory. Thereafter are alternative theories discussed to motivate the chosen theories. Finally, presents a description of the linkages between the chosen theories.

3.1 The principal-agent theory

At the beginning of the 1970's economists studied the risk sharing by individuals and groups (Eisenhardt, 1989). It was discovered that risk sharing emerges when collaborating parties have different views of risk. A broader perspective of the risk sharing mechanism is the principal-agent problem, which defines the relationship between the principal and the agent.

The principal-agent theory is based on the problems concerning separation of ownership and controllability (Abdullah & Valentine, 2009). The problems are connected to the relationship between the principal and the agent, which occurs when one part, labeled agent acts on behalf of another part, called principal (Pindyck & Rubinfeld, 2014; Royer, 1999). Usually, the principal owns an asset and therefore employs an agent in order to increase the value of it. The principal is the one who delegates the commission to the agent, whereby the agent is the one who performs the commission (Eisenhardt, 1989). If the agent has different interests and goals compared to the principal, it will affect the agent's response, which might not correspond to the principal's expectations. The arrangement between the principal and the agent is generally defined in a contract, which specifies the agreement between the parties (Royer, 1999). A contract can be explicit, where the terms are written and legally enforced, or it can be implicit, where the terms usually are understood and enforced by reputation effects. The principal-agent relationship can, for example, be related to employer and employees or as in this thesis landowner and tenant (Eisenhardt, 1989). Whereby the landowner is the principal and the tenant is the agent.

There are two criteria that have to be achieved before a principal-agent problem can occur (Groenewegen *et al.*, 2010). The first criteria concern the differences in interests in the relationship between the principal and the agent. The principal wants to maximize the utility and therefore requires that the agent does the best to accomplish this. The second criteria are asymmetric information, which refers to the fact that the principal does not have full information about the agent. In many cases, the agent will have the opportunity to hide their characteristics and information before the contract is completed. The agent can also hide actions and decisions after the agreement has been signed. One possible solution to the problem of asymmetric information is that the principal can monitor the agent actions in the relationship between the principal and the agent for each part. This might be complicated or expensive for the principal. Therefore, the agent usually continues to have informational advantageous (Eisenhardt, 1989). Problems within the principal-agent theory related to diverse objectives could be eliminated in case that the principal and the agent could agree on a contract that would require the agent to act in the interests of the principal (Royer, 1999). Usually, contracts are incomplete which enables shirking because of imperfect observability. As a result, the main focus of the principal-agent theory is incentives and measurement.

If the criteria have been accomplished, it will cause either ex-ante opportunism or ex-post opportunism in the contract agreement (Groenewegen *et al.*, 2010). Ex-ante opportunism occurs when there is a lack of information before the contract has been signed and this could then lead to what is labeled adverse selection. Ex-post opportunism is when a part does not

fulfill the agreement as expected without the other part being aware of the deviation from the agreement. This could result in what is called moral hazard. An illustration of the relationship between the landowner and the tenant are presented in a principal-agent model in figure 3.

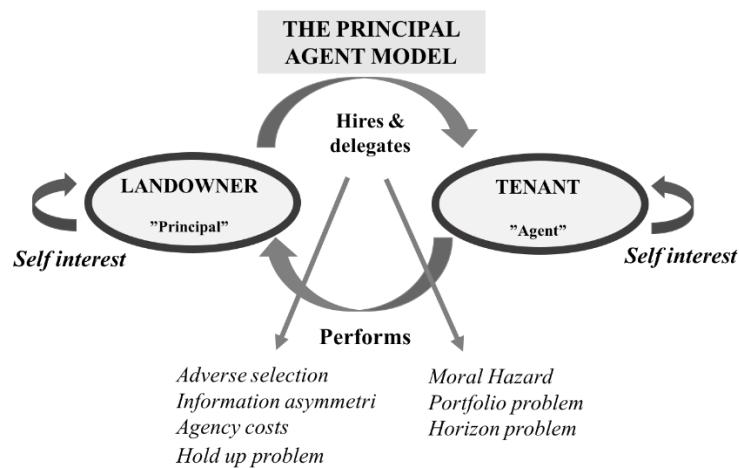


Figure 3: The Principal-Agent model (Abdullah & Valentine, 2009; own modification).

The principal in a principal-agent relationship can never have full control over the agent, either before or after the contract has been signed (Fraser, 2015; Arrow, 1963). When the principal-agent theory leads to the different opportunism, the approach has the focus for the agreed commitments between the principal and the agent (Fraser, 2015).

In the context of a tenancy agreement, a landowner and a tenant can be compared with a policy design where it refers to ex-ante problem *adverse selection* and ex-post problem *moral hazard* (Groenewegen *et al.*, 2010). These problems are related to information asymmetry and behavior of each part in the principal-agent theory.

3.1.1 Adverse selection

Adverse selection develops through information asymmetry before signing the contract between the two parties in a contract relationship (Groenewegen *et al.*, 2010). It usually occurs under the circumstances when one party has hidden information and gets information advantages (Groenewegen *et al.*, 2010; Royer, 1999). This information may relate to different preferences and risk that could be relevant to the contract agreement (Royer, 1999). If there is heterogeneity between the principal and the agent, they may prefer to behave according to their preferences (Fraser, 2015). Since the principal and the agent have different attitudes towards risk, the outcome of the agreement relationship can vary (Saam, 2007).

The view of principal-agent problems for the area of adverse selection has an obvious relationship with the insurance market (Groenewegen *et al.*, 2010). A vital issue for insurance companies is to separate offers for clients that are identified by risk levels. In the beginning, when an insurance company offers insurance premiums and hardly knows anything about the client, the incentives to provide insurance is the same for every company.

In this case, the client, for example, never takes any risks if they think that the charge is too high. On the other hand, a high-risk client can take advantages of this (Groenewegen *et al.*, 2010). A solution to this problem may be to increase the premium for the high-risk clients for

the upcoming year. Furthermore, adverse selection problems may develop into welfare losses. Some evidence in the information even statistics show that younger clients are more in the risk zone for accidents, and on the other side older clients are categorized for low-risk clients. Another recourse for the problem can be to offer different solutions with both high and low-risk premium and for the lower risk with an additional risk premium. Adverse selection can be analyzed in any market where a transaction of contracts has been signed together with some form of asymmetric information that involves different levels of risk or quality of operation.

3.1.2 Moral hazard

Moral hazard problems may be characterized as ex-post opportunism after a contract has been signed (Groenewegen *et al.*, 2010). When a new business relationship start and after the contract has been signed, may the principal change behavior. This situation can benefit the agent more due to the fact that they might be more oriented about the efforts. The reason is that the agent might be more prone to maximize the wealth of the situation than the principal. The effort might be unobservable, and the agent is limiting the risks of being victimized. The case is a kind of moral hazard as a result of opportunistic behavior. Moral Hazard may occur during different circumstances in situations where parties act in ways that are hard to verify, and will therefore not be mentioned in the contract (Royer, 1999).

Situations that include the risk that the agent may behave opportunistically can affect the efficiency of the contract agreement (Groenewegen *et al.*, 2010). The principal as a landowner might have a lack of information concerning the current contract relationship. The moral hazard problem can emerge in the process when a tenant as an agent in the contract relationship obtains more knowledge than the landowner as the principal. More specifically, after a contract is signed, the agent might have the desire to perform. The risk here is that they might pretend to work and use the rented land in a certain way and then act in another (Saam, 2007). Those are called "the hidden actions" and are hard for the principal to keep track of in a longer time.

Moral hazard occurs when a principal has a lack of information about the dealing partner in the relationship (Saam, 2007). The lack of information exchange often occurs after the contract has been signed, and the moral hazard develops when the information advantages are clear, and the other party uses the situation.

Moral hazard is widespread in the insurance literature, but could also be found in other sectors (Groenewegen *et al.*, 2010). It is common in the market for personal and individual firms when the part from one perspective decides over a contract to act in the first party's best interests. It is always hard to know if each party works most efficiently to fulfill the desired goals. An arrangement for the principals is to minimize the risk of the moral hazard problem is to evaluate the agent's performance once in a while (Holmström, 1982).

3.1.3 Information asymmetry

The principal and the agent can develop informational asymmetry which may effect the relationship (Saam, 2007). The principal-agent problem is based on the power the agent has in relation to the principal. Usually, the principal-agent problem can be solved through power phenomenon, which is based on that either of the principal or agents adjust personal beliefs, attitudes, and behavior as a result of their actions or the influence of others. An incomplete contract can be caused by asymmetric information (Royer, 1999). Asymmetric information

develops when there is no equal access to relevant information to sustain necessary contractual relationships. This hidden information creates an unbalanced situation in the relationship, which could lead to incorrect transactions and in some cases even market failure (Wilson, 2008). The information asymmetry failure is most common in the principal-agent relationship where misinformation can occur between the parties due to different processes of communication (Royer, 1999)

The main problem for the customer is information asymmetry or the inability to determine the quality of the transaction in the relationship (Mishra *et al.*, 1998). The inability to confirm the quality creates two different outcomes of supplier opportunism that is (1) incorrect application of honest and (2) actual awareness of quality cheating. These problems describe adverse selection, and moral hazard with can occur between the parities.

3.1.4 Transaction costs

A transaction cost might develop because of changes to organizing and performance in a contract relationship (Royer, 1999). Transaction cost includes costs in the form of negotiating and enforcing contracts. Furthermore, the costs arise when one or more parties have the opportunity to behave opportunistically within the transaction in order to achieve a private gain at the expense of the common good. The transaction costs include both the costs related to the adverse consequences of opportunistic behavior and the costs of trying to prevent it from occurring between the parties.

Contracts serve an important role to mitigate transaction costs (Royer, 1999). The reason is because the existence of a contract enables the involved parties to fulfill their obligations. This can be made by protecting the parties from opportunistic behavior and therefore decreases the risk of transaction costs. Though are not all contracts automatically equally effective to avoid transaction costs. A contracts possibility to facilitate the parties' obligations depends on the completeness of the contract and the relevance of the contract legislation. A complete contract decreases the risk of transaction costs, this by representing both party's rights and responsibilities for every possible situation that can arise within the transaction. In order to design a complete contract, it is necessary that all involved parties in the contract relationship are able to anticipate all possible situations and agree on all arrangements that everyone has to take in response. Furthermore, the parties have to be able to measure performance and agree on their satisfactory performance.

3.1.5 Portfolio problem

The portfolio problem can be viewed as an equity purchase problem when matching personal risk preferences in a principal-agent relationship (Cook, 1995). The problem is usually viewed from the perspective of a cooperative business where the members in the cooperative have invested capital and that they have to accept a higher level of risks than preferable. From this, they cannot diversify individual risk preferences that have a correlation to their personal wealth (Royer, 1999). Given the presence of risks, it is valuable to spread the assets into different operations (Nilsson, 2001). The risk in such relationship as in the principal- agent theory can be reduced effectively with a well-planned investment portfolio (Andersson, 2014). The investment decisions regarding risky assets are independent of the financial parameters risk preferences and the level of wealth (Markowitz, 1952). It is individually if the agent defines the principal-agent relationship as a capital investment. Necessarily it will be to optimize the portfolio with the financial investments concerning the agent's risk references

(Borgen, 2004; Nilsson, 2001). This can lead to conflicts and even economic losses (Nilsson, 2001; Cook, 1995).

3.1.6 Horizon problem

A rational investor intends to maximize their own portfolio of financial investments with consideration of risk- and reward preferences for each party in the relationship (Borgen, 2004). The horizon problem occurs when investors state that the net cash flow caused by an asset is predicted to terminate before the end of the assets useful life (Royer, 1999). Hence, actors face a limited planning horizon (Nilsson, 2001). The actors are, therefore, more likely to under-invest in the asset since the return they receive is less than the return generated by the asset (Ortmann & King, 2007; Royer, 1999). A consequence of the horizon problem for an agent is that it develops into an investment disincentive for actors to contribute to growth opportunities (Cook, 1995). The reason is that the return to the investor is lower compared to the return generated by the asset (Royer, 1999).

3.1.7 Hold- up problem

In a contractual agreement, one party might abuse the inflexibility and vulnerability connected to the party who has made the most transaction related investment in the principal-agent relationship (Groenewegen *et al.*, 2010; Royer, 1999). This situation is a hold- up problem, and the one party might act opportunistically and use the position and reformulate the agreement in their way with increased bargaining power. This example is a kind of incomplete contract where there is a lack of trust, and this gives no guarantee of a sufficient return. The hold-up situation might result in additional transaction costs and can make negotiations concerning the contracts more difficult and cause more renegotiations (Royer, 1999).

3.2 The stakeholder theory

The primary focus in stakeholder theory is to examine the corporation's roles and functions in a more in-depth and broader perspective (Donaldson & Preston, 1995). This approach might be useful for the firm to understand and satisfy their stakeholders and may be applied in any business, likely in a farm business. Furthermore, Wagner Mainardes *et al.*, (2011) demonstrate the importance of creating an honest and truthful relationship with external actors within the business since they have an impact on the success of the business. Social capital is useful for the value and trust between people or organizations as in the stakeholder theory (Pretty, 2003). The benefits of social capital are attributable to the reduction of transaction costs between the involved parties' due to trust between the parties to act as expected resulting in less monitoring (Pretty & Ward, 2001).

The definition of a stakeholder is: "*An individual or group of individuals who can affect or be affected by the achievement of organizational objectives*" (Hannan & Freeman, 1984 p. 46).

The view of the stakeholder theory has changed over the years. The idea was originally a help to understand the strategic planning and business requirements (Freeman, 2010). When a business can be understood in the relationship between stakeholders, they create value for each other. Each stakeholder plays an important role though specific stakeholders might be more valuable than others at certain times, and may, therefore, be seen as key stakeholder. At the same time, no stakeholders are left alone, so all stakeholders together create value.

Stakeholders have over the years developed to think and act in a more responsible and sustainable way and with an ethical perspective. An illustration of the tenant's stakeholders in this thesis is presented in *figure 4*.

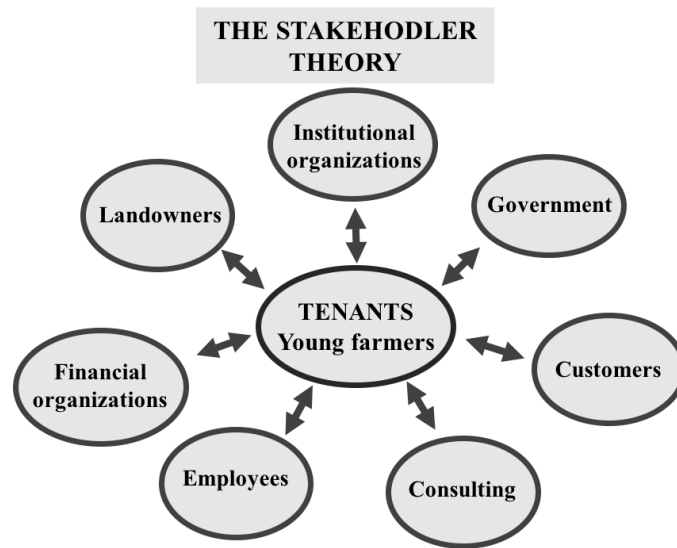


Figure 4: The original stakeholder model in the young farmers perspective (Hannan & Freeman, 1984; own modification).

Stakeholders affect different actions, and the stakeholder theory is designed to define the connection between individuals or certain business relationships (Smudde & Courtright, 2011). The theory can mainly be described as how a stakeholder relationship works the best in a good managerial and organizational structure. The three questions that are asked in the theory are "how are stakeholders created?", "how can relationships with stakeholders be maintained?" and lastly "how can relationships with stakeholders be improved?" The model of the stakeholder theory is formulating how a corporation can be managed (Donaldson & Preston, 1995).

According to Clarkson (1995) in Wagner Mainardes *et al.*, (2011) the theory of stakeholders includes three factors. The factors are "the organization", "the other actors" and lastly "the nature of the company-actor relationship". Furthermore, there are both primary and secondary stakeholder relationships. The primary variant is constructed with a more defined setting and of formal contracts. The secondary still defines relationships but is less formal.

The different stakeholders increase the need to develop the processes and techniques to be able to improve the strategic management capability within the farm business organization (Freeman, 2010). Usually, there are three levels of processes to understand the relationship between organizations and their stakeholder. First, it is necessary to understand who the stakeholders are in the organization and what inputs they provide from a rational perspective. Second, it is important to understand how the process within the organization handles the relationship with the stakeholders and whether the processes are suitable for the rational "stakeholder map" within the organization. The last process relates to the relevance of understanding the set of transactions between the organization and their stakeholders. This investigates if the negotiations are coherent with the "stakeholder map" and the actions of the stakeholders. The organization is required to fulfill these three levels of analysis in order to obtain a deeper understanding of their relationship to the stakeholders.

Moreover, in the stakeholder theory, there are three different perspectives: descriptive, instrumental and normative (Wagner Mainardes *et al.*, 2011). The descriptive perspective identifies and explains characteristics and organizational behavior of the organization's stakeholders. An instrumental perspective is a tool, which aims to analyze how stakeholder management can be used in order to reach the organization's performance goals, where parts of the result are related to behavior. The instrumental perspective is primarily based on organizational perspectives like agency theory, transaction cost theory and corporate behavioral ethics. The normative perspective refers to moral premises where actors and organization should consider how they act and behave in order to satisfy the stakeholders.

Furthermore, normative perspectives are based on both descriptive and instrumental dimensions and are therefore an important aspect. In this study, the definition of instrumental perspective within the stakeholder theory will be used. This because the researcher's ambition is to investigate how the organization can achieve their goals through the stakeholders and correlate this perspective with principal-agent theory.

3.3 Alternative theories

The property right is an alternative theory that concludes a right of owning a share or an investment in property (Oxford, 2018). When you own a property, you have the right to use it, or for example receive income from it, or sell it further to another owner (Groenewegen *et al.*, 2010). In the property rights theory, differentiation can be made between all goods. Property rights can lead to conflicts when they are defined in an unclear way (Cook & Iliopoulos, 1998). Those vaguely defined rights are categorized in five perspectives. The property rights can be viewed as allocations in the organizational society. For example, landowners or other owners of capital can be categorized as a group with control (Groenewegen *et al.*, 2010). They have control over the rules of the game and affect on the laws and regulations. However, this study concentrates on the relationship between the landowner and the tenant, which does not primarily affect the existence of property rights. Therefore, the property rights theory is not suitable to use in this thesis.

Decision-making theory is another alternative theory that can be described as an ongoing process where there is a possibility to evaluate alternatives to obtain the goal. The expected outcome of a certain act will enable the decision maker to choose the activities that are most likely to accomplish the goal (Harrison & Pelletier, 2000). The decision process usually begins with clarifying the goals and values followed by the evaluation of the advantage and disadvantage of the expected outcome (Öhlmer *et al.*, 1998). Even the current situation is evaluated to determine whether it is necessary to make a change. The goal is affected by the current situation and might also be affected by the decision maker's personal valuation and previous actions. This model assumes that the decision maker has discovered a problem and aimed to solve it. This theory is not relevant for this thesis since the main purpose is not to clarify the farmers' problem and their interests to solve it. Instead, this study focuses on factors concerning the relationship between the principal and the agent and what determines the possibility to enter the agricultural sector through tenancy.

3.4 Description of the theoretical framework

The theoretical framework in this study is constructed on the basis of the principal-agent theory and the stakeholder theory. The motivation for the chosen theories is to analyze the importance of the tenant's relationship to the landowner and other related actors in their farm business. The analyzation of the different relationships in the theories will provide an understanding of young farmers ability to enter the agricultural sector through tenancy agreements. The basis of the principal-agent problem is a fundamental understanding of the relationship between the principals and the agent (Abdullah & Valentine, 2009). Therefore, this theory is essential to examine the contextual understanding of the relationship between the landowner and the tenant. However, the principal assumes that the agent acts and makes decisions from the principal's own interests in different situations. Although, the agent does not necessarily have to act in the best interest of the principal. The principal-agent problem arises when the parties display different risk preferences and goals, which lead to different self-interests. The principal-agent theory highlights that problems concerning the relationship between the parties could occur before and after the contract have been signed. The problems can arise due to hidden information and transaction costs. Therefore, emphasizes the theory to consider to promote risk sharing, long-term thinking and to avoid bargaining power in a relationship between a landowner and a tenant.

To create a deeper perspective within the principal-agent relationship, the stakeholder theory is also suitable for this thesis. The stakeholder's approach as the second theory focuses on the understanding and roles in a business relationship (Donaldson & Preston, 1995). The external actors as in the stakeholder theory affect the principal-agent relationship and the impact of success. The idea is to create more understanding of the strategic planning and create a valuable connection with the external actors. The instrumental view of the stakeholder theory is based on an organizational perspective. In the theory, the goal is to structure the management of the stakeholder with the reason to reach performance goals within the organization in the principal-agent relationship. These two theories complement each other concerning the relationship between the principal and the agent and other external actors in the stakeholder perspective, which is illustrated in *figure 5*. The theories are displayed in a view of the principal's and the agent's relationship. The tenant do not only have a relationship with the landowner. The tenant has several relationships with other business partners according to the stakeholder theory. Those actors are also important as in the relationship between the landowner and the tenant.

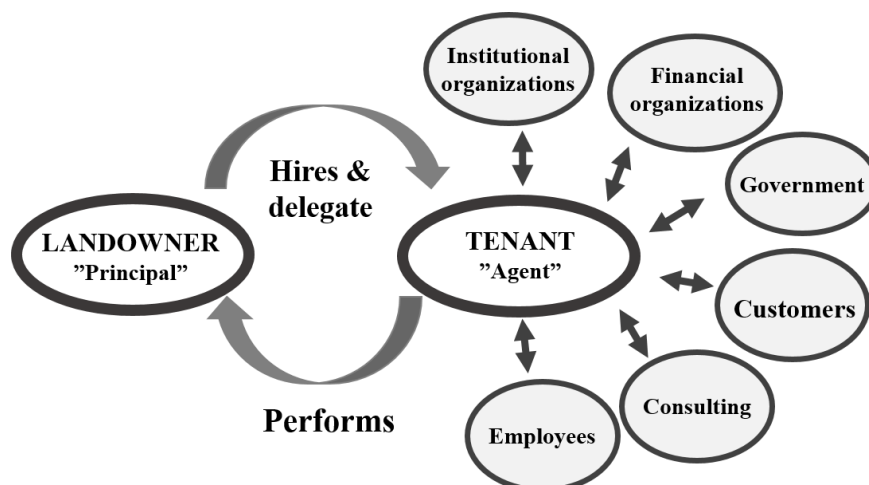


Figure 5: A description of the theoretical framework of the thesis (Abdullah & Valentine, 2009; Hannan & Freeman, 1984; own modification).

4 Method

Chapter four presents and motivates the selected research approach in order to achieve the aim of the study. The chapter also contains the procedure of developing the theoretical framework and empirical data. Furthermore, includes quality assurances, method critique and ethical considerations in the chapter.

4.1 Research approach

The research approach is about the style and the preferences for the concerned study (Robson, 2011). The choice of research approach in a study depends on how the data will be collected (Bryman & Bell, 2015). There are mainly two different research approaches: qualitative and quantitative. However, there is also a mixed approach that contains both qualitative and quantitative approach. A qualitative approach is generally based on non-numerical empirical data with the focus to reach a contextual understanding of the social atmosphere, which is the opposite of a quantitative approach (Robson & McCartan, 2016). In order to achieve the aim of this study and be able to answer the research questions, it is necessary to choose an approach that enables closer observations of individuals and thereby be able to gain a deeper understanding of the situation. In this study, the focus is on words instead of quantification in the data collection (Bryman & Bell, 2015). Furthermore, a study that contains a few cases or observations usually uses a qualitative approach (Robson, 2011). With the basis of this are therefore a qualitative approach chosen in this study.

In the research process may a deductive and/or an inductive approach be applied (Bryman & Bell, 2015). A deductive approach is more commonly used in a quantitative method where the researcher analyzes the connection between the theory and in reality. The inductive approach instead focuses on how the empirical results can generate a new theory. In this study an inductive approach is applied even if it is based on already existed theories in another context than they originally were developed from (Bryman & Bell, 2015). Some researchers' claim that this way of using an inductive approach is approved to be used since it is not necessary to generate a new theory. Instead, the approach may function as a theory examination given that the theory is selected before analyzing the data, which has been made in this study.

Epistemology is about knowledge and how it appears (Bryman & Bell, 2015). It is important that the researcher is well aware of the start position and how the research affects the image of the knowledge. This study is characterized by having an epistemology that focuses on the perspective of interpretivism. This perspective enables the researcher to observe phenomena in the form of social and cultural factors (Bryman & Bell, 2015). Furthermore, the perspective emphasizes the importance of understanding that the reality is discursive and constantly changing and that the researchers interpret in different ways.

This research is based on a realistic ontology position, which implicates to see the reality but not with absolute certainty (Riege, 2003). A realistic perspective admits that there are differences between the real world and the problem that is observed in a study. This study contains a relevant reality and reflects on the relationships and network between the landowner and the tenant. By using a realistic position experience and relations are examined instead of confirming predetermined hypotheses.

It is important to be aware that a qualitative approach cannot be generalizable to the same extent as a quantitative approach (Bryman & Bell, 2015). The reason is that the small sample size does not generate a statistical foundation. Although, by using a multiple case study there might be a possibility to make some analytical and theoretical generalization (Robson, 2011). Furthermore, a qualitative research increases the risk that the data collection is affected by the researcher's personal opinions and reflections (Bryman & Bell, 2015). The authors of this study are aware that this study could be affected by their interest and therefore they have considered this during the whole thesis in order to minimize the risks of personal influence.

4.2 Formulating the theoretical framework

4.2.1 Literature review

It is recommended to use some form of a literature review on what is currently available in the subject area and then focuses on creating new knowledge in the research (Bryman & Bell, 2015; Svensson & Starrin, 1996). A literature review has been designed in this study in order to be able to understand the research field. The literature review has enabled to identify a research gap and also develop a theoretical framework. In order to conduct relevant literature for the study, the following databases have been used: *Google Scholar*, *Web of Science* and *Primo*. The search words have been young farmer, tenancy, agriculture, establish, entering, farming, farm leasing, and contract agreement. The study focuses mainly on primary sources ahead of secondary sources. Primary sources use the original source, and the secondary sources refer to the original source (Bryman & Bell, 2015). Therefore, is it important to not only use secondary sources since the author can use subjective valuations.

4.2.2 Choice of theories

In this thesis, the principal-agent theory and stakeholder theories form the base for the theoretical framework. The principal-agent theory was chosen in order to provide a greater understanding of the relation between the landowner and the tenant. The principal-agent theory is well developed within the insurance market (Growenigen *et al.*, 2010). Though, in order to fully understand the core of the principal-agent theory, it is necessary to perform a more in-depth analysis of the theory. The frame of the principal-agent theory begins with the most fundamental aspects of the theory that later develops to more detailed and deeper aspects. In *figure 3*, is the principal-agent model presented and includes the most important elements of the theory in order to fully understand the concept. These elements are adverse selection, moral hazard, information asymmetry, transaction costs, portfolio problem, horizon problem, and hold- up problem (Groenewegen *et al.*, 2010; Saam, 2007; Cook, 1995; Borgen, 2004). All these elements are relevant to use in this study since they explain how an agreement between a landowner and a tenant may affect each other, both before and after a contract agreement.

It is important to understand and satisfy the stakeholders since they have a significant impact on the success of the business (Donaldson & Preston, 1995; Wagner Mainardes *et al.*, 2011). Therefore the stakeholder theory has been chosen for this study since the external actors have a major impact on the tenant's opportunity to enter farming and to develop their farm business. Usually, stakeholder theory can be applied in any business.

Although, the theoretical model has not been developed for an agrarian context, and therefore has the stakeholder theory been modified in order to be suitable for the tenant's stakeholder.

The chosen stakeholders are presented in *figure 4* which are; institutional organization, government, customers, consulting, employees, financial organization, and landowners. While, Local Community Organizations, Consumer Advocates, Competitors, Media, SIG, and Environmentalists are excluded from this study since these stakeholders do not have a major impact on the tenant's farm business. Instead, the stakeholder theory in this study has been extended with institutional organizations, consulting, financial organizations, and landowners. The reason for these chosen stakeholders is because they are considered to be the most important for the tenant's opportunity to enter farming through tenancy.

4.3 Empirical data

4.3.1 Choice of respondents

A multiple case study is commonly used in a qualitative research approach when the focus is to improve the contextual understanding of the cases (Bryman & Bell, 2015). This study entails twelve respondents, where eight of them are young farmers. The other four respondents are external actors within the agricultural sector that might have an impact on the young farmers' possibility to develop their business. The chosen number of respondents is sufficient in order to accomplish a nuanced empirical result in a qualitative approach (Gentles *et al.*, 2015; Johnsson & Weidman, 2016; Yin, 2009). This study does not have the purpose of generalizing the results, instead, the focus is to obtain a deeper understanding of the context (Yin, 2009). It is important to not have too few cases in order to attain relevant findings and thereby achieve the aim of the study (Bryman & Bell, 2015; Trost, 2010). Although, including additional cases might not necessarily contribute with more findings than those twelve respondents have made in the study. The twelve respondents are considered to be sufficient since this number of cases have been used in previous research, for example in Johnsson & Weidman (2016) thesis.

By using a multiple case study, the researcher facilitate a comparison of the empirical findings of each case, and thereby clarifies what is unique and what are common patterns between the cases (Bryman & Bell, 2015). The multiple case study therefore usually creates a deeper analytical understanding and improves theory building (Robson, 2011; Bryman & Bell, 2015). The comparison between the cases creates an opportunity for the researcher to establish the circumstances whether or not the theory will be held in the study (Bryman & Bell, 2015). A multiple case study can also serve as a compliment since the cases might cover different areas within the topic of the research (Robson, 2011).

Purposive sampling is used in this thesis since the purpose is not to sample the respondents on a random basis (Bryman & Bell, 2015). The motive to choose purposive sampling is because the researchers have the ambition to collect the respondents in a strategic way in order to ensure that those samples are relevant for the thesis. Purposive sampling is a non-probability sample form and therefore does not allow the authors to generalize to a specific population. The selection of respondents focuses on finding young farmers under 40 years old and who have established their business through farm tenancy. The reason young farmers have been selected is based on their difficulties to enter farming through tenancy with the current circumstances. Furthermore, the selection of young farmers has been based on that they should have at least ten hectares of tenancy agreement, and the dominant part of the total arable land should be cultivated through tenancy agreements.

The respondents for the young farmers have been collected through two different organizations in Sweden: *The tenancy foundation in Scania (Skånes arrendatorförbund)* and *The Federation of Swedish Farmers Youth Scania (LRF Ungdomen Skåne)*.

The reason to include external actors in this thesis is because young farmers might be highly affected by the external actors within the agricultural sector. The external actors have been selected mainly based on those who have a significant impact on young farmers opportunity to enter farming through tenancy. The chosen external actors in this thesis are: private landowner, institutional landowner, consulting firm for tenancy agreement, and a bank since these are considered to have a significant impact on the young tenants' opportunity in the sector.

The young farmers and external actors have been chosen from the southern region in Sweden, more specifically Scania. The argument to select the region Scania in this study is mainly based on two crucial factors. The first factor is related to statistics from Enhäll (2017) which indicates that Scania is a region with one of the highest number of tenancy agreements in Sweden. The second factor is because Scania has one of the highest rental rates for farmland in Sweden (Lantbruksregister, 2016). These arguments are illustrated in *figure 6* where the average rental rates and the distribution of young tenants are presented. For this reason, the researcher in this study considers that the basis of these two factors might contribute to interesting and valuable insights into young farmers' opportunities to enter farming through tenancy.

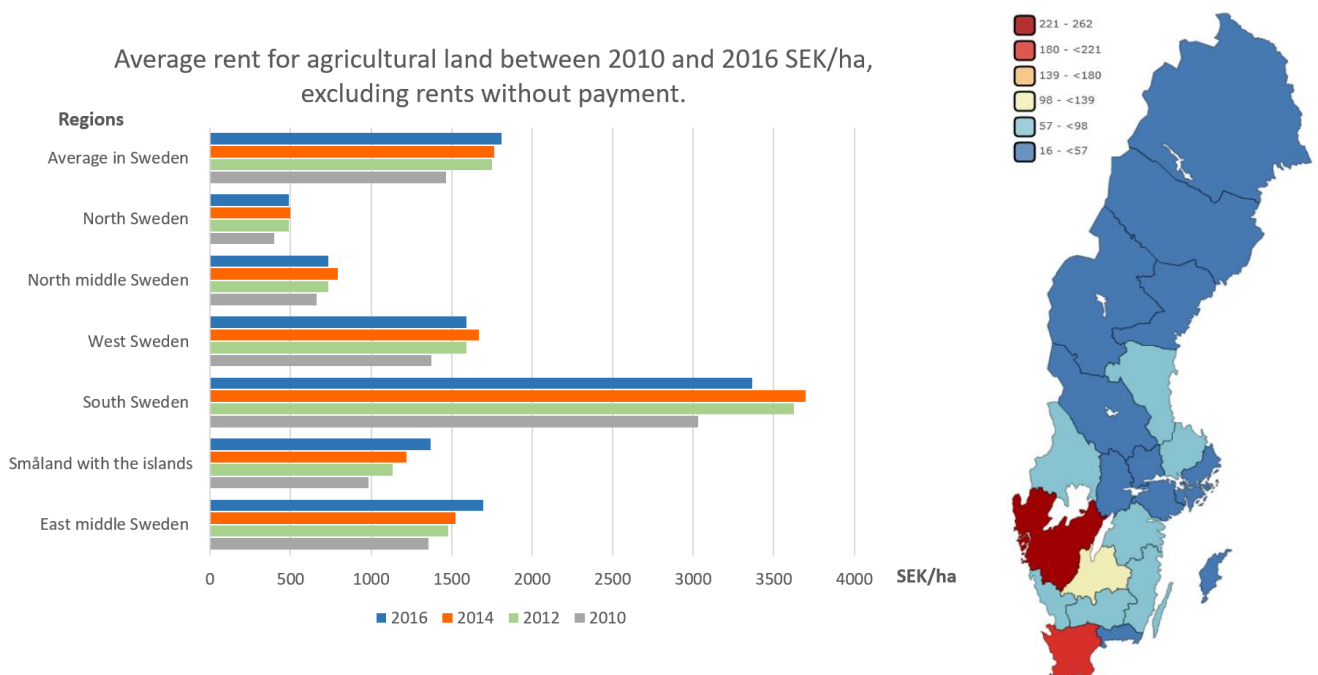


Figure 6: Average rental rate of agricultural land in Sweden and distribution of young tenants in Sweden (Enhäll, 2017; Lantbruksregister, 2016: own modification).

4.3.2 Data collection

The empirical data collection is based on semi-structured interviews. The researchers have interviewed the respondents face-to-face in order to obtain a broader contextual understanding of the participants' social reality (Bryman & Bell, 2015). Although, one interview was done by telephone since there was no possibility to conduct a personal interview with the respondent. Telephone-interviews are considered to have a lack of contextual understanding,

and it is easier that misunderstandings arise. Despite the disadvantages of a telephone interview, the researchers believe that the telephone-interview contributed with important empirical findings and therefore was motivated to include in the study. The semi-structured design enables as to obtain a higher and more reliable conformity between the theory and empirical findings. However, semi-structured interviews also allow the questions to be changed in different orders and reformulated depending on the outcome of the interview. Supplementary questions are also provided to use in order to follow-up on the respondent answers. The interview schedule is more of a general form and flexible since it allows the respondent to give a personal reflection (Bryman & Bell, 2015; Robson 2011).

The questions for the interviews are designed through themes and are placed in order to guide the respondents (Robson, 2011). The questions are presented in *appendix 1* for young farmers and *appendix 2* for external actors. The themes for the young farmers are based on their situation before the tenancy contract, the current situation, and future conditions. The reason that the themes are chosen is due to the principal-agent theory where adverse selection (before contract) and moral hazard (after contract) are central aspects. Semi-structured interviews are most suitable for research where the interviewers are closely involved in the process. Therefore, it is essential for the researchers to be aware that they are the most important tool for the process and development of this study (Robson, 2011). The researchers have therefore tried to be aware of this through the entire study.

One week before collecting the empirical data a pilot interview was conducted face-to-face with a young farmer in Mälardalen. The reason to have a pilot interview was to ensure that the interview schedule contains qualified questions and the researchers thereby obtain interesting empirical findings (Robson, 2011). Another reason to use pilot interview was to ensure that the questions were clear and easily formulated. After the pilot-interview, some small adjustments were made. The face-to-face interviews were collected between March 19th and April 4th, 2018 and the telephone interview was conducted April 11th, 2018. It is important to provide a comfortable environment for the respondents (Bryman & Bell, 2015). Therefore, the interviews with the young farmers have been conducted at each farm and the external actors took place at their office. Each interview took approximately between 30 to 120 minutes. Both researchers participated during all the interviews in order to ensure that all the questions were asked correctly and to achieve a better contextual understanding. The young farmers and the external actors had different questionnaires (see *appendix 1* and *2*) although, some questions are the same for all the respondents. It was necessary to have different questions for the young farmers and the external actors in order to obtain great empirical findings and thereby be able to achieve the aim of the study and answer the research questions.

4.3.3 Data presentation

The presentation of the collected data begins with an overview of the linkage between the collected empirical data and the chosen theories in this research. The data presentation continuous with a description of each young farmer and external actor in order to improve the understanding of each case. The empirical data from the young farmers are categorized after which theory it could be stemmed from and in the combination of different time periods. These periods are related to before entering a tenancy agreement, current situation with a tenancy agreement and future aspects of a tenancy agreement. The empirical data from the external actors are also categorized after which theory it could be derived from. By using categorization, it enables a more manageable data and also creates an overview of the

characteristics key concepts (Bryman & Bell, 2015). This is an important part of the coding process, in order to minimize the risk of losing the social context after processing and transcribing the empirical data. The empirical data was summarized and then translated into English. The researchers are aware of the possibilities that the transcriptions and the translation to English may have provided some incorrect interpretations of the data. Both researchers have examined the transcription and translation in order to minimize the risk of incorrect interpretation. The empirical findings are complemented by using tables in the chapter of the empirical data in order to achieve a better overview.

4.3.4 Data analysis

To be able to analyze the empirical data it is important to be creative and have a structure in order to find patterns and unique aspects (Trost, 2010). In order to facilitate the process of the empirical data, three steps have been used in this study. These steps are processing, analysis, and interpretation. The first step entails to summarize and structure the interview material. The second step is to analyze the data on the basis of existing knowledge in the area. Here it is important that the authors have the creativity required to find patterns and to create an understanding. The last step is about interpretation, where the theory is connected to the empirical findings. In qualitative research, there are limited guidelines on how to analyze and interpret the research, which can make the research process difficult.

4.4 Quality assurance

It is necessary to clarify terms and ways of forming and evaluate the quality of research (Bryman & Bell, 2015). There are various opportunities to achieve quality in a research. Trustworthiness and authenticity are usually used in qualitative research.

4.4.1 Trustworthiness

Trustworthiness is based on four criteria in order to achieve quality assurance: credibility, transferability, dependability, and confirmability (Bryman & Bell, 2015).

Credibility is about controlling that the researcher' apprehension is correctly understood in the social reality (Bryman & Bell, 2015). In order to achieve credibility, the researcher has to make sure that the study has been designed according to the stated rules. Furthermore, it is necessary to submit the empirical findings and send it to the respondents in order to confirm that the results have been perceived correctly. In this research, the credibility has been ensured by using respondent validation. The interviews were recorded and then transcribed before the researchers sent the empirical material to the young farmers and the external actors by e-mail. The respondents had the opportunity to discover and clarify potential misunderstandings from the interview and therefore ensure the researchers had achieved a correct understanding of the reality.

Transferability can be accomplished by applying the results of the study to another context that is beyond the social situation, and that has been observed (Bryman & Bell, 2015). This is essential but can be rather difficult in qualitative research since the focus is to obtain more in-depth understanding and emphasize unique aspects. The researchers in this study have used a thick and detailed description of the respondents' opinions, which enables the reader to determine whether the result can be used in another social context.

Dependability can be obtained by creating a complete description of all stages in the research process and using a reviewed auditing (Bryman & Bell, 2015). This is conducted in this study since all the phases of the process in the method chapter are explained. Additionally, both researchers have reviewed the empirical data to ensure that the interpretation and analysis have been made appropriately and thereby ensure that the conclusions are correct.

Complete objectivity is not possible to achieve in qualitative research (Bryman & Bell, 2015). It is therefore important to use confirmability in this research. The reason is to ensure that personal values have not affected the results and the analysis of the study, which may otherwise occur in qualitative research. The confirmability in this study has been confirmed by examining the result of the thesis in order to obtain reasonable results without affection from the researchers' values.

4.4.2 Authenticity

Authenticity includes fairness, which intends to convey the respondents' opinion and conditions correctly (Bryman & Bell, 2015). In order to obtain fairness in this study respondent validation have been made. This enabled the respondents to ensure that the researchers have made correct interpretations of the interviews and to change possible misunderstandings. Additionally, a description of each farmer and external actor has been sent to the respondents in order to ensure a correct understanding of their business. Furthermore, authenticity assumes that the respondents convey a correct and fair image of their opinions (Bryman & Bell, 2015). This is difficult for the researchers to ensure in this study since the respondents may have reconstructed their course of action concerning the young farmers' opportunity to enter farming through tenancy. Although, during the interviews the experience was that the farmers and external actors contributed with honest and realistic answers to the questions even if it is difficult to know surely.

4.5 Ethical considerations

In a qualitative study, it is essential to include ethical considerations (Bryman & Bell, 2015). Since this study has collected the empirical data from respondents', it is even more important to address ethical considerations. Some aspects are especially important to consider in a study that contains participants' own values and experiences. These are volunteering, integrity, confidentiality, and anonymity (Bryman & Bell, 2015). In order to achieve these ethical considerations, the researchers' have informed the respondents about the aim of the study, their voluntary participation and their right to interrupt the interview at any time or the opportunity to not answer a question they might not be comfortable with. There has been an ambition to achieve these ethical considerations through the thesis as far as possible. The respondents' identities should be anonymized if it is a request from them otherwise they should be well informed about what it entails not to be anonymous (Bryman & Bell, 2015). It is also necessary to clarify for the respondents how the collected data will be used. In this study, all the respondents are anonymous since it is a request from them. Therefore, the researchers have taken this into consideration. Since the respondents are anonymous in this study, a brief description is provided in order to minimize the risk of recognition. Furthermore, the respondents have been allocated a randomly chosen coding number.

5 The empirical data

The following chapter begins with a description of the respondents, farmers and external actors. The chapter includes information from the interview of the young farmers, which is presented for different periods, before the tenancy, the current situation and lastly the future. At the end of the chapter is the empirical data from the external actors presented.

In *table 2* are the structural overview of the empirical data presented. The empirics are connected with the principal-agent theory and the stakeholder theory for the different time periods in the section of the young farmers. The different time periods for the young farmers are mainly based on adverse selection (before contract) and moral hazard (after contract) in the principal-agent theory. The different time periods are also framed in the interview questions (*Appendix 1 and 2*) and the time periods are illustrated in *figure 7*. In addition, external actors are combined and structured with the same theories as for the young farmers. The connections are described in *table 2*, which are based on the theoretical framework, the literature review, and the empirical data.

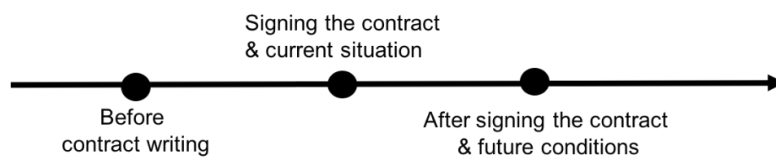


Figure 7: Time periods in the tenancy contract situation

An explanation of the empirical data

Table 2: A structural overview and description of the empirical chapter (own modification).

	Time periods	Headlines in the empirical chapter	Connected theories to the paragraphs	Description of the theories relation to the empirical data
5.2 The young farmers perspective	5.2.1 Before entering farmland through tenancy	The relationship between landowner and tenant	Principal & Agent theory	* Adverse Selection - Contract writing * Information asymmetry - Communication * Transaction costs
		The external environment	Stakeholder theory	* Relationship * Good reputation * Reliance
	5.2.2 Current situation tenancy contracts	The relationship between landowner and tenant	Principal & Agent theory	* Moral Hazard * Information asymmetry - Communication * Portfolio problem
		The external environment	Stakeholder theory	* Relationship * Understanding * Reputation - Key stakeholders
	5.2.3 Future plans with tenancy	The relationship between landowner and tenant	Principal & Agent theory	* Portfolio problem * Horizon problem * Hold-up problem
		The external environment	Stakeholder theory	* Relationship * Understanding
		Advantages/disadvantages for a young farmer	Principal & Agent theory and the Stakeholder theory	* Relationship * Reliance * Innovative ideas * Planning process * Network
		Experiences and advices from young tenants		
5.3 The external actors perspective	5.3 External actors	Overview of the external actors	Principal & Agent theory	* Relationship * Contract writing
			Stakeholder theory	* Need of education * Trust * Relationship

5.1 Description of respondents

The interviewed farmers have different backgrounds and experience that had lead to where they are today in their farm business. In order to get a better overview and understanding of the collected data, the farmers are described shortly in the section 5.1.1. The description includes, for example, parameters such as the farmer's age, their geographical location, the area of farmed agricultural land, the focus of their business, when they entered their first tenancy and about their last tenancy extension. In this section, there is also a description of the length of the contracts and possibilities for extension, which are illustrated in *table 3*. Furthermore, in section 5.1.2 the external actors are described in order to obtain a better understanding of the external environment.

5.1.1 Young farmers

Farmer A:

The farmer is 29 years old and farms 100 hectares of land in northeastern Scania, where 75 hectares is rented land. The primary focus of the business is livestock production, and the leased area is mainly used for pastures and growing corn. The business is conducted on a full-time basis in a private company. The farmer became a tenant in March 2015 and began to rent 25 hectares of farmland, and the most recent tenancy agreement was in March 2018 with 5 hectares of land.

Farmer B:

The farmer is 30 years old and is a tenant with 290 hectares of farmland, which is rented together with two siblings in the western part of Scania. The business is carried out as a full-time private company where crop production is combined with a contracting business. The first tenancy agreement was achieved in 2014, and the latest expansion took place this year.

Farmer C:

Three siblings between 29 and 38 years farm 630 hectares of tillable farmland in the western part of Scania. Of their total area are, 460 hectares is rented land and are located within a 30 km radius. Their business focuses on plant cultivation, but they are also active in the contracting business. The business is conducted full-time in a limited company (AB). They started as tenants with 110 hectares of arable land, and the latest expansion of 7 hectares occurred in 2017.

Farmer D:

The farmer is 29 years old and rents 80 hectares of tillable land in central Scania. The business is on full-time and is a private company with the primary focus on plant cultivation. The farmer combines crop cultivation with a non-agricultural contract construction business. The firm obtained the first contract of 80 hectares in March 2018 and have now further the ambitions to rent additional farmland in the future.

Farmer E:

The farmer is 33 years old and operates a total of 250 hectares of leased land in northwestern Scania. The firm has mainly crop production but the business is combined with a farm shop and rents out trailers for example. The farm business is a limited company (AB), and all three firms provide full-time employment. The business was established through a tenancy agreement 2008 by renting 30 hectares of land. The latest tenancy agreement was acquired in 2010 with 250 hectares of land, and since then no expansion has occurred.

Farmer F:

The farmer is 33 years old and operates a total of 210 hectares of leased land in northwestern Scania. The primary focus is grain production though they also run a machinery service. The business is operated as a private company on full-time basis. The farmer started as a tenant 2010 with 227 hectares, and the latest contract was received in 2012 with 95 hectares of tillable land.

Farmer G:

The farmer is 33 years old and farms 1030 hectares of arable land in southern Scania, where 22 of these hectares are owned property. He mainly focuses on crop production and the business is full-time and operates as a limited company. The first contract was received in 2012 with 350 hectares of tillable land. The most recent tenancy agreement was obtained this year with 50 hectares of farmland.

Farmer H:

The farm is operated by a couple that is 29 and 28 years old. They farm 270 hectares in western Scania. The primary production is an organic vegetable and grain cultivation. The business is full-time and is operated as a limited company. They established their business with the first tenancy contract in 2013 with 85 hectares. The most recent agreement was received this year with 135 hectares of tillable land.

Table 3: Description of the length of the contracts and possibilities for extension

	<i>Length of the contracts</i>	<i>Interest of extension</i>
<i>Farm A</i>	1 - 3 years contracts	Positive to extension
<i>Farm B</i>	3 - 5 years contracts	Yes
<i>Farm C</i>	1 - 5 years contracts	Yes
<i>Farm D</i>	1-year contracts	Automatically extension
<i>Farm E</i>	Mostly 5 years contracts	Yes
<i>Farm F</i>	11 months - 5 years contracts	Uncertain about the future
<i>Farm G</i>	1 - 5 years contracts	Yes
<i>Farm H</i>	1 & 5 years contracts	Yes

5.1.2 External actors

External actor A: Private landowner

The agricultural administrators are working with forest, hunting, and management of the farmland. The administrators have significant practical experiences from different areas in the agricultural and hunting sector. The private landowner has 13 000 hectares of forest and agricultural land mainly in Eastern Scania. They administrate 3000 hectares of agricultural tenancy land whereof there are five farm tenancies and 80 side tenancies.

External actor B: Institutional landowner

The agricultural administrators work with the tenancy relationships within the institutional organization. Geographically they operate in the regions of Scania and Blekinge. The administrators have previous work experience within the agricultural sector. One of the administrators is educated at SLU in agriculture and rural management, and one is an agronomist in business administration. The institutional landowner, manage 22 000 hectares forest and agricultural land where everything is administrated as 54 farm tenancies and 170 side tenancies.

External actor C: Consulting firm

The tenancy specialist in the region of Scania works with consulting for tenancy agreements, tenancy inspection, and education. The consultant graduated at SLU as an agronomist in business administration and has long work experience in the agricultural sector.

External actor D: Bank

The agricultural specialist works at a bank in southern Sweden. The specialist has worked in the bank sector for 18 years and is today administrating the businesses from a central perspective. The specialist has previous experiences in both private and industrial agriculture. The agricultural specialist at the bank is educated at SLU in Agriculture and rural management.

5.2 The farmers perspective

5.2.1 Before entering farmland through tenancy

The relationship between landowner and tenant

Reason to enter a tenancy agreement

According to farmer A, the reason for establishing farmland through tenancy is that it enables a way to start a farm business without major investments. This also makes it possible to exit the business at any time due to the low investments. It usually takes a long time before you earn some money and instead it takes a lot of capital. It is important to earn money because with tenancy agreements, compared to owning property, there is no asset appreciation.

A majority of the farmers emphasize that the most fundamental reason for entering farming through tenancy is that they did not have any other option. Even if you have a good and stable economy there is usually no possibility to purchase farmland because it is expensive. Although, one possible way to purchase farmland is to transfer property, or if the parents can offer collateral, but not everyone has that opportunity. All of the farmers agree they would rather purchase farmland instead of renting in order to secure their future and minimize the risk of losing the land. Purchasing farmland also enables frequent investments and taking part in the appreciation of asset values for the property. Another advantage of owning farmland is that it enhances the possibility to obtain loans from the bank. Some of the farmers also argue that there is a high level of competition for the farmland in their area and therefore is difficult to purchase farmland.

The reason they achieved their tenancy agreement

One farmer points out that the reason that they obtained the tenancy contract is probably due to the fact that the landowners are positive towards young farmers since they are quite a few in the area. However, some farmers say they had the opportunity to take over the contract from their family because they have rented the farmland for generations. Furthermore, one farmer emphasizes that they could also rent some farmland from their parents since they the own land. Some of the farmers also point out that a good reputation in the neighborhood or from previous work colleagues has contributed to security to their tenancy contracts. A good relationship and knowledge of the landowner is probably the most important factor in order to be able to receive tenancy contract. None of the farmers have received their tenancy contract on the open market by providing the highest bid.

Preparation before the contract

Farmer A and C have by routine used previous contracts but has then reformulated some parts of the previous agreement so it would suit them better. Farmer C consulted experts from consulting firms when signing and writing larger tenancy contract. One farmer usually just renewe an earlier contract that has been in the family business for a longer time. Two of the farmers use oral contracts. According to one farmer, the landowner organized the majority of the tenancy arrangements during the first tenancy period. The tenant did not have so much experience from tenancy. This farmer regrets this today because he has learned from previous mistakes.

Relationship to the landowner

Majority of the farmers had a good relationship and knowledge with their landowners before they received their tenancy contracts. One farmer was even offered the tenancy contract without having to bid for it. Though farmer C had a different relationship with their landowner. Some farmers are closer than others to their landowners, but in general they have some previous connection to the landowners before they sign a tenancy contract. Farmer A did not have any relationship at all to the landowners before they received their tenancy contracts.

Expectations with the tenancy agreement

More or less all of the farmers expect to make profits attributable to their tenancies. Some farmer points out that they will be able to continue with their farm so all of the involved people can make a living with a reasonable income. Farmer G points out that it is hard to predict expectations in advanced because of uncertain in the future and that it is hard to predict the landowner's plans. One farmer mainly states they expected to get a good harvest. However, farmer B and F emphasize that they expected that to develop on a personal level and with their business. They also want their business to grow and operate efficiently. Farmer D mainly states that their expectations are based on willingness and the possibilities. The farmer also highlights that a tenancy agreement requires a high level of responsibility. Furthermore, the farmers stress that tenancy agreements are another way of thinking since it is much to learn from the arrangements.

Table 4: Before entering farmland through tenancy - Relationship landowner and tenant

	<i>Reason to enter tenancy</i>	<i>The reason they achieved their tenancy</i>	<i>Preparation before the contract</i>	<i>Relationship to the landowner</i>	<i>Expectations with the tenancy</i>
<i>Farmer A</i>	Good way to enter farming	Landowners are positive towards young farmers	Reformulated previous arrangements	No previous relationship	Achieve a good crop yield
<i>Farmer B</i>	Too high prices to purchase farmland	Received the opportunity to inherit contracts	No specific preparation, inherited tenancies	Good relationships	Achieve profit and develop a successful business
<i>Farmer C</i>	Limited supply, high prices for farmland	Good reputation from the neighborhood	Help from consulting firms for larger contracts	Varied relationship	Continue to develop the business
<i>Farmer D</i>	Impossible to purchase farmland	Received tenacy through contacts	Constructed by a consulting firm	Good relationship	Develop personal level and achieve profit
<i>Farmer E</i>	Inherited farmland	Contracts within the family	Both oral and written arrangements	Good relationship	Achieve profit
<i>Farmer F</i>	Impossible to purchase farmland	Good relationships to the landowners	The landowners have organized the arrangements	Good relationship	Grow and develop the farm business
<i>Farmer G</i>	No other option than leasing farmland	Good relationship to landowners & neighbors	No specific preparation	Good relationship	Difficult to predict in advanced
<i>Farmer H</i>	Inherited farmland	Good relationship with the neighbors	Sometimes arranged by consulting	Mostly good relationship	Be able to take out a reasonable income

External environment

Consulting for the contract

The interviewed farmers have prepared the agreements differently before they signed the contracts for the tenancies. Some of the tenancy arrangements are verbal, but the majority of the contracts are written. A few farmers have used consulting services to formulate the agreements, and a few have discussed the formalities with friends and family. Services such as with consulting and extra support in the contract writing process are typically used when signing contracts for larger farms.

Laws and regulations affections

The reflection is that laws and regulations have no negative effects on the majority of the tenants. Farmer F stresses that the tenancy law is an advantage for the tenant that can be perceived as the weaker party in the tenancy relationship. Farmer D mentions that the direct income payment affects the rental rate and argues that the economic result for many farm businesses is built on the area-based support and that the financial situation, is usually not as stable without it.

Trust to external actors

Almost all of the farm respondents feel in some way that they have a good relationship with their external actors. Farm E points out if there are actors that you are comfortable with you stick to them. Farmer A argues that it is an opportunity to change collaborating with actors to improve better trust and faith in each relationship.

Banks opportunity to give credit

Farmer C and G point out that owning farmland increases the security when you are in need of a loan for operating a tenancy. Otherwise, the respondents mention that the bank prefers to examine economic calculations, results, and cash flow statements from the farm's businesses to be able to give credits. A guarantee provided by the family is also common in order to achieve a tenancy agreement emphasizes farmer B.

Table 5: Before entering farmland through tenancy – the external environment

	<i>Consulting for the contract</i>	<i>Laws and regulations affections</i>	<i>Trust to external actors</i>	<i>Banks opportunity to give credit</i>
Farmer A	Did not use consulting	Not affected by the legislation	The trust have been improved	Difficult, want more security
Farmer B	No consulting, used previous contracts	Not affected by the legislation	Good trust	Require security and balanced economy
Farmer C	Used only consulting for major agreements	No reflections	Good trust from the bank and the consulting firm	Require owned farmland and thereby increase the security
Farmer D	Used consulting for the contracts	The support have affected the rental rate	Good trust because of good network	Require return on capital
Farmer E	Not used consulting, discussed instead with family	Nothing that has been an obstacle	Good trust, keep the contacts who have good reliance to them	Want to see improved results
Farmer F	Did not use consulting before	Tenancy law is an advantage for the tenant	Varied trust	Not easy, the bank have to support the young farmers
Farmer G	Did not use consulting before, discussed with friends instead	Not affected by the legislation	Good reputation and therefore good trust	Necessary with security
Farmer H	Not used consulting, achieve good advice from a friend	Affected related to the tenancy law	Good reputation and therefore good trust	Require security and cash flow

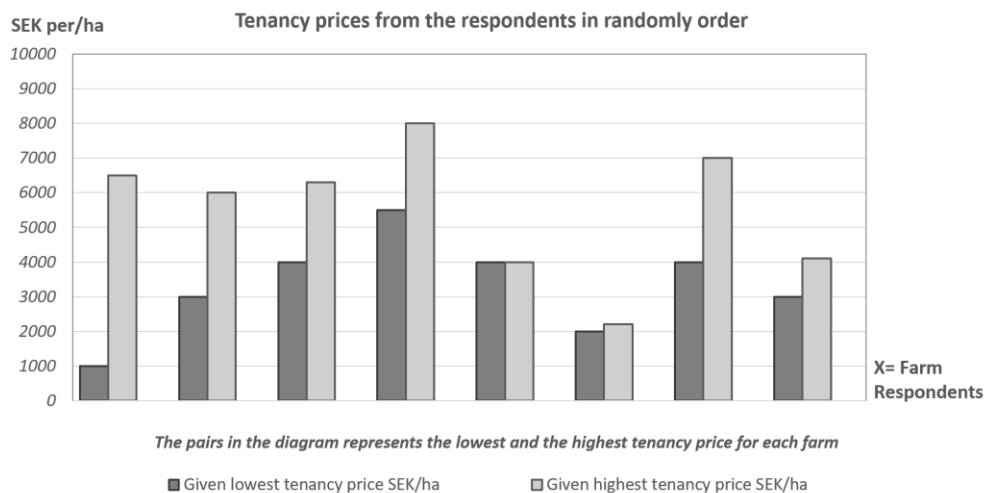
5.2.2 Current situation with tenancy

The relationship between landowner and tenant

Rental rate

The rental rates vary between all the farmers within this study, which is revealed in *table 6*. However, the level of rental rates may depend on the location, level of support and yield conditions. The different rental rates can also be related to different risk preferences in the tenancy relationship. Some farmers believe that a high rental rate should entail more involvement by the landowners and that a lower price may not result in so much participation.

Table 6: An overview of the rental rates from the empirical data (own modification)



Integrated expectations

Three of the farmers agree that they have reached their expectations with the tenancy agreement, though some farmer points out that it has been harder than predicted. Although, farmer F emphasizes instead that it has become very different than expected because it has been challenging and difficult but sometimes it has been easier and enjoyable. Farmer A did not have any expectations at all upon the tenancy contract because they did not know what would happen and how it would develop.

Farmer C points out that the expectations have not been met since they thought the economic result would be better than realized results. The profitability within the agricultural sector has decreased during the past six years due to low grain prices, reduced area-based support payment, and high rental rates. When a rental rate is on a specified level, it is difficult to change it even if the fundamental conditions have changed. Farmer D hoped for a better start related to the weather and farmer B would like to develop crop production even more.

Perceived positive profitability

Farm A and B claim that their profitability is positive which is mainly due to a reasonable rental rate and their construction businesses. On the contrary, some farmers point out that it is challenging to become profitable. One of the farmers points out that the competition for the farmland is very high, which adversely affects profitability. The profitability is reasonable, and their business is going well according to farmer G and H. Furthermore, farmer H states that they are innovative by growing profitable crops and the rental rate cannot increase further because it is already too high. Farmer G states that it is their other businesses that ensure a positive profitability. Farmer D has a goal to reach at least more than a 3 % profit margin, though most preferably it would be a 5 % profit margin. Although, it will take some time before the business can reach these margins.

Effects of farmland prices and rental rates

Almost all of the farmers insist that land- and rental rates have affected their business profitability. According to two of the farmers, the reason is that many want to extend their business with tenancy and the demand for agricultural land has increased. Due to the high level of capital intensity within the agricultural sector and the difficulties to earn more money through external activities, it is difficult to reach profitability goals.

The price development of grains and the increasing rental rates do not follow each other. When the grain prices increase the rental rates rise, but when the grain prices decrease the rental rates remain at their previous level. One farmer emphasizes that the rental rates are affected by both landowners and those who are interested in renting farmland. Although, arable land rental rates have decreased markedly over the past years and the expectation is that this trend continues. Some farmers state that if the prices were lower, the profitability would have been even higher. Although, this farmer argues that they have reasonable rental rate and contract agreements. Two farmers point out that they have always been very careful not to accept too high rental rates. Although, one of them never had to say no to an arrangement because of too high rental rate.

Current relationship to the landowner

The majority of the farmers have a good relationship and communication with their landowners. Though several of the farmers emphasize that the relation to some of the landowners is not so good because they are in a middle of a conflict or have had one. Usually, the conflicts concern the rental rates or more of a formal principle where it is difficult to get a new part of the contract without being able to create a new contract. Farmer E argues that it is important to discuss difficult situations that may occur for the first time or when signing the contract agreement. Then it becomes easier to deal with problems in the future. Everything is about give and take between the tenant and the landowner.

Length and extension of the contract

The length of the contracts varies for each farmer, they can be from 11 months to five years. The majority of the farmers are interested in extending their contracts, even if one farm points out that the rental rate is too high and would, therefore, like to renegotiate that contract. Furthermore, one farmer feels insecure about the future and therefore is not sure whether to extend the contract or not. Some of the farmers consider that a contract beyond one year is safer than a contract shorter than one year. The reason is because the law (protected tenancy), which come into effect when a contract is one year or longer. A longer tenancy agreement provides incentives to invest in additional farmland. However, some of the farmers emphasize that even a one year contract might be considered to be safe since they have operated these tenancies for several years without any uncertainty about the extension.

Possibility to say no to a tenancy agreement

Most of the farmers within the study point out that they could say no to a contract if they were offered one. The most fundamental reason is related to that they do not want to pay too high rental rates. Other reasons for refusing a contract are the conditions, location or the types of landowners. In order to say yes to a tenancy contract, it should be both profitable and interesting. One farmer claims that the profitability does not increase because of more farmland. It is not this factor that determines whether the business is successful or not. Farmer A, on the other hand, states that many times there is no possibility to say no to an offer because of difficulties to be satisfied.

Actions if the expectations are not received

Some of the farmers say that if the tenancy arrangement does not meet their expectations, they will try to renegotiate with the landowner to either get a lower rental rate or another suitable solution. However, you do not want to pay too much if there are significant deficiencies. One farmer points out that when a tenancy contract does not fulfill the expectations, it is important to clarify why and take action.

Farmer D says that it is important not to give up. The first years are usually difficult and intensive. Several farmers emphasize that they would not terminate the arrangement in the first place. However, farm H has no problem in terminating a tenancy if it does not fulfill the expectations.

Table 7: *The Current situation with tenancies- Relationship landowner and tenant*

	<i>Integrated expectations</i>	<i>Perceived positive profitability</i>	<i>Effects of farmlands prices and rental rate</i>	<i>Current relationship to the landowner</i>	<i>Possibility to say no to a tenancy</i>	<i>Actions if expectations not received</i>
Farmer A	None previous expectations	Positive	Affected	Good relation	Difficult to say no	Investigate why not received expectation
Farmer B	Almost fulfilled expectations	Requires hard work to be profitable	Affected	Good relation	Yes	Discuss with the landowner
Farmer C	Not really fulfilled the expectations	Should have been better	Affected	Good relation	Yes	Negotiate
Farmer D	Hoped for a better start	The goal is to receive 5 % profit margins	Affected	Good relation	Depends on the price	Not give up in the first place
Farmer E	Yes	Difficult	Not affected	Better over time	Yes	Negotiate
Farmer F	Almost fulfilled the expectations	Unprofitable	Affected	Mostly good, some are less good	Yes, it has to be of interest and profitable	Negotiate
Farmer G	Yes	Okay	Affected	Varies	Yes	Negotiate or discuss with the landowner
Farmer H	Yes	Okay	Affected	Some better some less good	Yes	Could terminate arrangement

External environment

Most important external actor

Two farmers state that the most important external actor for them is the bank because without them they would not be able to manage their business. Furthermore, some farmers believe that there are several important external actors, such as consulting firms relating for crop production and support from their family. A consulting firm enables a discussion and provides valuable advice to improve the economic result. The family can be a support for the tenant, especially if they are or previously been involved in the business and have great knowledge of the farmland. Farmer D emphasize that the most important external actors are the landowners. Furthermore, farmer E and G stress that the most important part is the employees. Therefore, it is necessary to take good care of the employees and appreciate them to create a stable relation to them.

Effects of laws and regulations today

Some farmers reveal that they do not experience any impact of the laws and regulations within the agricultural sector. Although, farmer D emphasize that the laws and regulations always are a limiting factor and therefore it is important to make the most of it. Additionally, farmer E states that laws and regulations will not become any better in the future since there

will very likely be significant changes in the agricultural policy. Furthermore, some farmers claim that the laws and regulations are time-consuming and costly since some farmers receive support from a consulting firm in order to make sure that everything is correctly managed.

Farmer H reveals that the laws and regulations affect them negatively because they received the support payment for newly established businesses too late. This support would have been valuable from the beginning of the business and thereby avoiding loans from the parents since the bank does not want to take any risks with a new business. Additionally, farmer H emphasizes that the landowners may sometimes have their own rules which affect them negatively.

Trust and faith in young farmers

Most of the farmers think it is positive to be a young farmer in the agricultural sector since some of the external actors believe in them and want to give support. Farmer F mentions that some external actors say that they would like to provide support to the young and newly established farmers. However, in reality, they become insecure and consider it being too much of a risk. Farmer D and E argues that the reliance towards young farmers depends on different external actors, though it is usually their personality that contributes to a broader level of trust.

The right time to enter farming through tenancy

Almost all of the farmers state that it was the right time to establish their farm business through tenancy agreement, mostly because they had the opportunity to do it. Farmer A claims that tenancy agreements enable them to purchase farmland in the future since it is important to present your skills to the bank. If you can show that you can meet profitability requirements with a tenancy operation, it indicates what you can accomplish. A tenancy contract enables you to develop a successful business. Although, farmer C considers that it was not the right time to enter their tenancy arrangements. The reason that when when they came into the tenancy contracts, they faced a high level of competition, a high level of agricultural support payments, and high grain prices which have contributed to high rental rates. They thought that the profitability within the agricultural sector would last for a more extended time of period. After a tenancy agreement has been signed, it is difficult to renegotiate the terms even if the fundamental conditions have changed.

Table 8: Current situation – The external environment

	<i>Important external actor</i>	<i>Effections of laws and regulation today</i>	<i>Right time to enter through tenancy</i>
Farmer A	Bank	Not really	Yes
Farmer B	Bank, family and consulting firms for crop production	Not really	Yes
Farmer C	Consulting firms	Time consuming	Not really
Farmer D	Landowner	Always a limited factor	Yes
Farmer E	Employees	Affects, will be big changes	Yes
Farmer F	The farm advice	Difficult, time consuming	Yes
Farmer G	Employees	No affection	Yes
Farmer H	The parents	No affection Some landowners have their own rules	Yes

5.2.3 Future plans with tenancy

The relationship between landowner and tenant

The future view of tenancy arrangements

Some of the farmers would like to combine their tenancy contract with purchased farmland to develop a more balanced farm business. Farmer H claims that owned property enables the farmer to enhance security for the future. Two farmers are satisfied and want to develop their current situation. Farmer E intends to focus on more land and enlarge the farm business in the near future. Farmer F tells that the future is doubtful in terms of the tenancy arrangements and is therefore not sure if the business will last until next year.

The willingness to extend the business with more tenancy agreements

Farmer D underlines that the current rental rates are too high in order to be favorable for the profitability. Many of the farmers point out that it is important with a reasonable rental rate based on the geographical location. Price and reasonable profitability are usually taken into consideration when they are extending the farm operation through tenancy arrangements. Farmer F attempts to develop the tenancies agreements with other enterprises than crops to improve the profitability. Furthermore, farmer G and F are satisfied with their current arrangements and are not searching to expand their business with more contracts.

Would like to have made any changes if the business starts over

Both farmer A and F would have focused more on the understanding and development of the arrangements. One of the farmers would have prioritized more written contracts, and the other one would have used more support from the consultants in order to develop complete agreements. One farmer believes that they would have been less price sensitive if they would have started the business from the beginning. Farmer D would have liked to renegotiate the arrangement in order to be allowed to use digested sludge. If there would have been an additional knowledge concerning the high level of rental rates farmer E might have bought more farmland.

Future aspects of the rental rates

The majority of the young tenants predict that the rental rates will decrease in the future. Some of them point out that changes in the agricultural policies, such as the reduction of the area-based support payment will affect the rental rates. Rental rates should be decreasing given the relation to the current level of profitability, otherwise, no one wants to be a farmer.

The external environment

Some things in the near environment that affects the decisions for the future?

Three of the farmers points out that the family affects future decisions and that there is a need for balance so that the farm business does not affect family life negatively. Farmer D states, that even if the family relations have affected the situation, the business is still goal-oriented. Other businesses in the agricultural sector inspires one farmer.. Furthermore, one points out that the future decisions are based on the grain prices and the level of area-based support. Farmer G emphasizes that expansion through tenancy agreements requires more employees and that might be a problem since they can be hard to find.

Effects due to change in the agricultural policies

Changes in the agricultural systems would affect the tenancy situation. It might have been better without the area-based support. But now since it exists, there is a need for it stresses some of the farmers. The business is dependent on the support to provide a reasonable income. Farmer D points out that the business climate in Sweden would change if the policies change. It is essential to make the consumers more aware of what they are buying and to advocate conventional Swedish products ahead of for example organic products from Brazil.

The future competitiveness

Most of the respondents believe that they have a good future and produce unique products that make them competitive. Farmer B does not own any farmland but has machinery capacity that provides the business with high efficiency. A good reputation and a balance in the business with other sources of income apart from crops is according to farmer D important. Farmer C believes on the other hand that the family business provides an advantage for developing the farm business. Another farmer emphasizes that the agricultural sector faces a good future, and if you make it through you will survive. The last farmer stresses that owning farmland is positive for the competitiveness. The farm does not operate so much owned farmland so it is important to show good economic results with the tenancy agreements.

What affects the rental rates

One farmer points out that the low-interest rates trigger an increase in the rental rates. Some of the other farmers stress that changes in the area-based support payment and the grain prices, as well as the profitability of sugar beets may be factors that affect the prices for farmland and rental rates.

Advantages and disadvantages for a young farmer

The majority of the farmers believe that it is an advantage to be a young farmer in the agricultural sector. Furthermore, all of the young farmers believe that tenancy agreements are a good way to start and that it is easier to terminate tenancy contracts compared to purchased farmland, where the capital is fixed. Another advantage for young farmers are that they have a different working spirit with more energy, and they dare to go their own way. Many stakeholders have a belief in young farmers and want to provide support in different circumstances. Furthermore, one farmer claims that with experience, it is easier to obtain

credits from the bank for a tenancy contract instead of purchasing farmland. Even though, it is easier to get access to a tenancy contract, but it also contains a risk since you are not a part of the price development as for owned farmland. A disadvantage as a young farmer is their lack of experience. It is useful to learn from older farmers and further, develop the skills, and not to continue with old procedures. It is important to go your own way and believe in yourself. There are cases where the farmers may not further carefully examine the profitability for the tenancy contract. They accept the high prices, which increases the rental rate. One farm points out that it is preferable to calculate and accept reasonable prices instead.

Some landowners do not have the same reliance on young farmers. They have a strong trust on humans their own age. Different generations have different ways of thinking. Machinery is of varying quality today, which older landowners do not understand. They believe you have to buy new machinery more often, but the machinery lasts longer and looks like new for an extended period. Lastly, it is important to be flexible. You still need to have a good reputation as a young farmer, maintain control over payments and the farmland. Those qualities are more of a priority than the age.

Advices to other young farmers

Table 9: *Experiences and advices to other young farmers that want to enter farming through tenancy*

A	<ul style="list-style-type: none"> - Build the farm business from the tenancies and show the bank how you can succeed. If you do not have access to wealth from home, you have to build the operation by your self - Not making +/-0 calculation, is not creating any capital
B	<ul style="list-style-type: none"> - Dare, and not wait too, in order to come somewhere. Try with openness - Earn some other money and from the farm business in order to have balance in the economy during the year. - Do what you are good at and get help with the rest.
C	<ul style="list-style-type: none"> - Not be too economic aggressive. Be more pessimistic when calculating the economy. - Work outside the farm business in order to expand the area gradually
D	<ul style="list-style-type: none"> - Be proper, save money and fight for the farm business - Have the right contacts and dare to venture - Create a name with a good reputation and believe in what you are doing
E	<ul style="list-style-type: none"> - Analyze the situation before entering a tenancy contract, many farmers that enter bad agreements - Use the network and talk to them that you value - Have a balance with work gradually, the farm business is also your lifestyle
F	<ul style="list-style-type: none"> - Get help with the contract writing, get it right from the beginning, especially with the legislation - Many calculate on the highest crop of yields, better to calculate the average yield.
G	<ul style="list-style-type: none"> - Get results and keep the debts low in order to have the possibility to purchase and if there an opportunity emerges. - Have a small permanent property instead of buying too much machinery, better security
H	<ul style="list-style-type: none"> - Be innovative and find an unique business orientation - Contacts are important, find alternative distribution channels

5.3 The external actors perspective

Overview of the external actors

All actors in the study rely on young farmers but many times it depends on the situation and, it is usually no different from other business relationships. The private landowner often offers a low rental rate which indirectly makes it easier for young farmers. Although, they do not have any specific policy to facilitate entry into the agricultural sector for the young farmers. The consulting firm states that they offer many services to young farmers and that it is important to understand them, both practically and theoretically. There are no special arrangements for young farmers of the institutional landowner or the bank.

Furthermore, the private landowner emphasizes the importance of creating suitable conditions for the new generation to be able to enter farming. The bank stresses the interest of having young farmers as customers. They do not have any organized strategies, but this could be a motivation towards facilitating entry for young farmers. The consulting firm often provides some educational courses and information meetings concerning intergenerational transfers.

There are many things to take into consideration when choosing a tenant. When the institutional landowner chooses a young farmer or a new tenant, they think in general of a long-term perspective. The institutional landowner follows the institutional regulation in order to achieve the highest possible long-term return. The private landowner emphasizes the importance of creating good conditions for the new generation to enter the agricultural sector. The tenancy specialist stresses that it is important to learn from each other and that it is important to be updated with a good network.

Many of the external actors' point out that capital will continue to be a problem since the agricultural sector is capital intensive. There will be an even more pronounced need for education, networking, and motivation. It is a complex situation. In the future, there will be a changing demand for food. It is substantially easier to enter the agricultural sector in order to get access to capital through your own property rather than just tenancy arrangements.

The private landowner believes that the greatest difficulty task young farmers' faces when entering a tenancy agreement is the limited capital. One advantage for young farmers is having a good education and a genuine interest in farming and at the same time possess innovative ideas (institutional landowner). The bank perceives capital access and the profitability level as a big problem. To enter the market and search for possibilities may be hard with high rental rates. Apart from capital, there are many possibilities to create a business. The consulting firm believes that some landowners may be skeptical about the individual's lack of knowledge and that might be an obstacle for young farmers. Young farmers, on the other hand, view their personal capacities as a possibility of success.

In the past, it was probably easier to enter farming through tenancy agreement. Transferring tenancy contracts within the family were common before. Another farmer says that there is a high demand for the agreement, and that more tenancies will be available in the future. The economic margins today are lower, and it is necessary for the farmers to act strategically in their businesses.

Table 10: The common questions for the external actors

	External actor A Private landowner	External actor B Institutional landowner	External actor C The consulting firm	External actor D The Bank
Trust for young farmers	High trust for the young farmers	Not possible to generalize	High trust, important to understand them	Same trust to all customers
Arrangements to facilitate for young farmers	Have low rental rate on the farmland	Nothing specific at the moment	Meetings for the transferor and the receiver part	Decisions are affected by the management within the bank
Further ambitions for young farmers	No specific, a positive attitude towards them	Limited opportunities, because of the organization	More network	No specific strategy to facilitate
Future conditions for young farmers	Might be difficult to enter farming	Capital requires, difficult to enter farming	More education will be required	More education will be required
Difficulties and opportunities for young farmers	- Limited access to capital + Dedicated and driven	- Limited access to capital + Innovative and usually interesting ideas	- Landowners are doubtful to unknown people + Take more risks and be educated	- Capital intensive and low profitability + Several possibilities
Changed conditions over time	Easier to receive tenancies before	More difficult, less security today	More difficult because of smaller margins	The rental rates, larger impact on the landowners today
External factors influencing decisions	Not affected by the external factors	No affection, they have another purposes with their business	Constantly develop and improve satisfaction for the customer	Have to acclimatize by the affection

5.3.1 External actor A - Private Landowner

The private landowner has some young farmers that are below the age of 40, though most of them are between 50-60 years old. Furthermore, they have both conventional and organic producers, even if the owner would like to have more organic farmers. Their expectation upon a tenant is that they follow the standard arrangements. They do not have any specific preparations before contract writing. The private landowner makes the arrangements with smaller farms by themselves while with larger arrangements they organize a meeting with a tenancy specialist from the consulting firm. They consider that it is safer to rely on advice with larger arrangements, so everything is correct and follows the legislation. The tenancy specialist has also participated in the negotiations to contribute with legal insights.

Usually, they have a good relationship with the tenants through the most problematic relationship is to those who have a small tenancy arrangement because they intend to argue more concerning the rental rates. In the recent years, the private landowner has increased the rental rates because it has been too low for a longer time. Furthermore, have this caused that some of the tenants to react and express their dissatisfaction. It is a distinct difference regarding larger tenants because they are more of a business operator and are more knowledgeable. Therefore, they accept the rental rate. Furthermore, the communication varies where, some have more contacts and connections than others. The most important aspect they consider with new tenants is the possibility to pay the rent and that they are organized. It is an advantage for the private landowner to have already existing tenants for new arrangements, assumed that they have a good relationship.

They offer both farm tenancies and side tenancies where the arrangements usually are five years. Although, they even grant contracts that are ten years, one year and less than a year. The reason to apply a one year contract or less is usually related to smaller farms or that the tenant soon will retire. The ten-year contract is mostly applied to farm tenancies because they are more likely to enable larger investments if they are guaranteed the arrangements for a longer period of time. Though usually, it is on the tenant's request to sign a longer arrangement.

They usually do not follow-up on their tenants, they observe their tillable land from time to time and always before negotiations. The private landowner uses tenancy inspection before access and after the exit of the tenancy. They also conduct some inspections during long tenancy contracts. The reason to use inspection is to obtain an overview and knowledge of their leases. As a landowner, you have an opportunity and a responsibility to follow-up on the contracts. Their reasons to terminate an arrangement are mostly due to negligence and not paying in time. The private landowner is deeply affected by the laws and regulations concerning tenancy agreements, and therefore they use a tenancy specialist.

Furthermore, they exchange experiences with other actors within the sector and, they are affected by the interest rate from the bank. They believe that the rental rates will decrease in the future because the profitability is low within the agricultural sector where most of the rental rates are quite high today. However, the private landowner has no opportunity to decrease their rental rates since they just have increased them recently because they have been too low in the past. Nevertheless, they could still be considered low. Young farmers do not have as much experience, which they have to improve. The most important factor is that they are willing to work and be motivated. Other advantageous for young farmers is that there exists a need for the younger generation in a long-term perspective within the sector. They also contribute with new and creative ideas.

5.3.2 External actor B - Institutional landowner

The institutional landowner has some young farmers as tenants. Some of the tenants are under the age of 40, but the dominant part is between 50 to 65 years old. This situation mostly depends on that it takes some time to enter a stable and successful business. Most of the young farmers have received the tenancy contract within the family. The choice of tenants is mainly based on the institutional regulations. Although, it may not necessarily be the highest bid that is granted the tenancy contract. The landowner values more long-term relationships and that it should be a suitable and competent tenant.

Furthermore, a too high tenancy bid can create uncertainty because it is not realistic and therefore that tenant is not selected. The institutional landowner offers both farm tenancies and side tenancies where the arrangements usually last for five years. They want long arrangements because they have a 1000 years perspective which implies long-term and good relation arrangements to their tenants. This circumstance means that their tenants have protection to continue with their tenancy because the contract is beyond one year. Sometimes they have a one-year contract if there is a new tenant to have a chance to create a relationship before starting a long-term arrangement. The reason could be that they have limited knowledge about them or faces exploitation in the area.

The relation to the tenants varies, they have more contact with some of them. Usually, they have more connection with the farm tenancies compared to side tenancies, since they usually

do larger investments. For this reason, more follow-up is needed for the farm tenancies. The institutional landowner is affected by the laws concerning tenancy arrangements since their entire work is based on the regulations. In the recent years, the agricultural sector has been exposed to reduced profitability due to low grain prices. Therefore, they have observed that the tenants usually strive to reduce the rental rates despite the facts that property prices have increased which should lead to increased rental rate.

Furthermore, is it difficult to speculate what the rental rates will be in the future. Although, they have noticed that there still exist bids at high levels of rental rates, even if the developments are not as significant as before. The administrators' personal reflection of what young farmers have to develop to be more competitive is that they have to build up a business slowly by working outside the business. This advice is important at least in the beginning of the business in order to accumulate capital and then be able to invest. Everything is centered around a long-term perspective. It is not realistic to go from 0 to 1000 hectares in a short period of time. To develop a successful business, it is important to be willing to operate the business and have an entrepreneurial spirit.

5.3.3 External actor C - Consulting firm

The consulting firm has a mixed age distribution of customers. To be competitive, it is attractive to have young customers. It is important to develop active marketing strategies in order to maintain network and a level of trust. The prices for farmland and tenancies affect the consulting for tenancies. The reason is that higher rental rates enhance the importance of discussing reasonable prices and to provide well-reasoned options for the farmers. An already established farmer can usually offer a higher bid for a side tenancy and therefore be more competitive, than a newly established farmer.

If the grain prices increase, it will become easier to pay a higher price of the rental rates. At the same time, it would be favorable if the area-based support payment displays a correlation with the rental rates. If there is something that one part in the tenancy relationship wants to change for the coming tenancy period, there will be a need for reasonable motivation to get the argument accepted from the landowner. It is common that the tenant and the landowner monitor different interests. Hence, a request for renegotiation of conditions is the only way for reaching potential changes in the agreement. Young farmers are sometimes more prone to require better conditions in the contracts. Vaguely written contracts may result in negative consequences. It is desirable that the landowner and the tenant put effort into their relationship and that they are open with each other.

When consulting in a tenancy relationship, it is important to show neutrality and to be competent concerning the potential questions. It is critical to provide guidance without advocating any side of the relationship so the parties can make their own choices. The important aspect is to be aware when protection of the tenancies is included in the contracts. When formulating an application for a tenancy it is important to not only present the rental rates. It is also essential to describe who you are, what kind of education you have (both theoretical and practical). Furthermore, to create an advantage, it should include what interests you have and how the business plan is structured. Finally, it is positive to be able to reveal references from the bank or employer to the landowner in order to give additional information. It is essential to make a good application and to explain why the landowner should choose the potential tenant.

Education is becoming more important to be competitive as a tenant. In order to develop a long-term relationship with a tenant and landowner. It is good to build faith and trust to understand the other party. Sometimes some parties are disagreeing. It is better to ask one time too much and show some gratitude instead of just acting based upon self-interest in such a relationship. Many farmers ask questions about the tenancy legislation where the law can sometimes be difficult to understand.

The agricultural sector is complex and capital intensive. In the future, we have to be innovative and produce other crops and products. The young generation today sees more possibilities to develop agriculture in a new direction. To think more businesslike and focus on the main business it is necessary to invest in the services that can be important for the farm business. It is significant to analyze the farm business and learn from your own mistakes in order to be competitive.

5.3.4 External actor D - Bank

With the current prices for farmland and agricultural tenancies, the bank is more careful. The farmers need to motivate why and how they can pay the specific prices. In order to be convinced they have to show the whole farm budget and argue how it is practically workable. The bank expects that the farmer performs what they say they will perform. Young farmers are proactive and creative. If there is something that does not work out good, they find other solutions to perform and earn money. It is mostly about being entrepreneurial. In order to provide credits, it is important to find repayment abilities. It is essential to allocate time to the business idea and to be aware of liquidity issues. Long-term thinking and planning repayment of loans is essential. Many farmers are very competent with full control and update their knowledge continuously. It is positive to be on the frontier that shows that you are thinking and are a planning entrepreneur. Every young farmer does not have the same preconditions. As a young farmer, it is hard to take all initiatives at the same time, and it is better to develop gradually. Growing with profitability is important.

In order to achieve a long-term relationship as a tenant, it is necessary to maintain a good relationship with the landowner. The landowner will be satisfied if the farmland is managed in a good way. It is better to not enter a tenancy agreement with a too high rental rate in order to maintain a viable business. The landowner is usually business-oriented and has well-defined goals concerning profits margins.

The bank does not only focus on the agricultural sector in order to secure collateral. It is also, for example, other businesses and properties as well as the private sector. In order to be continuously updated it is necessary to have a network with other banks. They discuss the different directions in the agricultural sector in order to give good advice. When farmers reach the age of 60, they may be asked their thoughts concerning transferring the farm business in the future. Otherwise, there are no restrictions concerning the age, more about how they plan their business.

The advantage of a tenancy agreement is that it is easier to enter and exit the agreement compared to purchased farmland. It is also easier to expand with tenancy arrangements since you do not invest the same amount of capital. On the other hand, if you do not own property, you need to build capital continuously in another way as a tenant. There can be some bad years as a tenant, and it may result in reduced economic results. Then it can be good to have other income streams in order to maintain an economic balance in the business.

6 Analysis and discussion

Following chapter analyzes the theoretical framework and the linkages to the empirical data. The analysis is followed by a discussion of the findings.

6.1 The principal-agent in a tenancy relationship

The principal-agent theory is based on a principal that have a contract arrangement with an agent (Pindyck & Rubinfeld, 2014; Royer, 1999). This is similar to the relationship between a landowner and tenant. The relation between the landowner and the tenant could be related to the principal-agent problem, where an action affects the other part. (Pindyck & Rubinfeld, 2014; Royer, 1999). The relationship between the landowner and the tenant varies depending on their previous experiences (Grossman, 1992). If a farmer does not have previously related relationship to the landowner, it is important to make a good application for the potential tenancy arrangements in order to achieve them. In this study, most of the farmers have good relationship and communication with their landowners. Although, some of the farmers emphasize that the relationship to their landowner is not always positive. The reason is mainly due to landowners opportunistic trait, for example, charging a high rental rate.

The principal-agent relationship may result that one part has an advantage over the other part (Royer, 1999). One example is that the landowner can decide the level of rental rate, which most of the farmers in this study indicates are too high and thereby affects their profitability. Furthermore, a high rental rate is difficult to negotiate because if the tenant does not accept the price the landowner can choose another part before or after the contract is signed. Therefore, the landowner might have an advantage over the tenant in this business relationship. Although, if the tenant has a protected tenancy, they are secured by the tenancy legislation. A protected tenancy incorporates automatically when a tenancy arrangement is beyond one year. One of the most significant empirical findings is that good reputation and relationship with the landowner is necessary in order to enter a tenancy arrangement. The reason is that none of the farmers in this study has received a tenancy contract on the open market. Most of the farmers have received their tenancy arrangements through good relationship and networking. However, the tenant has the opportunity to avoid high rental rate by not accepting these arrangements. On the other hand, one farmer highlights that the demand for farmland has increased and therefore there may be limited access to arable land in some regions. High rental rates of farmland could be explained by the supply and demand issue. Therefore, many young farmers must accept these high rental rates in order to be able to achieve a tenancy arrangement.

6.1.1 Adverse Selection

Adverse selection may occur through information asymmetry before signing an agreement between two parties in a business relationship (Groenewegen *et al.*, 2010). The principal and the agent are heterogeneous since they have different intentions (Fraser, 2015). The agent prefers to behave according to their satisfaction, which might not correspond to the landowner's satisfaction. One farmer emphasizes that the tenancy arrangement has not developed as expected. This is mainly due to the design of the contract. It can be useful to organize complete contracts in order to minimize information asymmetry. This is also a recommendation from the tenancy specialist from the consulting firm.

The adverse selection can be compared with the insurance market. There can be an increased risk with new customers since the lack of previous knowledge about them (Growenigen *et al.*, 2010). This example can be compared to the agreement between a landowner and a tenant since both parties may have a lack of information about each other. The empirical data indicates that most of the farmers had a good relationship with the landowners before they entered the tenancy arrangements. The good relationship has reduced the information asymmetry since both parties have had personal knowledge to each other in advance. Furthermore, a tenancy arrangement may have different levels of risk (Groenewegen *et al.*, 2010). The landowner can be responsible for some actions within the tenancy contract. This may, for example, be to maintaining the agricultural buildings or arable land. These agreements may result in different levels of risks since there can be a lack of information and it is also difficult to predict unexpected situations. According to the farmers in the study, a well-established relationship before the contract is signed usually result in lower risk.

6.1.2 Moral Hazard

Moral Hazard problems may arise after a contract has been signed (Groenewegen *et al.*, 2010). This can be when one part changes their behavior without the other part knowing in the business relationship. This phenomenon can also be called ex-post opportunism. The reason to change behavior is usually related to maximizing their own satisfaction. Some farmers in the study claim that it has been more difficult than expected with the tenancy arrangements. One reason is due to the decrease of profitability in the agricultural sector in general, which can cause financial stress to farmers. The reason for the lower profitability in the agricultural sector is mainly because of the high rental rates. The rental rates have previously increased but in the recent years they have stagnated at a high level. At the same time the grain prices have decreased and the area based support payment have been reduced. Those circumstances make it more difficult for new farmers to enter the agricultural sector.

The young farmers in the study believed that the landowner should have a better understanding of the farmer's circumstances since most of them have been active in the agricultural sector by themselves. The young farmers assumed that the landowners would have followed the price developments within the agricultural sector in order to improve the conditions for the tenant. Although, according to Amis (1984) some landowners have more sympathy than others, there is no systematic explanation since it depends on different circumstances. However, according to the study, it is usually impossible for the young tenants to renegotiate the rental rate in the contract arrangements.

6.1.3 Information asymmetry

Asymmetric information arises from hidden information, which can lead to extra transaction costs in the relationship (Wilson, 2008). According to the empirics in the study, one farmer points out that some landowners have an open dialogue about the arrangement to their tenants, while some have hidden information for their tenants. This information could, for example, be about the occurrence of wild oats and black-grass that is of significant importance to be aware of in a tenancy arrangement. According to Royer (1999), the information asymmetry is usually common in the principal-agent relationship. Farm E argues that it is better to have an open relationship with the landowner and discuss the agreement before signing the contract since it becomes easier to deal with as opposed to when a problem emerges later on.

The principal-agent problem can occur in any situation, which therefore increases the risk of asymmetric information (Groenewegen *et al.*, 2010). Although, there can be actions that can minimize those levels of risks and improve the relationship between the parties. The agreements in a tenancy contract may have a significant influence on the relationship between the landowner and the tenant. In this study, the farmers' use different preparations for the contract writing. Some of the farmers have used already existing contracts, and some have used support from a consulting firm. Most of the farmers emphasize that it is a good investment to obtain support for arranging contracts. The reason is to avoid a lack of information between the landowner and the tenant and thereby create a better trust in the relationship. Even the private landowner's claims that it is beneficial to use support in the contract writing process.

6.1.4 Transaction costs

Transaction costs may arise when negotiating and enforcing contracts and where at least on part acts opportunistically (Royer, 1999). In line with the empirics, farmer's involvement in a tenancy agreement process varies. Some farmers rely on oral contracts, which the tenancy specialist from the consulting firm does not recommend. It is problematic since it provides limited evidence on the terms of the agreement. Other farmers use or reformulate previous contracts. To use oral and reformulated contracts are associated with a higher risk since they might not be complete contracts. A complete contract is necessary to avoid the opportunistic behavior. One farm regrets that they did not use a consulting firm that constructed and organized the tenancy agreement. The main reason for this has been that the landowner arranged the contract for their satisfaction. The result of this procedure caused a transaction cost due to opportunistic behavior arose. It is important to be active concerning the contract writing process and to use complete contracts in order to avoid opportunistic behavior in the contract relationship (Royer, 1999).

Transaction costs can arise both from the consequences of opportunistic behavior and actions of trying to prevent it (Royer, 1999). The private landowner, emphasizes the importance of using support from a tenancy specialist during the negotiating period. The reason is to facilitate the arrangements and promote a better understanding of the tenancy legislation, which is a way to prevent transaction costs from arising. Farm D emphasize the importance of discussing all potential situations that might occur during the arrangement with the landowner. This discussion should be held during the parties' first meeting or some other time before signing the contract. The reason is that it facilitates if some problem arises later on since it is supported in the arrangement.

6.1.5 Portfolio problem

The portfolio problem can occur when an investor has different risk preferences with restricted capital (Cook, 1995; Andersson, 2014). The agricultural sector is capital intensive, and therefore it is necessary to spread the risks of the restricted capital in different portfolios (Johanson *et al.*, 2014; Wålstedt, 1987). However, this sector experiences substantial price fluctuations and thereby affects the opportunities to invest in the future. In line with the empirical findings, farmer G emphasize the importance of having several tenancy relationships instead of having one larger contract. To have a diversified portfolio by using several contracts, it increases the business resilience if a contract would be terminated. Another empirical finding indicates that is preferable to divide the business portfolio into different business areas, for example, combine a tenancy arrangement by owning arable land

or to operate a side business (Andersson, 2014). Owning arable land increases the possibility to obtain credit from lending institutions and other financiers.

6.1.6 Horizon problem

The horizon problem arises when an investor claims that the net cash flow from the asset is predicted to end before the asset's economic lifespan has ended (Cook, 1995; Royer, 1999). This phenomenon relates to the length of the tenancy arrangement because there is no guarantee that the arrangement lasts in a long-term perspective (Fraser, 2015). It is, therefore, necessary to maximize the business results in short-term perspective. The interviewed farmers contract length varies in the study. The range is between eleven months and five years. Some farmers believe it is an advantage to have contracts beyond one year because of increased security for the tenant. The reason is due to protected tenancy legislation. Furthermore, more extended contracts contribute to the ability for long-term strategic planning.

A consequence of the horizon problem is that the actors face a reduced planning horizon (Royer, 1999; Ortmann & King, 2007). They may, therefore, underinvest since they are unsure about the future. It also inhibits the possibility of business growth (Cook, 1995). Most of the farmers point out that a tenancy beyond a year increases the ability to invest and thereby enhances the growth. Additionally, this is something both private and institutional landowner have noticed. Although, some farmers consider that even a one-year contract might contribute to long-term security. This is because they have had a good relationship with the landowner and that they kept the tenancy for a long time. Farmer H claims that it is always a disadvantage with tenancies since it is not owned property and therefore more insecure.

6.1.7 Hold- up problem

Hold- up problem occurs when one part in the business relationship might act opportunistically and use this position with bargaining power (Royer, 1999). This example is a type of incomplete contract where there is a lack of trust. This relates to one of the farmer's experiences where the landowner in the relationship created their arrangement and thereby used the bargaining power. The problem with power advantageous may increase the transaction costs and can also create difficulties for renegotiations (Royer, 1999). Another empirical connection is that some farmers have one-year agreements and therefore usually have limited planning horizon in the relationship between the landowner and the tenant. The reason is because the agreement can be terminated at any time by the landowner.

6.2 The stakeholders in a tenancy relationship

The definition of a stakeholder is individuals or groups who have the opportunity to affect or be affected by the accomplishment of organizational objectives (Hannan & Freeman, 1984). Most of the farmers emphasize that they have been affected by the government intervention, in the form of laws and regulations, in order to enter a farm business through tenancy. The government has affected the farmers by the implementation of area-based support payment. This has caused increasing rental rates for farmland. Some of the farmers believe that the agricultural sector would have been better off without the implementation of the support payment since it is common that farmers now are dependent on it. Furthermore, some farmers point out that laws and regulations always limit their flexibility and it will probably not be easier in the future.

Young farmers under 40 years old have the opportunity to obtain investment support for newly established business within the agricultural sector. One farmer mentioned that this support is valuable, but it is very important to receive it at the right time. Another consequence of the regulations is that it is time-consuming because of the complexity in the law. Some usually request support from experts to assure legal compliance in the agricultural sector.

The stakeholder theory stresses the importance of creating an honest and truthful relationship with the external actors (Wagner Mainardes, 2011). This is because the external actors have a major impact on the development and success of the business. Furthermore, social capital is referred to as the value of connection and trust between involved parties (Pretty, 2003). Social capital reduces the transaction costs between the parties since they have to trust each other and therefore it is not necessary to monitor each other (Pretty & Ward, 2001; Pretty, 2003). Most of the farmers consider that external actors have a good trust in young farmers since they believe in them and they want to provide full support. Although, one farmer points out that usually external actors state that they have trust in young farmers. However, on the other hand, in the reality, they do not have trust since they do not want to take high risks. Some farmers emphasize that the reliance on young farmers depend on the external actors and honesty could generate higher trust. On the other hand, the majority of the farmers have a good trust in external actors. Furthermore, one farmer claim that high trust to external actors can lead to long-term relationships.

Some stakeholders are more valuable than others and therefore could be considered to be a key stakeholder (Freeman, 2010). Furthermore, both primary and secondary stakeholders exist. Primary stakeholders are more inclined to promote a formal relationship through contracts while secondary is less formal (Wagner Mainardes, 2011). According to two farmers, the bank is the most important stakeholder since the farmers would not be able to enter and continue their business without the financial support. In order to obtain credits from the bank it is important to create an honest and truthful relationship. However, they also need to believe in what they are doing and show the bank how they can succeed. One farmer emphasizes that the most important stakeholder is the landowner because without them they would not have any farmland. Therefore, it is necessary for young farmers to create a good reputation and maintain a network in the sector. Some farmers value good employees since they have a major effect on the business. Other important external actors are consulting firms and family members. Bank, landowner, employees and consulting firms are considered to be primary stakeholders since they are more formal and usually prefer to maintain contracts.

6.3 Discussion

A good relationship between the landowner and the tenant is important in order to achieve a stable tenancy agreement. Usually, it depends on the social context and the unique situation. It is beneficial to have a good relationship before entering a tenancy agreement since this may facilitate effective collaboration. In a principal-agent relationship, a problem may arise because of acts of self-interest (Fraser, 2015). As the empirics and the analysis indicate, the rental rate is a sensitive topic. Generally, the landowner wants a high price to enhance economic returns, while the tenant seeks a lower level in order to maximize their profit. Hence, the principal-agent phenomenon is not a one-way issue since it arises both from the landowner and the tenant. This is explained by their desire of maximizing utility.

Lack of information may arise in combination with contracts arrangements. Complete contracts are essential to minimize the risks of hidden information in the contract relationship. The arrangements may contain different levels of risks since it is difficult to predict unexpected situations. It is good to have an open and good relationship between the landowner and the tenant before the agreement begins to minimize the lack of information. Furthermore, it is also necessary to continue with the communication during the current arrangement. Asymmetric information that occurs in combination with the agreement might develop an opportunistic behavior after the contract has been signed (Groenewegen *et al.*, 2010). This changing behavior can lead to unnecessary transactions costs. One way to prevent these situations is to use complete and written contracts. Therefore, incomplete and oral contracts are not recommended. To be well prepared and have knowledge within the area of tenancy agreements it is preferable to promote a long-term relationship. Constructing and organizing arrangements through a consulting firm can be a solution to develop more complete contracts where all the parties become satisfied. Tenancy inspections is another monitoring mechanism that both parties can use. This can be used before entry, during the agreement period and for the exit of the tenancy contract. Using a tenancy inspection confirms the current conditions of the tenancy agreement and therefore minimizes the risk of having a lack of information between the parties.

The agricultural sector is very capital intensive, and therefore it is necessary to have a suitable structure in the farm business (Johanson *et al.*, 2014; Wålstedt, 1987). With a tenancy arrangement, it is essential to distribute the risks to maintain a balanced and competitive farm business. Therefore, it can be important to operate several arrangements with different landowners in order to not be dependent on one contract. Other alternatives for spreading the risks is to have a side business or to own some tillable land. Furthermore, owning land is an important quality measurement from the bank's credit perspective.

The contract length may decrease the investment incentives since it affects the planning horizon of the assets. Tenancy arrangement is not owned property and therefore is the tenant not part of the price developments. More extended contracts provide the possibility to acclimatize the business in a more long-term perspective. Although, the empirical findings indicate that a one-year arrangement does not necessarily need to be a short-term contract. This is based on a good relationship between the landowner and the tenant. Sometimes the landowner may have bargaining power, and therefore it can be difficult for the tenant to renegotiate the arrangements. Landowners have the advantage to decide how to arrange the contracts. This may, for example, relate to only allowing organic farming or other agricultural practices.

Stakeholders are relevant since they affect the development of the farm business. Therefore, an honest and trustful relationship is important (Wagner Mainardes, 2011). This relates to the social capital that determines the value of the connection and trust for the parties in a relationship. Social capital decreases the transaction costs since it limits the need for monitoring the parties' trustworthiness. The study indicates that external actors usually have trust in young farmers. Although, sometimes the external actors indicate that they have trust, but in reality, they do not. This is a major issue for the young farmers since they always have to improve and show legitimacy towards the external actors. Furthermore, some stakeholders are more important than others.

The empirical data reveals that the most important stakeholders for young tenants are the bank, landowners, employees, consulting firms and family members. The bank is important in order to gain access to capital. The landowner is a crucial actor as they provide arable land to farmers. The employees are significant because it would not be possible to operate a larger business without them. The consulting firm is useful in the process of making tenancy arrangements since they contribute with valuable expertise. Family members are necessary because of their daily support. Conclusively, all external actors are in combination essential to develop young farmers businesses. Good reputation, and a willingness to develop good relationships with the stakeholders is valuable to maintain a stable and trustworthy business.

7 Conclusions and future research

The final chapter include the conclusions and ends with possible future research. The aim of the study is to increase the understanding of young farmers' opportunities to enter and maintain farming through tenancy agreements. With the analysis as a basis, this chapter aims to answer following research questions that were presented in chapter one.

- *How does the relationship to the landowners influence the young farmers' opportunity to enter and maintain a tenancy agreement?*
 - *How do the external actors affect young tenant farmers' business conditions within the agricultural sector?*
-

7.1 Conclusions

The conclusions from this study reveal that different types of relationship between the landowner and the tenant affects the possibility of entering farming through tenancy agreements. It is necessary for the young farmers to create a good relationship with the landowner in order to obtain and maintain a tenancy contract. Furthermore, a good reputation and network in the agricultural sector are essential aspects for a young farmer to take into consideration. In a business relationship, it is useful to have open communication and avoid asymmetric information in order to create an honest and stable relationship between the parties. If the farmer does not have any previous relationship with the landowner, it is even more important to submit a good application in order to achieve a tenancy arrangement.

Since the agricultural sector is capital intensive, it is important for young farmers to minimize their risk portfolio by having tenancy relationships with different landowners. The intention is not to be dependent on one single agreement. The study indicates that a one-year agreement can be viewed as long-term arrangements if the relationship with the landowner is well-established from the beginning.

The landowners have bargaining power in a tenancy arrangement since they have the opportunity to decide who will enter the tenancy agreement and the frame of the contract. This could, for example, be organic farming or the level of the rental rate for the tenancy agreement. The landowners bargaining power can make it more difficult to enter and maintain a good relationship between the landowner and the tenant. However, some landowners value a good and truthful relationship to the tenant instead of achieving a high rental rate in the tenancy agreement. This facilitates for young farmers to enter and maintain a tenancy agreement since they have limited access to capital and are therefore not able to obtain tenancy agreements through the highest bid. Younger farmers have other conditions compared to well-established farmers within the sector, and therefore it is even more important to value good relationships with the landowner and other involved actors.

The results of the study reveal that a good relationship with the external actors are essential since they have a significant impact on the tenants' business. The most important external actors are considered to be the landowner and the financial institution. Without the landowners farmland it is impossible for the tenant to even maintain a tenancy arrangement. The financial institutions affect young farmers' possibility to access capital. Therefore, it is necessary for the farmers to offer collateral in order to receive capital from the bank. Additionally, a consulting firm is considered to be useful since their function is to be a mediator between the landowner and the tenant. Their purpose is to be objective towards all

parties and focus on contributing with expertise and experience within the tenancy and agricultural context.

A good relationship with landowners and external actors are considered to be the most important aspect for a tenant to observe. Young farmers usually experience more difficulties from a financial aspect because of the limited access to capital, and therefore are good relationships and reputation essential for the possibility to enter and maintain farming through tenancy.

7.2 Future research

Furthermore, it might be interesting for future research to analyze different geographical areas with different types of farms. The reason this could be interesting is that young farmers' opportunity to enter a tenancy arrangement may differ depending on location and the type of farming system. Another possibility is to extend the future research to other regions outside Sweden in order to compare the differences between the countries. Another aspect to examine is to analyze whether purchasing or leasing farmland is the most profitable choice.

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Personal messages

The farmers

Farmer A
Young farmer
Personal meeting, 2018-03-30

Farmer B
Young farmer
Personal meeting, 2018-03-20

Farmer C
Young farmer
Personal meeting, 2018-03-29

Farmer D
Young farmer
Personal meeting, 2018-04-04

Farmer E
Young farmer
Personal meeting, 2018-03-22

Farmer F
Young farmer
Telephone interview, 2018-04-11

Farmer G
Young farmer
Personal meeting, 2018-03-27

Farmer H
Young farmer
Personal meeting, 2018-03-26

The external actors

External actor A
Private landowner, Agricultural administrators,
Personal meeting, 2018-03-28

External actor B
Institutional landowner, Agricultural administrators,
Personal meeting, 2018-03-22

External actor C
Consulting firm, tenancy specialist,
Personal meeting, 2018-04-03

External actor D
Bank, agricultural specialist,
Personal meeting, 2018-03-26

Appendix 1: Interview Questions – Young farmers

Background questions

1. What is your age?
2. How long have you been interested in farming?
3. How long have you worked in the agricultural sector?
4. What type of education and unique work experiences do you have?
5. What is your main business orientation?
6. Do you run a full-time farm or combine with any other businesses?
7. Do you run your business with someone else?
 - If yes: in what form?
8. How much farmland do you use? - leased and owned land?
9. When did you access your first tenancy?
 - How many hectares were your first tenancy on?
10. When did you access your latest tenancy?
11. How do your rental rate look like?
 - What is your highest rental rate?
 - What is your lowest rental rate?

Before the enter of the tenancy

The relationship between landowner and tenant

12. Why did you choose to enter through tenancy?
 - What factors were crucial?
 - Why did you enter by tenancy in front of buying farmland?
 - How did the process look like before you found out to have tenancies?
13. What do you think is the reason you got the tenancy/tenancies you have today?
14. What was the preparation for the contract writing?
15. What relationship did you have with the landowner/landowners prior to the establishment?
 - Do you feel that your relationship with the landowner/ landowners has been an advantage or disadvantage for your business?
16. What expectations do you have for the tenancies?
 - How long are you expected to have your tenancy/tenancies?

External actors

17. Have you hired consulting before the contract writing?
18. In what way have laws and guidelines affected the establishment of tenancies?
19. How was your reliance on external actors in the sector prior to the establishment of tenancies? e.g. advisors, banks, landowners, government or other actors?
20. How has the environment affected your establishment? For example, standards / criteria's / requirements
21. How do you think the bank is thinking regarding credits for young farmers?

Current business

The relationship between landowner and tenant

22. Have you incorporated your expectations for the establishment with tenancies?
 - Is it like you have imagined?
23. How do you feel that the profitability has been affected?
 - What could you develop in order to improve the profitability?

24. Have farmland and tenancy prices affected your business?
25. How is your relationship with the landowner today?
 - What could you develop in order to improve the profitability?
 - How has the communication worked between you?
 - Have you experienced any risk/obstacle regarding your tenancy?
 - Do you feel that both parties comply with what has been agreed in the contract?
26. How long tenancy agreement do you have and are you interested in extending it?
 - Has your contract duration affected your choice of tenancy?
27. What kind of tenancies do you have, farm tenancy or side tenancy?
28. Have there been any conflicts and conflict of interests between you as a tenant and the landowner?
29. Would you be able to decline a tenancy if you were offered one today?
30. If the tenancy does not live up to your expectations, how would you act?

External actors

31. What is the most important external relationship in your business?
32. How do laws and regulations affect your business today?
33. What reliance do you think external actors have against young farmers?
34. Do you think there is an advantage or a disadvantage to be a young farmer in the agricultural sector?
 - Is there someone else in your environment that affected your decisions?
35. Now afterward, do you think it was the right time for you to enter via leasing?

The future with tenancies

The relationship between landowner and tenant?

36. What are the future prospects for your farm business?
 - Are you interested in developing tenancy?
37. Are you willing to rent more farmland land if the opportunity is given?
 - If yes, at what price? How risk averse are you?
 - If no, why?
38. If you had the opportunity to start over with tenancies today, would you have done something differently?
39. How do you want to develop the leased farmland in the future?
40. What do you think the future's rental prices look like?

External actors

41. Is there anyone in your environment that affects your decisions for the future?
42. How would changes in agricultural policy affect your business?
43. How does the future competitiveness look for your farm business?
44. What do you think affects land and tenancy prices?

Final questions

45. What do you think are the advantages and disadvantages of being a young farmer who wants to enter tenancy?
46. Lastly, what would you like to give further to young farmers that are in the process of starting a business through tenancies?

Appendix 2 Interview Questions – External actors

Background questions for all external actors

1. How long have you been working here?
2. What are your main tasks?
3. How long have you worked in the agricultural sector?
4. Do you have any agricultural affiliation before?
5. What is your educational background?
6. How do you experience your reliance on young farmers?
7. Do you do anything now to make it facilitate for young farmers?
8. What ambition do you have in your work role to facilitate young farmers?
9. How do you think the future looks like for young farmers to be able to enter in the agricultural industry?
 - How many hectares was your first tenancy on?
10. What do you think is the biggest obstacle and possibility for young farmers who wants to lease farmland?
11. How have the conditions changed over time for young farmers to be able to enter through tenancy?
12. How does the environment affect your decision in the advice of young farmers to have tenancy?
 - Are there other actors who control/influence your decisions?
13. What do you think are the advantages and disadvantages of being a young farmer who wants to enter through tenancy?
14. In conclusion, what would you like to say further to young farmers who are in the process of starting to rent arable land

Private and Institutional landowner

1. Do you currently have any young tenants who are under 40 years old?
2. What are your expectations for your tenants?
3. What are the preparations for the contract writing with the tenants?
4. When you submit multiple applications for a lease, what are the most important aspects to consider?
 - What is your tenancy prices based on?
5. What type of tenancy contract do you have with your tenants?
6. What characterize your current tenants?
7. How is your relationship with your tenants?
 - How does the communication work between the landowner and the tenant?
8. How do you follow up your tenants?
9. What are you doing today in order to facilitate young interested farmers who want to lease?
10. What could you do further in the future to facilitate young farmers?
11. Does it have an impact on the decision making that farmers become older?
12. Do you feel any pressure from the environmental surrounding for your choice of your tenants?
13. How are your decisions affected from laws and regulations?
14. How are you affected by other actors such landowners, advisors, banks etc.?

15. How do you think that the tenancy prices and prices for farmland will be developed over time?
16. How is the age distribution among the tenancy applications usually?
 - Do you feel that there are many tenancy applications from young farmers?
17. What do young farmers need to improve to stand out better and be more competitive on the market?

Tenancy Consulting

1. How is the age distribution for your customers?
 - How many are under 40 years old (an estimation)?
2. How do the prices on farmland and tenancies affect the consulting?
3. What are your expectations for young farmers in your consulting?
4. What contractual length on tenancies do you advice?
5. What do you do today to facilitate young farmers that are interested in renting arable land?
6. How do you work with landowners and tenants (tenancy questions)?
7. What do you think is important as a young farmer to highlight in a tenancy application?
8. What do you think are the key aspects of having a successful and long-term tenancy?
9. Do you feel that there is a lack of information between landowners and tenants in their communication between them?
10. Do you usually have a long-term relationship with your customers in connection with the tenancies and agreements?
11. Regarding the follow-up. Are you following the process between the landowners and tenants after their contracts have been finished?
12. How are your decisions affected by laws and policies? (e.g. Sweden's laws or policies within the organization)?
13. Do you think that young farmers have the right conditions for running and leasing a farm today?
14. How can the trust in young farmers increase in the Swedish Agricultural sector?
15. How do other actors such as landowners, advisors, and banks affect you in your decision-making processes?
16. Farmers become older; does it affect your advice as a consulting firm to let the next generation come?
17. How do you see the young farmers' competitiveness in the future?

Bank

1. How do the prices on farmland and tenancies affect the consulting at the bank?
2. How is the age distribution among your customers at the bank?
3. What are your expectations for young farmers in your consulting?
4. Is there any distinction between young farmers and other customers in the agricultural sector?
5. What criterions are essential for lending to young farmers? How would you be more secure in order to lend money to young farmers? (What do young farmers need to improve?)
6. What does that bank take in consideration concerning cash flow and financial follow-up with the customers?
7. What would young farmers need to improve in the future to stand out better and in order to be more competitive on the market

- 8.** What do you think are the key aspects of having a successful and long-term tenancy?
- 9.** Do you think that young farmers have the right conditions for running and leasing a farm today?
- 10.** How are your decisions affected by laws and policies? (e.g. Sweden's laws or policies within the organization)?
- 11.** How can the reliance on young farmers increase in the Swedish agricultural sector?
- 12.** How do other actors such as landowners, advisors, and banks affect you in your decision-making processes?
- 13.** That farmers become older, does that affect your decisions to allow the next generation.

Appendix 3 Literature review

Previous research	Subject/Title	Country
Allen & Lueck, 2002	Contracts, Risk, and Organization in Agriculture	USA
Amis, 1994	Squatters or Tenants: The Commercialization	Africa
Blaikie & Brookfield, 1987	Approaches to the study of land degradation	USA
Carter, 1998	Portfolio entrepreneurship in the farm sector	United Kingdom
Deininger & Feder, 2001	Land institutions and land markets	USA
Fraser, 2004	Land tenure and agricultural management	Canada
Grossman, 1992	Agricultural Leases: Some Issues in the Landlord	USA
Grubbström & Eriksson, 2018	Retired Farmers and New Land Users	Sweden
Hansson, et al. 2012	Psychological Constructs Underlying Farmers' Decisions	Sweden
Reiss, 1960	Getting started and established in farming	USA
Svensson 1997	Tenancy and hunting rights	Sweden
Wästfelt, 2014	To farm but not own- tenancy and other access rights	Sweden
Andersson, 2014; in Wästfelt, 2014	Tenancy structures and land ownership	Sweden
Axelsson, 2014; in Wästfelt, 2014	Tenancy structures and land ownership	Sweden
Bäärnhielm, 2014; in Wästfelt, 2014	Tenancy and agrarian policies	Sweden
Pålsson, 2014; in Wästfelt, 2014	Reflections and comments on the agricultural resource statistics	Sweden