

The agricultural land problems in Bulgaria and implementation of the Common Agricultural Policy

Problematika zemědělské půdy v Bulharsku a implementace Společné zemědělské politiky

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Abstract: The paper deals with agricultural land problems in Bulgaria that will impede the implementation of the Common Agricultural Policy (CAP) and the assimilation of financial resources from the EU Structural Funds. Some of the major problems are: the unfinished process of identification of land ownership and division of ownership on the restituted land between heirs, the lack of land property documents for others owners, the lack of experience in subsidizing agriculture, the lack of an adequate administrative capacity for implementation of the CAP and the post-implementation control, delay in creation of the Integrated System for Administrative Control, etc.

Key words: Common Agricultural Policy, land problems, land identification, subsidies, land reform, land consolidation

Abstrakt: Příspěvek se zabývá problematikou zemědělské půdy v Bulharsku, jež bude překážkou implementace Společné zemědělské politiky (SZP) a asimilace finančních zdrojů ze strukturálních fondů EU. Mezi hlavní problémy patří: neukončený proces identifikace vlastnictví půdy a distribuce vlastnictví restituované půdy mezi dědice, nedostatečná dokumentace týkající se vlastnictví půdy ostatních vlastníků, nedostatek zkušeností s dotační politikou v zemědělství, nedostatečná administrativní kapacita pro implementaci SZP a její následnou kontrolu, zpoždění ve zpracování Integrovaného systému administrativní kontroly (AIACS) a další.

Klíčová slova: Společná zemědělská politika, problémy vlastnictví půdy, identifikace půdy, dotace, pozemková reforma, konsolidace půdy

ANALYSIS OF PROBLEMS IN LAND OWNERSHIP AND LAND USE FOR ASSIMILATION OF FINANCIAL SUPPORT OF AGRICULTURE

The implementation of the Common Agricultural Policy (CAP) in Bulgaria will be impeded to the highest degree by the land problems because the financial support will be paid per hectare.

The land reform which started in Bulgaria in 1991 has already finished but as a result of it, some major problems in agriculture were revealed:

– Non-rational personification of land ownership

Most of the land is owned by citizens and nearly 80% of it is owned by legators, some of which retired or dead. At the same time, many of the people living in rural area own little or no land. This is a precon-

dition for further fragmentation through divisions, donations, and other land transactions.

– Fragmentation and dispersion of land estates, often in different areas or settlements

The statistics shows a trend of an even higher fragmentation of agricultural farms before and after the period of major land enlargement and collectivization of Agricultural Cooperatives and Agricultural Industrial Complexes. The average size of land per farm of 5.7 ha in 1926 decreased to 4.9 ha in 1934 and to 4.3 ha in 1944. Particularly large was the fragmentation of farmland of the average size about 0.30–0.40 ha (Annual Statistical Reports 1937, 1942, 1943–1946) After the land reform in Bulgaria during which Agricultural Cooperatives were destroyed and the agricultural land was returned to its owners, the fragmentation continued. In 2000/2001, the

Agrostatistics shows that for 770 000 observed land farms, cultivating 67% of the utilized agricultural land /UAA/ in the country, the average size of the farms owned by individuals is 1.2 ha (Trifonova 2004).

According to the data from the Land Estates, Registers, and Information Technology Directorate at the Ministry of Agriculture and Forestry till July, 2004, the number of land estates in Bulgaria is 10 154 040 (Trifonova 2004). The average size of a land estate is 0.64 ha and it varies from 0.27 ha to 2.03 ha. The average size of meadows is the smallest – 0.32 ha, and that of pastures is the largest – 1.34 ha. The average size of arable land is 0.58 ha. This data is from land restitution where most of the land is restored to legators, where the number of heirs is about 3–4 people. After the land division, the average size of land estates will decrease substantially due to the fact that there are no limitations in the Inheritance Law as to land fragmentation and this trend will grow with every generation. Other factors contributing to this trend are land donations, selling and buying of small pieces of land, land settlements.

– Land use in Bulgaria is characterized by a strong polarization in the size of land farms

The concentration of agricultural land in large farms, utilizing mainly someone else's land for the short-term tenement, has a negative impact on the sustainability of agricultural production structures, which in turn leads to unsustainable development and destabilization of the sector as a whole.

As seen in Table 1 and 2, the process of polarization grows stronger. In 2003, the size of the majority of agricultural farms is up to 1 ha, and they represent 78% of all farms which is only 6.8% of the UAA in the country. Large agricultural farms (over 10 ha) represent only 2% of all farms but occupy 83% of the total UAA. Farms with size of 50 ha occupy 78% of the total UAA but they represent only 0.8% of all agricultural land farms (Table 2).

Small-sized agricultural land farms are ineffective and uncompetitive and the large ones are unstable. This is a threat for the successful integration of Bulgarian Agriculture in the CAP and the assimilation of financial support from the Structural and Cohesion Funds of the EU because the small amount of subsidies and the high transaction cost do not motivate agricultural producers to apply for subsidies.

The research shows that the majority of agricultural farms are not market-oriented. In 1998, 77% of agricultural producers produce only to satisfy their needs and 84% of small farms with size under 0.5 ha are not market-oriented (Sarris et al. 1999). According to the pilot observation of the Agrostatistics Directorate, 94%

Table 1. Structure of privately-owned agricultural farms according to number of farms and size of size of the cultivated land, 1926–1934, in percentage

Groups of farms	Structure according to			
	1926		1934	
	number of farms	size of the cultivated land	number of farms	size of the cultivated land
up to 1.0	11.9	1.0	13.5	1.3
1.1–2	12.4	3.2	13.5	4.0
2.1–3	12.0	5.1	13.2	6.6
3.1–4	11.0	6.7	12.2	8.5
4.1–5	9.7	7.6	10.7	9.6
5.1–6	8.1	7.7	8.2	9.1
6.1–7	6.7	7.6	6.4	8.4
7.1–8	5.4	7.0	4.9	7.4
8.1–9	4.4	6.5	3.8	6.5
9.1–10	3.5	5.7	2.9	5.5
10.1–15	9.4	19.8	7.1	17.1
15.1–20	3.2	9.5	2.1	7.3
20.1–30	1.8	7.3	1.1	5.2
30–40	0.4	2.4	0.2	1.5
40–50	0.1	0.9	0.1	0.5
50 and more	0.1	2.0	0.1	1.6
Bulgaria	100.0	100.0	100.0	100.0

Source: Annual Statistics of Monarchy of Bulgaria, 1939

Table 2. Structure of agricultural farms according to size of utilized agricultural land in 2003

Groups of farms	Structure in %		Average size of utilized agricultural land per farm (ha)
	number of farms	utilized agricultural land per farm	
0.1–0.3	35.5	1.2	0.1
0.31–0.5	18.3	1.7	0.4
0.51–1.0	24.1	3.9	0.7
1.1–2.0	12.9	4.1	1.4
2.1–5.0	6.1	4.1	3.0
5.1–10.0	1.4	2.2	6.7
10.1–50.0	0.9	4.4	20.3
Over 50	0.8	78.3	450.7
Bulgaria	100.0	100.0	4.3

Source: Census of Agricultural Farms in Bulgaria, 2003, Ministry of Agriculture and Forestry – Agrostatistics

of the farms produce for self-satisfaction purposes (Structure of Agricultural Farms ... 2001).

The larger part of agricultural producers lease or rent land for the short-term. Statistical observations from the year 2000 show that of 67% of the UAA in the country, 50% is rented, 45% is leased, and only 5% is privately owned (Structure of Agricultural Farms 2001). This demotivates land users to invest in land for long-term improvements and for its rational use. Cultivation of the leased land, especially on short-term leasing periods, as it is in Bulgaria, is a precondition for unstable production structures in agriculture. This results in unsustainable development of this branch in general and creates constant difficulties and problems of the lease holders as well as for the assimilation of financial resources from the EU Funds because payments are per hectare.

– *The low competitiveness of Bulgarian agricultural commodities*

The low competitiveness of agricultural commodities is a prerequisite for the low effectiveness of agriculture which is an impediment for the enlargement of land ownership and use. The unfavorable economic environment for agriculture (unequal exchange between agricultural commodities and industrial inputs, low demand, low prices of agricultural commodities, difficult access to financial resources from banks, non-acceptance of agricultural land as a guarantee for credits, etc) is one of the reasons why agricultural producers cannot take advantage of the financial support provided through the SAPARD Programme. The process of agricultural production is capital consuming and requires large initial investments, half of which must be from own resources. The low competitiveness of Bulgarian agricultural commodities is also due to the unfair competition of imported commodities – after the introduction of the Currency Board, Bulgarian government practically ceased subsidizing agriculture. The small-size, fragmented and primitive agriculture makes it very hard for Bulgarian commodities to meet the high standards of the EU market. The government policy must be directed towards removing the factors leading to the low competitiveness of agricultural commodities.

– *The process of the creation of the Integrated System for Administrative Control (ISAC) started very late and a risk exists that it will not finish in time*

The lack of the Unified Information System for agricultural land is a reason for the lack of reliable identification of land ownership which became particularly evident in 2003 when as part of the State Agricultural Fund, a new financial line for subsidiz-

ing of abandoned land was created. The lack of the sufficient administrative capacity and the effective control over spent financial resources from the State Agricultural Fund becomes a reason why part of them is not spent accordingly. The experience with utilizing financial resources from this line as well as from the SAPARD Programme suggests the type of problems that will be encountered upon implementing the CAP after Bulgaria joins the EU. The creation of such unified information system should have started much earlier in order to preserve the reliability of information gathered during the process of land restitution. In 2003, there was started the work for the creation of the Geographical Information System (GIS). This system will allow the implementation of modern information technologies in services dealing with property registration and cadastre. Already there is purchased the necessary hardware and the main GIS software, on the basis of which the Agricultural Land Identification System (ALIS) is developed. Land identification is made by location, ownership, and other characteristics of agricultural and forest land. This centralized database will serve as a base for the creation of the Land Parcel Identification System (LPIS) that will serve the purpose of managing and control of subsidies provided to agricultural producers (Annual Report 2004). This process was started very late and a risk exists that it will not finish in time which will impede the assimilation of financial resources from the EU Structural Funds and the implementation of the CAP.

DIRECTIONS FOR IMPROVING THE CONDITIONS FOR THE SUCCESSFUL IMPLEMENTATION OF THE CAP

There will be two extremes for the short and mid-term perspective in Bulgarian agriculture – small family farms, aimed at self-sufficiency, and large – in the form of cooperatives, leased farms, partnerships, etc. Small farms, as they are, are non-viable, ineffective, and non-competitive, while the large farms are temporary structures with monocultural production, which are organized mainly on someone else's land, rented for short periods, thus making them unstable and unsustainable, which in turn will be a constant destabilizing factor for the sector and for the unsustainable management of the land.

The short-term character of land lease does not allow enlargement per land users. The problem will not be solved by prolonging the minimal period for land lease. In a situation where supply exceeds demand for the leased land combined with ineffective

judicial system and low rates of property land, it makes it practically impossible for land owners to defend their rights in Court. For this reason, it is necessary to make it easier and less expensive for land owners to defend against violations of contracts caused by lease holders.

Land enlargement can be fulfilled through enlargement of land ownership by creating conditions for better effectiveness of agriculture. Before the process of land consolidation starts, it is necessary to create a new regulation for inheritance, donations, buying and selling and other types of land transactions leading to the endless fragmentation. The Government has another instruments for land enlargement – government fees in cases of property transfer, appropriate tax policy, financial relieves in case of selling land to the neighboring land leasers or land substitution from the State Land Fund and the Municipal Land Fund.

The recent reform of the CAP, where most of the payments are made per hectare, will contribute to the consolidation of land ownership, and especially to land use. Thus, the more hectares a farmer cultivates, the larger the subsidies will be. The consolidation of land could be stimulated through an appropriate payment scheme, reflected in the progressive character of the subsidy size and according to the size of the farm. A differentiated approach could also be applied, where payments will be the highest for the farms, whose sizes are considered to be the most appropriate for local conditions. This will contribute to the increase in their number.

It is advisable to stimulate voluntary enlargement of land per users, regulated by the Bulgarian legislation, where on the basis of oral agreements appropriate contractual documents are produced which is a precondition for eligibility for financial support as part of the CAP.

In order for the agricultural land market to fulfill its role in consolidating and restructuring of ownership, it is necessary for it to be stimulated, regulated and controlled on behalf of the government. This must aim to achieve a rational level of land ownership through the appropriate economic instruments and mechanisms, such as encouragement of buyers – agricultural land proprietors, through: long-term credits with lower interest rates and continuous grace periods, financial guarantees on behalf of the government (through subsidizing part of the land purchase credit interest), introduction of the earlier retirement in return for granting property rights over agricultural land in favour of the state land funds, etc.

A transition period is necessary during which the appropriate legislative and regulative measure would

be implemented in order to create acceptable conditions for land division. Otherwise the lack of ownership documents will be a serious impediment for assimilation of the EU funds where the payments are per hectare. If, for example, one of the spouses is a registered agricultural producer, it is advisable to allow him/her to apply for subsidies from the CAP by presenting a document verifying that he/she is a part of a family and to apply for the size of the whole land owned by the family.

A serious problem proves to be the lack of land ownership documents for most of the new proprietors. This will postpone the consolidation of ownership and land use, and will be a very serious impediment for the assimilation of the EU Structural Funds. For the most part, land is being returned to its hereditary owners. This calls for distribution between co-heirs, who sometimes can sum up to 70 people. There are numerous unfinished distributions, unsolved land ownership problems, continuing land ownership lawsuits, disputes over fiscal evaluations of land for its owners with compensatory bonds, etc. In such cases, it will be advisable to apply Article 32, Paragraph 1 from the Law of Ownership according to which the common property can be governed by 50% of the owners. This will allow land division with the consent of 50% of the owners.

CONCLUSION

The implementation of the CAP in Bulgaria will be impeded to the highest degree by the land problems. The land reform in Bulgaria has already finished but as a result of it, some major problems in agriculture were revealed: non-rational personification of land ownership; fragmentation and dispersion of land estates, often in different areas or settlements; unfinished process of identification of land ownership; delay in division of ownership on restituted land between heirs; lack of land property documents for most of the new proprietors; delay in creation of the Integrated System for Administrative Control, etc. Land use in Bulgaria is characterized by strong polarization in the size of land farms. There will be two extremes for the short and mid-term perspective in Bulgarian agriculture – small family farms, aimed at self-sufficiency, and large – in the form of cooperatives, leased farms, partnerships, etc. Some of the other problems are: the lack of experience in subsidizing agriculture, the lack of adequate administrative capacity for implementation of the CAP and the post-implementation control, the low competitiveness of Bulgarian agricultural commodities etc.

The small-size, fragmented and primitive agriculture makes it very hard for Bulgarian commodities to meet the high standards of the EU market. All of the above clearly shows that land problems will seriously impede the implementation of the CAP in Bulgaria which will further result into a more difficult assimilation of the EU funds.

Recommendations

Land enlargement can be fulfilled through enlargement of land ownership by creating conditions for better effectiveness of agriculture and a new regulation for inheritance, donations, buying and selling and other types of land transactions. In order for the agricultural land market to fulfill its role in consolidating and restructuring of ownership, it is necessary for it to be stimulated, regulated and controlled on behalf of the Government. The Government has other instruments for land enlargement – state fees in cases of property transfer, the appropriate tax policy, financial relieves in case of selling land to the neighboring land leasers or land substitution from the State Land Fund and the Municipal Land Fund. It is advisable to stimulate the voluntary enlargement of land per users, regulated by the Bulgarian legislation, where on the basis of oral agreements appropriate contractual documents are produced which is a precondition for eligibility

for financial support as part of the CAP. The recent reform of the CAP, where most of the payments are made per hectare, will contribute to the consolidation of land ownership. The government policy must be directed towards removing the factors leading to the low competitiveness of agricultural commodities.

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