

EC JRC Project:

*“Land Market Development and Small Farms’ Access
to Land in the Pre-Accession Countries” (LMSF-AC)*

**Analysis of land market development and small farms
access to land in the pre-accession countries**
First interim report (Tasks 1, 2)

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- **Tasks 1, 2 of LMSF-AC project**
- **Interim report (Tasks 1, 2):** Preliminary results based on returned questionnaires
- **Interim report (Tasks 1, 2):** Preliminary conclusions
- **Task 3 of LMSF-AC project**
- **Next steps**

Tasks 1 and 2 of the LMSF-AC:

Task 1: Collect information about rental and sale land markets in the WB countries

Task 2: Collect information about the land market policy and regulations in the WB countries

Task 1: Collect information about rental and sale land markets in the WB countries:

- **To collect information about rental and sale market developments in the WB countries:** from statistical sources, ministries of agriculture, international organizations (e.g. the World Bank, FAO), surveys and scientific literature
- **Collect the following information:**
 - Development of land renting and rental prices
 - Type and duration of rental contracts
 - Development of land sales and land sales prices
 - Structure of land ownership and land ownership fragmentation
 - Importance of land abandonment
 - Disaggregation of the collected data as much as possible by farm size

Task 2: Collect information about the land market policy and regulations in the WB countries:

- **To collect information about rental market regulations:** rental price regulations; duration of rental contract regulations; conditions for rental contract renewal/contract termination; minimum/maximum transacted area; other relevant regulatory arrangements
- **To collect information about sale/ownership market regulations:** requirements for the (new) landowner (e.g. residence, qualification, conduct of agricultural activity), sales price regulations, preemptive rights rules, minimum/maximum size of transacted/owned agricultural area allowed, land ownership registration arrangements, enforcement of land ownership rights, inheritance rules, land market public instruments
- **Identify the implications of land market regulations for small farm households**

Definition of small agricultural holdings:

- There is **no uniform definition** for small agricultural holdings
- In **FBiH (BiH)**, small agricultural holdings usually refer to households with less than 1 ha of agricultural land **(67%)**
- In the **Republic of Srpska (BiH)**, farms are categorized only as commercial or non-commercial households based on different criteria
- In **FYR of Macedonia** of family farms have SO less than 2000 EUR **(60%)**
- **Serbia** defines small farm holdings as farms up to 2 ha, i.e. up to 5 ha of UAA **(49%)**
- **Montenegro** defines small farmers based production of some agricultural products, produced per day, week or year (e.g. a small farm produces maximum 350 eggs per week, 100 liters of raw milk per day; **85 %**)
- **Kosovo and Albania** didn't provide official definition of small agricultural holdings

Table 1: Share of Utilised Agricultural Area by ownership (%)

Country/territory	AL	BiH (FBiH)	BiH (RS)	FYRM	KO	MN	SR
Data for year	2013	2016	2016	2016	2014	2010	2012
Owned by the state	52	33	n/a	/	4	45	19
Owned by agricult. companies	n/a	67	5	15	2	5	15
Owned by family farms	48		95	85	n/a	30	67
Owned by small farms	n/a	85	n/a		98	21	7
Other	n/a		n/a		n/a		19
Total UAA (000 ha)	1,160	1,177	1,004	321	414	309	4,237
Share of uncultivated land	10	48	42	7	4	28	11

- Data are still not fully comparable and need further clarifications
- Some countries/territories have a great share of state owned land (AL, MN)
- Great differences in the share of uncultivated land

Table 2: Rental market- Number of transactions and transacted area (ha)

Number of transactions	AL	BiH (FBiH)	BiH (RS)	FYRM	KO	MN	SR
Data for year	2014	2015	2017	2016	n/a	2017	2012
State owned agricultural land	10	234	479	n/a	3,904	5	7,693
Privately owned agricultural land	n/a	n/a	n/a	n/a	20,679	350	35,000
Total	10	n/a	479	1.417	24.583	355	42.693
Transacted area (ha)							
State owned agricultural land	155	2,494	17,999	n/a	6,311	110	261,315
Privately owned agricultural land	4,000	n/a	n/a	n/a	60,032	n/a	613,927
Total	4,155	n/a	17,999	2,360	66,343	110	875,242

- Lack of reliable data and great share of informal renting show that functioning of the land market is limited

Table 3: Who gets the subsidies of agricultural policy in case of renting?

AL	Tenant, if there is official renting contract
BiH(FBiH)	Tenant if renting is formalized and farm is registered
BiH(RS)	Owner or tenant, depending on who of them registered the land in the register of agricultural households
FYRM	Tenant if the agreement is notarized, otherwise owner
KO	Mostly owner (depends on the agreement)
MN	Tenant
SR	Tenant

Table 4: Average rental prices of agricultural land

	AL	FBiH	BiH(RS)	FYRM	KO	MN	SR
Data for year	2017	2016	2016	2016	2014	2010	2012
Average rental prices of agricultural land (EUR/ha)	75-1,000	15-150	50-250	70	542	100-1,000	180-197

Table 5: How are the rental prices of agricultural land formed?

	State owned land	Privately owned land
AL	Auctions, organized by Ministry (MARD)	On the market, based on different criteria (land quality, steepness, ...)
BiH (FBiH)	Partly regulated by government- initial minimum rental price is defined. Final price highest offer	On the market
BiH (RS)	Set prices according to the class of agricultural land and its location	On the market
FYRM	<ul style="list-style-type: none"> The starting price is defined according to the cadaster class and location. Final price is formed on a public tender. A bidder who offers the highest price 	On the market
KO	On the market, based on the public competition tender	On the market
MN	On the market	On the market
SR	The initial price shall be determined on the basis of the rents paid for the agricultural land in the previous year	On the market, in agreement with the tenant

- Lack of data or estimates for number of transactions and transacted area: in all countries/territories, except FYRM and KO
- Changing of purpose of agricultural land: AL, BiH (FBiH), BiH (RS), MN, SR
- When the land is sold, there is no formal transfer of ownership: MN
- Sales prices vary with land quality, category, region, natural conditions in all WB countries/ territories
- Inheritance hinders the transfer of agricultural land and leads to further fragmentation

Table 5: Average sales prices of agricultural land

	AL	BiH (FBiH)	BiH (RS)	FYRM	KO	MN	SR
Data for year	2017	2016	2016	2016	2014	2010	2015
Average sales prices (1,000 EUR/ha)	22,0-30,0	5,0-175,0	2,5-50,0	11,0-15,6	3,4	1,0-4,0 (up to 30,0)	7,7

- **Land market regulations are inadequate and complex:**
- **Registers of agricultural land and cadaster not updated and reliable**
- **Institute of pre-emptive rights regarding the purchase of agricultural land established in some countries/territories: BiH (FBiH), FYRM, SR**
- **No sanctions for abandoning the agricultural land: BiH (RS), SR**
- **Typically unsolved property rights**
- **Inheritance leads to further fragmentation of agricultural land.**

AL	<ul style="list-style-type: none"> • No measures reported, but some land consolidation projects successfully implemented in recent period.
BIH (FBiH)	<ul style="list-style-type: none"> • Direct measures: Funds collected from the charges for change of purposes of agricultural land to land remediation and improvement.
BiH (RS)	<ul style="list-style-type: none"> • Indirect measures: rent of state agricultural land and the investments in provision of irrigation on the significant areas of the most fertile land.
FYRM	<ul style="list-style-type: none"> • Direct measures: Providing market information on the Macedonian land market; Improvement of the credit market to support land consolidation; Decrease of the taxes for land transfer; farm inheritance by a single person; Introduction of taxes for agricultural land that is not used for agricultural purposes.
KO	<ul style="list-style-type: none"> • Direct measures: Re-construction of the cadastre, Realization of land consolidation projects unfinished from the years 83-89, Regulation of agricultural land with voluntary access, Irrigation projects, Subsidies and grants from the Government of Kosovo...
MN	<ul style="list-style-type: none"> • Indirect measures: e.g. land consolidation operations (land consolidation, irrigation)
SR	<ul style="list-style-type: none"> • Indirect measures: land consolidation, drainage, irrigation, organization of field roads, improvement of agricultural land quality, etc.

Table 8: Typical conditions for agricultural credits

	AL	BiH (FBiH)	BiH (RS)	FYRM	KO	MN	SR
Max. amount of credit (000 EUR)	n/a	5- 20	25-250	0,5-250	3-100	Up to 15	5-50
Interest rate (%)	5-10	6-11	4 - 7	6-8	8-27	3 -13	8-10
Duration of credit (months)	n/a	12-84	84-120	48-96	36-120	Up to 100	up to 84
Minimum participation	n/a	n/a	n/a	20%	n/a	n/a	20%
Collateral	120-150%	150%	Mortgage, bill of exchange	Real or movable estate	100-150 %	3 guarantors or mortgages	Client's promissory notes
Grace period (months)	0,5	Max 6	12-36	6-24	3-18	Up to 48	Up to 12
Lending volume /year (mio EUR)	5	10-12	38	89	66		318

- Limited lending volume of agricultural credit in all WB countries
- Unfavourable interest rates, especially for small agricultural holdings
- Great differences in collateral and grace period between WB countries.

Table 7: Typical reasons for the rejection of agricultural credit

	AL	BiH (FBiH)	BiH (RS)	FYRM	KO	MN	SR
Insufficient farm business income	+	+	+	+	+	+	+
Insufficient household income	+	+			+	+	
Weak previous relationship with the creditor	+						
Poor credit history of the applicant			+	+			+
Lack of collateral		+	+			+	+
Insufficient business plan					+		

- **Predominance of small and fragmented farms** in all WB countries/territories
- **Rental market: Great share of informal rental contracts** in some countries,
- **Sales markets underdeveloped and weak: Changing of purpose of agricultural land**
- **Land market regulations: Land market regulations are inadequate and complex, legislation developed, but not implemented in practice**
- **Agricultural credits: not available to a sufficient extent; collateral**
- **Preliminary policy recommendations:**
- **Improving the land and size structure of small agricultural holdings,**
- **Establish reliable databases,**
- **Modernisation and implementation of land market regulations**

Task 3 of the LMSF-AC:

Conduct focused group discussion with relevant stakeholders to identify factors affecting the functioning of land markets and small farms' access to land in the WB countries/territories

- Collect information about **informal factors** (e.g. social norms, informal institutions, kinship and family ties) affecting rental and sale markets and small farms' access to land
- Identify **factors constraining farms to expand land area** such as land market restriction or other factors (e.g. imperfect credit markets, social norms, etc.)
- Analyze the **property rights security to agric. land** and factors affecting them
- Identify the **role of farm household characteristics** affecting access to land
- Identify the **role of distress sales of land** and its implication for land ownership for small farm households
- Identify and analyze the **role of land abandonment** in determining small farm households' access to land
- Identify the role and praxis of **private credit arrangement for land purchasing**
- Identify and analyze factors that constrain and factors **that stimulate farmers' exit from agriculture**
- Identify and analyze **what existing small farm households do with the land** (e.g. rent it out, sell it, leave it abandoned, rent it out to family relatives)

AIS provided:

- guidelines regarding the organization of focus groups discussion,
- composition of focus groups
- general topics and specific questions for discussion
- proposed draft outline of the country/territory report

National experts:

- In all countries/territories conducted focus groups, notes produced
- All WB countries/territories also submitted 2nd country reports with qualitative opinion of national experts about each topic

Next steps by AIS team:

- **Cross-country analysis:** analyze also results focus group discussions and 2nd country reports **(May, June 2018)**
- **Final report:** comparative cross-country analysis of the land market and small farms' access to land in the WB countries/territories **(deadline for draft: July 7th 2018)**
- **Participate at final meeting (Brussels, mid-September 2018)**

Next steps by national experts:

- **Be available** for further clarifications and validation of data and information, if needed **(May, June 2018)**
- **Validation of final report (August 2018)**

Thank you for attention!

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