

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

Matej Bedrač, Sara Bele, Tomaž Cunder, Maja Kožar

Ljubljana 2018

Publikacija je bila pripravljena v okviru projekta "Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries" (LMSF-AC), ki ga financira Regional Rural Development Standing Working Group (SWG) in South-Eastern Europe (SEE).

Publikacija je dostopna na http://www.kis.si/Predstavitev_OEK/

Založnik:

Kmetijski inštitut Slovenije

Hacquetova ulica 17

SI-1000 Ljubljana

Tel.: 01 280 52 62

Faks: 01 280 52 55

www.kis.si

Ljubljana, 2018

Kataložni zapis o publikaciji (CIP) pripravili v Narodni in univerzitetni knjižnici v Ljubljani

COBISS.SI-ID=299077888

ISBN 978-961-6998-28-4 (pdf)

Table of Contents

1	Introduction	6
2	Work plan by key project activities	8
3	Methodological approach	9
3.1	Survey questionnaire	9
3.2	Focus groups	10
4	General information about rental and sale markets in Western Balkans	11
4.1	Share of agricultural land by ownership structure	11
4.2	Share of uncultivated land	13
4.3	Definition of small agricultural households	14
5	Rental market in Western Balkans	18
5.1	Rented agricultural land.....	18
5.2	Informal rental market.....	21
5.3	Rental prices and types of payment	22
5.4	Possible renters of agricultural land	24
5.5	Cross-country findings	27
6	Sales market in Western Balkans	28
6.1	General information	28
6.2	Sales prices.....	29
6.3	Possible buyers of agricultural land	30
6.4	Cross-country findings	32
6.5	Rental market regulations	33
6.5.1	General rental market regulations	33
6.5.2	Duration of rental contracts	37
6.5.3	Rental contract termination	38
6.6	Sales market regulations.....	39
6.6.1	Sales prices	40
6.6.2	Changes of purpose of agricultural land	40
6.6.3	Property rights	41
6.6.4	Pre-emptive rights	42
6.6.5	Land taxes	44
6.7	Cross-country findings	45
7	Agri-policy measures related to land market	47

7.1	Albania	47
7.2	Federation of Bosnia and Herzegovina	48
7.3	Republic of Srpska.....	49
7.4	Kosovo.....	50
7.5	The Former Yugoslav Republic of Macedonia	50
7.6	Montenegro	51
7.7	Serbia	52
7.8	Cross-country findings	52
8	Agricultural credit market in Western Balkans	54
8.1	Albania	54
8.2	Federation of Bosnia and Herzegovina	54
8.3	Republic of Srpska.....	55
8.4	Kosovo.....	56
8.5	The Former Yugoslav Republic of Macedonia	57
8.6	Montenegro	58
8.7	Serbia	58
8.8	Cross-country findings	59
9	Conclusions and recommendations	63
9.1	Albania	63
9.2	Federation of Bosnia and Herzegovina	64
9.3	Republic of Srpska.....	65
9.4	Kosovo.....	66
9.5	The Former Yugoslav Republic of Macedonia	66
9.6	Montenegro	67
9.7	Serbia	68
9.8	Cross-country conclusions and policy recommendations	68
10	References	71

Tables

Table 1: Key tasks, activities and deadlines within the LMSF-AC project as defined at the project kick-off meeting (Minutes of ... , 2017).....	8
Table 2: Share of agricultural land (ha UAA) by ownership structure for the last available year	13
Table 3: Share of uncultivated land in WB countries/territories (%) in relation to total agricultural land.....	14
Table 4: Rented agricultural land: number of transactions in the last available year (expert estimations, except AL, BiH (FBiH), BiH (RS), KO, MAC).....	20
Table 5: Rented agricultural land - transacted area (ha; expert estimations except AL, BiH (FBiH), BiH (RS,) KO, MAC).....	21
Table 6: Share of informal rental contracts (%); expert estimations.....	22
Table 7: Average rental prices (EUR/ha) of agricultural land in the last available year	24
Table 8: Possible renters of agricultural land (expert opinion) in WB countries/territories.....	26
Table 9: Possible receivers of subsidies in case of renting agricultural land in WB countries/territories.....	26
Table 10: Average sale prices of agricultural land (EUR/ha; expert estimations except FBiH, MAC, RS)	30
Table 11: Possible buyers of agricultural land (expert opinion) in WB countries/territories.....	30
Table 12: The duration of rental contracts in WB countries/territories.....	37
Table 13: Assessment of the possibility of a farmer to obtain a loan in comparison with big farms or other rural-based small firms.....	60
Table 14: Most common reasons for rejecting credit applications in WB countries/territories ...	61
Table 15: Typical conditions of agricultural credits in WB countries.....	61

1 Introduction

This publication is the final deliverable of Agricultural Institute of Slovenia (AIS) within the project "Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries" (LMSF-AC). The project was initiated in order to strengthen the understanding of the functioning of land market in the Western Balkan (WB) countries/territories and its implications for small farm households' access to land. LMSF-AC project is funded by the European Commission Joint Research Centre (JRC) and The Regional Rural Development Standing Working Group (SWG) is responsible for its implementation. Project started on November 6th and will terminate on August 27th 2018. The WB countries/territories relevant for this project are Albania, Federation of Bosnia and Herzegovina, Republic of Srpska, the Former Yugoslav Republic of Macedonia, Kosovo¹, Montenegro and Serbia².

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 focused group discussions with relevant stakeholders in order to identify factors affecting the functioning of land market (including informal norms) with special focus on small farm households' access to land and to analyze 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;
- **Task 3:** Conduct focused group discussion with relevant stakeholders to identify factors affecting the functioning of land markets and small farms' access to land in the WB countries/territories;
- **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 the Task 1 was to make an overview of the land market development in WB countries/territories and to assess the availability and quality of data on the rental and sale land markets. The focus was to identify the availability of land rental and sale prices, type and duration of rental contracts, importance of land abandonment and

¹ 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.

² Abbreviations: Albania (AL), Federation of Bosnia and Herzegovina (BiH-FBiH), Republic of Srpska (BiH-RS), Kosovo (KO), the Former Yugoslav Republic of Macedonia (MAC), Montenegro (MN), Serbia (SR), Western Balkans (WB).

structure of land use, ownership and land fragmentation in the region with the help of a survey questionnaire.

The main aim of the 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 the 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 the 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 the Task 4 was to provide a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries/territories, based on the findings from project Tasks 1, 2 and 3. During this task, AIS evaluated the impact of formal and informal land market regulations on small farms' access to land, conducted cross-country analysis of factors constraining and factors stimulating farmers' exit from agriculture, evaluated the implications of land abandonment for small farms' access to land and drew conclusions and policy recommendations.

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

It should be emphasized that the size structure of agricultural holdings in the WB countries/territories is extremely unfavorable. The vast majority of agricultural holdings in these countries are small, therefore the findings and results presented in this publication refer to the most of the farms in these countries/territories.

2 Work plan by key project activities

Detailed work plan was defined at the kick-off meeting in Skopje, December, 14-15th 2017. Below are the key project activities, deliverables and deadlines of the project, divided by individual tasks (Table 1).

Table 1: Key tasks, activities and deadlines within the LMSF-AC project as defined at the project kick-off meeting (Minutes of ..., 2017)

Task	Activity/Deliverable	Deadline
	Organization of kick-off meeting (scope of work, research questions, work plan, methodology)	14-15 Dec'17
1, 2	Completed questionnaires including: <ul style="list-style-type: none"> ▪ Collected information about rental and sale market developments in the WB countries/territories ▪ Collected information about rental and sale/ownership market regulations Identified implications of land market regulations for small farm households	31 Jan'18
3	Methodology (templates and guidelines) for focused group discussion with relevant stakeholders to identify factors affecting the functioning of land markets and small farms' access to land in the WB countries	31 Jan'18
1,2	Input to the first draft interim report to SWG (results of Task 1 and 2, outline for Task 3 and 4), including templates for the country reports	9 Mar'18
3	Conduct focused group discussions with farmers, farmers' associations and other relevant stakeholders in order to identify factors affecting the functioning of land markets	Mar'18
1, 2, 3	Submit country reports including summary of rental and sale market developments in each WB country/territory, rental and sale/ownership market regulations and their implications for small farm households and factors affecting the functioning of land markets (based on the country report template provided by the SR)	31 Mar'18
1, 2, 3, 4	Interim meeting (discuss interim report, improve Task 1, 2 and 3, plan Task 4)	11 May'18
1,2,3,4	First draft Final Report (results of Task 1, 2, 3, 4), including development of a comparative cross-country analysis of the land markets and small farms' access to land in the WB countries	7 Jul'18
1, 2, 3, 4	Final meeting (discuss Task 1, 2, 3, 4)	20 Aug'18
1, 2, 3, 4	Final report and Databases	27 Aug'18

3 Methodological approach

The survey was conducted with the help of a questionnaire template and focus group discussions among WB countries/territories. All of the findings, conclusions and recommendations, presented in this publication, were gathered based on these two methods. In order to ensure uniformity of the collected information, the international experts (Agricultural Institute of Slovenia, AIS) developed methodology, coordinated and provided feedback and approval on the scientific quality regarding the collection of data. A questionnaire template was sent to the national experts engaged by SWG to fill in with relevant information from their countries/territories. Questionnaires were sent to project partners from 7 WB countries/territories: Albania, Federation of Bosnia and Herzegovina, Republic of Srpska, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia. 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 as well as expert and scientific literature.

To ensure uniformity of the focused group discussions, AIS developed methodology by preparing instructions for organization of focus groups and specific questions for focus group discussions that were also sent to project partners. In each WB country/territory 2 focus groups in different regions were conducted, each attended by relevant stakeholders. In focus groups the same 4 general topics as in survey questionnaires (information about rental and sale markets, land market regulations, agri-policy measures related to land market and agricultural credit market) were discussed, 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 inputs received from the national experts, 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 questionnaire 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 desk top 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 publication.

3.1 Survey questionnaire

Survey questionnaire template was sent to respondents (national experts) on December 21st 2017. The questionnaire was structured as follows (complete questionnaire is attached in **Napaka! Vira sklicevanja ni bilo mogoče najti.**):

- Respondent 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.

Respondents were asked to complete the survey questionnaire by January 31st 2018. Additionally, some external resources and publications were reviewed where further information was required. Filled-in questionnaires and follow-up answers were sent to JRC in a separate document.

3.2 Focus groups

Instructions for focus group discussions within the Task 3 were sent to national experts in January 26th 2018 and followed by specific questions and other materials (list of participants, consent forms) in February 28th 2018. Focus groups were conducted in March 2018 in all 7 project partner countries/territories. The aim of the focus groups was to highlight additional more in-depth questions that were relevant in order to identify factors affecting the functioning of land markets and its implications for small farm's access to land. Two focus groups were conducted in each partner country/territory and facilitated by the national expert from the respective 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 on national, federal, cantonal or municipality level.

Participants discussed about specific questions (attached in **Napaka! Vira sklicevanja ni bilo mogoče najti.**), divided into 4 general topics:

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

National experts could also add their own questions, if necessary to stimulate the discussion. After focus groups were completed, the key ideas that were discussed were summarized and included in country reports that were sent to SWG and AIS. Complete instructions regarding the organization of the focus groups are attached in the annex (**Napaka! Vira sklicevanja ni bilo mogoče najti.**).

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 about 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 owner 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 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, utilized agricultural area (UAA) covered 1.16 million ha, which is around 40% of the total land area of the country. About half of the UAA represents arable land, around 40% is permanent grassland and the rest of the land is under permanent crops. Pastures and meadows are mostly state managed and only partly given to farmers for rent (Policy brief, 2015).

In the **Federation of Bosnia and Herzegovina**, state-owned agricultural land is mostly composed of pastures (73%), while arable land for intensive agricultural production is mostly owned by family farms. The share of state owned land strongly 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 cultivable area (covering arable land, gardens, orchards, vineyards, pastures and meadows), fishponds and swamps). Agricultural land is very fragmented into large number of small land plots, and the existing Inheritance Law will in future lead to its further fragmentation. As no agricultural census was conducted for the last 35 years, there is no reliable data on number and size structure of agricultural holdings.

In the **Republic of Srpska**, there is also 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 on how much of agricultural land is owned by the state and how much of it is privately owned. One part of state land is owned by companies in full or major ownership of the state (former "kombinats" and other socially-owned forms of enterprises), and the second

part is land that is directly owned by the state. The land owned by state companies shares the fate of these companies and changes owners as a consequence of the change in the ownership structure of these companies (privatization, recapitalization, sale, etc.). The agricultural land owned by the state is managed by the entity, through the entity's 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.

For **Kosovo**, bipolar farm structure is characteristic. The majority of UAA in 2014 (413,635 ha) was owned by small household farms and few large former state (socially-owned) enterprises. In addition to the bipolar farm structure, agricultural land used by private agricultural households is fragmented into several small plots, which are distributed in many locations. The largest area of UAA belongs to permanent grasslands (54%) followed by arable land (44%), permanent crops has less than 2% and the rest refers to the kitchen gardens (0.3%).

The transition process in the **Former Yugoslav Republic of Macedonia** has given rise to major structural and economic changes. Before 1991, the agricultural sector consisted of largescale socially owned farms, also known as agrokombinats and cooperatives, which were characterized by more specialized production. Today, decentralization has led to the agricultural sector being composed of small farm households with more diversified production systems, implying that small-farm households, for which half of them are smaller than 1 ha, represents the agriculture. 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% belong to the state.

Agricultural holdings in **Montenegro**, cultivate over 220 thousand hectares of UAA. The great majority belongs to family farms (96%) while the rest is owned by agricultural companies.

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 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), which represent 99% of total agricultural holdings. Out of agricultural land that belongs to family farms, around 10% belonged to small family farms (owning up to 2 ha of agricultural land). The rest of 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 2 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 unavailability of official statistics.

Table 2: Share of agricultural land (ha UAA) by ownership structure for the last available year

Country/territory	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
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	413,635⁴	320,738	221,298	3,437,423

¹ Estimation made on the basis of 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 3, 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 Federation of Bosnia and Herzegovina and Republic of Srpska, the percentage of uncultivated land was provided in relation to total arable land and was then calculated in relation to 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 3: Share of uncultivated land in WB countries/territories (%) in relation to total agricultural land

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
Data for year	2008	2016	2016	2014	2016	2010	2012
Share of uncultivated land (%)	10 ¹	17 ²	26 ²	4	7	28	11

¹ Estimation

n/a – not available

4.3 Definition of small agricultural households

Because the focus of this study is small farms, it is important to know, which farms are actually considered as small farms. There is not uniform definition of a small agricultural holding at 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). It is thus generally assumed that small agricultural holdings are those of less than 2 or 5 ha UAA.

The average size of agricultural holdings varies between WB countries/territories and is on average very small (Table 4). 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 Federation of Bosnia and Herzegovina and Republic of Srpska are missing, since no agricultural census was conducted in few decades. None of the surveyed countries/territories has its own official definition of small agricultural holdings.

Table 4: Average size of agricultural holding in WB countries/territories (ha) in UAA

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
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 classification used by INSTAT and MARDWA, 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 law (Law 9426 on..., 2005), cattle farms are classified as:

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

According to these classifications, a very small 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 **Federation of Bosnia and Herzegovina**, small agricultural households usually refer to households with less than 1 ha of agricultural land and with 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. But, 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 among them was 67%, while the share of farms bellow 3 ha was 89% of all registered farms.

In the **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 treated as an agricultural holding, without any other minimal requirements for the registration and getting a status. The threshold for obtaining status of commercial agricultural household is 3 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 that is prescribed by the regulations. For example, the limit for the status of commercial farm 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**, 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 fish pond.

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

In the **Former Yugoslav Republic of Macedonia**, agricultural holdings must meet the following requirements:

- 1000 m² of agricultural area or more;
- Less than 1000 m² of 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 2,000 EUR (60% of farms), small farms those with an output between 2,001 and 8,000 EUR (20% of farms) and medium farms are those with an output higher than 8,001 EUR. 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 Macedonian individual households are very small in size (on average, 1.8 ha of utilized agricultural area).

Montenegro does not have a basic definition of a small agricultural holding even on the basis of standard output, but since almost 65% of agricultural producers are below 2000 EUR of standard output, based on 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 liters 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.

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 total number of agricultural households, but they own only up to 10% of 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 total UAA. Small property is usually possessed by poor agricultural holdings, "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 acres of UAA or less than 50 acres 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.

5 Rental market in Western Balkans

Respondents were asked to provide the data about the share of rented agricultural land, share of informal rental contracts, how the rental prices of agricultural land are formed and how they vary with land characteristics (quality, category, location, natural conditions), who gets the subsidies in case of renting agricultural land, what are 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**, rental and sale market are still poorly developed. A main problem lies in terms of the land tenure security. The insecurity is based on the fact that a majority of farmers still do not possess land ownership titles. Even the farmers that possess this title and whose land was distributed according to the law are insecure concerning their legal ownership, because of the claims and disputes made by former owners. From 2011 to 2015, about 3,150 land transactions have been registered on average every year, covering an area of 750 ha. Rental transactions are rarely registered, usually when tenant applies for subsidies or is getting credit. Land rental market is generally informal, so it is hard to estimate the exact number of transactions. Some studies (Deiningner 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 for year 2017 shows there were 10 registered rental transactions of state owned land that covered a surface of 155.06 ha. Still, the rental market is more flexible than sale market and less likely to be affected by social norms.

In the **Federation of Bosnia and Herzegovina**, land market is unregulated and dysfunctional. Although there is a good legal framework for establishment and functioning of the land market, this process is extremely slow and inefficient. The obstacles for 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 most commonly 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 rent of private agricultural land are not officially available, there is only an estimation based on data from the Farm registry, where only around 30% of arable land is registered. Estimation indicates that 23% of used agriculture land is rented from the private landowners, which is in total around 72,000 ha.

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

In the **Former Yugoslav Republic of Macedonia**, agricultural land market is not enough functional and dynamic. The data for number of rental transactions and rented area refer to the lease of agricultural land in total (state and private) as there is no separate information. Based on respondent's estimation, 80% of the total land is leased with formal contracts since the 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 most commonly rented on the basis of an oral agreement between friends and acquaintances, without compensation or most common, the yield from the land is divided in half. It is considered that writing a contract creates mistrust between the two parties. The biggest obstacles towards the development of the agricultural land market are fragmented areas and property-legal relations which hinders the renting and selling of agricultural land. Rural areas historically belonged to the people who inhabited these areas, however, with the displacement of the population, many agricultural parcels were left where agricultural production was not carried out, but if someone wants to get involved in agriculture productions, they have difficulty contacting the owner of 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 for the purpose of cultivating the land and the rest for the purpose of obtaining state loans.

In **Serbia** agricultural holdings use 30% of UAA (about 1 million ha) through renting. This percentage is even higher according to unofficial data. Size of rented state-owned agricultural land (without free use) does not oscillate significantly by years and accounts for about a third of total rented UAA. These numbers indicate that Serbian rental agricultural land market currently 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 are established. In the Federation of Bosnia and Herzegovina, only five out of ten cantonal ministries of agriculture submitted data to Federal ministry, although they are 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 municipality, and there is not a single centralized database on it. Data for

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), KO, MAC)

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
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, the data for rent of privately owned agricultural land are not officially available, as well as in Republic of Srpska and Montenegro. Some studies in Albania suggest that so far, 4,000 ha of land have been officially leased. Agency for Real Estate Cadastre of the Former Yugoslav Republic of 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,) KO, MAC)

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
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 great 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, the Former Yugoslav Republic of Macedonia, Montenegro) 70% or more of agricultural holdings renting 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 rental market of private land functions generally informally as rental agreements shorter than 6 years aren't obliged to be registered. Transactions are usually done between co-villagers, neighbors and relatives, most often for the period of one year. Land is generally rented out by farmers who don't live in the village anymore or those who don't have enough work forces in order to cultivate the land. **In the Former Yugoslav Republic of 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 of time (one year). The data for **Republic of Srpska and Kosovo** is not available. Participants in focus groups in **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 tracing but this practice is not illegal. In **Montenegro**, every contract that is formal has some background, whether it is a loan application or state aid. It was 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)	KO	MAC	MN	SR
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 whether they are state-owned or privately-owned. Rental prices for privately owned land are formed freely on the market in all of the 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 most often regulated. In **Albania** they are regulated on auctions, organized by the Ministry of Agriculture and Rural Development. In **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 on submitted offers. For the rent of state agricultural land in **Republic of Srpska**, prices are set depending on the class of land and its location (altitude of municipality). Rental prices of agricultural land in **Kosovo** are determined by the market price and based on the public competition tender. In the **Former Yugoslav Republic of Macedonia**, the price for the lease of state land is formed on a public tender and the starting price is determined depending on the cadaster class and the location of the land. State-owned land in **Montenegro** is leased on public tenders and the total 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% of the market price, and in the second round it is 60% of the market price for the rent of agricultural land last year). Maximum rental price is not determined.

In the Table 7, ranges or average rental prices of agricultural land are presented. Prices were 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 characteristics. According to data, the highest rental prices are in **Albania** and **Montenegro** while the lowest average rental prices are in **Federation of Bosnia and Herzegovina** and the **Former Yugoslav Republic of Macedonia**.

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

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

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

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

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

Kosovo provided the data also for different land uses. Average rental price in 2017 for orchards was 440 EUR/ha, for vineyards 339 EUR/ha and for grasslands 220 EUR/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)	KO	MAC	MN	SR
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 in cash, especially for the state owned land. In the Former Yugoslav Republic of Macedonia, the tenant can also make the compensation 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 be paid in kind, or also through work (Kosovo, Republic of Srpska). In Montenegro it is common that if the risk of agricultural production is high, the land owners will first rent agricultural land for cash, while if the risk is very small and if a high yield is expected, then the owners decide to share the yield.

5.4 Possible renters of agricultural land

In **Albania** all natural and legal (local or foreigner) persons are eligible for renting state-owned and privately-owned agricultural land. The situation is the same in **Kosovo**, while 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. For the rent of state agricultural land can apply companies and entrepreneurs registered for carrying out agricultural activities and physical persons engaged in agricultural production. They must fulfill 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 a certain livestock stock and agricultural land, or to already have certain areas of agricultural land under crop, vegetable or fruit trees. Special conditions can be defined by the local self-government units in accordance with the state of development of agricultural production in the area where the agricultural land is rent. The concession for the use of agricultural land can be granted to domestic and foreign legal entities.

In the **Former Yugoslav Republic of 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 on 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 announcement if they have registered subsidiaries in the Former Yugoslav Republic of Macedonia.

For renting state-owned land in **Montenegro**, there are no conditions on who can rent the land, addressed by the law. However, when the Ministry of Agriculture and Rural Development issued an advertisement 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 with a reference to the amount of investment, the number of new jobs, the volume of production, the land use plan for a period;
- submit a written statement obliging that at least 80% of the total leased area will be planted;
- submit the amount of leased land, with the amount not to be less than 100 EUR per hectare. The proposed amount of rent is one of the criteria for evaluating the offer;
- respect the principles of good agricultural practice;
- fulfill 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, but the tenant of state owned agricultural land can be a natural and 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)	KO	MAC	MN ⁵	SR 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 MAC

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)	KO	MAC	MN	SR
Tenant	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Owner	No	No	Yes	Yes	Yes	No	No

In **Albania, 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 Federation of Bosnia and Herzegovina registering the farm into the Register of agricultural households is also obliged. In **Kosovo**, this depends on the agreement that decides whether the tenant or the owner gets them, but it is very common that the subsidies are taken by the owner of the agricultural land. In **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 is needed for acquiring the subsidy. The right to acquire the subsidy has either the owner or the tenant, depending on who registered the land. If the lease agreement in the **Former Yugoslav Republic of Macedonia** is notarized, it becomes official and thus the tenant has the right to apply for subsidies. There are special forms of contracts which are also notarized, but in those agreements the tenant takes the land for rent free of charge, i.e. it has no obligation to pay the lease to the lessor. And in this case the subsidies are taken by the tenant. If the contract is oral and not certified by the notary public, the subsidy is given to the owner.

5.5 Cross-country findings

Rental market with agriculture land in WB countries/territories is not fully functioning. **Serbia** has the most developed land market among all WB countries/territories. In the year 2012 has rented 875 thousands hectares which is ten times more than all other WB countries together. There is a lack of reliable data and great share of informal renting shows that 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, the Former Yugoslav Republic of Macedonia, Montenegro**) 70% or more of agricultural holdings renting agricultural land without formal contracts.

Rental prices for privately owned land are formed freely on the market in all of the surveyed countries/territories while state owned land is most often 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 **Federation of Bosnia and Herzegovina** and the **Former Yugoslav Republic of 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 are the prices formed and how they vary with different land characteristics. They were also asked about the possible buyers and restrictions regarding the buying of agricultural land.

6.1 General information

In **Albania**, sale of agricultural land is very limited and sale market is less developed than rental market. After sale, agricultural land is often converted to construction sites, either for housing or business activities. This process is being controlled by zoning policies, but even so, 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 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, mostly elders sell the land because of lack of money in the case of health problems, poor economic situations etc.

There is a lack of reliable data related to agricultural land sale in **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 cadaster.

In the **Republic of Srpska**, sales market is less developed than rental market. Only a small area of land is sold every year and often the agricultural land is purchased for the purpose of being 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 offer and demand, insufficient knowledge of procedures for changing ownership and transaction costs. The change in ownership of agricultural land requires signing of the contract and registration ownership change in land book (managed by geodetic administration).

Similar situation as in Albania is happening in **Kosovo**. Participants of the focus groups emphasized that very limited amount of land is 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 purpose in agricultural land use. Because of the lack of statistics, there is even no information on how much agricultural land is lost every year and no strategy to address these illegal changes.

In the **Former Yugoslav Republic of Macedonia** there are many factors that hinder the sale of agricultural land. The ownership is not settled due to unregistered hereditary right, abandoned land, shared ownership and the unfinished denationalization process. Such cases are still present at 20-30% from the arable agricultural land. Although

inheritance through legal inheritance procedures is one of the main factors for the negative situation and a further trend of division of the land parcels, the unsettled cases of ownership and consequently the physical division of the land are a problem for placing these land resources in use or in the land market. The weak land market, which does not contribute to the consolidation of agricultural economies in a market way, as well as the low economic growth and lack of social security, continues the process of fragmentation and diversification of small parcel production. 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 the end of his life. 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 for sale.

In **Serbia**, agricultural land sales market is moderately developed. In the last 15 years it has become more active and the prices are estimated to have increased at least two times, and even three times 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 by cadastral income to taxation of agricultural land at market value) will contribute to the transition of land from inefficient to efficient farmers (SEEDDEV, 2017).

6.2 Sales prices

According to the respondents' answers, there is a great diversity in the average sale 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 1,000 EUR/ha in Montenegro and up to 175,000 EUR/ha for plots with very favorable natural conditions for intensive agricultural production in Mediterranean regions of 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, MAC, RS)

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR
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. They adopted closer criteria and methodology for determining the market value of real estate. It is determined as the product of 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 are some restrictions for buying agricultural land, regarding the possible buyer. In the Table 11 are shown all the possible buyers.

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

	AL	BiH (FBiH)	BiH (RS)	KO	MAC	MN	SR 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 compensating and which land will be further available for sale. There are no restrictions for buying private agricultural land for domestic physical and juridical persons, only for foreigners. 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 juridical entity.

In the **Federation of the Bosnia and Herzegovina**, state-owned agricultural land cannot be sold at all. Exception is possible only when Parliament of Federation of the Bosnia and Herzegovina determines general social 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 on it. The only way for foreign citizen to become the owner of agricultural land is through inheritance. The Law on agricultural land allows sale of agricultural land exclusively for purpose of agricultural production, but in practice this rule is very often not obeyed.

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 place of permanent residence in the territory of Bosnia and Herzegovina. Foreigners can buy agricultural land on the basis of reciprocity agreement. The concessions for the use of agricultural land can be granted to a domestic or foreign, legal or physical person. There are no conditions for the sale of private agricultural land.

In **Kosovo** farmers can receive socially owned agricultural land for rent 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 any other competitor who does not engage in agricultural activity. However, one requirement for foreigners is that they must be registered in Kosovo.

In the **Former Yugoslav Republic of Macedonia** there is no sale of state-owned agricultural land, although there is a law on it which is not implemented in practice. Only citizens of the Republic of Macedonia can buy agricultural land on the territory of the Republic of Macedonia without any restrictions. Foreign natural and legal persons cannot acquire the right to ownership of agricultural land, but can, under conditions of reciprocity, acquire the right to long-term lease of agricultural land on the territory of the Republic of Macedonia, on the basis of the consent of the Minister of Justice, upon previously obtained opinion of the Minister of Agriculture, Forestry and Water Economy and the Minister 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 citizens of Serbia. In the case of buying state owned land, only domestic natural persons, who are farmers and registered in RAH 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 rental market. There are great differences between countries in the extent of sales market of the agricultural land. There is lack of reliable data for number of transactions and transacted area in all countries/territories, except in **FYR Macedonia**.

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

Another problem in most countries/territories is changing of purpose of agricultural land. Farmers 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.

Another obstacle for efficient sales market is no formal transfer of ownership when the land is sold (**Albania, Kosovo**) and inheritance laws hinder the transfer of agricultural land and lead to further fragmentation.

Land market regulations in Western Balkans

Agricultural land is a subject to certain institutional regulations. Agricultural land rental market regulations differ from the sales market regulations. Therefore, we consider them in separate chapters, starting with the rental market regulations.

6.5 Rental market regulations

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

6.5.1 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 applicant doesn't have any financial or legal obligation 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 aren't 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 aren't 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, contract is made between cantonal ministry of agriculture and the tenant. It is responsibility and duty of cantonal ministry to forward the contract to the court in charge of entering the right into land register. Formal renting of privately-owned agricultural land is registered by public notary. Farmers that apply for budgetary support from the ministry of agriculture are supposed to submit 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 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 tenants 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 neighboring properties to the renting land.

The **Republic of Srpska** also has certain 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. Same applies for state land given under concessions. According to the provisions of the Law on Survey and Cadaster any given concession or rent right for a period longer than 5 years should be evidenced in the cadaster of real estate, but this legal provision is not being implemented in practice. State-owned agricultural land is rented through a public advertisement by obtaining written or oral bids. The procedure is carried out by local self-government units in co-operation with the respective ministry. The bidder must have 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. Special conditions can be defined by the local self-government units in accordance with the state of development of agricultural production in the area where the agricultural land is rent. The concession for the use of agricultural land in Republic of Srpska may be granted to domestic and foreign legal entities for a period of up to 30 years. The decision on allocation of agricultural land for concession use is made by the government. A copy of the concession contract is delivered 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 is obliged to lease it or allow it to be used in another way. Rent of private agriculture land is not obligatory to register, but if the renter wants to get the subsidy connected with land area, he is obliged to sign and submit renting contract or at least statement of land owner that he allows the renter to use that land free of charge. Those documents must be certified by authorities.

In **Kosovo** agricultural land can be leased to the natural and legal persons, local and foreigners who deal with agricultural activities, in accordance with the law. 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 the agriculture. Lease contract shall comprise:

- Names and addresses of contractors;
- Date of binding 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 canceling 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 **the Former Yugoslav Republic of Macedonia**, the participants on the public announcement for granting state-owned agricultural land for lease have to submit:

a) For legal entities:

- Application form;
- Evidence for the performed registration in the trade registry or from another competent body for registration of legal entities, evidence for 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, sum of the planned investments, and other needed documentation specified in the public announcement;
- Offer for the amount of the annual lease;
- Statement (registered with the Notary Public) from the founders and the responsible person in the legal entity that they were not founders or managers of the legal entity that had used the agricultural land in state ownership under lease, and haven't fulfilled the obligations from that contract.

b) For physical entities:

- Application form;
- Evidence for settled public fees;
- Copy of the personal identification card;
- Confirmation for recording in the sole registry of agricultural households; a decision for 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;
- Offer for the amount of 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 fulfill the obligations under that contract.

The participants in the public announcement for granting state-owned agricultural land in a lease with an area over 10 ha shall submit to the offer a bank guarantee for participation in the procedure in the amount of the offered annual lease. Every lease agreement on agricultural land, whether it is private or state, 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 the Republic of 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 a 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 total leased area be cultivated. The bidder has to submit the amount of 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 within the 5-year period fulfil obligations specified in the Investment Program attached to the offer and which will be an integral part of the Lease Agreement.

In **Serbia** the tenant 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 have registered agricultural holdings which will invest at least 500,000 EUR in processing capacities (minimum 500 EUR/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 500,000 EUR;
- The right of first refusal exercised by legal and natural persons which 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, who is also the owner, or the tenant 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 the 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 LSG 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.

The right to participate in a public bid for the 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 LSG 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 have legal and natural person registered in the RAH and have an active status for at least 3 years.

6.5.2 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		KO		MAC		MN		SR	
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 time periods, depending on land use:

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

According to the law in **Kosovo**, agricultural land can be rented in a 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 doesn't 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. Vast majority of land rental is realized by commercial farmers with insufficient land property. Officially land renting on contractual basis provides farmers possibility to Register the farm and, thus, 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%).

Agricultural state-owned land in the **Former Yugoslav Republic of Macedonia** can be leased out 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 of agricultural land located at an altitude above 700 meters up to 30 years, as well as for fisheries (up to 20 years old). 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.

Montenegro has besides the Republic of Srpska one of the shortest renting period among all WB countries/territories. The maximum duration of the rental contract for private land is not regulated by the government. 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 aren't 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 a period of up to 30 years.

6.5.3 Rental contract termination

Another factor that influences rental market is termination of rental contracts. The most common reason for the termination of rental contract in WB countries/territories is 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 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 agricultural land over boundaries foreseen by the contract, or changes the manner of using the agricultural land or undertakes other actions in contradiction with provision of the Law on Protection of Nature or actions which have negative effects on the property and environment and in any way endangers existence of natural value.

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 tenant 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 tenant fails to pay the rent, doesn't use agricultural land as a good landholder, cultivates agricultural land contrary to the provisions of the contract concluded, rent rented agricultural land under subdivision or enables other legal persons, entrepreneurs and natural persons to use land in any way by renting agreement. The reason for termination is also if in the absence of the approval of the lesser, invests works on agricultural land that exceed the limits of normal disposal or change the type of use of agricultural land or perform 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 jeopardizes the survival of natural values. Lessee also can't use agricultural land for non-agricultural purposes or change the purpose contrary to the provisions of the contract.

The rental contracts in the **Former Yugoslav Republic of 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 and with the death of the lessee or deleting the individual farmer from the Register of Agricultural Professionals.

The most common reasons for the termination of the rental contract in **Montenegro** are contempt of this contract because the lessee does not settle its obligations, or has not adequately disposed resources from the leased agricultural land. Often it happens that on leased agricultural land there are persons who own land, but who are not the formal landowners. Such cases are very common, so the person who leased the land is in a difficult situation, because he has not signed a contract, and there is a risk that a person who owns the land will appear, with whom he has not arranged verbal agreement.

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

6.6 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.

6.6.1 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 owner and tenant.

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

6.6.2 Changes of purpose of agricultural land

Another factor that hinders an efficient agricultural land market in almost all WB countries/territories is uncontrolled and illegal changing 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 the permission from Land Protection Offices. They established a system for monitoring of the selling prices of agricultural land. 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 sales of agricultural land for non-agricultural use, but in practice the Law is not strictly respected. When the agricultural land is purchased with the aim 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 to be used exclusively for agricultural purposes.

The illegal changes of 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** is facing an increasing trend of changing the purpose of agricultural land for residential building construction. Through the change of purpose and permanent loss of land, the damage to agriculture is done and also other damages and negative consequences are evident - erosion of land, environmental pollution, destruction of cultural heritage and decrease in attractiveness of certain areas.

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

6.6.3 Property rights

One of the most constraining factors for the development of the agricultural land market in all WB countries/territories is unclear property rights. Property rights of the agricultural land were privatized in the 1990s and the process still isn't 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 reestablish 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. They try to reestablish property rights after decades of state ownership of all land, followed by 25 years of unclear regulation of private and state property. 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 land registry and land cadaster. Land registry is a public register of real estate rights. Keeping, maintenance and establishment of land registers and registration of real estate and rights of real estate 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 cadaster has already been established in the basis of a new survey.

In the **Republic of Srpska** is currently ongoing process of merging the land register and the cadaster, which will enable the updating of data about the ownership of agricultural land. The Law on the Survey and Cadaster of Republic of Srpska in 2012 introduced a new system of registration of real estate and real property rights in

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 the computerized Kosovo Immovable Property Rights Register. The register isn't regularly updated and farmers don't have a possibility on changing ownership or be eligible for any grants.

There are also many cases in the **Former Yugoslav Republic of Macedonia** in which the ownership is not settled due to unregistered hereditary right, abandoned land and the 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 period of time (typically, consent of all owners 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 at 20-30% from the arable agricultural land.

Property-legal relations are also 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 left where agricultural production was not carried out, but if someone wants to get involved in agriculture productions, cannot make contact with the owner of agricultural land.

One of the reasons for not updating data of property rights is that farmers are not accurate in the recording of a change of ownership and usage of land. The change in ownership of agricultural land requires the signing of a contract and registration ownership change in land book.

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

6.6.4 Pre-emptive rights

In several WB countries/territories, when renting or purchasing agricultural land, special provisions regarding pre-emptive rights must be taken into account. 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 in order 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 the **Former Yugoslav Republic of 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 tenants 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 neighboring properties to the renting land.

Pre-emptive rights exist also 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 neighboring to the one being sold
- Agricultural cooperative.

In **Serbia**, state-owned agricultural land is leased through public bid held in two rounds, except for the right of priority lease and the right of first refusal. The right of priority lease have registered agricultural holdings, which will invest at least EUR 500,000 in processing capacities (minimum 500 EUR/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 500,000 EUR.

The right of first refusal have 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 holds active status for at least three years or own domestic animals, who is also the owner, or the tenant 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 **Former Yugoslav Republic of 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 neighbors 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 announcement 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 offered the agricultural land for sale has an obligation to conclude a purchase agreement with the most favorable bidder.

6.6.5 Land taxes

Another important part within 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 don't have to pay taxes for the first five years. Transaction tax varies depending on the type of required document before transactions. Registration of a land which was never documented costs 240 EUR. Updating the documentation costs less than 10 EUR while the registration of a land transaction costs around 30 EUR. The third tax related to agricultural land in Albania is 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, individuals who are users but not owners of an immovable property 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 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, seller is supposed to pay tax, but the law leaves possibility to 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, which result in different situation across FBH, including different costs of land purchase. Thus, In Canton Sarajevo and Tuzla Canton, agricultural land purchased to conduct agricultural production is exempted from tax paying. In 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

municipal or cantonal council abolish the rule in order to stimulate agricultural production.

In the **Former Yugoslav Republic of 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 notary fee is 50 EUR 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 real estate transfer tax is paid by the buyer of immovable property. The tax base for real estate turnover tax is the market value of the real estate at the time of its acquisition. The real estate tax rate is proportional and amounts up to 3% of the tax base. For agricultural land that is not cultivated and whose surface exceeds 15 hectares a tax rate is up to 5% of the market value of the real estate.

The tax rate on the real estate is proportional and can range from 0.10% to 1.00% of the market value of the real estate, 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 percent of market value of agricultural land is paid by the owner. Another tax is tax on transfer of absolute rights which is paid by the seller and it is 2.5%. The third tax is tax on capital gains which is 15% on the difference between the purchase and sale price of the land.

6.7 Cross-country findings

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

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

The most common reason for the termination of rental contracts in WB countries/territories is 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 doesn't use agricultural land in compliance with agri-technical measures.

In almost all WB countries/territories uncontrolled and illegal changing of purpose of agricultural land represents another major obstacle for efficient agricultural land market. Although countries have legislation that prevents the sale of agricultural land for non-agricultural purposes, but 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. They 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 the agricultural land, special provisions regarding the pre-emptive rights must be taken into account. In **Federation of Bosnia and Herzegovina** and **Serbia** pre-emptive rights regarding renting agricultural land exist only for state-owned land, while in the **Former Yugoslav Republic of 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 market value of agricultural land in **Serbia**, 2%-4% in **FYR Macedonia**, 3% in **Montenegro**, 5% in **Federation of Bosnia and Herzegovina** and up to 15% in **Albania**.

7 Agri-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 land market in their respective countries/territories. They described implemented measures which improve land ownership and size structure of agricultural holdings and how those measures influence the purchasing and renting of agricultural land.

7.1 Albania

Key aims of the Albanian agricultural policy are the establishment of viable and competitive family farms, which are able to meet the modern market economy requirements. This will be achieved through the development of the agricultural sector with suitable farm structures that are oriented towards market and improvements in the rural infrastructure. Land consolidation policy is viewed as the key mechanism to increase the 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 land rental and sale market. Special incentives are given in terms of farm subsidies to farms bigger than 5 ha which indirectly increases the demand for agricultural land. These have motivated the purchases of land from farmers and non-farming communities. Moreover, the request for land in blocks of minimal size of 0.5 ha (during 2011-2014 0.2 ha) has reduced the fragmentation of agricultural land.

Another measure, provided by the government in 2015 is that farmers don't 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, government is exempting the farmer to pay land tax for the 5 years. The land tax is also very low, compared to other taxes.

However, many problems related to land market still exist. They relate to the regime of property rights, particularly linked with the implementation of property transactions, procedures for the registration of these transactions and increased payments for registering transactions. Furthermore, appropriate legal framework for land consolidation still hasn't 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 also other support measures and interventions will be considered. Further legal amendment 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 registration of land and issuing of land titles for those farmers who didn't 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 no one showed willingness to sell land and to apply for credit/loans, and moreover, since, during the period 1991-2016, they informally acquired more land, no one preferred to apply for the land ownership certificate. In 2017, the Government gave the Municipalities the task to support farmers for applying for land ownership certificate. 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 farmer. Until now, the process has been slow due to lack of willingness and low information, since only less than 30% of the farmers have applied.

7.2 Federation of Bosnia and Herzegovina

Main objectives of the agricultural policy related to agricultural land in Federation of Bosnia and Herzegovina are to preserve purposeful and rational use of agricultural land, to prevent its use into non-agricultural purposes in order to produce safe food, protect the health of humans, plants and animals and ensure no harm to environment. Agricultural policy measures aimed to improve land ownership and size structure of agricultural holdings have not been implemented on regular basis but rather periodical.

There is only one measure that the Ministry of agriculture, water management and forestry conducts continuously. They transferring the funds collected from the charges for change of purposes of agricultural land to land remediation and improvement. In the year 2016 they were allocated almost 1.25 million of EUR to improve 171 hectares of agricultural land. Also the funds which are 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 into 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. During this period, more than 400 thousand were allocated and 1.638 ha of agricultural land were encompassed with it. The measure "Enlargement of farm size" was implemented only in 2007 and more than half a million EUR was allocated for 314 applicants for purchase of minimum 0.3 ha to maximum 5

ha of agricultural land. The third Program called "Improvement and protection of agricultural land" was financed within the rural development measure for 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. Within last few years, there is a measure called "Capital investment". The measure is aimed to support farms in acquiring capital assets, including agricultural land, by subsidizing interest on agricultural loans. Around 1,2 million EUR was allocated in 2017 for this purposes which represented 3.5% of total budgetary support to farmers. The problem with this measure is that it isn't 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 Federation of Bosnia and Herzegovina (2015-2019) was adopted but there still no significant changes in the manner budgetary support is allocated and distributed, and no progress has been made so far toward focusing measures relevant to land policy and to facilitation and improvement of agricultural land market. Secondly, a complete property cadaster and the on-line real estate cadaster are being developed. Activities are ongoing on the completion of determining the prudential categories of agricultural land in the entire territory according to the single prescribed methodology.

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

7.3 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, the existing status of land and land space were determined, the land monitoring was proposed and the measures for protection, regulation and use of agricultural land have been established. During the period 2016-2020 the Strategic Plan for the Development of Agriculture and Rural Areas was developed whose goal is to increase the volume of agricultural production. Among its measures are switching direct payments to payments per hectare, adopting 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. its granting under concession or rent and establishing land parcel information system (LPIS) in the function of a 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 the status of agricultural land are the rent of state agricultural land and the investments in provision of 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, which also includes records on agricultural land. New surveys were carried out in order to re-categorize agricultural land. The Ministry, in order to protect the state agricultural land, initiates court proceedings on usurped land and registers the right of disposal over land owned by the state.

7.4 Kosovo

In Kosovo, key aims of the agricultural policy in the field of 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. Community was informed about the land consolidation strategy and its benefits and land consolidation has been successfully implemented for long term period.

7.5 The Former Yugoslav Republic of Macedonia

The key aim of the agricultural policy in the Former Yugoslav Republic of Macedonia is to introduce active policies for consolidation of the agricultural land. In 2012 Country has adopted National strategy for consolidation of the agricultural land for the period of 2012-2020 whose goals are reduction of the fragmented land parcels by their grouping, improvement of their form so to adjust them for application of advanced production 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 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.

7.6 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 the increase of agricultural production, and hence the purchase and renting of agricultural land. The threshold for participation in public calls for investment support is 2 ha of agricultural land. This way, the farmers are motivated to buy or lease additional land. There is also support for many types of agricultural production. Depending on 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 valorize 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 basic goals of the new law are as follows:

- Urgent valorization of agricultural land (establishment of information 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;
- Tax base for unprocessed areas;
- 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.

7.7 Serbia

In Serbia, 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 the purchase of agricultural land, which is now no longer available. Farmers can get public support for land consolidation, irrigation and other operations. Also, 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, total 1.1 million EUR of long term loans for the purchase of agricultural land 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 it was active during the period 2002-2005 is no longer available.

7.8 Cross-country findings

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

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

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

8 Agricultural credit market in Western Balkans

In this chapter, 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.

8.1 Albania

In Albania, the share of overall credit in agriculture in 2017 amounted to 5.2 million EUR 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 fell to 1.2% in the recent years. There are banking and non-banking institutions in the country, of which the non-banking institutions are more widespread and more important on providing credit to agricultural sector.

The most active organizations which providing 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 credit has been mainly provided by MFI, which also considerably reduced their interest rates. However, it is estimated that microcredit 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 due to small scale farming, limited internal resources of farmers, and difficult access to credit. Supply of bank credit to agriculture is constrained by structural problems of the sector, including small size of farms, ageing of farm population, lack of assets to be offered as collateral, underdeveloped land market, lack of information regarding the applicants' financial standing and other reasons. Limited availability of land as a collateral is related to the absence of a functioning land market and to the unclear land property rights. Farming also represents a high risk especially at production level, due to the absence of insurance schemes and uncertain access to market, as formal production contracts between producers and clients (traders, processing industries) are quite rare and uncertain in actual application.

8.2 Federation of Bosnia and Herzegovina

The access to agricultural credits presents one of the main obstacles towards development of this sector. There was a significant decrease in the number of

commercial banks from 40 in 2000 to 15 banks in 2018. Besides 15 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 for working capital. In those, 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). MCOs mostly offer small scale loans for agriculture, including loans for small farmers.

According to the World Bank data there are no significant changes in the amount of total agricultural credits, or in the share of the sector in total credit amount. Thus, the share of credits for agriculture, forestry and fishery in total credit to economy ranged from 2.6% in 2007 to 2.3% in 2015. This share exceeded 3% only in 2009 (3.3%) and has been constantly 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 obvious that the total amount of credits to agriculture has been decreasing. The reason for such situation is not poor availability of credit but inadequacy of credits condition for sensitive, risky and specific economic activity such as agriculture and incapability of agricultural producers to fulfil requirements to get their loan application approved and to repay liabilities on time.

Government provides support mainly in the existence of a credit line for the financing of the agricultural production of the Development bank. However, there are numerous factors that 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 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. Besides, this measure is not permanent but occasional, and it depends on available agricultural budget.

8.3 Republic of Srpska

In 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 as the consequence of consolidation of banking sector. Commercial banks' credit activities are stagnating, and

average interest rates have fallen slightly. In 2017 operated 8 banks with headquarters in Republic of Srpska and branches of additional 7 banks from Federation of Bosnia and Herzegovina. The number of MCOs on the other hand is increasing because several new MCOs are being established with the simultaneous liquidation of some old MCOs. In 2017, there were 9 MCOs with headquarters in Republic of Srpska and 8 additional MCOs based in 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 MCOs and compared to overall amount of loans was only 3.4%. Banks are reluctant to credit agricultural producers in the status of physical persons (e.g. small rural households) who are therefore primarily oriented towards getting MCO credits, which are less favorable under repayment terms, grace periods and interest rates.

Through the facilitation of the state-owned Investment-Development, Republic of Srpska has 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 MCOs). These credits are more favorable but financial intermediaries are reluctant to offer them, as they are competing for their more expensive credits. Earlier, 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 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.

8.4 Kosovo

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

The Ministry of Agriculture, Forestry and Rural Development (MAFRD) provides support to investments in agriculture with Guarantee Fund. To provide loan guarantees in agreement with the six main banks of Kosovo in issuing loans, while increasing the

access to credit in agriculture and agribusiness, this fund contributes in total value about 23.5 million EUR, where MAFRD has a share of 2.5 million EUR. Additionally, taking into consideration that agriculture in Kosovo is the main economic activity, banks have made a progress by reducing the annual interest rate in average 2% for agro-loans, and it has also enabled that for agricultural investment loans to extend the period for returning these 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 bank.

8.5 The Former Yugoslav Republic of Macedonia

Today, around 40% of the investments and operating activities in agriculture in the Former Yugoslav Republic of Macedonia are credited through the commercial banks and saving houses. Today, there are 15 licensed commercial banks who are the main providers of credit to agricultural holdings. Commercial banks mainly are targeting 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.

An increased participation of the commercial banks in crediting the 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 the access to credits of the individual agricultural producers, the small and medium agricultural companies, the processors and exporters and to 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 for development of the 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 the agriculture unlike the beginning of the establishing the ACDF. However, currently 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 is restricted to rural areas that are not close to urban areas. Today, the main target of large banks for crediting are the agri-food companies, while small banks and saving houses have special microfinance services and they mainly target small farmers.

8.6 Montenegro

The agricultural credit market in Montenegro is divided into 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 very few 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 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 extremely unfavorable for the agricultural producer. Concrete 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.

8.7 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, 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 a growing competition among them. Each bank defines agricultural loans through its business policy, determines the creditworthiness of the client 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 Vojvodina region exist 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 30th November 2017 (data from the National Bank of Serbia) is 1,035 million of EUR. Around 470 million of EUR were granted to registered agricultural holdings while about 565 million EUR 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%.

The agricultural credit 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 clearly indicates an increase in the average size of the loan. Today, around 50,000 farmers took out loans (SEEDDEV, 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%), (SEEDDEV, 2017);
- There has been a noticeable decrease the share of bad loans in the total placements to the agriculture sector since 2014 (SEEDDEV, 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.

8.8 Cross-country findings

Respondents' answers show that a big farm/small agricultural firm has a somewhat or much greater possibility to obtain credit compared to small agricultural holdings in all of the surveyed countries/territories (Table 13). In **the Federation of Bosnia and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia** and

Montenegro small farmers are perceived as having far less possibilities while in **Albania, Republic of Srpska** and **Serbia** their possibilities are somewhat smaller.

The main reasons are that small farmers often do not have 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 are unable to provide the required collateral. In this way, they are not able to 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 MCOs. Procedures to obtain credits are simple and quick, collateral is not required as well as business plan. However, the interest rates are extremely high. In **the Former Yugoslav Republic of Macedonia**, small farms sometimes have the same or even greater opportunity to get the 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)	KO	MAC	MN	SR
Far less		+		+	+	+	
Somewhat less	+		+				+
Same							
Somewhat greater							
Much greater							

Table 14 lists the most common reasons for rejecting credit applications in according to the respondents' opinions. The top three reasons in all surveyed countries are insufficient farm business income, lack of collateral and insufficient household income. One of the reasons for rejection of the loan in **the Former Yugoslav Republic of 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)	KO	MAC	MN	SR
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				+			

Table below (Table 15) shows typical conditions of agricultural credits in WB countries/territories.

Table 15: Typical conditions of agricultural credits in WB countries

	AL	BiH (FBiH)	BiH (RS)	KO	MAC ⁶	MN	SR
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	Guarantor 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 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' own 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) as well as for purchasing livestock (cattle or small ruminants). Maximal amount of credit is up to 250,000 EUR (**Republic of Srpska, the Former Yugoslav Republic of Macedonia**). Maximum amount of credit usually varies with different credit institutions and for different purposes. In Republic of Srpska this amount of credit is given by IDB credit line, while commercial banks and MCOs provide loans up to 25.000 EUR. There are no credit lines exclusively designed and adapted for the purpose of buying 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 value of credit (**Albania, Federation of Bosnia and Herzegovina, Kosovo**), mortgage on other real or movable estate, bill of exchange, guaranty found or client's promissory notes. In **Montenegro**, required security instruments depend on the amount of credit:

- For amounts up to 3,000 EUR - one guarantor;
- For amounts ranging from 3,000.01 to 10.000 EUR - two guarantors;
- More than 10,000 EUR - 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 (**the Former Yugoslav Republic of Macedonia, Serbia**) minimum 20% participation in equity is required and in Kosovo it is 1000 EUR. Four WB countries/territories, except Kosovo and Federation of Bosnia and Herzegovina reported the existence of 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.

9 Conclusions and recommendations

This publication presents the selected results of the 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 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.

Main limitations of a prepared study are the lack of accurate and reliable data. A lot of data is simply not obtainable, too general or not enough accurate 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 for utilized agricultural area which makes comparative analysis difficult. Based on these findings, it is hard to make solid conclusions and the values represented are of orientational nature.

Nevertheless, important 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 taken into consideration if the countries want to modernize the agricultural land market and make it comparable to EU level. On the basis of the results from questionnaires and especially findings from focus groups, it was possible to identify the key problems that the Western Balkan countries face in the field of land market development and which are represented below. First, conclusions by individual countries/territories are given, followed by cross-country conclusion and policy recommendations.

9.1 Albania

Albanian land market is poorly developed and non-functioning. With 1.2 ha per agricultural holding, farm size is on average the smallest among surveyed countries. Agricultural land is extremely fragmented, which is the result of 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. Majority of farmers still haven't received officially recognized land titles and many plots of land are overlapping 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, which often require land titles as collateral for loans.

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 little amount of

land is sold every year and there is no sale of state-owned land until the pre-1945 farmers will be compensated. After sale, agricultural land is often changed into land for construction. Rental market is slightly more developed and more flexible than the sales market. The big 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 of rural businesses and households in accessing bank credit are lack of collateral, which is related to the absence of functional land market and to the unresolved issue of land property rights, risk of agricultural production and low income.

Main obstacles towards development of 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;
- Generally informal rental market;
- Unclear property rights;
- Fuzzy legislative provisions and their ineffective implementation;
- Illegal changes of agricultural land use;
- Lack of reliable data and information on land market;
- Land abandonment;
- Poor access to credit.

Taking all these issues into consideration, access to land is problematic for agricultural sector, especially for smaller farms.

9.2 Federation of Bosnia and Herzegovina

In the Federation of Bosnia and Herzegovina, agricultural land market is unregulated and dysfunctional. There is lack of reliable data and information even on farm number and size structure (no agricultural census). Although there is a good legal framework for 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 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 implementation of the existing laws and aggravate adoption of the missing ones.

Register of agricultural land and cadaster are not updated. They are unreliable, uncoordinated and un-harmonized with the new modern cadaster 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 are not able to achieve credit history and reputation in banks that would qualify them for future credits. The lack of access to agricultural credits discourages farmers to expand their activities and to invest into land.

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

- Land fragmentation;
- Lack of reliable data and information on 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.

9.3 Republic of Srpska

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

Agricultural credits are not available to a sufficient extent, especially to physical persons. Banks are reluctant to credit small rural households because of limited income, lack of financial records on production and lack of collateral. Small farms are therefore 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 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.

9.4 Kosovo

In Kosovo, agricultural land market is not enough functional. 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 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 purpose of agricultural land 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 periurban farmland prices. Because of 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 as well.

Agriculture is the least credited sector by financial institutions. Small farmers have very limited access to credit. Main reasons are poor economic position, poor credit history and insufficient business plan.

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

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

9.5 The Former Yugoslav Republic of Macedonia

The agricultural land market in the Former Yugoslav Republic of Macedonia is not enough functional and dynamic. Limited amount of land is offered for rent and purchase. Main factors are unclear property rights due to unregistered hereditary right 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 that leads to further reduction of the property. Credit market is also inefficient and the lending volume to agricultural sector is very small. Farmers don't 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 development of 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.

9.6 Montenegro

In Montenegro, there is lack of information on agricultural land and market activity. The biggest obstacles for the functioning land market present land fragmentation of agricultural area, 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 exist.

Access to credit for small farms is very small. The biggest reasons for rejection of agricultural credits are small income and lack of collateral. Most agricultural households are in poor financial condition and usually need lending money to start with agricultural production.

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

- Land fragmentation;
- Poor land management system;
- Unclear property rights;
- Changes of purpose of agricultural land;

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

9.7 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 legislative framework, established real estate records system, reduced the taxes on the transfer of absolute rights, consolidated land parcels and taken some other important steps towards the development of 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, 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, possibility of small farmers to obtain credit is smaller than 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.

Main obstacles towards development of 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.

9.8 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 functional agricultural land market, which is in some cases still highly unregulated. 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, the Former Yugoslav Republic of Macedonia, Republic of Srpska), activity of the land market (Kosovo, Republic of Srpska), sale and rental prices (the Former Yugoslav Republic of Macedonia) or farm number and size structure (Federation of Bosnia and Herzegovina).

In all of the analyzed countries/territories, register of agricultural land and cadaster are not regularly updated, unreliable, uncoordinated and unharmonized, which consequently causes incomplete data on land ownership and unclear property rights. This impedes subsidization of farmers and sale of the land, as well as the use of agricultural land as collateral for crediting purposes.

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

General policy recommendations for all WB countries/territories are:

- Improvement of knowledge transfer and information actions regarding agricultural land market and available agricultural land;
- Completion 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 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 unite easier to obtain funds and provide the necessary collateral for agricultural loans;
- All Western Balkan countries should introduce land use fee (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 by the land use fee 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. The policy should enable them 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 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 for projects in primary agricultural production as well as projects of processing, marketing and land consolidation activities.

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

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