

Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries

Final report

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ABSTRACT

This report analyses the land markets' functioning in the Western Balkans and small farm households' access to land. For that purpose, survey questionnaires, focus groups, and desk research for each of the targeted Western Balkan countries/territories (Albania, Bosnia and Herzegovina, North Macedonia, Kosovo*, Montenegro and Serbia), were used. Based on the findings, it can be concluded that these countries/territories face many problems that impede the development of the functional agricultural land market, which is in some cases still highly unregulated. Lack of reliable and accurate data presents a huge issue. In all of the analysed countries/territories, the registers of agricultural land and cadastre are not updated, are unreliable, uncoordinated and unharmonized, which consequently implies incomplete information on land ownership and unclear property rights. This impedes subsidization of farmers and the sale of the land and hampers the use of agricultural land as collateral for crediting purposes. Based on the conducted analysis, it can be concluded that WB countries/territories still have a long way to establish a functional agricultural land market. Land market ineffectiveness impedes the growth of farm size and modernization of the agricultural sector.

Key words: *Western Balkans, agricultural land market, small farms, access to agricultural land, land cadastre, land ownership, agricultural credit market, collateral, property rights.*

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo* declaration of independence.





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1. EXECUTIVE SUMMARY

This report is the final deliverable within the project “Land Market Development and Small Farms’ Access to Land in the Pre-Accession Countries” (LMSF-AC), which was initiated with an overall objective to strengthen the understanding of the functioning of land markets in the Western Balkans and small farm households’ access to land. LMSF-AC project was funded by the European Commission Joint Research Centre (JRC), while The Regional Rural Development Standing Working Group (SWG) in SEE was responsible for its implementation. The WB countries/territories included in this project were Albania, Bosnia and Herzegovina (with its entities Federation of Bosnia and Herzegovina and Republic of Srpska, analysed separately due to their differences), North Macedonia, Kosovo*, Montenegro and Serbia¹.

The project objectives were achieved by completing the following tasks:

- **Task 1:** Collect information about rental and sale land markets in the WB countries/territories;
- **Task 2:** Collect information about the land market policy and regulations in the WB countries/territories;
- **Task 3:** Conduct focus 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;
- **Task 4:** Provide a comparative cross-country analysis of the land markets and small farms’ access to land in the WB countries/territories.

The research was conducted using a survey questionnaire template and focus groups among WB countries/territories, as well as desk research using reliable secondary sources. Respondents to the survey questionnaire were national experts from different institutions (universities, institutes, colleges, ministries, etc.) who provided answers for their

countries/territories. In total, 13 experts completed the survey questionnaire. In each WB country/territory two focus groups in different regions were conducted, each attended by relevant stakeholders. The main limitation was the lack of accurate and reliable data. A significant amount of data was not obtainable, too general or not accurate enough because of the absence of available official statistics. Also, the countries/territories have different definitions for agricultural holdings or the utilized agricultural area, making comparative analysis difficult. Based on these findings, it is hard to make solid conclusions and the values represented are of orientational nature.

Based on the findings for individual WB countries/territories, we can conclude that they face many problems that impede the development of the functional agricultural land market, which is in some cases still highly unregulated. The main conclusions recognized in this study that are common among all countries/territories are (not ordered by significance or frequency of answers):

- Lack of reliable and accurate data and statistics;
- Small average size of agricultural holdings;
- Unfinished restitution process;
- Unclear property rights;
- Land fragmentation, which is in some cases extreme;
- No sale of state-owned land;
- Weak agricultural land sales market and better developed rental market;
- Lack of access to credit for rural population;
- Non-existing or non-functional legislative framework;
- Poor economic position and social insecurity of small farmers;
- Conversion of agricultural land to construction sites and land abandonment;
- Complex administrative procedures.

Lack of reliable and accurate data presents a significant issue in WB countries/territories. Some reported the absence of accurate and reliable information on agricultural land (Kosovo*, Albania, North

¹ Abbreviations: Albania (AL), Federation of Bosnia and Herzegovina (FBiH), Kosovo* (XK*), North Macedonia (MK), Montenegro (MNE), Republic of Srpska (RS), Serbia (SRB), Western Balkans (WB).

Macedonia, Republic of Srpska), activity of the land market (Kosovo*, Republic of Srpska), sale and rental prices (North Macedonia) or farm number and size structure (Federation of Bosnia and Herzegovina). In all of the analysed countries/territories, the register of agricultural land and cadastre are not updated but unreliable, uncoordinated and unharmonized, which consequently causes incomplete data on land ownership and unclear property rights. This impedes subsidization of farmers and the sale of the land and impedes the use of agricultural land as collateral for crediting purposes.

Based on the conducted analysis, we may conclude that analysed WB countries/territories still have a long way to establish a functional agricultural land market. Land market ineffectiveness impedes the growth of farm size and modernization of the agricultural sector. Among all surveyed countries/territories, Serbia has the most developed land market with the largest average farm size, extensive land market activity and a number of governmental measures that address this issue.

2. INTRODUCTION

This report is the final deliverable within the project “Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries” (LMSF-AC). The project started on 27 September 2017, with an overall objective to strengthen the understanding of the functioning of land markets in the Western Balkans and small farm households' access to land. LMSF-AC project was funded by the European Commission Joint Research Centre (JRC), while The Regional Rural Development Standing Working Group (SWG) in SEE was responsible for its implementation. The WB countries/territories included in this project were Albania, Bosnia and Herzegovina (with its entities Federation of Bosnia and Herzegovina and Republic of Srpska analysed separately due to their relevant differences), North Macedonia, Kosovo*, Montenegro and Serbia. The team implementing this project consisted of Senior Adviser (Boban Ilić), Regional Project Coordinator (Dori Pavloska Gjorgjeska), Technical Assistant (Oliver Pop-Arsov), International Expert/Senior Researcher (Agricultural Institute of Slovenia) and National Academic Experts: Edvin Zhllima (Albania), Dragana Ognjenović (BiH – Federation of Bosnia and Herzegovina), Željko Vaško (BiH – Republic of Srpska), Dragan Gjoshevski (North Macedonia), Mirsad Spahić (Montenegro), Mihone Kerolli (Kosovo*) and Institute for Agricultural Economics Belgrade (Serbia).

The key aims of the study were to collect information and data about rental and sale markets and rental and sale market regulations in the WB countries/territories, to conduct focus group discussions with relevant stakeholders in order to identify factors affecting the functioning of the land market (including informal norms) with particular focus on small farm households' access to land and to analyse the implications of formal regulations and informal norms on small farm households' access to land.

The project objectives were achieved by completing the following tasks:

- **Task 1:** Collect information about rental and sale land markets in the WB countries/territories;
- **Task 2:** Collect information about the land market policy and regulations in the WB countries/territories;

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo* declaration of independence.

- **Task 3:** Conduct focus 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;
- **Task 4:** Provide a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries/territories.

The key aim of Task 1 was to make an overview of the land market development in WB countries/territories and assess the availability and quality of data on the rental and sale of land markets. The focus was to identify the availability of land rental and sale prices, type and duration of rental contracts, the importance of land abandonment and structure of land use, ownership and land fragmentation in the region with the help of a survey questionnaire.

The main aim of Task 2 was to collect information about land rental and sale market policy and regulations in the WB countries/territories. The primary focus in the first part of Task 2 was given to general land policy regulatory framework and rental market regulations such as: rental price regulations, conditions for rental contract renewal and termination, minimum/maximum transacted area and eventual public subsidies or measures for land purchasing and/or renting. In the second part of Task 2, information about sales price regulations, pre-emptive rights rules, minimum/maximum size of transacted/owned agricultural area, land ownership registration arrangements, enforcement of land ownership rights and inheritance rules was collected.

The main aim of Task 3 was to conduct focus group discussions with farmers, farmers' associations and other relevant stakeholders in order to identify factors affecting the functioning of land markets and small farm households' access to land.

The main aim of Task 4 was to provide a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries/ter-

ritories, based on the findings from project Tasks 1, 2 and 3. During this task, the impact of formal and informal land market regulations on small farms' access to land was evaluated, cross-country analysis of factors constraining and factors stimulating farmers' exit from agriculture was conducted, the implications of land abandonment for small farms' access to land were evaluated, and conclusions and policy recommendations were drawn.

This report summarizes the key results and findings of the project tasks described above. The covered topics in Tasks 1 and 2 are the following: general information about the agricultural land market, land market regulations, agri-policy measures related to the land market and agricultural credit market in WB countries/territories. Additionally, the findings of Task 3 are incorporated into the results of Tasks 1 and 2, and under Task 4, cross-country analysis is presented for each topic. This report's structure is the following: firstly, it provides a short overview of the project's work plan and methodological approach. In the second part of the report, an overview of the results of Tasks 1, 2, 3 and 4 is presented, based on the respondents' answers and findings of the focus groups. The report ends with conclusions and policy recommendations.

It should be emphasized that the size structure of agricultural holdings in the WB countries/territories is highly unfavourable. The vast majority of agricultural holdings in these countries are small; therefore, this report's findings and results refer to most of the farms in these countries/territories.

Due to the differences relevant for the land market and farms' access to land, the Federation of Bosnia and Herzegovina and Republic of Srpska are analysed separately, even though they are entities that belong to one country – Bosnia and Herzegovina.

3. METHODOLOGICAL APPROACH

The research was conducted using a questionnaire template and focus groups among WB countries/territories. All of the findings, conclusions and recommendations, presented in this report were gathered based on these two methods.

A questionnaire template was developed and used in each of the involved countries/territories: Albania, the Federation of Bosnia and Herzegovina, the Republic of Srpska, North Macedonia, Kosovo*, Montenegro and Serbia to ensure uniformity of the collected information. Respondents were national experts from different institutions (universities, institutes, colleges, ministries, etc.) who provided answers for their countries/territories. In total, 13 experts completed the survey questionnaire. The information was collected from national statistical offices, ministries of agriculture and other public institutions dealing with land policy, international organizations (e.g., the World Bank, FAO), additional surveys, and expert and scientific literature.

Instructions for the organization of focus groups were prepared, and specific questions for focus group discussions were developed to ensure uniformity of the focus group discussions. In each WB country/territory, two focus groups in different regions were conducted, each attended by relevant stakeholders. The same four general topics as in the survey questionnaires were discussed (rental and sale markets, land market regulations, agri-policy measures related to land market and agricultural credit market), but the questions were more in-depth and more with an emphasis on small farms.

Based on the work done on project's Tasks 1-3 (returned questionnaires and focus group reports) and the national experts' inputs, a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries/territories was developed. Qualitative and quantitative analysis was enabled by using uniform survey questionnaires and country report templates. First, the quality of collected data was evaluated and if

needed, feedback was provided to the national experts. All of the data and information from Task 1-3 were gathered and processed and lastly, comparative cross-country and desktop analyses of the land markets and small farms' access to land were conducted. Because of the large volume of gathered data and information, not all of it is presented in this report.

3.1 Survey questionnaire

The survey questionnaire was structured as follows:

- Respondent's information;
- Information about rental and sale land markets;
- Land market regulations;
- Agri-policy measures related to land market;
- Agricultural credit market;
- Any other additional information.

Additionally, some external resources and publications were reviewed where further information was required.

3.2 Focus groups

Focus groups were conducted in March 2018 in all seven countries/territories. The focus groups aimed to discuss relevant questions more in-depth to identify factors affecting the functioning of land markets and their implications for small farm's access to land.

Two focus groups were conducted in each partner country/territory. Focus groups were composed of 7-19 participants that included farmers, farmers' associations and other relevant stakeholders from SWG, scientific institutions, local municipalities,

banks, directorates, development agencies and other institutions at the national, federal, cantonal or municipality level.

Participants discussed specific questions, divided into four general topics:

- Rental and sale markets;
- Land market regulations;
- Agri-policy measures related to land market;
- Agricultural credit market.

After focus groups were completed, the discussed key ideas were summarized and included in country reports.

4. GENERAL INFORMATION ABOUT RENTAL AND SALE MARKETS IN WESTERN BALKANS

Respondents were asked to provide data and information about land market functioning in their country/territory and the biggest obstacles that impede land market development. They were also asked to describe institutions that are responsible for land market issues and their role, provide data about the share of agricultural land based on ownership structure and the share of uncultivated land, describe how the quality of agricultural land is assessed in their country/territory and provide the definition of small agricultural households.

4.1 Share of agricultural land by ownership structure

Land privatization in **Albania** occurred early in the transition process, with the land reform in 1991. During the privatization process, the former collective farms were divided into thousands of agricultural holdings (approximately 480,000). Around 383,000 families received about 500,000 ha from the former cooperatives. In total, land reform programs have subdivided the country into 4.5 million land parcels and separately owned immovable property units, which has left land ownership highly fragmented (Albania country report, 2006). In 2013, the utilized agricultural area (UAA) covered 1.16 million ha, which is around 40% of the country's total land area. About half of the UAA represents arable land, around 40% are permanent grasslands, and the rest of the land is under permanent crops. Pastures and meadows are managed mainly by the state and only partly given to farmers for rent (Policy brief, 2015).

In the **Federation of Bosnia and Herzegovina** (as an entity in BiH), state-owned agricultural land is mainly composed of pastures (73%), while family farms mainly own arable land for intensive agricultural production. The share of state-owned land enormously varies between different cantons (7% - 64%). In 2016 family farms owned 794,000 ha of UAA, out of which 675,000 ha were estimated to be owned by small farms (up to 2 ha of agricultural land). It must be noted that UAA (1,179,000 ha) in the table below covers a cultivable area (covering arable land, gardens, orchards, vineyards, pastures and meadows), fishponds and swamps. Agricultural land is very fragmented comprised of many small land plots, and the existing Inheritance Law will lead to further fragmentation. As no agricultural Census was conducted for the last 35 years, there is no reliable data on the number and size of agricultural holdings.

In the **Republic of Srpska** (as an entity in BiH), there is no precise and reliable data about agricultural land surface and ownership. Data about ownership structure is published only for family farms and legal entities. In 2016, family farms owned 98% (984,000 ha) of UAA, and other 2% (20,000 ha) belonged to agricultural companies. There is no data how much of agricultural land is owned by the state and how much it is privately owned. Part of the state land is owned by the state-owned companies (former "kombinats" and other state-owned forms of enterprises), and part is land that is directly owned by the state. The land owned by state companies shares these companies' fate and changes owners due to the change in the ownership structure of these companies (privatization, recapitalization, sale, etc.). The state's agricultural land is managed by the entity (Republic of Srpska) through its Ministry of Agriculture. The third group of agricultural land is cooperative land. Cooperatives have two categories of agricultural land. The first is the land that the cooperatives have bought in the past. The second is the land used by the cooperatives, assigned to them after the processes of private land nationalization and confiscation.

In **Kosovo*** majority of UAA in 2014 (413,635 ha) was owned by small household farms and a few large former state-owned enterprises. Agricultural land used by private agricultural households is

fragmented into a number of small plots distributed in many locations. The largest part of UAA belongs to permanent grasslands (54%) followed by arable land (44%), permanent crops have less than 2%, and the rest refers to the kitchen gardens (0.3%).

The transition process in **North Macedonia** led to major structural and economic changes. Before 1991, the agricultural sector consisted of large-scale state-owned farms, also known as agrokombinats and cooperatives, which were characterized by more specialized production. Today, decentralization has led to the agricultural sector being to a great extent composed of small farm households with more diversified production systems, half of which are smaller than 1 ha. Larger farms (agricultural companies) represent around 1% of the total farmer population, and they cultivate around 10% of the total arable land. Around 80% of agricultural land is private, while the remaining 20% belongs to the state.

Agricultural holdings in **Montenegro** cultivate over 220,000 ha of UAA. The great majority belongs to family farms (96%) while agricultural companies own the rest.

There is no statistical data on the agricultural land owned by the state. However, agricultural producers use state-owned pastures and meadows for agricultural production. Pastures and meadows in Montenegro constitute about 95% of the used agricultural land, as the purpose of a large area of arable land was changed. As in other WB countries/territories, agricultural land is very fragmented.

In **Serbia**, the highest share of agricultural land in 2012 belonged to family farms (82% of total UAA), representing 99% of total agricultural holdings. Around 10% of the agricultural land owned by family farms, belonged to small family farms (owning up to 2 ha of agricultural land). The rest of the agricultural land was owned by agricultural companies and the state. The size of state-owned agricultural land varies year to year. According to Republic Geodetic Authority, there was about 1 million ha of state-owned agricultural land in 2017.

Table 1 shows the shares of agricultural land by ownership structure for the last available year in hectares of utilized agricultural area. Some data is missing due to the unavailability of official statistics.

Table 1: Share of agricultural land (ha UAA) by ownership structure for the last available year

Country/territory	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2013	2016	2016	2014	2016	2010	2012
Owned by the state	598,000	385,000	n/a	17,038	n/a	n/a	800,000 ³
Owned by agricultural companies	n/a	n/a	20,000	8,206	48,748	8,573	612,355
Owned by family farms	561,520	794,000	984,000	405,429	271,988	212,724	2,825,068
Owned by small family farms (up to 2 ha of agricultural land)	n/a	675,000 ¹	n/a	n/a	131,816 ²	n/a	273,622
Total UAA	1,159,520	1,179,000	1,004,000	413,635 ⁴	320,738	221,298	3,437,423

¹ Estimation made based on data from Register of farms

² Agricultural holdings with up to 3 ha of UAA

³ Period 2012-2015; only the area of rented state land is included in total UAA

⁴ Owned by family farms and Owned by agricultural companies

n/a – not available

4.2 Share of uncultivated land

Based on respondents' answers in Table 2, the share of uncultivated land strongly varies between the surveyed countries/territories. The share is the lowest in Kosovo* (4%) and the highest in Montenegro (28%). For the Federation of Bosnia and Herzegovina and the Republic of Srpska (in BiH), the percentage of uncultivated land was provided in relation to total arable land and calculated in relation to the total utilized agricultural area. For Albania, there are no official data on the share of uncultivated land, only estimations from studies are available (10%) (Deininger et al., 2013). Countries reported that major reasons for uncultivated land (not ordered by significance or frequency of answers) are inaccessibility, lack of irrigation access, high steepness, low fertility, economic inefficiency and weed infestation.

Table 2: Share of uncultivated land in WB countries/territories (%) in relation to total agricultural land

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2008	2016	2016	2014	2016	2010	2012
Share of uncultivated land (%)	10 ¹	17 ¹	26 ¹	4	7	28	11

¹ Estimation

4.3 Definition of small agricultural households

Since this study's focus is small farms, it is essential to know which farms are considered small farms. There is no uniform definition of a small agricultural holding at the European level. According to the Report on the future of small agricultural holdings (EC, 2014), the most popular and at the same time most incomplete definition is based only on the area criterion, i.e., the utilized agricultural area (UAA). Thus, it is generally assumed that small agricultural holdings are those with less than 2 or 5 ha of UAA.

The average size of agricultural holdings varies between WB countries/territories and is, on average, very small (Table 3). The largest farms are in Serbia, with above 5 hectares of UAA per holding, and the smallest are in Albania, where the average size is 1.2 hectares of UAA per holding. Data for the Federation of Bosnia and Herzegovina and the Republic of Srpska are missing since no agricultural census was conducted in few decades. None of the surveyed countries/territories has its official definition of small agricultural holdings.

Table 3: Average size of an agricultural holding in WB countries/territories (ha) in UAA

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2012	n/a	n/a	2014	2016	2010	2012
Average size (ha)	1.2	n/a	n/a	3.2	1.8	4.6	5.4

In **Albania**, farms are very fragmented. The average farm size in 2012 was 1.2 ha, and the average plot size was 0.26 ha (INSTAT 2012). Family farms are the most common type of farms, ranging from semi-subsistence with only family workers to much larger and more productive farms. In Albania, there are no official definitions of farms according to their size. Some studies (Guri et al. 2015) recognize small farms as those smaller than 1 ha. However, according to the classification used by INSTAT and MARD-WA, large farms are considered those with:

- ≥ 10 ha – the case of agriculture farms;
- ≥ 8 heads of cattle;
- Small ruminant ≥ 150 heads of sheep and/or goats.

In the case of livestock, according to the law (Law 9426, 2005), cattle farms are classified as:

- Large agricultural farms that breed over 50 dairy cows;
- Medium farms that breed 10 to 50 cattle;
- Small farms that breed less than 10 cattle.

According to these classifications, a minimal share of farms can be considered as large. Based on data

from 2012, about 45% of the farms owned up to 1 ha, and 86 % of farms had up to 2 ha. Only 14% of farms were bigger than 2 ha and, 1 % was bigger than 10 ha. In the case of livestock, in 2011, only 2% had more than 5 cows, and only 1% had more than 10 cows. In the case of small ruminants, 15% of farms had more than 50 sheep, and 4% had more than 100 heads (MAFCP, 2012). The situation is similar also for goat farms.

In the BiH entity **Federation of Bosnia and Herzegovina**, small agricultural households usually refer to households with less than 1 ha of agricultural land and orientation to subsistence or semi-subsistence farming. According to the last population and household census in 2013, 30% (217,061) of all households declared themselves as agricultural producers. However, according to the Farm register, in 2017, there were only 74,050 (34% of all agricultural households) registered farms eligible for support from the Ministry. The share of farms with less than 1 ha of agricultural land was 67%, while the share of farms below 3 ha was 89% of all registered farms.

In the BiH entity **Republic of Srpska**, agricultural holdings are not categorized by size but only as commercial or non-commercial. Every agricultural holding engaged in agricultural production is treat-

ed as an agricultural holding, without any other minimum registration and status requirements. The threshold for obtaining the status of a commercial agricultural household is three production units. The number of production units is determined by multiplying the volume of output generated by the types of agricultural production and types of livestock, with the corresponding coefficient prescribed by the regulations. For example, the limit for a commercial farm's status is 0.75 ha of apples or pears, 1 ha of mercantile potatoes, 8 ha of mercantile maize, 12 ha of mercantile wheat, 25 ha of natural meadows, 3 cows, 30 sheep, etc. All farms that have fewer crops or animals are non-commercial.

In **Kosovo***, the agricultural household is the one that possesses and cultivates more than 0.10 ha of utilized arable land or less than 0.10 ha of utilized arable land, but has at least:

- 1 cattle and a calf, or 1 cattle and 1 heifer;
- 1 cattle and 2 grown sheep or goats;
- 5 grown sheep or goats;
- 4 grown sheep and pigs together;
- 3 grown pigs;
- 50 grown poultry;
- 20 beehives;
- More than 20 m² of the fish pond.

The average size of an agricultural holding in Kosovo* regarding UAA is much smaller than in most EU countries but similar to the neighbouring countries. The holdings with 0-0.5 ha of arable land are most common (35.3%), while most of the arable land is cultivated by agricultural holdings, with 2-5 ha of arable land.

In **North Macedonia**, agricultural holdings must meet the following requirements:

- 1,000 m² of an agricultural area or more;
- Less than 1,000 m² of an agricultural area or none at all, but own a certain minimum number of livestock, poultry or beehives:
 - 1 cow and 1 calf, or
 - 1 cow and 1 heifer, or
 - 1 cow and 2 adult heads of small livestock, or
 - 5 adult sheep or goats, or

- 3 adult pigs, or
- 4 adult sheep or goats and pigs together, or
- 50 head of adult poultry, or
- 20 beehives.

As an exception, the households that have agricultural production, but do not meet the requirements to be individual agricultural holdings, if agricultural production is the only source of income for those households, are also covered.

The size of agricultural holdings is mainly measured by their economic size using the FADN methodology. Very small farms are those with an output lower than EUR 2,000 (60% of farms), small farms those with an output between EUR 2,001 and 8,000 (20% of farms) and medium farms are those with an output higher than EUR 8,001. In terms of a land size, it is very difficult to generalize the definition of small agricultural holdings since different agricultural production requires different land size for efficient and profitable production. However, the situation in terms of area per farm is similar to the economic sizes. Around 50% of the farms have less than 2 ha of UAA, around 30% have 2 to 5 ha of land per farm, and only 5% have more than 15 ha per farm. In summary, the North Macedonian individual households are very small (on average, 1.8 ha of utilized agricultural area).

Montenegro does not have a definition of a small agricultural holding even based on standard output. However, since almost 65% of agricultural producers are below EUR 2,000 of standard output, based on the respondent's estimation, this is the line between large and small agricultural producers. Secondly, according to the regulation on the criteria for determination of small quantities of primary products and local markets, small agricultural producers are those who produce:

- 350 egg pieces per week;
- 100 litres of raw milk per day;
- 100 kilograms of cheese, whey, sour cream or kajmak per week;
- 300 kilograms of fruits, vegetables or cereals per day;
- 100 kilograms of processed products, fruits, vegetables and cereals per week.

5. RENTAL MARKET IN WESTERN BALKANS

No data on the minimum requirements for agricultural holding is available.

Although there is no official definition in **Serbia**, the Strategy for Agriculture and Rural Development of the Republic of Serbia 2014-2024 defines small farm households as those that own up to 2 ha, i.e., up to 5 ha of UAA. Agricultural holdings using up to 2 ha of UAA are the most common. Their share is around 50% of the total number of agricultural households, but they own only up to 10% of the total UAA in the country. Agricultural holdings that use less than 5 ha of UAA account for 77.7%, and they own about a quarter of the total UAA. Poor agricultural holdings usually possess small property, “returnees” from cities (more often elderly, retired persons) and inhabitants of rural areas with regular income from the non-agricultural sector.

In Serbia, agricultural holding, as defined in Agricultural Census 2012, is a holding which:

- Has minimum 50 hectares of UAA or less than 50 hectares of UAA if farmer engages with agricultural production intended for the market or;
- Raises no less than two heads of cattle or one head of cattle and 2 heads of small animals (pig, goat, sheep - in total) or five heads of sheep or 5 heads of goat or three heads of pig or four heads of small animals/pig, goat, sheep - in total or 50 heads of poultry or 20 colonies of bees.

Respondents were asked to provide the data about the share of rented agricultural land, the share of informal rental contracts, how the rental prices of agricultural land were formed and how they varied with land characteristics (quality, category, location, natural conditions), who got the subsidies in case of renting agricultural land, what were the rental prices (average, minimum and maximum price) of agricultural land and most common types of rent payment.

5.1 Rented agricultural land

In **Albania**, the rental and sale market is still poorly developed. The main problem lies in terms of land tenure security. The insecurity is due to the fact that a most of farmers still do not possess land ownership titles. Even the farmers who possess this title and whose land was entitled according to the law are insecure concerning their legal ownership because of former owners' claims and disputes. From 2011 to 2015, about 3,150 land transactions have been registered on average yearly, covering an area of 750 ha. Rental transactions are rarely registered, usually when the lessee applies for subsidies or to get credit. The land rental market is generally informal, so it is hard to estimate the exact number of transactions. Some studies (Deininger et al., 2013; Qineti et al., 2014) estimate that about 10% of farmers are involved in land rental transactions every year. State-owned land rental transactions are very limited. Data from 2017 shows 10 registered rental transactions of state-owned land covering a surface of 155.06 ha. Still, the rental market is more flexible than the sale market and less likely to be affected by social norms.

In the **Federation of Bosnia and Herzegovina**, the land market is unregulated and dysfunctional. Although there is a good legal framework for the establishment and functioning of the land market, this process is extremely slow and inefficient. The obstacles for the establishment of an efficient land market are numerous and related to the complex and inefficient administrative organization, high decentralization in decision-making processes, unfinished restitution process, structural problems

of agriculture and missing or inefficient institutions. The demand for renting agricultural land is low, and the rented surfaces are insignificant. It is estimated that 80% of state-owned land remains unrented, and the share of rented private land is less than 10% of total land. Arable land is usually rented for a year, except in cases of permanent crops production.

In the **Republic of Srpska**, rental transactions of agricultural land are more common than sale transactions. The data for the rent of private agricultural land is not officially available. There is only an estimation based on the Farm registry data, where only around 30% of arable land is registered. Estimation indicates that 23% of used agricultural land is rented from private landowners, around 72,000 ha.

In **Kosovo***, the rental and sale market of agricultural land is not well functioning. There is a lack of information and transparency on the activity in the land market and privatization of state-owned land, where in many cases, the land is transferred into urban land. Data on ownership is, similarly to Albania, not updated, so farmers do not have the possibility to change ownership or be eligible for subsidies.

In **North Macedonia**, the agricultural land market is not sufficiently functional and dynamic. The data for the number of rental transactions and rented area refers to the lease of agricultural land in total (state and private) as there is no separate information. Based on the respondent's estimation, 80% of the total land is leased with formal contracts since most of these contracts are signed with the state. The remaining 20% belong to the lease of private land, mostly with informal contracts.

The agricultural land market in **Montenegro** is regulated by the Law on Agricultural Land since 1992, and so far, not much progress has been made in the field of land market regulations. Agricultural land is usually rented on the basis of an oral agreement between friends and acquaintances, without compensation or, most commonly, the yield from the land is divided in half. It is considered that making a written contract creates mistrust between the two parties. The biggest obstacles towards developing of the agricultural land market are fragmented areas and property legal relations, which hinder the renting and selling of agricultural land. Land in rural areas historically belonged to the people who inhabited

these areas, however, with the displacement of the population, many agricultural parcels were abandoned, and agricultural production was not carried out. If someone wants to get involved in agriculture production, they have difficulty locating and contacting the owner of the agricultural land.

Consequently, many areas of agricultural land remain uncultivated. In many cases, farmers rent land in order to obtain state support. In 2017, 575 rental contracts of private agricultural land were recorded. Based on estimations, 320 were signed to cultivate the land, and the rest to obtain state support.

In **Serbia**, agricultural holdings use 30% of UAA (about 1 million ha) through renting. This percentage is even higher, according to unofficial data. The size of rented state-owned agricultural land (without free use) does not oscillate significantly and accounts for about a third of the total rented UAA. These numbers indicate that the Serbian rental market for agricultural land is well-developed.

In all WB countries, the rental market seems to be more important than the sales market. Based on the respondents' answers, there is a great diversity in the number of rental transactions of agricultural land among WB countries/territories. The data in Tables 4 and 5 are incomplete, especially for privately-owned land, as in no surveyed country/territory official register of prices and leases is established. In the Federation of Bosnia and Herzegovina, only five out of ten cantonal ministries of agriculture submitted data to the Federal ministry, although they were obliged to do so. For the privately-owned land, there is no possibility to collect data, as the contracts on land rental are made in the municipalities, and there is not a single centralized database on it. Data for the Republic of Srpska refers to rent and concessions together. In 2017, 53 transactions were made as concessions and 426 were made as rent.

Table 4: Rented agricultural land: number of transactions in the last available year (expert estimations, except AL, BiH (FBiH), BiH (RS), XK*, MK)

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2017	2015	2017	2016	2016	2017	2012
State-owned agricultural land (no. of transactions)	10	234 ¹	479 ²	3,904	n/a	5	7,693
Privately owned agricultural land (no. of transactions)	n/a	n/a	n/a	20,679	n/a	575 ⁴	35,000 ⁴
Total (no. of transactions)	n/a	n/a	n/a	24,583	1,417 ³	580 ⁴	42,693

¹ Data for 5 out of 10 cantons

² Data refers to rent and concession together

³ Lease of agricultural land in total (state and private)

⁴ Expert estimation

n/a – not available

There is also a great diversity among WB countries/territories in the extent of transacted area (Table 5). In Albania, Republic of Srpska and Montenegro the data for rent of privately-owned agricultural land are not officially available. Some studies in Albania suggest that so far, 4,000 ha of land have been officially leased. Agency for Real Estate Cadastre of North Macedonia publishes the data for the lease of agricultural land in total and not separated by state or private land, but the expert estimation is that 80% of the rented land is state land and the remaining 20% is private agricultural land.

Table 5: Rented agricultural land - transacted area (ha; expert estimations except AL, BiH (FBiH), BiH (RS,) XK*, MK)

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2017	2015	2017	2016	2016	2017	2012
State owned agricultural land	155	2,494 ¹	17,999 ²	6,311	n/a	110	261,315
Privately owned agricultural land	n/a	n/a	n/a	60,032	n/a	n/a	613,927 ⁴
Total	n/a	n/a	n/a	66,343	2,360 ³	n/a	875,242 ⁵

¹ No centralized database; data for 5 out of 10 cantons

² Data refers to rent and concession together

³ Lease of agricultural land in total (state and private)

⁴ Expert estimation

⁵ Total rented UAA by agricultural holdings for money or in kind

n/a – not available

5.2 Informal rental market

According to the respondents' answers in Table 6, there is a significant difference in the share of informal rental contracts among WB countries/territories. In some countries/territories, this share is (based on estimations) up to 10% (Federation of Bosnia and Herzegovina, Serbia), while in other countries/territories (Albania, North Macedonia, Montenegro), 70% or more of agricultural holdings rent agricultural land without formal contracts. Data refers to transactions of privately-owned land, since renting of the state land is arranged with formal contracts.

The share is the highest in **Albania** (90%), where the rental market of private land generally functions informally since rental agreements shorter than 6 years are not obliged for registration. Transactions

are usually done between co-villagers, neighbours and relatives, most often for the period of one year. The land is generally rented out by farmers who do not live in the village anymore or do not have enough workforce to cultivate the land. In **North Macedonia**, small farmers often (in around 70% of cases) rent land from relatives or other villagers without a formal lease contract and usually for a short period (one year). The data for the **Republic of Srpska and Kosovo*** is not available. Participants in focus groups in **the Republic of Srpska** stated that the practice of formal or informal renting of private agricultural land is common. A lot of the land is still used without any written track, but this practice is not illegal. In **Montenegro**, every formal contract is due to certain reasons, whether it is a loan application or state support. It is estimated that only 30% of contracts are formal, and the rest are oral agreements for the duration of one or more seasons. Respondents from **Serbia** estimated that the share of informal contracts is 5-10%.

Table 6: Share of informal rental contracts (%); expert estimations

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Informal rental contracts	cca. 90%	Less than 5%	n/a	n/a	70%	70%	5-10%

n/a – not available

5.3 Rental prices and types of payment

Among WB countries/territories, rental prices are formed differently, depending on whether they are related to state-owned or privately-owned land. Rental prices for privately owned land are formed freely on the market in all surveyed countries/territories and based on different criteria (location, land quality, land category, natural conditions, kinship, etc.).

On the other hand, prices for state-owned land are usually regulated. In **Albania**, they are regulated through public auctions organized by the Ministry of Agriculture and Rural Development. In the **Federation of Bosnia and Herzegovina**, rental prices for state-owned agricultural land are only partly regulated by the government, as the initial minimum rental price is defined, but the final price is formed on the basis of submitted offers. For the rent of state agricultural land in the **Republic of Srpska**, prices are set depending on the class of land and its location (altitude of the municipality where the land is offered for rent). Rental prices of agricultural land in **Kosovo*** are determined by the market price and based on the public competition tender. In **North Macedonia**, the price for the lease of state land is formed on a public tender, and the starting price is determined depending on the cadastre class and the location of the land. State-owned land in **Montenegro** is leased through public tenders, and the value of the land is estimated by the Real Estate Directorate. In **Serbia**, state-

owned agricultural land is rented by a local self-government unit, and the initial price is determined on the basis of the rents paid for the agricultural land in the previous year (in the first round, the starting rental price is 80%, and in the second round it is 60% of the price paid in the previous year). The maximum rental price is not determined.

In Table 7, ranges of average rental prices of agricultural land are presented. Prices are given for private land and state land. Rental prices for agricultural land in WB countries/territories vary depending on the region, ownership, land availability, land use, land category, soil quality, plot size and shape, natural conditions, etc. This must be considered because the prices in Table 7 are given for different land types. According to data, the highest rental prices are in **Albania** and **Montenegro**, while the lowest average rental prices are in the **Federation of Bosnia and Herzegovina** and **North Macedonia**.

The average rental prices for privately owned land in **Albania** in 2017 varies from EUR 75 ha/year for poor-quality agricultural land up to EUR 400 ha/year for the most fertile land. In some very fertile regions such as Divjaka or Xara, the land rental rate may go even up to EUR 1,000 ha/year.

The rental prices for state-owned agricultural land are primarily determined by agricultural land rating, condition of irrigation and drainage infrastructure, distance to market, road infrastructure and the level of the agro-processing industry in the area. The average rental prices for state-owned agricultural land ranged from EUR 50-220 ha/year in 2016.

In the **Federation of Bosnia and Herzegovina**, rental prices of state-owned agricultural land are slightly

lower than the prices of privately owned one. Neglected and abandoned agricultural land owned by the state in 2017 could be rented for around EUR 15/ha and privately-owned ploughed fields for about EUR 150/ha. In general, arable land has the highest price, followed by meadows and pastures. However, the rental price for pastures in densely populated regions with developed agricultural production sometimes exceeds even the rental price of arable land in regions with less developed agricultural production.

The average rental price of agricultural land in the **Republic of Srpska** ranged from EUR 50 to 250 per hectare in 2017. The location and the size of the land parcel have the most significant impact on the rental prices.

As in the Federation of Bosnia and Herzegovina, rental prices in **North Macedonia** are higher for private agricultural land than the state-owned land. The reason is that the state-owned land of the highest quality had already been leased 10-15 years ago, and in the past 2-3 years, low quality and unattractive land have been under the lease. The state-owned land is given on tender, so a minimum starting price is determined based on cadastral class and location.

Kosovo* provided the data also for different land uses. The average rental price in 2017 for orchards was EUR 440/ha, for vineyards EUR 339/ha and grasslands EUR 220 /ha.

In **Serbia**, rental prices are constantly growing. Prices vary significantly between the regions. For example, in Vojvodina, rental prices are approximately 35% higher than in central Serbia.

Table 7: Average rental prices (EUR/ha) of agricultural land in the last available year

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	2017	2017	2017	2017	2016	n/a	2016
Average rental prices of agricultural land (EUR/ha)	75-1,000/ year ¹ (220-380 / year) ²	15-150	50-250/ year	542	70/year ³	100-1,000/ year (around 400) ⁴	180 ⁵ -197 ⁶

¹ Private land; based on interviews with the real estate companies

² Data from focus groups

³ Data for private and state-owned arable land

⁴ Expert estimation

⁵ Privately owned arable land, medium quality; expert estimate

⁶ State-owned arable land, medium quality

n/a – not available

The most common types of payment of the rent for agricultural land are cash, especially for state-owned land. In North Macedonia, the lessee can also compensate with the subsidies paid by the Paying agency. In some countries/territories (Albania, Republic of Srpska, Serbia, Montenegro), the rent for privately owned land can also be paid in kind or through work (Kosovo*, Republic of Srpska). In Montenegro, it is common that if the risk of agricultural production is high, the landowners will first rent agricultural land for cash, while if the risk is minimal and if a high yield is expected, then the owners decide to share the yield.

5.4 Possible renters of agricultural land

All natural and legal (local or foreign) persons are eligible for renting state-owned and privately-owned agricultural land in Albania. The situation is the same in **Kosovo***, however, the foreigners must be registered in the country. In the **Federation of Bosnia and Herzegovina**, only farmers and legal entities that conduct agricultural activity can rent state and private agricultural land. In the **Republic of Srpska**, there are no formal restrictions for the rent of private land. Companies and entrepreneurs registered for carrying out agricultural activities and natural persons engaged in agricultural production can rent state agricultural land. They must fulfil several general conditions: they must be registered in the Registry of agricultural households, have their permanent address or place of business in the municipality where the rented land is located at least one year prior to the submission of the bid, and have agricultural mechanization. Depending on the type of agricultural production planned to be carried out on leased agricultural land, the following special conditions shall also be met by the companies, entrepreneurs and physical persons: they must have certain livestock and agricultural land or already have certain areas of agricultural land under crops, vegetables or fruit trees. The local self-government units can define special conditions in accordance with the state of development of agricultural production in the area where the agricultural land is rented. The concession for the use of agricultural land can be

granted to domestic and foreign legal entities.

In **North Macedonia**, domestic natural and legal persons and foreign legal entities have the right to participate in the public announcement and to submit bids. The natural persons must be registered in the agricultural activity and/or registered in the single registry of agricultural holdings and/or to be a sole proprietor for whom the agricultural production or processing of primary agricultural products is the main activity. The foreign legal entities have the right to participate in a public tender if they have registered subsidiaries in North Macedonia.

For renting state-owned land in **Montenegro**, there are no conditions on who can rent the land, according to law. However, when the Ministry of Agriculture and Rural Development published a call for renting state agricultural land, it was stated that the natural person or legal entity must:

- be registered in the Register of agricultural holdings;
- submit an investment program concerning the amount of investment, the number of new jobs, the volume of production, plan for land use;
- submit a written statement obliging that at least 80% of the total leased area will be planted;
- submit the financial offer, with the amount not less than EUR 100 per hectare. The proposed rent amount is one of the criteria for evaluating the offer;
- respect the principles of good agricultural practice;
- fulfil within the period of not more than 5 years from the conclusion of the agreement all obligations specified in the investment program attached to the offer.

While there are many conditions for renting state-owned agricultural land, there are no conditions for renting private land.

In **Serbia**, there are no restrictions for renting privately owned agricultural land. However, the lessee of state-owned agricultural land can be a natural or legal person that fulfils certain conditions, depending on whether this land is rented under the right of priority lease, the right of first refusal, or in the first or second round of public bid.

Table 8: Possible renters of agricultural land (expert opinion) in WB countries/territories

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE ⁵	SRB ⁵
Non-farmers	Yes	No	No	Yes	No	Yes	Yes
Foreigners	Yes	No	Yes ²	Yes ³	No	Yes	Yes
Legal entity	Yes	Yes ¹	Yes	Yes	Yes	Yes	Yes
Legal entity, owned by foreigners	Yes	No	Yes	Yes	Yes ⁴	Yes	Yes
Others	n/a	n/a	No	n/a	n/a	Yes	Yes

¹ Registered for agricultural production

² Foreigners are eligible only for concession

³ Must be registered in Kosovo*

⁴ If they have registered subsidiaries in MK

⁵ Refers to renting of private agricultural land

Table 9 shows which of the two involved parties can get the subsidies in the case of renting agricultural land.

Table 9: Possible receivers of subsidies in case of renting agricultural land in WB countries/territories

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Lessee	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Owner	No	No	Yes	Yes	Yes	No	No

In **Albania, the Federation of Bosnia and Herzegovina, Montenegro and Serbia**, the subsidies are received by the one who rents the land and not its owner. In order to get the subsidy, the renter must provide the renting contract. In the Federation of Bosnia and Herzegovina it is obligatory to register the farm into the Register of agricultural households. In **Kosovo***, this depends on the agreement that decides whether the lessee or the owner gets them, but it is very common that the subsidies are taken by the owner of the agricultural land. In the **Republic of Srpska**, not all of the farmers are registered in the Farm Registry because it is done voluntarily. However, the registration and a rental contract or a statement that the land is given without any financial compensation are needed for acquiring the subsidy. The right to acquire the subsidy has either the owner or the lessee, depending on who registered the land. If the lease agreement in **North Macedonia** is notarized, it becomes official, and thus the lessee has the right to apply for subsidies. There are special forms of contracts that are also notarized, but in those agreements, the lessee takes the land for rent free of charge, i.e., it has no obligation to pay the lease to the lessor. Furthermore, in this case, the subsidies are taken by the lessee. If the contract is oral and not certified by the notary public, the subsidy is given to the owner.

5.5 Cross-country findings

The rental market of agricultural land in WB countries/territories is not fully functioning. **Serbia** has the most developed land market among all WB countries/territories. In 2012, 875 thousand hectares were rented, which is ten times more than all other WB countries together. A lack of reliable data and a great share of informal renting show that the functioning of the rental market with agricultural land is limited. In some countries/territories, this share is up to 10% (**Federation of Bosnia and Herzegovina, Serbia**), while in other countries/territories (**Albania, North Macedonia, Montenegro**), 70% or more of agricultural holdings rent agricultural land without formal contracts.

Rental prices for privately owned land are formed freely in the market in all of the surveyed countries/territories, while for the state-owned land is usually regulated. The prices vary according to the quality, location and use of agricultural land. In general, the highest prices are for arable land, followed by permanent crops and pastures and meadows. The highest rental prices are in **Albania** and **Montenegro**, while the lowest average rental prices are in the **Federation of Bosnia and Herzegovina** and **North Macedonia**.

6. SALES MARKET IN WESTERN BALKANS

In this chapter, respondents were asked to provide information about the average sales prices of agricultural land, how were the prices formed and how they varied with different land characteristics. Also, respondents were asked about the possible buyers and restrictions regarding the purchase of agricultural land.

6.1 General information

In **Albania**, the sale of agricultural land is very limited, and the sale market is less developed than the rental one. After sale, agricultural land is often converted to construction land, either for housing or business activities. This process is controlled through zoning policies, but it has raised the price of land significantly. Based on the findings from the focus groups, farmers behave based on social norms and are reluctant to sell the land because it is considered a virtue. Even households that live elsewhere rather rent out the land or cultivate it than sell it. Young families and mostly migrants are more willing to sell the land. Some farmers, primarily the elderly, sell the land because of lack of money in the case of health problems, poor economic situation etc.

There is a lack of reliable data related to agricultural land sale in the **Federation of Bosnia and Herzegovina**. The system is highly decentralized, and all sales-related activities take place at the municipal level. Land registers, stored in municipal courts, do not have data on sold surfaces, neither does cadastre.

In the **Republic of Srpska**, the sales market is less developed than the rental market. Only a small land area is sold every year, and often the agricultural land is purchased to be used for construction. The trade of private agricultural land is free and depends exclusively on the interests of stakeholders. Small farms can freely buy and sell agricultural land. Possible obstacles when buying land are lack of money, poor information on supply and demand, insufficient knowledge of procedures for changing ownership and transaction costs. The change in ownership of agricultural land requires sign-

ing a contract and registration of ownership change in land book (managed by geodetic administration).

Kosovo* is in a similar situation like Albania. Participants of the focus groups emphasized that a very limited amount of land was offered on the market every year due to family traditions. They are using the land as storage for wealth. Another problem is the illegal changes of the purpose in agricultural land use. Because of the lack of statistics, there is no information on how much agricultural land is lost every year and no strategy to address these illegal changes.

In **North Macedonia**, many factors hinder the sale of agricultural land. The ownership is not settled due to unregistered hereditary rights, abandoned land, shared ownership and the unfinished denationalization process. Such cases still concern 20-30% of the arable agricultural land. Inheritance through legal inheritance procedures is one of the main factors for the unfavourable situation. The continuous trend of the land parcels division, unsettled cases of ownership and consequently the physical division of the land also represent obstacles for placing these land resources in use or to the land market. The weak land market, which does not contribute to the consolidation of agricultural economies, and the low economic growth and lack of social security, continues the process of fragmentation and diversification. The mobility of the land is also often reduced because of the tradition according to which the agricultural economies remain the property of the oldest family member until death. In 2016, 5,788 transactions of agricultural land were registered, and all of them refer to private land, as state-owned land is not subject to sale.

In **Serbia**, the agricultural land sales market is moderately developed. In the last 15 years, it has become more active, and it is estimated that the prices are increased double, and even triple for arable agricultural land. Every year, 1-3% of the total UAA is sold and purchased. It is expected that in the following period the agricultural land market will be even more active. The main reasons are:

- Part of the state agricultural land will be subject to purchase;
- Sale of land by elderly households;
- Change of tax policy (a shift from taxation based on cadastral income to taxation based on market value) will contribute to the transition of land from inefficient to efficient farmers (SEED-EV, 2017).

6.2 Sales prices

According to the respondents' answers, there is a great diversity in the average sales prices of agricultural land among WB countries/territories. Sales prices of agricultural land vary according to different factors (not ordered by significance): location, land quality, natural conditions, fertility, irrigation potential, infrastructure and landscape characteristics, accessibility and others. There are also speculative reasons for the purchase of agricultural land based on expectations that it will be later converted into construction land. In such cases, the market value and prices of agricultural land are significantly higher. The reported sale prices in Table 10 vary between EUR 1,000/ha in Montenegro and up to EUR 175,000 /ha for plots with very favorable natural conditions for intensive agricultural production in Mediterranean regions of the Federation of Bosnia and Herzegovina. The data shown in Table 10 refers to prices of different categories of land use and different land qualities, so they cannot be compared directly.

Table 10: Average sale prices of agricultural land (EUR/ha; expert estimations except FBiH, MK, RS)

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Data for year	n/a	n/a	n/a	n/a	2016	n/a	2015
Average sales prices (EUR/ha)	4,000-8,000	5,000-175,000	2,500-50,000	3,400	11,000-35,000 ¹	1,000-4,000 ² (up to 30,000 ³)	7,700 ⁴

¹ Arable land

² Meadows and pastures for cattle breeding

³ Coastal land for cultivating olives and citruses

⁴ Arable and non-cultivated agricultural land

Sales prices are not regulated by the government in any of the surveyed WB countries/territories but are formed freely on the market. However, in Montenegro, the state has created a legal framework for pricing, by adopting closer criteria and methodology for determining the market value of the real estate. It is determined as the product of the average market price of m² of real estate and size of real estate, applying the criteria established by this regulation.

6.3 Possible buyers of agricultural land

In all surveyed WB countries/territories, there are some restrictions for buying agricultural land regarding the possible buyer. In Table 11, all the possible buyers are shown.

Table 11: Possible buyers of agricultural land (expert opinion) in WB countries/territories

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB ⁶
Foreigners	No	No	Yes ⁴	Yes ⁵	No	No	Yes
Domestic legal entity	Yes	Yes ²	Yes	Yes	Yes	Yes	Yes
Legal entity, owned by foreigners	Yes	No	Yes ⁴	Yes	No	No	Yes
Others	Yes ¹	Yes ³	Yes	n/a	n/a	Yes	Yes

¹ Albanian companies with foreign ownership

² Must conduct agricultural production

³ Any BiH citizen

⁴ Under the terms of reciprocity or on the basis of an international agreement

⁵ Must be registered in Kosovo*

⁶ Data refers to buyers of privately-owned agricultural land

n/a – not available

In **Albania**, there is no sale of state-owned land until the denationalisation process is completed. The process will define which land will be used for compensation and which land will be further available for sale. There are no restrictions for buying private agricultural land for domestic physical persons and legal entities, but foreigners are not allowed to buy land for up to 7 years from entry into force of the Stabilization and Association Agreement between Albania and EU member states signed in April 2009. They can buy agricultural land only if they are shareholders of an Albanian legal entity.

In the **Federation of Bosnia and Herzegovina**, state-owned agricultural land cannot be sold at all. An exception is possible only when the Parliament of the Federation of the Bosnia and Herzegovina determines general interest to sell agricultural land. Farmers and legal entities can only rent state-owned agricultural land. There are no special conditions for purchasing agricultural land. Any citizen or legal entity from FBH can buy it. Foreigners and foreign legal entities cannot buy agricultural land unless there is an international state agreement. The only way for a foreign citizen to become an owner of agricultural land is through inheritance. The Law on agricultural land allows the sale of agricultural land exclusively for agricultural production, but in practice, this rule is very often not implemented.

In the **Republic of Srpska**, state-owned land is sold only in exceptional cases to legal and natural persons who have registered agricultural activity or a place of permanent residence in the territory of Bosnia and Herzegovina. Foreigners can buy agricultural land on the basis of a reciprocity agreement. The concessions for the use of agricultural land can be granted to a domestic or foreign, legal or natural person. There are no conditions for the sale of private agricultural land.

In **Kosovo***, farmers can rent state-owned agricultural land until the stage of public tender announcement for sale. The maximum renting period is one year, with possible prolongation. Farmers can take part in a public tender for the purchase of the agricultural land as well as any other competitor who does not engage in agricultural activity. One requirement for foreigners is that they must be registered in Kosovo*.

There is no sale of state-owned agricultural land in **North Macedonia**, although there is a law on it, which is not implemented in practice. Only citizens of North Macedonia can buy agricultural land without any restrictions. Foreign natural and legal persons cannot acquire ownership rights for agricultural land. However, they can, under conditions of reciprocity, acquire the right to a long-term lease of agricultural land, on the basis of the consent of the Ministry of Justice, upon previously obtained opinion of the Ministry of Agriculture, Forestry and Water Economy and the Ministry of Finance.

In **Montenegro**, all citizens can become owners of agricultural land, whether in private or state ownership. However, foreigners cannot become the owners of agricultural land in accordance with the law.

For **Serbia**, natural persons from European Union can buy up to 2 ha of agricultural land, but they have to be registered in the Registry of agricultural holdings (RAH). Legal entities owned by foreigners must be registered in Serbia, while there are no conditions for Serbia citizens. In the case of buying state owned land, only domestic natural persons, who are farmers and registered in Registry of agriculture holdings can buy up to 20 ha, but this law has not been implemented yet.

6.4 Cross-country findings

In all WB countries/territories sales market of agricultural land is less developed than the rental market. There are significant differences between countries in the extent of the sales market of the agricultural land. There is a lack of reliable data for the number of transactions and transacted area in all countries/territories, except in **North Macedonia**.

There is a great diversity in the average sale prices of agricultural land among WB countries/territories. Sales prices vary based on land quality, category, region, natural conditions in all WB countries/territories.

Another problem in most countries/territories is changing of the purpose of agricultural land. Farmers purchase agricultural land based on expectations that it will be later converted into construction land. In such cases, the market value and prices of agricultural land are significantly higher.

Another obstacle for an efficient sales market is the lack of formal transfer of ownership when the land is sold (**Albania, Kosovo***) and inheritance laws, which hinder the transfer of agricultural land and lead to further fragmentation.

7. LAND MARKET REGULATIONS IN WESTERN BALKANS

Agricultural land is subject to specific institutional regulations. Agricultural land rental market regulations differ from the sales market regulations. Therefore, they are considered in separate chapters.

7.1 Rental market regulations

Land market regulations affect land rental prices and land availability. In all WB countries/territories, there are prescribed conditions for renting agricultural land, which are presented below.

7.1.1 General rental market regulations

In **Albania**, the application for renting state-owned land needs to contain applicant data, description of the project related to agricultural activity, business plan, environmental impact assessment, rental period, offered price and Certificate that the applicant does not have any financial or legal obligations towards the state. If the land is rented for more than 6 years, the land must be registered at the Immovable Properties Registration Office (IPRO). Rental agreements shorter than 6 years are not obliged to be registered. When renting state-owned land, a notarized contract and an updated title of ownership must be provided. When renting private land, the procedure is most often done verbally and without any written contract. There are no any pre-emptive rights regarding the renting of land.

In the **Federation of Bosnia and Herzegovina**, registration procedures are different for state-owned and privately-owned agricultural land renting. When state-owned land is rented, a contract is made between the cantonal ministry of agriculture

and the lessee. It is the cantonal ministry's responsibility and duty to forward the contract to the court in charge of entering the right into the land register. A public notary registers formal renting of privately-owned agricultural land. Farmers that apply for budgetary support from the ministry of agriculture are supposed to submit the contract to the Register of farms and land register.

Agricultural land, both state and private, can only be rented for agricultural production by agricultural holdings and legal entities registered for agricultural production. State-owned land in undeveloped municipalities can be rented by domicile persons or legal entities on the basis of the written statement of conducting the agricultural activity and being resident over the last ten years. Pre-emptive rights regarding renting agricultural land exist only for state-owned land. They include:

- Previous lessees if they fulfilled all duties from the contract;
- Households with agriculture as exclusive or dominant economic activity and with insufficient land to ensure their economic stability;
- Households with the neighbouring properties to the renting land.

The **Republic of Srpska** also has specific conditions for the rent of the state-owned agricultural land. The rent of state agricultural land is registered and signed by the Ministry of Agriculture, Forestry and Water Management. The same applies to state land given under concessions. According to the provisions of the Law on Survey and Cadastre, any given concession or rent right for a period longer than 5 years should be evidenced in the cadastre of real estate, but this legal provision is not being implemented in practice. State-owned agricultural land is rented through a public call by obtaining written or oral bids. Local self-government units carry out the procedure in co-operation with the respective ministry. The bidder must have a permanent address or place of business in the municipality where the

rented land is located, at least one year prior to the submission of the bid, and have agricultural mechanization. The local self-government units can define special conditions in accordance with the state of development of agricultural production in the area where the agricultural land is rented. The concession for the use of agricultural land in the Republic of Srpska may be granted to domestic and foreign legal entities for a period of up to 30 years. The government makes the decision on the allocation of agricultural land for concession use. A copy of the concession contract is sent to the geodetic administration for registration.

Law on agricultural land foresees that if the owner does not use the land for more than 1 year, he/she is obliged to lease it or provide it for usage in another way. Rent of private agricultural land is not obligatory to register, but if the renter wants to get a subsidy related to land area, he/she is obliged to sign and submit renting contract or at least a statement of the landowner that he/she allows the renter to use that land free of charge. Those documents must be certified by authorities.

According to the law in **Kosovo***, agricultural land can be leased to the natural and legal persons, locals and foreigners who deal with agricultural activities. The responsible institution for official registration procedures of the rental market in Kosovo* is the municipal cadastral office. The law also stipulates that the long-term lease contract must be in the written form, or it has no legal value, and the same should be registered with the competent municipal body for agriculture. Lease contract shall comprise:

- Names and addresses of contractors;
- Date of signing the contract;
- Cadastral data on agricultural land;
- Duration of contract;
- Amount, term and manner of payment of lease;
- Description and value of facilities, equipment, crops and manner of their maintenance;
- Time of depreciation of crops;
- Rights and obligations of parties;
- Purpose of using the leased land;
- Reasons for cancelling the contract;
- Dispute resolution procedure.

The leasing procedure for the state-owned agricultural land goes through public tender, while for the renting of privately-owned agricultural land, there is no specific procedure. Usually, contractual parties conclude an oral agreement.

In **North Macedonia**, the participants in the public announcement for granting state-owned agricultural land for lease have to submit:

a) For legal entities:

- Application form;
- Evidence of registration in the trade registry or from another competent body for the registration of legal entities, evidence of settled obligations in regard with the obligation for contributions and salaries for the employees; a business plan that shall obligatorily contain the basic data about the participant, the purpose for which the land is going to be used, applied technology, number of employees, market aspects and expected production-economic results, amount of the planned investments, and other needed documentation specified in the public announcement;
- Financial offer for the annual lease;
- Statement (registered with the Public Notary) from the founders and the responsible person in the legal entity that they were not founders or managers of a legal entity that had used agricultural land in state ownership under lease and have not fulfilled the obligations from that contract.

b) For physical entities:

- Application form;
- Evidence of settled public fees;
- Copy of the personal identification card;
- Confirmation of records from the sole registry of agricultural households; a decision for a registered trader of agricultural activity or evidence from a central register for a registered sole proprietor,
- A land use program;
- A statement of the reliability of the data provided with the notarized application;

- Other required documentation specified in the public announcement;
- Financial offer for the annual lease and;
- A statement certified by a notary public that he was not a founder or a responsible person in the legal entity that used state-owned agricultural land for lease, and which did not fulfil the obligations under that contract.

The participants in the public announcement for granting state-owned agricultural land for lease with an area over 10 ha shall submit a bank guarantee for participation in the procedure in the amount of the offered annual lease. Whether it is private or state, every lease agreement on agricultural land is certified by a notary. The notary has an obligation to enter the basic characteristics of the land for lease in special forms and to register them in the Agency for Cadastre. From the forms received from the notary, the cadastre forms the base of prices and leases of real estate in North Macedonia.

In **Montenegro**, the Ministry of Agriculture and Rural Development publishes an advertisement for renting state agricultural land. The bidder (natural person or legal entity) must be registered in the Register of Agricultural Holdings. They must submit an investment program with reference to the amount of investment, the number of new jobs, the volume of production and the land use plan for a period. The bidder must also submit a written statement obliging that at least 80% of the leased area be cultivated. The bidder has to submit a financial offer for the annual rent per ha of leased land. The proposed amount of rent is one of the criteria for evaluating the offer. The bidder has to respect the principles of good agricultural practice and regular application of agro-technical measures. The bidder has to fulfil obligations specified in the Investment Program attached to the offer within the 5-year period, which is an integral part of the Lease Agreement.

In **Serbia**, the lessee of state-owned agricultural land can be a natural and legal person that fulfils certain conditions. There are several conditions for renting state owned agricultural land depending on whether this land is rented under (a) the right of priority lease, (b) the right of first refusal, or (c) in the first or second round of public bid:

- The right of priority lease is given to registered agricultural holdings which will invest at least EUR 500,000 in processing capacities (minimum EUR 500/ha), in the period up to 3 years from the date of commencement of the investment, except in units of local self-government that have less than 1,000 ha of state-owned agricultural land, where the total investment amount may be less than EUR 500,000;
- The right of first refusal is exercised by legal and natural persons who own irrigation, drainage system, fisheries, agricultural building, hothouse, greenhouse and perennial planting (orchards and vineyards still producing crops) located on state-owned agricultural land, which is registered in the Register of Agricultural Holdings (RAH), and holds active status for at least three years; Own domestic animals, and is also the owner, or the lessee of a facility for breeding these animals in the territory of a local self-government unit (LSG) where the right of first refusal is exercised and which is registered in the RAH, and holds active status for at least one year;
- The right to participate in a public bid for leasing of state-owned agricultural land in the first round may be exercised by a natural person registered in the RAH and holding an active status for at least 3 years, residing for at least 3 years in the territory of local self-government which conducts a public bid, and whose plot borders state-owned land that is the subject of a lease. The right to participate in the second round may be exercised by a legal and natural person registered in the RAH and holding an active status for at least 3 years.

7.1.2 Duration of rental contracts

According to the respondents' answers, there are significant differences between WB countries/territories regarding the maximum and minimum duration of rental contracts (Table 12).

Table 12: The duration of rental contracts in WB countries/territories (years)

AL		BiH (FBiH)		BiH (RS) ¹		XK*		MK		MNE		SRB	
Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
1	99	1	25	8	30	3	99	1	50	1	7 (30 ¹)	1	40

¹ Applies to state-owned land only

In **Albania**, the shortest lease period for agricultural land is one year and the longest period is 99 years, while the rented area can be between 2 and 1,100 ha. The state-owned land can be rented for different periods, depending on land use:

- Up to 10 years for field crops, oil-seeds and decorative plants;
- Up to 30 years for vineyards, fruit trees, greenhouses and seedlings;
- Up to 99 years for olive-groves, walnuts and other fruit-tree species.

According to the law in **Kosovo***, agricultural land can be rented in the form of long-term lease (3 years and more), short-term lease and grazing lease. The duration of rental contracts is between 3 and 99 years (Table 12).

The Federation of Bosnia and Herzegovina does not have any limitations of the area that can be rented. Arable land is most commonly rented for a year and up to 10 years, except in cases of permanent crops production when the duration of the rental contracts is extended to 25 years.

The minimum rental period for the state-owned land in the **Republic of Srpska** is 8 years, while the longest rental period is 30 years for all land categories. The period for which concessions have been granted may be extended during the negotiation process, but no longer than 50 years. Natural persons can rent up to 100 ha of agricultural land, while for legal entities the area is limited to 200 ha. The vast majority of land rental is realized by commercial farmers that own insufficient land. Officially land renting on a contractual basis provides farmers possibility to Register the farm and get budgetary support for agricultural production. Both state-owned and privately-owned land rental is formalized, so the share of informal rental contracts can be assessed as insignificant (less than 5%).

In **North Macedonia** agricultural state-owned land can be leased out for between 15 and 50 years, depending on the type of production. For raising long-term plantations (vineyards, orchards, hops) and greenhouses duration of the contract can be up to 30 years, for raising olive trees up to 50 years, for meadows up to 15 years, for growing fast-growing trees on agricultural land located at an altitude above 700 meters up to 30 years, and for fisheries up to 20 years. State-owned agricultural land, which forms blocks with natural borders, is leased out as a whole unless state-owned agricultural land is awarded in a bid-collection procedure or in a procedure for areas up to 10 ha.

Besides the Republic of Srpska, Montenegro has one of the shortest renting periods among all WB countries/territories. The government does not regulate the maximum duration of the rental contract for private land. Usually, it lasts for one year and up to 7 years if the farmer will realize an investment. In some public calls for renting state land, the lease period is 30 years. The rented area for arable land and permanent crops can be between 0.5 and 5 ha and for meadows between 1 and 10 ha of agricultural land. There are no any pre-emptive rights regarding the renting of agricultural land.

State-owned agricultural land in **Serbia** may be leased to a natural or legal person for a period that is not shorter than 1 year and not longer than 30 years, and for fishponds and vineyards not longer than 40 years. The concession for the use of agricultural land can be granted for up to 30 years.

7.1.3 Rental contract termination

Another factor that influences the rental market is the termination of rental contracts. The most common reason for the termination of rental contracts in WB countries/territories is the failure to comply with contractual obligations, as is the case in **Albania**.

In **Kosovo***, termination of the renting contract is regulated by the law. The owner can terminate the lease contract when the lessee does not pay the rent, does not use the agricultural land in compliance with agro-technical measures, subleases the agricultural land with no owner consent, without consent of the landlord invests on the agricultural land over the boundaries foreseen by the contract, or changes the manner of using the agricultural land or undertakes other actions in contradiction with the provisions of the Law on Protection of Nature or actions which have adverse effects on the property and environment and in any way endangers the existence of the natural values.

Contracts in the **Federation of Bosnia and Herzegovina** can be terminated if the rented agricultural land is not used and managed according to propositions of contract or if the lessee changes the purpose of the land.

The owner of the land in the **Republic of Srpska** may terminate the rental contract of agricultural land if the lessee fails to pay the rent, does not use the agricultural land as a good landholder, cultivates agricultural land contrary to the provisions of the contract concluded, rents rented agricultural land by subdivision or enables other legal persons, entrepreneurs and natural persons to use land in any way by renting agreement. The reason for termination could also be investments on the agricultural land that exceed the limits of normal disposal or change the type of use of agricultural land in the absence of approval by the lesser, or performing activities contrary to legal regulations on nature protection or activities that have a negative impact on the wealth or natural state of the environment and in any way jeopardize the survival of natural values. The lessee cannot use agricultural land for non-ag-

ricultural purposes or change the purpose contrary to the provisions of the contract.

The rental contracts in **North Macedonia** are terminated with the agreement between the contracting parties, expiration of the time for which it is concluded, change of the purpose of agricultural land, by starting bankruptcy or liquidation procedure, with the death of the lessee or deleting the individual farmer from the Register of Agricultural Professionals.

The most common reason for the termination of the rental contract in **Montenegro** is because the lessee does not settle the obligations or has not adequately disposed resources from the leased agricultural land. Often it happens that on leased agricultural land there are persons who use the land but who are not the formal landowners. Such cases are very common and put the person who leased the land in a difficult situation.

In **Serbia**, typical reasons for termination of rental contracts are failure to comply with contractual obligations, primarily failure to pay rent, and taking actions on agricultural land to reduce the value of agricultural land. In the case of state-owned agricultural land, the main reason is an investment in that agricultural land without the consent of the Ministry.

7.2 Sales market regulations

Surveyed WB countries/territories have sales market regulations that also affect land prices and land availability when purchasing. Respondents were asked about sales prices regulations, pre-emptive rights regarding the purchase of agricultural land, property rights, taxes associated with land sales/ownership and changes of the purpose of agricultural land.

7.2.1 Sales prices

In some WB countries/territories sales price regulations are present, through which minimum and maximum sales prices are dictated. In all surveyed countries, sales prices of privately-owned agricultural land are formed on the market and are not regulated by the government. They are solely the result of an agreement between buyer and seller.

The situation is different for state-owned land. In **Albania**, the prices are liberalized, but the fiscal burden is dictated by the reference prices. In **Montenegro**, selling prices are not formed by the state, but the government has created a legal framework that defines how the prices are determined. In the **Republic of Srpska**, the tax office determines minimum prices used exclusively to calculate the property tax base. The price of state-owned land in North Macedonia is, similarly to Montenegro, estimated based on the rules proposed by the Ministry.

7.2.2 Changes of the purpose of agricultural land

Another factor that hinders an efficient agricultural land market in almost all WB countries/territories is the uncontrolled and illegal change of purpose of agricultural land.

In **Albania**, the owner of agricultural land is obligated to preserve and increase its productive capacity. Furthermore, the Law on the Protection of Fruit Trees prevents the conversion of orchards and vineyards into arable cropland without permission from Land Protection Offices. They established a system for monitoring the selling prices of agricultural land. The majority of the transactions are smaller than 0.1 ha, which indicates that plots were generally changed from agricultural land to construction sites.

In the **Federation of Bosnia and Herzegovina**, the Law on agricultural land forbids agricultural land sales for non-agricultural use, but the Law is not strictly respected in practice. When the agricultural land is purchased to change its purpose, the land sale price is often determined with non-agricultural criteria such as landscape beauty, view, vicinity of

forest etc.

In the **Republic of Srpska**, there are also speculative reasons for the purchase of agricultural land based on expectations that it will be bought or expropriated for the construction of business or infrastructure facilities or converted into building construction land. In such cases, the buyer is ready to pay a higher price for the agricultural land than that which would have been used for agricultural purposes.

The illegal changes of the purpose of agricultural land in **Kosovo*** remain another obstacle towards developing the agricultural sector and undermine the effective implementation of the law on spatial planning.

After the restitution of land to former owners, **Montenegro** faces an increasing trend of changing agricultural land for residential building construction. Through the change of purpose and permanent loss of land, the damage to agriculture is done. Other damages and negative consequences are evident – land erosion, environmental pollution, destruction of cultural heritage and decrease in attractiveness of certain areas.

In **Serbia**, agricultural land price is influenced by speculative actions when purchased for conversion into building land (infrastructure construction, expansion of the populated place, industrial zone, and similar).

7.2.3 Property rights

One of the most constraining factors for developing of the agricultural land market in all WB countries/territories is unclear property rights. Privatization of the agricultural land were started in the 1990s, and the process still is not finished. Almost all WB countries have incomplete, not regularly updated data about the ownership, which hinders the sale of agricultural land since parcels without proper registration cannot be sold or given for rent.

Albania is experiencing a slow and incomplete transition to re-establish property rights after decades of state ownership of all land, followed by 25 years of unclear regulation of private and state property. The country faces major problems with incomplete

land titling and ineffective land administration. Ownership of private property is commonly disputed between multiple parties, and land plots tend to be fragmented. Incapability or lack of interest of successive governments to design proper land use policy has resulted in ambiguous land rights. This creates uncertainty and delays during land sales and difficulties in accessing finance through banks, which often require land titles as collateral for loans.

The property rights in the **Federation of Bosnia and Herzegovina** are regulated through a complex registration system consisting of a land registry and land cadastre. A land registry is a public register of real estate rights. Keeping, maintaining, and establishment of land registers and registration of real estate and real estate rights in FBH are regulated by The Law on Land Registry of the Federation of Bosnia and Herzegovina. The land registry is dated from Austro-Hungarian times and is technically still maintained on the same grounds, except for a smaller part of the territory where a new real estate cadastre has already been established based on a new survey.

In the **Republic of Srpska**, there is currently an ongoing process of merging the land register and the cadastre, which will enable updating of data about the ownership of agricultural land. The Law on the Survey and Cadastre of the Republic of Srpska in 2012 introduced a new system of registration of real estate and real property rights in the Republic of Srpska. The new law consolidated records of real estate and real estate rights into one real estate register under the authority of the administration body.

Kosovo* also has incomplete data about the ownership of agricultural land. Kosovo* Cadastral Agency is responsible for the overall administration of computerized Kosovo* Immovable Property Rights Register. The register is not regularly updated, and farmers do not have the possibility of changing ownership or being eligible for grants.

There are also many cases in **North Macedonia** in which the ownership is not settled due to unregistered hereditary rights, abandoned land and unfinished denationalization process. The cases of shared land ownership also hinder the selling of the agricultural land, especially if some of the owners are out of the country for a longer time (typically, all

owners' consent is needed). Even though many such cases have been overcome after 2007, motivated by the increased state support, unclear or joint ownership and unfinished physical division are still present in 20-30% of the arable agricultural land.

Property-legal relations are also a problem in **Montenegro**. Rural areas historically belonged to the people who inhabited these areas, however, with the displacement of the population, many agricultural parcels were abandoned, and agricultural production was not carried out. This makes it difficult for potential buyers of land to locate and contact the owner of agricultural land.

One of the reasons for not updating data on property rights is that farmers do not provide up-to-date records of the change of ownership and usage of land. The change in ownership of agricultural land requires signing a contract and registration of ownership change in the land book.

In **Serbia**, most of agricultural land does not have proper registration and cannot be sold. Ownership over real estate is acquired only by registration in the real estate register. Land abandonment is a typical practice, as there are no consequences for the owner. Small farm households do not have access to this land. On focus group discussion, representatives from scientific institutions proposed state policy by which land abandonment will be penalized with higher property tax.

7.2.4 Pre-emptive rights

In several WB countries/territories, special provisions regarding pre-emptive rights must be considered when renting or purchasing agricultural land. A pre-emptive right or the right of the first refusal is one of the instruments to guide the land market in rural areas and is defined as a right to acquire certain property in preference to any other person to prevent irrational land use. Based on the outcome of the questionnaire survey, the following forms of pre-emptive rights in WB countries/territories can be distinguished:

- In **Albania**, the **Republic of Srpska**, **Kosovo*** and **Montenegro**, the instrument of pre-emptive

right does not exist for renting or purchasing of agricultural land;

- In the **Federation of Bosnia and Herzegovina** and **Serbia**, pre-emptive rights regarding renting agricultural land exist only for state-owned land;
- In **North Macedonia**, pre-emptive rights exist only in the case of selling agricultural land.

In the **Federation of Bosnia and Herzegovina**, the pre-emptive right for renting state-owned land is assigned in the following order:

- Existing lessees if they fulfilled all duties from the contract;
- Households with agriculture as exclusive or dominant economic activity and with insufficient land to ensure their economic stability;
- Households with the neighbouring properties to the renting land.

Pre-emptive rights also exist in the case of selling agricultural land if the owner of the land submits an offer to local municipality administration, which determines pre-emptive rights in the following order:

- Co-owner;
- Closest family members;
- Family farm from the same cadastral municipality with the member capable of conducting agricultural production;
- Municipality if the land will be used for agricultural production;
- Farmer with the registered agricultural household whose land is neighbouring to the one being sold;
- Agricultural cooperative.

In **Serbia**, state-owned agricultural land is leased through public bids held in two rounds, except for the right of priority lease and the right of first refusal. Right of priority lease is given to registered agricultural holdings, which will invest at least EUR 500,000 in processing capacities (minimum EUR 500/ha), in the period up to 3 years from the date of commencement of the investment, except in units of local self-government that have less than 1,000 hectares of state-owned agricultural land, where the total investment amount may be less than EUR 500,000.

The right of first refusal is given to legal and natural persons that own irrigation, drainage system, fisheries, agricultural building, hothouse, greenhouse and perennial planting (orchards and vineyards still producing crops) located on state-owned agricultural land, which is registered in the RAH, and hold active status for at least three years or own domestic animals, are also the owner, or the lessee of a facility for breeding these animals in the territory of a local self-government unit where the right of first refusal is exercised and which is registered in RAH and holds active status for at least one year.

In **North Macedonia**, the owner can offer agricultural land for sale by public announcement. The pre-emptive right is granted to the joint owner, the co-owner and the neighbours whose land borders the land which is sold. If more than one person from the same group of subjects with the right to preference has accepted the offer, the owner may offer the agricultural land to the one who offered the highest price within that group. The holders of the pre-emptive right are obliged to declare acceptance of the bid within eight days from the day of receiving the bid or of the public announcement. Otherwise they lose the priority right and the owner may offer the agricultural land to another legal or natural person. The owner who offers the agricultural land for sale has an obligation to conclude a purchase agreement with the most favorable bidder.

7.2.5 Land taxes

Another important part of sales market regulations are land taxes. The taxes should be divided into real estate, income and land transaction taxes.

The basis for the tax of agricultural land in **Albania** is the surface of the agricultural land owned by the taxpayer. Only if the agricultural land is planted with permanent crops (fruit-plantations and vineyards) farmers, do not have to pay taxes for the first five years. Transaction tax varies depending on the type of required document before transactions. Registration of land, which was never documented, costs EUR 240. Updating the documentation costs less than EUR 10 while the registration of a land transaction costs around EUR 30. The tax on transactions is

imposed on all kinds of immovable properties and is paid by the seller before the registration. The level of the tax for agricultural land is 15%.

Moreover, users who are users but not immovable property owners need to self-declare the property under use to the relevant local authorities and pay the tax on this property. Additional costs on land transactions relate to notary expenses for immovable properties. The costs are between 0,23 and 0,35% of the contractual value.

In the **Federation of Bosnia and Herzegovina**, the tax on the agricultural land sale is defined by Federal Law on real estate and rights sale, and it amounts 5% of the land market value. Land sales tax is paid in the municipality to which land belongs, and it represents municipality income. In most of the cantons, the seller is supposed to pay tax, but the law allows parties to agree on this issue. Only in Posavina Canton the law clearly defines land sale tax as the duty of the buyer. Tradition in the country is that buyer pays tax, so in most cases, parties agree to do so. Cantonal administration is authorized to determine whether and under what conditions agricultural land can be exempted from land sale tax, resulting in different situations across FBH, including different land purchase costs. Thus, in Canton Sarajevo and Tuzla, agricultural land purchased to conduct agricultural production is exempted from tax-paying. In the Zenica-Doboj canton, sales of land surfaces larger than 0.5 ha are exempted from tax, and in the rest of the Federation of Bosnia and Herzegovina tax is regularly paid, unless the municipal or cantonal council abolish the rule in order to stimulate agricultural production.

In **North Macedonia**, the Law on property tax regulates the amount of sales tax and property tax. The rates of sales tax on real estate are proportional and amount from 2 to 4%. The minimal cost for the notary fee is EUR 50 and depends on the value of the land.

Obligation to pay real estate taxes in **Montenegro** is regulated by the Law on Tax on Real Estate. The buyer of the immovable property pays the real estate transfer tax. The tax base for real estate turnover tax is the real estate market value at the time of its acquisition. The real estate tax rate is proportional and amounts up to 3% of the tax base. For unculti-

vated agricultural land and with surface exceeding 15 hectares, a tax rate is up to 5% of the real estate market value.

The tax rate on the real estate is proportional and can range from 0.10% to 1.00% of the real estate market value, and its amount is determined by the municipality by its decision, depending on the type, location, quality, age of the real estate. For agricultural land that is not cultivated and whose surface exceeds 15 hectares, a tax rate of 3% to 5% of the market value of the real estate is determined.

In the **Republic of Srpska**, there is no real estate tax for agricultural land. When buying agricultural land, notary expenses and land transaction registration tax have to be paid. The amount of notary fee and land transaction registration tax depends on the value of the contract.

In **Serbia**, the real estate tax is between 0.1-0.4% of the market value of agricultural land and it is paid by the owner. Another tax is a tax on the transfer of absolute rights paid by the seller, and it is 2.5%. The third tax is a tax on capital gains which is 15% on the difference between the purchase and sale price of the land.

7.3 Cross-country findings

There are significant differences between WB countries/territories regarding the duration of long-term rental contracts. In most of WB countries/territories, the shortest lease period for agricultural land is one year, while in **Kosovo*** it is 3 years and in the **Republic of Srpska** 8 years. The longest lease period is 99 years in **Albania** and **Kosovo*** while in the **Federation of Bosnia and Herzegovina**, it is 25 years. In general, the shorter periods of a lease are up to 10 years for arable land, while for permanent crops, this period is longer.

In some WB countries/territories, there are also restrictions on the maximum rental area. In **Montenegro**, rented area for arable land and permanent crops can be between 0.5 and 5 ha and for meadows between 1 and 10 ha of agricultural land. In the

Republic of Srpska, it can be up to 200 hectares for legal entities and 100 hectares for natural persons. In **Albania**, the rented area can be up to 1,100 hectares, while other countries do not report any limitations regarding the rented area.

The most common reason for the termination of rental contracts in WB countries/territories is the failure to comply with contractual obligations (Albania, Montenegro, Serbia). Other most common reasons for termination of the contracts are non-payment of the rent, change of the purpose of agricultural land and if leaser does not use agricultural land in compliance with agri-technical measures.

In almost all WB countries/territories, uncontrolled and illegal change of the purpose of agricultural land represents another major obstacle for an efficient agricultural land market. Although countries have legislation that prevents agricultural land sale for non-agricultural purposes, it is not implemented in practice.

Another constraining factor for the development of the agricultural land market in all WB countries/territories is unclear property rights. Restitution and denationalization processes are still not finished. Countries have incomplete, not regularly updated data about the ownership, which hinders the sale of agricultural land since parcels without proper registration cannot be sold or given for rent.

When renting or purchasing agricultural land, special provisions regarding the pre-emptive rights must be taken into account. In the **Federation of Bosnia and Herzegovina** and **Serbia**, pre-emptive rights regarding renting agricultural land exist only for state-owned land, while in **North Macedonia**, pre-emptive rights exist only in the case of selling agricultural land.

The taxes are divided into real estate, income and land transaction taxes and differ substantially across WB countries/territories. Land transaction tax rates are different between WB countries/territories and ranging from 0.1-0.4% of the market value of agricultural land in **Serbia**, 2%-4% in **North Macedonia**, 3% in **Montenegro**, 5% in the **Federation of Bosnia and Herzegovina** and up to 15% in **Albania**.

8. AGRICULTURAL POLICY MEASURES RELATED TO LAND MARKET

In the following chapter, respondents were asked to provide information about the key aims of the agricultural policy measures related to the land market in their respective countries/territories. The respondents described implemented measures to improve land ownership and the size structure of agricultural holdings and how they influence agricultural land purchasing and renting.

8.1 Albania

The Albanian agricultural policy's key aims are establishing viable and competitive family farms, which can meet the modern market economy requirements. This will be achieved by developing of the agricultural sector with suitable farm structures oriented towards the market and improvements in the rural infrastructure. Land consolidation policy is the key mechanism to increase farm size and reduce land fragmentation through land rental markets.

The country has implemented several measures for the modernization of the agricultural holdings (planting perennial crops, improving irrigation and drainage systems, and establishing protected systems), which increased the demand for agricultural land and fostered the land rental and sale market. Special incentives are given in terms of farm subsidies to farms bigger than 5 ha, which indirectly increases agricultural land demand. These incentives have motivated the purchases of land from farmers and non-farming communities. Moreover, the request for land in blocks of the minimal size of 0.5 ha (during 2011-2014 0.2 ha) has reduced the fragmentation of agricultural land.

Another measure implemented by the government in 2015 is that farmers do not have to pay 15% of

the land sale tax if the land is sold for agricultural use, which reduces the transaction costs and prevents the transformation of agricultural land into construction land. If a farmer wants to sell land, they can:

- Apply for land certificate and have approximately 70% of the costs covered by the Municipality;
- Have tax on incomes from sale exempted if the land will be sold to another farmer.

In the case of the subsidy scheme for planting intensive fruit plantations, the government exempts the farmer from paying land tax for the 5 years. The land tax is also very low, compared to other taxes.

However, many problems related to the land market still exist. They relate to the regime of property rights, particularly linked with the implementation of property transactions, procedures for registering these transactions, and increased payments for registering transactions. Furthermore, the appropriate legal framework for land consolidation still has not been adopted, although the national Land Consolidation Strategy has been developed. The issue of land consolidation will be a priority for national policy during 2014-2020. Besides land consolidation other support measures and interventions will be considered. The further legal amendments will be adopted to promote the land market.

The following initiatives are envisaged to facilitate this process:

- Enhance the functioning of the land market through an improved legal framework, streamlining the administrative procedures and reducing the costs of transactions;
- Provide support to land consolidation and re-parcelling.

The government is currently aiming to foster the land registration and issuing of land titles for those farmers who did not acquire a land ownership certificate till 2017. Even the ones that already have a land title will go through the re-measurement process. Before 2017, each farmer could apply individually to obtain the certificate. However, since there was no willingness shown to sell land and to apply for credit/loans, and moreover, since, during the period 1991-2016, much land was informally acquired, there was a lack of interest to apply for

the land ownership certificate. In 2017, the Government gave the Municipalities the task to support farmers applying for land ownership certificates. The deadline for the completion of the process is set to December 2018. The costs will be covered by the municipalities, which are requested to prepare the documentation based on application of the farmers. The process has been slow due to a lack of willingness and insufficient information since only less than 30% of the farmers have applied.

8.2 Federation of Bosnia and Herzegovina

The main objectives of the agricultural policy related to agricultural land in **the** Federation of Bosnia and Herzegovina are to preserve purposeful and rational use of agricultural land, to prevent its use for non-agricultural purposes in order to produce safe food, protect the health of humans, plants, and animals and ensure no harm to the environment.

Agricultural policy measures aimed to improve land ownership, and the size structure of agricultural holdings have not been implemented regularly but rather periodical.

There is only one measure that the Ministry of agriculture, water management and forestry conduct continuously. The ministry transfer the funds collected from the fees for change of agricultural land purposes to land remediation and improvement. In 2016 almost EUR 1.25 million were allocated to improve 171 hectares of agricultural land. Also, the funds collected from state-owned land renting are allocated for land improvement measures.

During the 2004-2010 period, three programs related to land management and protection were subsequently included in budgetary support to agricultural producers. The first one was called "Remediation of the neglected and degraded agricultural land", and it was implemented from 2004 to 2006. More than EUR 400 thousand were allocated during this period, and 1,638 ha of agricultural land was encompassed. The measure "Enlargement of farm size" was implemented only in 2007, and more than half a million EUR was allocated for 314 applicants

for the purchase of a minimum of 0.3 ha to a maximum of 5 ha of agricultural land. The third Program, called "Improvement and protection of agricultural land", was financed within the rural development measure for the next three years (2008-2010). Approximately one million EUR were allocated during these three years, and approximately 1,000 ha of agricultural land were encompassed with the measure. In the last few years, there is a measure called "Capital investment". The measure aims to support farms in acquiring capital assets, including agricultural land, by subsidizing interest on agricultural loans. Around EUR 1.2 million was allocated in 2017 for this purpose, representing 3.5% of total budgetary support to farmers. The problem with this measure is that it is not permanent and fixed. Thus, in 2016, there was a lack of funds for direct payments for agricultural producers, so the money aimed for capital investments was just transferred for these purposes, and there were no funds left for interest subsidizing.

Currently, there are some activities, which are expected to contribute to the development of the agricultural land market. Strategy for the Development of the Agricultural Sector in the Federation of Bosnia and Herzegovina (2015-2019) was adopted. However, there are still no significant changes in how budgetary support is allocated and distributed, and no progress has been made so far toward focusing measures relevant to land policy and facilitation and improvement of the agricultural land market. Secondly, a complete property cadastre and the on-line real estate cadastre are being developed. Activities are ongoing to determine the prudential categories of agricultural land in the entire territory according to the single prescribed methodology.

Based on the respondent's assessment, agri-policy measures do not stimulate the purchase and renting of agricultural land. It could even be stated that the structure and amount of budgetary support discourage the land purchase and hinder land market development.

8.3 Republic of Srpska

In 2009, the Program of protection, use, and systematization of agricultural land of Republic of Srpska was adopted as a component of the land use planning process. In this program, land and land space status was determined, land monitoring was proposed, and the measures for protection, regulation, and use of agricultural land were established. During the period 2016-2020, the Strategic Plan for the development of agriculture and rural areas was developed to increase agricultural production volume. The measures included switch of the direct payments to payments per hectare, adoption the necessary legal and subordinate legal legislation for a more efficient settlement of property-legal issues related to agricultural land, developing and updating programs for the use of state agricultural land, i.e., granting under concession or rent and establishing land parcel information system (LPIS) in the function of more efficient monitoring of the specific use of agricultural land. So far, most of the plan's measures in the field of agricultural land have not been realized.

The only active measures to improve agricultural land status are the rent of state agricultural land and the investments in irrigation on the significant areas of the most fertile land. There is no support for land consolidation. In a certain way, agricultural subsidies allocated per unit of land affect the increase in the degree of cultivation of arable land. The procedure of unifying cadastral and land registry is also an indirect measure that promotes the intensive use of agricultural land.

Currently, the land administration is working on updating real estate records, including records on agricultural land. New surveys were carried out in order to re-categorize agricultural land. To protect the state agricultural land, the Ministry initiates court proceedings for usurped land and registers the right of disposal over land owned by the state.

8.4 Kosovo*

In Kosovo*, the key aims of the agricultural policy in the agricultural land market are to increase the size of the family farms, protect the agricultural land against unplanned urban development, land regulation, and environmental protection. Different measures are implemented to improve land ownership and farm size structure, which also have a direct influence on purchasing or renting of the agricultural land, such as:

- Updating cadastral data;
- Realization of land consolidation projects for the period 1983-1989;
- Regulation of agricultural land with voluntary access;
- Irrigation projects;
- Subsidies and grants from the Government of Kosovo*;
- Increase of the information and transparency in the land market activity;
- Improvement of the Land Management System.

So far, improvements have been accomplished in the land consolidation measure. Sufficient legal base and base of cadastral documentation of the actual situation in the field have been established. The community was informed about the land consolidation strategy and its benefits, and land consolidation has been successfully implemented for a long-term period.

8.5 North Macedonia

The key aim of the agricultural policy in North Macedonia is to introduce active policies to consolidate the agricultural land. In 2012 the country adopted a National strategy for consolidation of the agricultural land for the period of 2012-2020. The goals are the reduction of the fragmented land parcels by their grouping, improvement of their form in order to adjust them for application of advanced produc-

tion techniques, and technologies, increasing their average size and providing access to the parcels to new or rehabilitated irrigation systems and to upgraded or newly built road infrastructure.

Besides land consolidation, the strategy identifies different measures that promote the improvement of the agricultural land structure, such as:

- Providing information on the land market (database);
- 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;
- Common ownership and not completed processes of arondation.

There are no other direct measures or other budgetary support for buying or renting land in the country.

8.6 Montenegro

Montenegro has no direct measures when it comes to the agricultural land market. However, there are some indirect measures for rational use of land, protection of agricultural land, prevention of land abandonment, and land improvement such as land consolidation operations, irrigation, etc.

Measures of agricultural policy influence agricultural production, hence the purchase and renting of agricultural land. The threshold for participation in public calls for investment support is 2 ha of agricultural land. Therefore, the farmers are motivated to buy or lease additional land. There is also support for many types of agricultural production. Depending on the type of production, farmers need from 0.3 to 1 ha of land to be eligible for that support, which additionally motivates them to buy or to lease agricultural land.

The main activities in the coming period will be the adoption of the new Law on agricultural land. The

Ministry of Agriculture and Rural Development has initiated a project for the preparation of new legal and strategic documents for the management of agricultural land in order to create a good framework in this area for further development of agriculture in accordance with the current agricultural policy, the needs of agricultural producers and new requirements in the process of joining the European Union.

The improvement of regulations should also contribute to the more efficient implementation of one of the priorities of the Government to better valorise state-owned agricultural land as a resource that is recognized as under-utilized and the potential for further growth in agricultural production, investment, and employment.

The primary goals of the new law are as follows:

- Urgent valorisation of agricultural land (establishment of LPIS system, renewal of classification and methodology for the assessment of agricultural land);
- Protection of agricultural land from all forms of change of purpose, different degradation, protection against harmful effects, acidification, and other negative processes;
- Transfer to credit rating for the purpose of changing tax policy, determining the basis for leasing and determining the best agricultural land and changing the purpose of agricultural land and determining the income of the agricultural fields;
- Defining tax base for uncultivated areas;
- Prescribing measures of protection from further fragmentation of the parcel structure and the consolidation of agricultural land;
- Obligatory identification of state land and determining the basis for leasing in accordance with a certain methodology;
- Introducing measures for better land use.

8.7 Serbia

In Serbia, an increase of financial support per unit of land directly affects the purchase and renting of agricultural land. Between 2002 and 2005, farmers could get budgetary support for agricultural land purchase, which is no longer available. Farmers can get public support for land consolidation, irrigation, and other operations. Also, the Development Fund of the Autonomous Province of Vojvodina is approving the long-term loans under more favorable conditions for registered farmers in Vojvodina region for the purchase of agricultural land. In 2017, a total of EUR 1.1 million of long-term loans for agricultural land purchase were approved.

There are also several measures which indirectly improve structure of agricultural holdings such as public support for land consolidation, drainage, irrigation, organization of field roads, improvement of agricultural land quality etc. Budgetary support for the purchase of agricultural land, which was active during the period 2002-2005, is no longer available.

8.8 Cross-country findings

The key aims of the land market policy in all WB countries are increasing farm size, reducing fragmentation, and promoting rational use of agricultural land. In general, it can be concluded that in all WB countries/territories, some direct or indirect measures which improve the functioning of the land market were implemented, but a lot of those measures were implemented only for a short period and with relatively low budgetary support.

Some countries/territories (Albania, North Macedonia, Kosovo*) have adopted land consolidation strategies, but the proposed measures have not been fully implemented yet.

Among the measures that improve agricultural land, there are investments in rural infrastructure and agricultural land quality improvement (Federation of Bosnia and Herzegovina, Republic of Srpska, North Macedonia, Serbia), but these measures are not implemented continuously.

9. AGRICULTURAL CREDIT MARKET IN WESTERN BALKANS

In this chapter, the agricultural credit market in WB countries/territories is described as access to credit is an important factor in land availability to farmers. Respondents were asked to provide information about the regulatory framework, governmental support in the agricultural credit market, main providers of credit to agricultural holdings, most common reasons for rejecting credit applications, possibilities of a farmer to obtain credit in comparison with big farms or other rural-based small firms and typical conditions of agricultural credits.

9.1 Albania

In Albania, the share of overall credit in agriculture in 2017 amounted to EUR 5.2 million or slightly more than 1% of the overall credit volume in the country. The share of credits provided to agriculture is declining. In the period 2000-2005 the share was 2% to 2.5% and drop to 1.2% in the recent years. There are banking and non-banking institutions in the country where the non-banking institutions are more widespread and more important in providing credit to the agricultural sector.

The most active organizations which provide credit and other financial services to rural areas are the micro-finance institutions (MFI) and the Savings and Credit Associations (cooperative banks). In the last years, agricultural credits have been mainly provided by MFI, which also considerably reduced their interest rates. However, it is estimated that micro-credit finance institutions cover only 10-15% of rural businesses and households' demand for credit. Based on the findings of the focus groups, there has been a demand only for short-term loans for greenhouses and other investments but not for land purchases.

In general, investments in agriculture are very low in Albania. The reasons are small-scale farming, limited internal resources of farmers, and difficult access

to credit. The supply of bank credits to agriculture is constrained by the sector's structural problems, including the small size of farms, aging of farm population, lack of assets to be offered as collateral, underdeveloped land market, lack of information regarding the applicants' financial situation, and other reasons. Limited availability of land as collateral is related to the absence of a functioning land market and the unclear land property rights. Farming also represents a high risk, especially at the production level, due to the absence of insurance schemes and uncertain access to the market, as formal production contracts between producers and customers (traders, processing industries) are pretty rare and uncertain.

9.2 Federation of Bosnia and Herzegovina

Access to agricultural credits presents one of the main obstacles towards the development of this sector. There was a significant decrease in the number of commercial banks from 40 in 2000 to 15 banks in 2018. In addition to the commercial banks, one state-owned development bank and 12 micro-credit organizations (MCOs) are currently licensed for work. Not all commercial banks offer special credit lines for agricultural production, investments in agriculture, or working capital. In those that do offer, farmers can apply for loans under the same conditions as the subjects from other economic activities. The Development Bank of the Federation of Bosnia and Herzegovina offers a tailor-made credit line for agriculture that recognizes biological and economic specificities of agriculture (longer repayment period, longer grace period, lower interest rates). MCO's mainly offer small-scale loans for agriculture, including loans for small farmers.

According to the World Bank data, there are no significant changes in total agricultural credits or the share of the sector in total credit amount. Thus, the share of credits for agriculture, forestry, and fishery in total credit to the economy ranged from 2.6% in 2007 to 2.3% in 2015. This share exceeded 3% only in 2009 (3.3%) and has constantly been slightly decreasing ever since. Although some additional credit lines for agriculture were placed by commercial banks or by other funds via commercial banks, it is evident that the total amount of credits to agriculture has been decreasing. The reason for such a situation is not poor availability of credit, but the inadequacy of credit conditions for sensitive, risky, and specific economic activity such as agriculture and the incapability of agricultural producers to fulfil requirements to get their loan application approved and to repay liabilities on time.

The government provides support mainly through the existence of a credit line for the financing of the agricultural production offered by the Development bank. However, numerous factors make this line of credit acceptable only to large commercial farms, while small farmer's access to these loans is difficult or impossible. The most significant among these factors are:

- The line is intended exclusively for a registered farm;
- The required collateral is high (1.5:1 for real estate and 2:1 for the movable property that cannot be exclusive collateral but only in combination with real estate);
- Complex and complicated application procedures and obligation to submit a business plan.

Another form of support is subsidizing interest on agricultural credits, but this kind of support does not make it easier for small farmers whose loan applications are rejected. Also, this measure is not permanent but occasional, and it depends on the available agricultural budget.

9.3 Republic of Srpska

In the Republic of Srpska, agricultural credits can be approved by commercial banks, microcredit organizations (MCO), and savings and credit organizations. In the last ten years, the number of commercial banks is decreasing due to the consolidation of the banking sector. Commercial banks' credit activities are stagnating, and average interest rates have fallen slightly. In 2017, 8 banks operated with headquarters in the Republic of Srpska, as well as branches of other 7 banks from the Federation of Bosnia and Herzegovina. The number of MCO's, on the other hand, is increasing because several new are being established with the simultaneous liquidation of some old MCO's. In 2017, there were 9 MCO's with headquarters in the Republic of Srpska and 8 additional MCO's based in the Federation of Bosnia and Herzegovina. The government has also established an Investment-Development Bank that offers a special credit line for micro-business in agriculture.

Generally, agricultural credits are not available to a sufficient extent. In 2016, the share of loans to agriculture, aggregated by banks and MCO's and compared to overall amount of loans was only 3.4%. Banks are reluctant to credit agricultural producers in the status of natural persons (e.g., small rural households) who are therefore primarily oriented towards getting credits from MCO, which have less favorable repayment terms, grace periods, and interest rates.

Through the facilitation of the state-owned Investment-Development Bank, the authorities of the Republic of Srpska tried to provide additional favorable sources for crediting, especially for agriculture. This bank acts as a fund, as credits to end-users are approved through financial intermediaries (banks and MCO's). These credits are more attractive, but financial intermediaries are reluctant to offer them, as they are competing for their more expensive credits. Before, the Ministry of Agriculture subsidized the part of interest rate on agricultural credits, but this measure has not been in use for 10 years and is not planned by strategic documents in force. There is also a Guarantee Fund of the Republic of Srpska that approves loan guarantees, including loans for

agriculture and land purchase. Some IFAD-funded projects have special credit lines for small, poor agricultural households. This way of supporting small farms in their recent projects has been replaced by grants of up to 40% of the value of the investment, but this support is limited per beneficiary.

9.4 Kosovo*

In Kosovo*, agriculture is the least credited sector. In 2016, the share of credit to agriculture compared to the country's overall credit volume was only 4.2%. Agricultural loans are recognized as non-repayable loans; therefore, lending is expensive, provided by banks and microfinance institutions (MFI) to farmers. This low level of lending highlights the conservative approach of the banking system. The lack of an insurance system in agriculture also significantly affects farmers' access to loans, respectively to affordable loans. Also, interest rates on loans to the agricultural sector are high compared to other sector and countries from the region, which is not stimulative for the development of agriculture.

The Ministry of Agriculture, Forestry and Rural Development (MAFRD) supports investments in agriculture through Guarantee Fund which provides loan guarantees in agreement with the six main banks of Kosovo*, therefore increasing the access to credit in agriculture and agribusiness. This fund contributes in total value in about EUR 23.5 million, where MAFRD has a share of EUR 2.5 million. Additionally, considering that agriculture in Kosovo* is the main economic activity, banks have made progress by reducing the annual interest rate in average by 2% for agro-loans and extending the period for repaying agricultural investment loans for up to 84 months. Every individual that possesses cattle or farming land and secures the income by selling the agricultural products is eligible to be financed by a bank.

9.5 North Macedonia

Today, around 40% of the investments and operating activities in agriculture in North Macedonia are credited through the commercial banks and saving houses, where 15 licensed commercial banks are the primary providers of credit to agricultural holdings.. Commercial banks mainly target agricultural companies, except small banks, which see the small farmers as potential clients. On the contrary, saving houses mainly provide microfinance services to micro and small farmers. There is an informal credit market as well, which seems to be preferred by the agricultural holdings. This includes loans from relatives, friends, and unauthorized persons.

Increased participation of the commercial banks in crediting agriculture in the last years is due to the establishment of the Agricultural Credit Discount Fund (ACDF). The purpose of the credit lines of the ACDF is to improve access to credits of the individual agricultural producers, the small and medium agricultural companies, the processors, and exporters and the applicants to the IPARD program. There are also other donors (such as USAID, etc.) and a small number of international financial institutions that support certain credit lines intended to develop agriculture.

The lending volume of the financial institutions to agriculture is very small. In the last quartile of 2017, the total lending volume to agriculture (including forestry and fishery) was only 1% from the total lending activities of the financial institutions to other sectors. As a result, the investments in agriculture are very low. The total investments in fixed assets in 2016 was 2.4%. About 78% of the total lending volume of the financial institutions belongs to credit lines supported by the ACDF. The saving houses reduced their share in crediting agriculture, unlike the beginning of the establishment of the ACDF. However, one project, "Microfinance Inclusion and Innovation" is running to increase the participation of saving houses and small banks in providing microfinance services to SMEs in agriculture.

However, the accessibility to banks remain as a problem for farmers from rural areas. Today, large banks' main targets for crediting are the agri-food companies, while small banks and saving houses

have special microfinance services and mainly target small farmers.

9.6 Montenegro

The agricultural credit market in Montenegro is consisted of two parts. The first part refers to the loans provided by the Government of Montenegro through the Investment and Development Fund (IDF), and another part are loans offered by limited number of banks. In the past ten years, the situation in Montenegro regarding the granting of loans to agricultural producers has improved. The IDF was established, several banks provided targeted agricultural loans, and several smaller microcredit institutions were established, which are solely engaged in lending to farmers.

The IDF has defined stimulating financing conditions for agricultural producers and companies. Loans are designed for supporting investments in agricultural holdings in accordance with the Call of the Ministry of Agriculture and Rural Development of Montenegro. Lending conditions are:

- Interest rate of 3,00% annually with the proportional interest calculation method;
- Maximum term of 12 years (including the grace period);
- Grace period up to 4 years.

The banking sector recognized the need for agricultural producers to borrow money to start farming, but interest rates and general conditions are highly unfavourable for the agricultural producers. Substantial changes occurred in terms of lending by the state because now the loans are available for small farms that want to improve and expand agricultural production. It is far more difficult for new agricultural farms, as the procedure for obtaining a loan is much more complex, and the system of trust is different in relation to agricultural holdings already engaged in agriculture. However, new agricultural holdings can compete for small investments through public calls from the Ministry of Agriculture and Rural Development, and this support is from 30% to 50% of the investment.

9.7 Serbia

In Serbia, there are no financial organizations specialized for credit support to agricultural holdings, warehouse receipts market is underdeveloped as well as a system of pre-harvest financing. Nevertheless, the agricultural credit market has been significantly improved over the years (SEDEV, 2017).

Commercial banks have a key and dominant role in lending to farmers in Serbia. There are currently 29 banks registered for deposit and credit operations, and there is growing competition among them. Each bank defines agricultural loans through its business policy, determines the client's creditworthiness and assesses the level of risk (client's solvency, indebtedness, risk of credit recovery, etc.) according to the methodology of the National Bank of Serbia. The role of commercial banks is growing with the credit support programs (subsidized loans) provided by the Ministry of Agriculture, Forestry and Water Management, as well as with credit support (subsidizing interest rates on short-term agricultural loans) provided by units of local self-government, which assign funds for these purposes from their own budgets.

In the Vojvodina region, there are also two development funds and one guarantee fund. These funds, through their favorable credit policy (interest rates of 1-3% per annum; relatively favorable repayment periods; support to farmers in securing loans), provide farmers of this region with more favorable conditions of lending in relation to market conditions and in relation to the conditions offered to farmers in the other 3 regions of Serbia (Belgrade region, region of Šumadija and Western Serbia and the region of South and East Serbia).

According to the data from the National Bank of Serbia total portfolio of agricultural loans approved by commercial banks in Serbia, as of 30 November 2017 (data from the National Bank of Serbia) is EUR 1,035 million. Around EUR 470 million were granted to registered agricultural holdings, while about EUR 565 million were granted to companies in the agriculture, forestry, and fishery sector. The long-term loans account for 77% of the total portfolio for agricultural holdings, while the short-term loans account for 22%.

9.8 Cross-country findings

The agricultural credit market in Serbia in the past 10 years is characterized by the following trends:

- The number of creditors has not significantly changed;
- The portfolio of agricultural loans is continuously growing;
- The number of clients is constantly falling for the last four years, which indicates an increase in the average size of the loan. Today, around 50,000 farmers have taken out loans (SEDEV, 2017) or about 8% of the total number of agricultural holdings covered by the Census of Agriculture 2012;
- Interest rates have been significantly reduced (compared to 2010, they are lower on average by about 30%) (SEDEV, 2017);
- There has been a noticeable decrease in the share of bad loans in the total placements to the agriculture sector since 2014 (SEDEV, 2017);

There is still a small share (only about 22.6%) of short-term loans for financing the production cycle in relation to the total credit instruments directed by banks to registered agricultural holdings.

Respondents' answers show that a big farm/small agricultural firm has a somewhat greater possibility of obtaining credit than small agricultural holdings in all of the surveyed countries/territories (Table 13). In the **Federation of Bosnia and Herzegovina, Kosovo***, **North Macedonia**, and **Montenegro**, small farmers are perceived as having far less possibilities, while in **Albania**, **the Republic of Srpska** and **Serbia**, their possibilities are somewhat smaller.

The main reasons are that small farmers often do not have a permanent and high income, and so they are considered riskier clients, do not have enough collateral to offer as a guarantee for credit repayment, and do not keep production and financial records in contrast to bigger farms. In the **Federation of Bosnia and Herzegovina**, the vast majority of small farmers cannot provide the required collateral. In this way, they cannot achieve credit history and reputation in banks that would qualify them for future credits. They are forced to look for loans for small-scale investment and working capital in MCO's. Procedures to obtain credits are quick and straightforward, collateral is not required as well as business plan. However, the interest rates are extremely high. In **North Macedonia**, small farms sometimes have the same or even greater opportunity to get credit if they are considered prospective, developing, and innovative.

Table 13: Assessment of the possibility of a farmer to obtain a loan in comparison with big farms or other rural-based small firms

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Far less		+		+	+	+	
Somewhat less	+		+				+
Same							
Somewhat greater							
Much greater							

Table 14 lists the most common reasons for rejecting credit applications according to the respondents' opinions. The top three reasons in all surveyed countries are insufficient farm income, lack of collateral, and insufficient household income. One of the reasons for rejection of the loan in **North Macedonia** is also inefficient and not sustainable investments. The least important reasons are the lack of appropriate farming or management education (in none of the countries), insufficient business plan (only in **Kosovo***), and a weak previous relationship with the creditor (only in **Albania**). In general, in all WB countries/territories, the business-related reasons are more important than the more personal reasons (education, experience, and relations).

Table 14: Most common reasons for rejecting credit applications in WB countries/territories

	AL	BiH (FBiH)	BiH (RS)	XK*	MK	MNE	SRB
Lack of appropriate farming or management education or experience							
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				+			

The table below (Table 15) shows typical lending conditions for agricultural credits in WB countries/territories.

Table 15: Typical lending conditions for agricultural credits in WB countries

	AL	BiH (FBiH)	BiH (RS)	XK*	MK ⁶	MNE	SRB
Max. amount of credit (EUR)	1,500-2,400 ¹	5,000-50,000	25,000-250,000	3,000-100,000	500-250,000	Up to 15,000	5,000-50,000
Interest rate (%)	5-10 ²	3.4-11 ³	3.8 – 7 ⁵	8-27 ⁴	6-8 ⁷	3 -13	8.5-9.9
Collateral	120-150% of value of the credit	150 – 200% of value of the credit	Mortgage, bill of exchange, Guaranty fund	100-150% of value of the credit	Real or movable estate	Guarantors or mortgages	Client's promissory notes
Duration of credit (months)	240-300	12-144	60-120	36-120	48-96	Up to 100	up to 84
Minimum participation with equity	n/a	n/a	n/a	1.000 EUR	20%	n/a	20%
Grace period (months)	15 days	0-36	12-36	3-18	6-24	Up to 48	Up to 12

¹ For short-term investments

² Real interest rate; in MFI, the rate is 17-24%

³ Refers to the effective interest rate. In MCOs it ranges from 10.6% to 20.1%

⁴ Nominal interest rate

⁵ Average effective interest rate; in MCOs it is 20.5%

⁶ Data refers to credit terms for fixed assets of commercial banks' credit programs for agriculture

⁷ Annual fixed interest rate

n/a – not available

In **Albania**, the loans are usually used for the purchase of small machinery (equipment) and for purchasing livestock (cattle or small ruminants). The maximum amount of credit is up to EUR 250,000 (**Republic of Srpska, North Macedonia**). The maximum amount of credit usually varies within different credit institutions and for different purposes. In the Republic of Srpska, this amount of credit is given by the IDB credit line, while commercial banks and MCO's provide loans up to EUR 25,000. There are no credit lines exclusively designed and adapted to purchase agricultural land.

The interest rate varies between 3% and 13%, while in **Kosovo*** it can reach up to 27%. It depends on the amount of the loan and its maturity. Interest rate is usually higher in non-banking institutions, such as microfinance institutions, where it often reaches 20% and more.

There are various ways of securing the credits in the WB countries/territories. The collateral is usually up to 200% of the credit value (**Albania, Federation of Bosnia and Herzegovina, Kosovo***), the mortgage

on another real or movable estate, bill of exchange, guaranty fund, or client's promissory notes. In **Montenegro**, required security instruments depend on the amount of credit:

- For amounts up to EUR 3,000 - one guarantor;
- For amounts ranging from EUR 3,000.01 to 10,000 - two guarantors;
- More than EUR 10,000 - three guarantors or mortgages.

The duration of agricultural credits depends on the loan's use and is typically up to three years for operating capital and up to twelve years for larger investments. In some countries (**North Macedonia, Serbia**), minimum of 20% participation in equity is required, and in **Kosovo***, it is EUR 1,000. Four WB countries/territories, except **Kosovo*** and the Federation of Bosnia and Herzegovina reported the existence of a grace period for repayment of the credit. The length of the grace period depends on the type and duration of the credit. The longest grace period is up to 48 months in Montenegro.

10. CONCLUSIONS AND RECOMMENDATIONS

This report presents the selected results of Tasks 1, 2, 3 and 4, of the project "Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries", which was initiated in order to strengthen the understanding of the functioning of the land market in the Western Balkan countries/territories and its implications for small farm households' access to land. Results are based on completed survey questionnaires and findings of the focus group discussions.

The main limitations of a prepared study are the lack of accurate and reliable data. A lot of data is not obtainable, too general, or inaccurate because of the absence of available official statistics. Tables include different reference data or expert estimations, so the data is also not fully comparable between all countries/territories. Also, the countries/territories have different definitions for agricultural holdings or the utilized agricultural area, making comparative analysis difficult. Based on these findings, it is hard to make solid conclusions and the values represented are of orientational nature.

Nevertheless, significant effort was made towards the improvement of land market development in WB countries/territories. Respondents and key stakeholders, researchers, and decision-makers who attended focus group discussions proposed relevant policy recommendations which should be considered if the countries want to modernize the agricultural land market and make it comparable to the EU level. Based on the results from questionnaires and especially findings from focus groups, it was possible to identify the key problems Western Balkan countries faced in land market development and they are represented below. First, conclusions by individual countries/territories are given, followed by cross-country conclusions and policy recommendations.

10.1 Albania

Albanian land market is poorly developed and non-functional. With 1.2 ha of land per agricultural holding, farm size is on average the smallest among surveyed countries. Agricultural land is extremely fragmented, resulting from the land privatization process that began in 1991. The biggest obstacles regarding land market regulations are incomplete land titling, ineffective land administration, and complex administrative procedures. Most farmers still have not received officially recognized land titles, and many land plots overlap when registered. In some cases, more than one person is the registered owner which creates disputes. This creates uncertainty and delays during land sales and difficulties in accessing finance through banks, often requiring land titles as collateral for loans.

The sales market of agricultural land is poorly developed due to unclear property rights, limited access to information on available agricultural land, and unwillingness to sell agricultural land (strong emotional ties) inherited by ancestors. Only a small amount of land is sold every year and there is no sale of state-owned land until the pre-1945 farmers are compensated. After the sale, agricultural land is often changed into construction land. The rental market is slightly more developed and more flexible than the sales market. A large majority of rental contracts are informal, based on trust and short-term agreement. Also, it is hard to obtain reliable data on land market activity, as there is no official register of sale and rental transactions.

The share of credits provided to agriculture and fishery is the smallest among surveyed countries, and it is only 1% of the overall credit volume. Small farms have somewhat less possibility to obtain credits than bigger farms or rural companies. The main obstacles for rural businesses and households in accessing bank credit are lack of collateral, which is related to the absence of functional land market and the unresolved issue of land property rights, risk of agricultural production, and low income.

The main obstacles towards the development of the agricultural land market can be summarized as:

- Small average size of farms;
- Extreme land fragmentation
- Low number of rental and sale transactions;
- Unfinished privatization process;
- Informal rental market;
- Undefined property rights;
- Fuzzy legislative provisions and their ineffective implementation;
- Illegal changes of agricultural land use;
- Lack of reliable data and information on the land market;
- Land abandonment;
- Poor access to credit.

Considering all these issues, access to land is problematic for the agricultural sector, especially for smaller farms.

10.2 Federation of Bosnia and Herzegovina

In the Federation of Bosnia and Herzegovina, the agricultural land market is unregulated and dysfunctional. There is a lack of reliable data and information even on farm number and size structure (no agricultural census). Although there is a good legal framework for the establishment and functioning of the land market, this process is slow and inefficient. Law on agricultural land is being violated in many crucial issues, especially in land sale procedures and changing the purpose of agricultural land. Among the biggest obstacles are also unfinished restitution process, structural problems of agriculture, and missing or inefficient institutions. High decentralization in decision-making processes leads to insufficient subordination and coordination, which endangers the implementation of the existing laws and aggravates the adoption of the missing ones.

Register of agricultural land and cadastre are not updated. They are unreliable, uncoordinated, and un-harmonized with the new modern cadastre, which is not established on the entire territory. Farms in the Federation of Bosnia and Herzegovina are very small and in poor economic position. They are unable to provide the required collateral when applying for credit. In this way, they cannot achieve credit history and reputation in banks that would qualify them for future credits. The lack of access to agricultural credits discourages farmers from expanding their activities and investing in land..

The main obstacles towards the development of the agricultural land market can be summarized as:

- Land fragmentation;
- Lack of reliable data and information on the land market;
- Complex and inefficient administrative organization;
- Unfinished restitution process;
- High decentralization in decision-making processes;
- Violation of law in practice, corruptive activities;
- Lack of support measures for regulating and establishing the land market;
- Poor access to credit.

10.3 Republic of Srpska

The Republic of Srpska does not have precise and reliable data about land surface, ownership, and land structure (no agricultural census). The farm register does not include data for all agricultural households, as registration is voluntary.

Agricultural credits are not available to a sufficient extent, especially to natural persons. Banks are reluctant to credit small rural households because of limited income, lack of financial records on production, and lack of collateral. Therefore small farms are primarily oriented towards getting credits from micro-credit organizations, which are less favorable in terms of repayment, grace periods, and interest rates.

Main obstacles towards the development of agricultural land market can be summarized as

- Absence of accurate and reliable data on the agricultural land area and farm households;
- Poor economic position of family farms;
- Unrealistic categorization of agricultural land;
- No sanctions for abandoning the agricultural land;
- Poor information on offer and demand of agricultural land;
- Speculative buying of agricultural land;
- No regulation and measures to discourage further land fragmentation and no stimulations for land consolidation.

10.4 Kosovo*

In Kosovo*, the agricultural land market is not functional enough. A very small amount of the land is offered on the market every year. Farms are, on average, very small and fragmented, which is a result of the inheritance system. The use of agricultural land is inefficient because of land fragmentation, heritage customs, and informal relations in the land market. Illegal changes of agricultural land's purpose into construction land undermine the effective implementation of the law on spatial planning, and rapid urbanization has a significant impact on the land markets in certain areas, mainly in the transition from agricultural to urban land use and the urban influences on peri urban farmland prices. Because of the lack of statistics, there is no precise data on how much land is lost every year. Institutional developments and land reforms have not contributed to significant changes in agricultural ownership, operational structures, or land market and land leasing arrangements. Little is being done to implement land consolidation schemes to help ensure the economic viability of agricultural holdings.

Agriculture is the least credited sector by financial institutions. Small farmers have very limited access to credit. The main reasons are poor economic po-

sition, poor credit history, and insufficient business plan.

The main obstacles towards the development of the agricultural land market can be summarized as:

- Predominance of small farms with inefficient production;
- Extreme land fragmentation;
- Low activity of the agricultural land market and lack of information and transparency in the activity of the land market;
- Incomplete data on ownership;
- Illegal changes of the purpose of agricultural land;
- Speculative buying of agricultural land;
- Poor land management system;
- Poor access to credit.

10.5 North Macedonia

The agricultural land market in North Macedonia is not enough functional and dynamic. A limited amount of land is offered for rent and purchase. The main factors are unclear property rights due to unregistered hereditary rights and unfinished denationalization process, land abandonment, and shared ownership. Agricultural land is very fragmented, and the process is further fed by low economic growth and lack of social security. The main way of transferring agricultural land remains through the inheritance of the land, leading to further reduction of the property. The credit market is also inefficient, and the lending volume to the agricultural sector is very small. Farmers do not have enough working capital to buy new land, and access to credit is limited due to high interest-rates, the lack of securing loans, and the rigorous attitude of the bank credit policies for the rural population.

Main obstacles towards the development of the agricultural land market can be summarized as:

- Small average size of farms;
- Land fragmentation due to inheritance;
- Land abandonment;
- Unclear property rights;
- Unfinished denationalization process;
- Poor economic position of farmers;
- Poor access to credit.

10.6 Montenegro

In Montenegro, there is a lack of information on agricultural land and market activity. The biggest obstacles for the functioning of the land market are land fragmentation, unclear property-legal relations, the risk of agricultural production, and change of agricultural land use for non-agricultural purposes (construction). Many areas related to agricultural land and its use are not regulated properly or not regulated at all, because the current laws are outdated. Poor land management results in land degradation and destruction. Montenegro also has no direct measures when it comes to the agricultural land market. However, some measures for rational use of land, protection of agricultural land, prevention of land abandonment, and land improvement exists.

Access to credit for small farms is poor. The main reasons for the rejection of credit application are small income and lack of collateral. Most agricultural households are in poor financial condition and usually need to lend the money to start with agricultural production.

The main obstacles towards the development of the agricultural land market can be summarized as:

- Land fragmentation;
- Poor land management system;
- Unclear property rights;
- Changes of the purpose of agricultural land;
- Informal rental market;

- Outdated Law on agricultural land;
- Poor economic position of farmers;
- Poor access to credit.

10.7 Serbia

Serbia has well developed agricultural land rental market and moderately developed sales market. In the last fifteen years, the market has become more active. The country has completed a legislative framework, established a real estate records system, reduced the taxes on the transfer of absolute rights, consolidated land parcels, and took some other important steps towards developing the land market. However, the obstacles to the development of the effective agricultural land market in Serbia are insufficiently effective implementation of laws in practice, inadequate tax policy, data on unique real estate records are not updated, high fees for certification of purchase and rent agreements with public notaries, fragmentation of property, the insufficient interest of farmers for land consolidation, expensive and long-lasting land consolidation procedure and unfinished restitution procedure.

The agricultural credit market has also improved, and the portfolio of agricultural loans is steadily growing. However, the possibility of small farmers to obtain credit is less than that of big farmers or rural companies. Main reasons are lack of own funds, inadequate creditworthiness of small farm households for the purchase of agricultural land, and lack of collateral.

The main obstacles towards the development of the agricultural land market can be summarized as:

- Land fragmentation;
- Ineffective implementation of laws;
- Land degradation;
- Speculative buying of agricultural land;
- Unfinished restitution process;
- Social insecurity of farmers;
- Poor access to credit for small farms.

10.8 Cross-country conclusions and policy recommendations

Based on the findings for individual WB countries/territories, we can conclude that they face many problems that impede the development of the functional agricultural land market, which is in some cases still highly unregulated. The main conclusions recognized in this study are common among all countries/territories are (not ordered by significance or frequency of answers):

- Lack of reliable and accurate data and statistics;
- Small average size of agricultural holdings;
- Unfinished restitution process;
- Unclear property rights;
- Land fragmentation, which is in some cases extreme;
- No sale of state-owned land;
- Weak agricultural land sales market and better developed rental market;
- Lack of access to credit for rural population;
- Non-existing or non-functional legislative framework;
- Poor economic position and social insecurity of small farmers;
- Conversion of agricultural land to construction sites and land abandonment;
- Complex administrative procedures.

Lack of reliable and accurate data presents a big issue in WB countries/territories. Some reported the absence of accurate and reliable information on agricultural land (Kosovo*, Albania, North Macedonia, Republic of Srpska), activity of the land market (Kosovo*, Republic of Srpska), sale and rental prices (North Macedonia) or farm number and size structure (Federation of Bosnia and Herzegovina).

In all of the analysed countries/territories, the register of agricultural land and cadastre are not

regularly updated, unreliable, uncoordinated and unharmonized, which consequently causes incomplete data on land ownership, and unclear property rights. This impedes farmers' subsidization, the sale of the land and use of the agricultural land as collateral for crediting purposes.

One of the biggest development disadvantages in all Western Balkan countries is the unfavourable size of agricultural holdings and the fragmented and dispersed land ownership. The main goal of the consolidation measures is to improve agricultural holdings' land structure and enable efficient and rational use of agricultural land. Land consolidation contributes to the increase in the consolidated parcels' income, increases the rent rates and the market price of the consolidated land, and reduces production resources.

General policy recommendations for all WB countries/territories are:

- Improvement of knowledge transfer and information actions regarding the agricultural land market and available agricultural land;
- Completion of the restitution and denationalisation process of agricultural land and regular updating of land register and cadastre. This includes regularisation of all land titles and ownership rights and establishment of efficient land records and monitoring system;
- Establishment of the legislative framework that will prevent further fragmentation of agricultural land through the institute of protected farms;
- Increase the volume of lending in agriculture with establishment of special credit lines for small agricultural holdings and simplify application procedures;
- Setting-up of producer groups and organizations of small agricultural holdings, which would make easier to obtain funds and provide the necessary collateral for agricultural loans;
- All Western Balkan countries should introduce land use fees (like in the Federation of Bosnia and Herzegovina) in order to prevent the abandonment of agricultural production and ensure the cultivation of agricultural land. The funds that would be collected would be used for land consolidation projects;

- Increasing the share of young farmers can contribute to the faster introduction of new technological knowledge and innovation in rural areas. They should be supported through the favourable rent of state-owned land;
- Define development-capable prospective farms, which in the future will be the drivers of rural development in Western Balkan countries;
- It is necessary to equalize the inheritance rights of all beneficiaries, regardless of age and gender (case in Albania);
- Adopt inheritance regulations and law that will prevent further fragmentation of agricultural land;
- Support the land consolidation with investments in rural roads, irrigation, and drainage projects, and other relevant infrastructure;
- Establish a public financial fund, which will be designed for a more sustainable achievement of development goals in rural development. This fund will co-finance the projects in the field of rural development and support projects in primary agricultural production as well as projects of processing, marketing, and land consolidation activities.

Based on respondents' answers, it can be concluded that surveyed WB countries/territories still have a long way ahead towards establishing a functional agricultural land market. Land market ineffectiveness impedes the growth of farm size and modernization of the agricultural sector. Among all the surveyed countries/territories, Serbia has the most developed land market with the largest average farm size, the strongest land market activity, and many implemented governmental measures that address this issue.

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