



Interim meeting
Durrës, Albania
10-11 May 2018

LMSF-AC: REPUBLIC OF MACEDONIA

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

MACEDONIAN AGRICULTURE

SHORT OVERVIEW

Agriculture = 17% in GDP

- Primary + secondary production

Agricultural land ownership

- Private = 80% (estimate)
- State = 20%

NO data on state-owned land

- According to the data from the Cadastre Records of 1998:
 - 451,702 ha private = 66%
 - 237,882 ha state-owned land = 34%



Small sizes and fragmented agriculture

- Small-farm households (1/2 of them <1 ha) = 99%
- Larger farms (companies) = 1% BUT utilise 15% of farm land (>10 ha)



PRIVATE LAND DISTRIBUTION

	Area (ha)	%
Owned by agricultural companies	4,957	2.28
Owned by family farms	212,600	97.72
Leased by agricultural companies	43,792	42.44
Leased by family farms	59,389	57.56
Unutilized agricultural land	23,826	6.50
Other land	21,898	5.98
Total available area	366,462	-

Source: STRUCTURE AND TYPOLOGY OF AGRICULTURAL HOLDINGS, 2016, SSO

LAND QUALITY

DISTRIBUTION

Class	Arable land (ha)	Gard. (ha)	Orchar. (ha)	Vine (ha)	Mead. (ha)	Pastur. (ha)	Forests (ha)	Wetland (ha)	Total (ha)	%
I	10,969	596	938	552	559	818	825	83	15,375	2.24
II	24,780	1,142	2,617	2,863	3,101	1,848	3,438	208	39,997	5.82
III	47,068	1,189	3,765	5,801	7,574	7,815	11,095	186	84,493	12.29
IV	67,507	831	3,549	5,519	10,657	21,923	30,290	34	140,310	20.41
V	73,097	758	2,269	2,818	8,483	20,689	25,405	1	133,520	19.43
VI	72,733	529	610	982	6,950	18,627	17,725	0	118,156	17.19
VII	62,379	9	73	727	3,779	12,072	6,202	1	84,742	12.33
VIII	59,429	0	0	12	1,691	7,019	2,606	1	70,758	10.29
Total	417,962	5,054	13,281	18,774	42,830	90,800	97,586	514	687,352	100.00

AGRICULTURAL HOUSEHOLD

DEFINITION

1. Uses **at least 1 000 m²** (0.1 ha) of agricultural land
2. Use **at least 1 000 m²** (0.1 ha) of agricultural land **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

Exception: If agricultural production is the **ONLY** source of income

SMALL AGRICULTURAL HOUSEHOLD

DEFINITION

Economic size - the total output of the farm, i.e. the value of production, is the classification criteria - in accordance to the FADN methodology

- “very small farms” < 2,000 EUR = **60%** of family farms
- “small farms” > 2,001 EUR but < 8,000 EUR = **20%** of family farms
- “medium farms” > 8,001 EUR

Land size - difficult to generalize the definition of a small agricultural holdings

- Farms < 2 ha of UAA = **50%**
- Farms < 2 but > 5 ha of UAA = **30%**
- Farms > 15 ha of UAA = **5%**

LAND MARKET REGULATION

INSTITUTIONS

**Ministry of Agriculture,
Forestry and Water
Economy**

- Laws and bylaws, strategies, etc. in regard to agriculture and related land

**Local self-government
units**

- Taxation

**Agency for Real Estate
Cadastre**

- Registry of Prices and Leases (March 18, 2015) => access all information related to transactions in real estate

**Water resources companies
and water communities**

- Improvements

LAND MARKET REGULATION

MAIN LEGISLATION

Law on Agricultural Land (Official Gazette of the Republic of Macedonia 135/07, 17/08, 18/11, 42/11, 148/11)

- Regulates use, disposition, protection, and permanent or temporary conversion of agricultural land for non-agricultural purposes

OTHER LAWS:

- ✓ Law on Agriculture and Rural Development
- ✓ Law on Pastures
- ✓ Law on Water Resources Management
- ✓ Law on Water Communities
- ✓ The Law on Nature Protection
- ✓ Property Tax Law
- ✓ The Law on Denationalization
- ✓ Law on Forests

STRATEGIES:

- ✓ National Strategy for Agriculture and Rural Development
- ✓ Strategy for Sustainable Development of Forestry
- ✓ Spatial Plan of the Republic of Macedonia

TRANSACTIONS & AVERAGE PRICES

RENTAL LAND MARKET

Date	Total m ² Agricultural land	m ² /transaction	€/ha
from 18.03.2015 to 31.08.2015	7,476,694	14,518	15
from 01.09.2015 to 31.12.2015	1,458,990	6,371	70
from 18.03 to 31.12. 2015	8,935,684	12,010	24
from 01.01.2016 to 31.03.2016	7,622,067	8,711	38
from 01.04.2016 to 30.06.2016	1,348,937	5,483	868
from 01.07.2016 to 30.09.2016	874,071	6,672	151
from 01.10.2016 to 31.12.2016	13,759,140	83,389	4
2016 total	23,604,215	16,658	70
from 01.01.2017 to 31.03.2017	3,776,441	9,964	24
from 01.04.2017 to 30.06.2017	2,249,983	15,411	27
from 01.01.2107 to 30.06.2017	6,026,424	11,479	25
From 18.03.2015 to 30.06.2017	38,566,323	14,358	52

CONTRACTING

RENTAL LAND MARKET

80% of the total land is leased with formal contracts since the most of this contracts are with the **state** (estimate)

- Lease of the state land can be implemented by means of a public announcement, a public call and an immediate announcement agreement
- 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 which forms the Cadastre forms the base of prices

20% belong to the lease of **private** land, of which **70%** with informal contracts (estimate)

PRICE FORMATION

RENTAL LAND MARKET

- The rent usually is paid in **cash** **OR**
- **Compensation** with the **subsidies** paid by the Paying Agency



State land

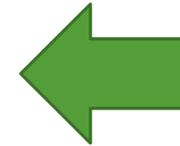
- PUBLIC TENDER - bidder who offers the highest price has a lease term (Law on Agricultural Land)
- Starting price per ha - depending on the Cadastre class and the location of the land
 - I to IV cadastral class = 25 Euros in Denar equivalent (NBRM)
 - V to VIII cadastral class = 15 Euros in Denar equivalent (NBRM)

Exception if the agricultural land is located in mountainous areas:

- I to IV cadastral class = 15 Euros in Denar equivalent (NBRM)
- V to VIII cadastral class = 5 Euros in Denar equivalent (NBRM)

Private land

- Price is set FREE on the MARKET, by the agreement between the lessor and the lessee
- The price for the lease depends to great extent on the **quality** of the agricultural land, and this is especially applicable for regions (Vardar and Southeastern regions) where it is possible to produce 2 crops during one production year
- The lease price depends to great extent from the **proximity** of the land to the settlement, the conditions for irrigation, the access road, etc.



- The rent usually is paid in **cash**

WHO CAN RENT?

RENTAL LAND MARKET

Type of lessee	Possibility to rent
Foreigners	NO
Domestic legal entity	YES
Legal entity, owned by foreigners	YES
Others	YES

STATE LAND => Application to MAFWE

1. The **Minister** makes a decision on announcing a public announcement for leasing the state-owned agricultural land
2. The procedure is carried out by a five-member **Committee** set up by the Minister
3. The **public announcement** is published in at least three daily newspapers issued in RM (one of which published in the language spoken by at least 20% of the citizens, other than the Macedonian language)
4. The **deadline** for submission of bids can not be shorter than 15 or longer than 30 days from the day of announcing the announcement

RENT PERIOD LIMITATIONS

RENTAL LAND MARKET

- Olive trees < 50 years
- Other perennial crops (vineyards, orchards, hops) and greenhouses < 30 years
- Fast growing trees of agricultural land located at an altitude above 700 meters < 30 years
- Sports, recreational activities and rural tourism < 30 years
- Fisheries < 20 years
- Other crops < 15 years
- Meadows < 15 years

SUBSIDY PAYMENT

RENTAL LAND MARKET

- If lease agreement notarized (**formal**)
 - the **LESEEE** has the right to apply for subsidies

- If **special forms** of contracts (usufruct, offer) also notarized
 - the lessee takes the land for rent free of charge, i.e. no obligation to pay the lease to the lessor => subsidies are paid to the **LESSEE**

- If contract is oral (**informal**)
 - the subsidy is paid to the **LANDOWNER**

TRANSACTIONS & AVERAGE PRICES

SALE LAND MARKET

State land - **not a single m² sold**

- Law on the sale of state-owned agricultural land is enforced but **NO** accompanying acts for its functioning
- Possibility of exchanging state-owned agricultural land with private ownership if there are conditions for consolidation of land parcels

Private land - **subject to sale**

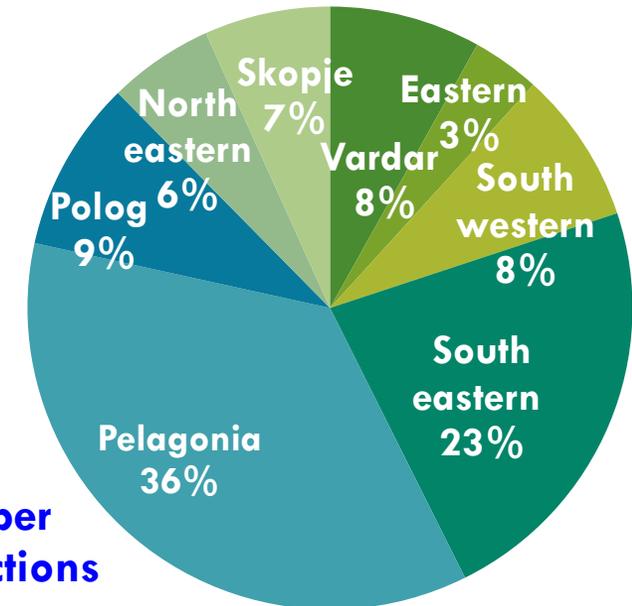
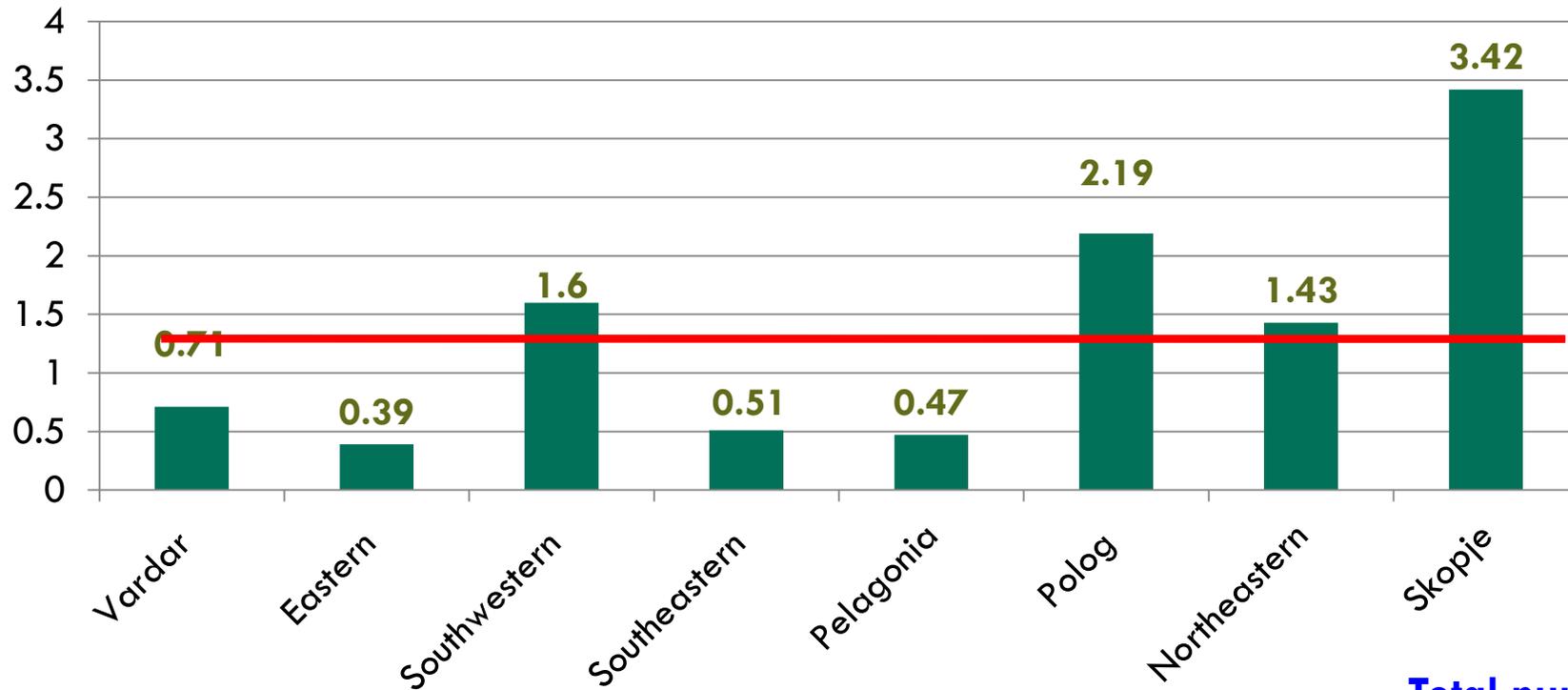
- The price is formed freely on the market, on the basis of supply and demand

Date	Total m ² agricultural land	m ² /transaction	€/m ²
from 18.03.2015 to 31.08.2015	15,548,591	7,450	0.77
from 01.09.2015 to 31.12.2015	5,650,521	3,143	2.34
from 18.03 to 31.12.2015	21,199,112	5,457	1.19
from 01.01.2016 to 31.03.2016	6,467,506	3,243	1.58
from 01.04.2016 to 30.06.2016	4,695,023	3,592	2.22
from 01.07.2016 to 30.09.2016	3,200,757	2,815	2.55
from 01.10.2016 to 31.12.2016	4,449,216	3,296	1.62
2016 total	18,812,502	3,250	1.91
from 01.01.2017 to 31.03.2017	4,230,081	2,992	2.01
from 01.04.2017 to 30.06.2017	3,426,476	2,899	2.83
from 01.01.2017 to 30.06.2017	7,656,557	2,949	2.38
From 18.03.2015 to 30.06.2017	47,668,171	3,885	1.67

REGIONAL SALE PRICE DISTRIBUTION

SALE LAND MARKET

Average price of AGL



Total number of transactions

Source: REPORT ON THE PRICE OF AGRICULTURAL LAND IN THE RM, 2015, AAEM

FACTORS AFFECTING LAND PRICE

SALE LAND MARKET

Factors	Average price (€/m ²) Field research, 2015	Average price (€/m ²) Field research, 2014	Average price (€/m ²) Desk research, 2013
Regional data, SSO*, 2011			
Density	0.54	0.71	0.90
Population 65+	-0.59	-0.63	-0.51
GDP per capita	-0.16	-0.09	0.16
Arable land per capita	-0.82	-0.85	-0.89
Total arable land	-0.63	-0.68	-0.69
Water supply	0.78	0.63	0.34
Installed electricity	0.16	0.04	0.06
Local road net	0.79	0.80	0.56
Number of tourists	0.70	0.57	0.42

WHO CAN BUY?

SALE LAND MARKET

Type of buyer	Possibility to buy
Foreigners	NO
Domestic legal entity	YES
Legal entity, owned by foreigners	NO
Others	YES

PROCEDURE

- Existence of a buyer with whom the price is agreed
- Meeting at a Notary
- Documents for preparation of contract
 - Buyer: Certificate for paid taxes
 - Seller:
 - Certificate for paid taxes
 - Property Deed for the land not older than 6 months issued by the Agency for Cadastre, and
 - Origin of the property (if the is a gift from parents no need of consent from the spouse, if the land is purchased in marriage the consent of the spouse is required)
- Notary publishes a **CALL** for land sale in the Official Gazette of RM
 - Foreigners: NO
 - Domestic legal entity: YES
 - Legal entity, owned by foreigners: YES
 - Others: YES
- After **15 days** from the call, if no one from the neighbors of the land has applied for the purchase, the notary appoints a meeting between the seller and the buyer for signing a purchase contract
- Once the purchase agreement is signed, the buyer runs the procedure for payment of sales tax and registering the new owner at the Cadastre

TAXATION

SALE LAND MARKET

➤ Sales TAX rates:

- ✓ PROPORTIONAL basis
- ✓ Ranging from 2% to 4% (determined by the local self-government)

➤ **NO** property tax for agricultural land used for agricultural production

KEY POLICY

AGRI-POLICY RELATED TO LAND

CONSOLIDATION of the agricultural land

- 2012: **National Strategy** for Consolidation of Agricultural Land (2012-2020)
- 2013-2014: **Law on Consolidation** of Agricultural Land
(Official Gazette of the RM 187/13), and bylaws (Official Gazette of the RM 55/14)
- 2015-2016: **2 pilot projects** finished (Konce and Egri)
- 2017-present: new **IPA project** is ongoing (massive consolidation)

OTHER POLICIES

AGRI-POLICY RELATED TO LAND

1. IPARD and RDP support investment on land improvements
2. **NO** direct measures, or other budgetary support for buying land
3. National Strategy (2012):
 - ✓ Providing market information - database on the land market are going to be processed
 - ✓ Improvement of the credit market to support land consolidation - MBDP responsible entity
 - ✓ Decrease of the taxes for land transfer - Ministry of Finance
 - ✓ 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

FINANCIAL INSTITUTIONS

AGRICULTURAL CREDIT MARKET

FORMAL MARKET

1. BANKING INSTITUTIONS

- Commercial banks = 15 (9 in ag)
- MBDP = AD but 100% owned by state

2. MICROFINANCE INSTITUTIONS

- Saving houses = 3 (1 credit union)

3. FARMERS' COOPERATIVE BANKS **NO**

4. MORTGAGE INSTITUTIONS **NO**

REGULATION => Banking Law

LICENCE & SUPERVISION => NBRM

Cover **40%** of the formal market

✓ 78% by ACDF; $p=(3\% - 6.5\%)$

✓ Remaining by OWN programmes; $p=(6\% - 8\%)$

INFORMAL MARKET

1. Loans from RELATIVES

2. Loans from FRIENDS

3. Loans from UNAUTHORIZED PERSONS

ACCESS TO CREDIT

AGRICULTURAL CREDIT MARKET

1. Credit terms equally applies to all applicants **EXCEPT** for total amount of the required credit (smaller for individual famers)
2. Banks **prefer agricultural companies** since they are considered as less risky clients (**EXCEPTIONS** for prospective, developing and innovative **small-holders**)
 - ✓ Small banks and saving houses mainly target small farmers

3. Main reasons for rejection

- ✓ Weak financial capacity (50-60%)
- ✓ Bad credit history
- ✓ Inefficient and not sustainable investments
- ✓ Lack of collateral

GUARANTEE FUNDS

1. **The Development Credit Authority (DCA)**, supported by USAID
2. **The Guarantee Fund (GF)**, supported by SIDA until 2011
3. **The European Investment Fund (EIF)**

MAJOR FACTORS AFFECTING LAND MARKET

FOCUS GROUPS RESULTS

1. Weak institutional settings
2. Unresolved legal and property rights
3. Migration of the local population
4. Inefficient credit market

CONCLUSIONS

- Few differences between the regions DUE to socio-economic conditions:
 - ✓ Staro Nagoricane = **WORSE** social and economic condition, and the most of the villages are abandoned
 - ✓ Resen = **GOOD** economy, but far less good as in the past

THANK YOU FOR THE ATTENTION!

Prof. D-r DRAGAN GJOSEVSKI
gjosevskidragan@yahoo.co

Doc. D-r ANA SIMONOVSKA
anad.simonovska@gmail.com

INSTITUTE OF AGRICULTURAL
ECONOMICS

**FACULTY OF AGRICULTURAL
SCIENCES AND FOOD-SKOPJE**