



Agricultural Policy: Determinant of the Regional Rural Development and EU Perspectives of SEE

WORKING GROUP 2:

Land market and small farms' access to land in SEE

Inclusion of small farms from SEE in the current national and EU agricultural policies and its consequences on access to land and land consolidation

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What is a small agricultural holding (farm)?

- There is not uniform definition of a small agricultural holding at European level. It is thus generally assumed that small agricultural holdings are those of less than 2 or 5 ha UAA.
- If the same applies to the WB countries?!

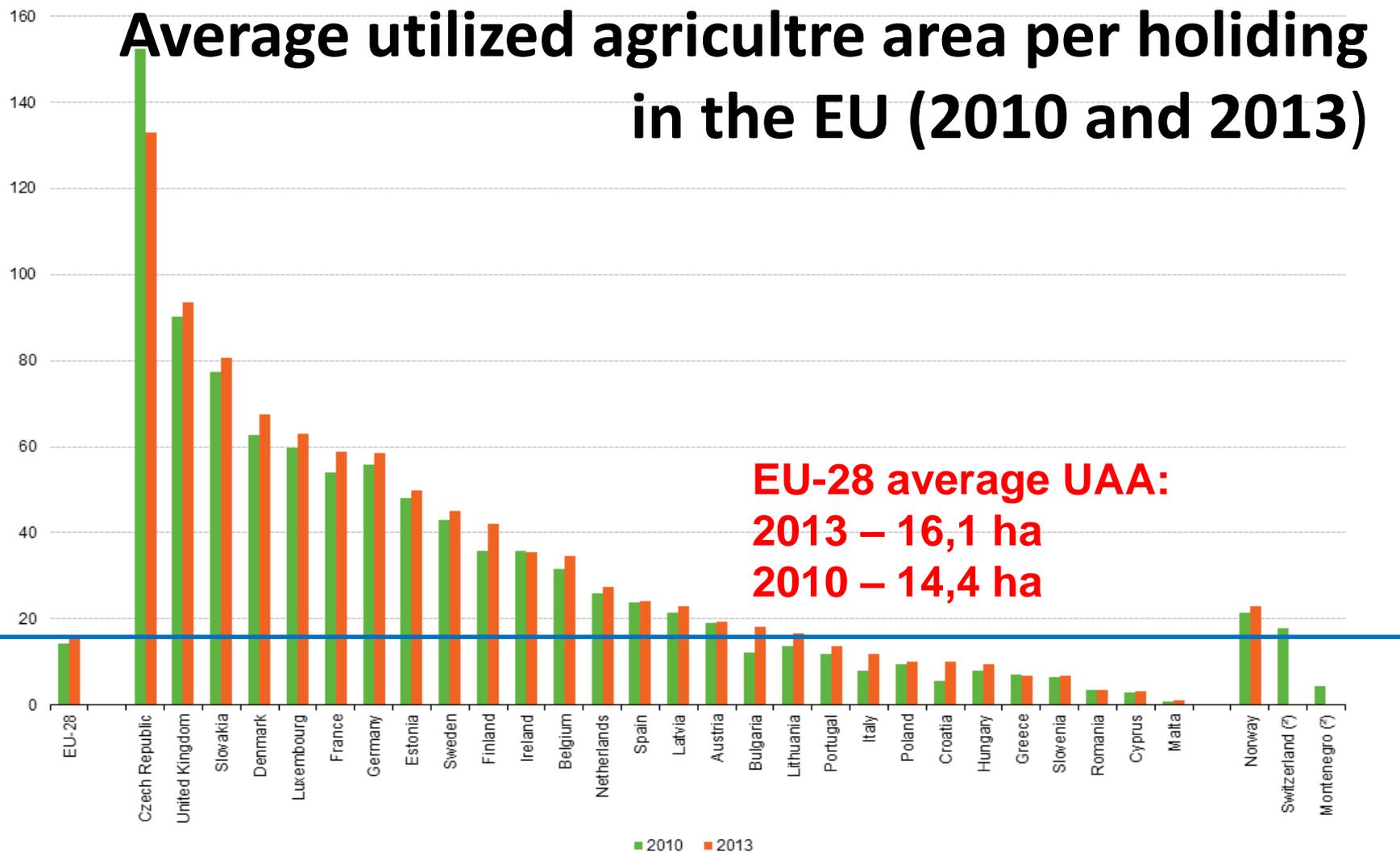
	AL	BiH (FBiH)	BiH (RS)	KO*	MAC	MN	SR
Data for year	2012	n/a	n/a	2014	2016	2010	2012
Average size (ha)	1.2	n/a	n/a	3.2	1.8	4.6	5.4

*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.

Small farms = constant!

- Small scale producers and small-sized farms are the fate of the WB country and the constant with which it needs to be counted in the long run.
- Intensive farm consolidation are not realistic in the short term!
- How to help them, or how to adapt agricultural policies to that constant?

Average utilized agriculture area per holding in the EU (2010 and 2013)



(*) Iceland not shown for reasons of scale: 2010 value was 616 hectares.

(*) 2013: not available.

Source: Eurostat (online data code: ef_kvaareg)

The situation in the EU

Size classes in hectares	Number of holdings			Utilised agricultural area		
	EU-27		EU-28	EU-27		EU-28
	2005	2010	2010	2005	2010	2010
	(thousands)			(thousand hectares)		
Total	14 482	12 015	12 248	171 996	174 499	175 815
	(% share within total) (*)			(% share within total) (*)		
0	2.0	2.2	2.1	0.0	0.0	0.0
> 0 to < 2	48.3	46.9	47.0	3.0	2.4	2.4
2 to < 5	21.2	20.1	20.2	5.6	4.4	4.4
5 to < 10	10.9	10.9	10.9	6.4	5.2	5.3
10 to < 20	7.1	7.5	7.5	8.4	7.3	7.3
20 to < 30	2.8	3.1	3.1	5.8	5.3	5.3
30 to < 50	2.9	3.3	3.3	9.3	8.8	8.8
50 to < 100	2.8	3.3	3.2	16.4	15.9	15.9
100 or more	2.0	2.7	2.7	45.2	50.9	50.7

(*) Shares may not sum to 100 % due to rounding.

Source: Eurostat (online data code: ef_kvaareg)

True facts (valid for WB region)

1. **The dominant private agricultural land is constantly divided in smaller plots**, because it allows inheritance laws, and the new owners are not interested in cultivating the acquired land.
2. **Small land plots are not productively used**, because it is not economically viable, and for this there are no sanctions (either stimulations).
3. **Enlargement through the purchase of land is rare**, because of disputed or unclear ownership and difficult reaching large estates in that way, so large farms are mostly interested to buy/lease only (limited) state land.
4. **Rent/lease of agricultural land is mostly based on oral agreement**, because written contracts are in conflict with tradition, and there is no information system to support the these transactions.

How to improve the situation?

- by enlarging and merging farms;
- by increasing land use;
- by introducing various simulative incentives;

The long term solutions

1. Land consolidation (komasacija);
2. Resolution of property rights;
3. Changes in inheritance laws;
4. Restitution;

The short and medium term solutions

1. Favorable loans for land purchase;
2. Incentives for the purchase of agricultural land by small farms;
3. Encouraging land renting/leasing;
4. Sanctions for non-cultivation of arable land;
5. Enabling incentives and for small farms – production (area based) incentives, incentives for improving competitiveness (new investments and diversification activities) and agro-environmental measures;

The paradigm of incentive policy (national schemes but also IPARD)

- Support only large(r) farms;
- Support equally large and small farms;
- Reduce support to large farms (upper limit or reduction of payment);
- Support small farm to become large;
- Limit support to small farms.

Who is eligible for ...

20000 STRUCTURAL AND RURAL DEVELOPMENT MEASURES

- 21000 Improving the competitiveness of agri-food sector
- 21100 On-farm investment and restructuring support
 - 21110 On-farm investment support
 - 21111 Modernization of agricultural holdings
 - 21112 Investments in permanent crops plantations and greenhouses
 - 21113 Investments in land improvement and infrastructure
 - 21119 Other on-farm investments

Tradition versus rationality

- Farmers are working and living not only in economic but also in a social and cultural system. Therefore, the actual actions of a farmer on markets are influenced by the intensity and kind of social relation of the parties involved in a transaction and by the societal norms and cultural context (Robinson and Flora, 2003).
 - ✓ Land as a security against poverty.
 - ✓ Land as a family relic.
 - ✓ Land as worthless property.

Small farmers scheme

- A small farmers scheme, a simplified scheme (exempt from greening and cross-compliance sanctions and controls) for small farmers instead of other type of more sophisticated incentives.
- Is small farmers scheme solution for small farms?
- Is the small farmers scheme solution for countries with a food deficit (does not encourage investment and increase yields)?
- What to do if small farms are so excluded from the existing incentives programs?

Do not forget!

- Many smallholders (must) earn income from off-farm activities.
- Small farms are dealing with agriculture with poor technologies and weak links to markets and finance.
- Smallholders conventionally conduct risk-mitigation by restricting costs (without major investments).
- Often faced with a lack of successors!

Joining small farms

- Can small farmers become virtually large through joining?!
- ✓ Joint investments (cooperatives, machinery rings, irrigation facility);
- ✓ Common access to the market (joint procurement, joint offer).

Paradigm, challenge, ...?

"The world needs a paradigm shift in agricultural development: from a 'green revolution' to an 'ecological intensification' approach. This implies a rapid and significant shift from conventional, monoculture-based and high-external-input-dependent industrial production towards mosaics of sustainable, regenerative production systems that also considerably improve the productivity of small-scale farmers.,,"

(UNCTAD, Wake up before is too late. Trade and environmental report 2013)