

Land relationships in Bulgaria

Vztahy k půdě v Bulharsku

P. YOVCHEVSKA

Research Institute of Agricultural Economics, Sofia, Republic of Bulgaria

Abstract: Agriculture is a traditional branch for the Republic of Bulgaria. The favourable agrilimatic and soil conditions further the growth of 145 agricultural crops and the production of various products, many of which have leading positions in the international market. The aim of this paper is to examine the nature and specific features of the reform of the land relationships in the Republic of Bulgaria during the period of transition towards market economy. The development of land relationships in this country reflects the economic interests of its society, which show their specific nature in the relationships between the owners and the leaseholders of the plots. It is typical for this country that during the collectivisation period, which took place in the middle of the last century, the land, being the basic production factor in the agricultural branch, was public property, the private character of which was never abolished. During the transition period, a process for restoring the land 'within its real borders' was started. This led to delay in the reform and a significant fragmentation of the land. The completed agricultural reform contributes to the recovery and precipitation in the process of developing of the land relationships in the country. A sign of this is the formation of land market. In the year 2001, 28 878.1 ha changed their owners, and another 280 000 ha were leased. The aim is, through active laws, to achieve synchrony of the social interests with the interests of the owners and leaseholders and to create conditions for optimisation of the production process in agriculture. A favourable economic environment will contribute to increasing the efficiency of the agricultural branch in the Republic of Bulgaria and to the formation of the land relationships, which will facilitate the process.

Key words: land relationships, land lease, land market

Abstrakt: Zemědělství je v Bulharské republice tradičním produkčním odvětvím. Příznivé půdně-klimatické podmínky umožňují pěstování 145 druhů zemědělských plodin a výrobu dalších zemědělských produktů, z nichž řada zaujímá vedoucí pozici na mezinárodních trzích. Cílem tohoto příspěvku je zkoumat charakter a specifické rysy reformy vztahů k zemědělské půdě, která v Bulharsku proběhla jako součást procesu transformace k tržní ekonomice. Vývoj vztahů k půdě odráží ekonomické zájmy společnosti a projevuje se specificky ve vztahu mezi vlastníky a nájemci zemědělské půdy. Pro Bulharsko je typické, že v průběhu procesu kolektivizace, který se uskutečnil v polovině minulého století, se stala půda jako základní produkční faktor odvětví zemědělství veřejným vlastnictvím, ačkoliv její soukromé vlastnictví nebylo nikdy zrušeno. V období transformace pak byl nastartován proces navrácení půdy „do jejích reálných hranic“. To vedlo ke zpomalení ekonomické reformy a k výrazné fragmentaci vlastnictví půdy. Dokončení zemědělské reformy přispívá k oživení a urychlení procesu vývoje vztahů k zemědělské půdě v zemi. Výrazem toho je formování trhu půdy. V roce 2001 změnilo vlastníky celkem 28 878,1 ha zemědělské půdy a dalších 280 000 ha bylo pronajato. Cílem tohoto procesu je, aby bylo prostřednictvím aktivního právního rámce dosaženo sladění společenských zájmů se zájmy vlastníků a nájemců půdy a tak byly vytvořeny podmínky pro optimalizaci výrobního procesu v zemědělství. Příznivé ekonomické prostředí přispěje k růstu efektivnosti odvětví zemědělství v Bulharsku a k formování takových vztahů k půdě, které tomuto procesu napomohou.

Klíčová slova: vztahy k půdě, pronájem půdy, trh půdy

INTRODUCTION

Agriculture traditionally plays a significant role in Bulgarian national economy. Since the agricultural branch is the one that produces the essential products and foods, which are indispensable for human existence and society, its state has a direct impact on the whole system of material production.

Society's economic interests are at the root of land relationships, concretely reflected in the owner-user relations when it comes to the identification of the temporary concession of land use rights by leasing or a change of ownership following a purchase or sale.

The goal of this article is to examine the nature and the characteristics of the reform in Bulgaria in the field of land relationship during the transition to a market economy.

NATURAL CONDITIONS

The natural conditions and the geographic location of the country are extremely important for agricultural development. The agricultural climatic resources like temperature, light and humidity are favourable prerequisites for the agricultural production in Bulgaria. For example, sunshine is 2 000–2 500 hours, the average annual air

temperature amounts to 10.5 °C, with a relatively long period of average 24-hour temperatures of over 10.0 °C. The temperature sum for this period is 3 900–4 100 and enables growing of some thermophilic crops in the Continental Mediterranean, as well as in the transitional climatic regions of Bulgaria. For the other regions, suitable for agriculture, the sum amounts to 2 700–3 500 and is favourable for cold resistant crops. The average annual precipitations sum in the country can reach 670 mm. The favourable agricultural climatic resources in combination with a great diversity of soil types are essential prerequisites for the production of a variety of agricultural products with guaranteed high quality such as wines, tobaccos, rose-oil, fruits, vegetables, dairy products etc., which occupy a place of their own in the world market.

Land is the principle and irreplaceable factor in the field of agriculture. It is the core of the production process. The great importance of land for agricultural production explains the interest of the whole society in its use. In the process of production of material wealth in each and every sector of the economy, including agriculture, individual economic subjects establish certain economic relationships. The combination of labour, capital and land determines the type of land relationship and production activity results in the agricultural sector.

LAND RELATIONSHIPS

By the mid fifties of XX century, the land relationship in Bulgaria had been very well developed. According to statistics in 1946, in the beginning of the collectivization process, TKZS (Bulgarian cooperatives) comprised barely 41 000 farms out of a total of 1 103 000, i.e. 4% were in TKZS and 42.5% of all farms had lease relationship among them. The agricultural land lease had been economically determined by land relationships in the beginning of XX century. In the period mentioned, different types of leasing had been available but the main types are two: land lease for period of several years and monetary form of lease payment as well as lease of different labour consuming crops as tobacco, vines, orchards and other perennial crops and field crops. The lease contracts have had mainly seasonal nature (sowing, harvesting, threshing) or had included period of economic year. Therefore, some negative consequences regarding agricultural production had been observed, because under short-term lease the land leaseholder is not motivated to make technical improvement and restoration of the soil fertility. The lease payment in kind and sharecrop system had been largely used. In Bulgaria, Professor Yanaki Mollov at the beginning of the 20th century had studied and analysed in detail the problem concerned.

In 1948, the lease in the Bulgarian agriculture was forbidden by law. There were exceptions but only under monetary form of payment or remuneration and the law particularly stated that leaseholders could be cooperatives (TKZS), poor peasants or landless peasants. The

former owners had right to lease land in size maximum 40% of the extent of land area, which the Law determined. All legal regulations resulted in essential limitation of lease and land relationships in the agricultural sector. The priority of TKZS about land lease, reflected in the Law, kept some elements of land relationships. An example was the Model Statute of TKZS, approved in 1950. According to this document, cooperative members, for permanent crops, which they turned in the TKZS, received up to 15% of the net income from the above crops. In the Statute of TKZS (approved in 1958), that right was kept and lease payments were called rent. The end of the cooperation process indicated the end of the land lease process too. The main production factor – land, remained private property but its economic realization was declared public property. The land lease did not really exist. The term “lease” was deleted in the legislation sphere. Therefore, de jure and de facto the land relationships in Bulgaria were frozen.

The first normative act, restoring the lease after decades of prohibition, was the Decree of Council of Ministers (July 3, 1988) “About reconstruction of domestic trade and services sphere”. Originally, the lease form was allowed for management within the system of public catering, services, retail trade. Gradually, the lease also covered the agricultural sector. The land relationships were revived. Limitations for land lease or agricultural sites were not stated. About management of land or agricultural assets, a lease contract can be concluded for a term ranging from 5 up to 50 years.

At the beginning of transition (1989), the development of the land relationships process in Bulgaria was stimulated by means of large legislation activity. For instance, the Law of ownership and agricultural land use and the Regulations for its application, the Law of lease in agriculture, Regulations for the conditions and procedure for establishment of agricultural land market prices and other normative acts and resolutions.

Due to the accepted philosophy of restoration of former owners land property in ‘real boundaries’, the agrarian reform had long duration. The positive result (in spite of a 12-year long period) was private ownership of land rehabilitation. Assets in the agricultural sector were restituted and privatized, too. Now (1. 07. 2000) 98.34% of the arable areas are managed in private farms. Evidently, there is a base of restitution and acceleration of land relationships process in field of agriculture.

The situation of land relations in our country has a result in the land market which reflects the development of agricultural land lease aiming at production needs as well as land ownership change in the forms of purchase and sale.

The expectations that the land ownership restitution and society interventions by means of active legislation would revive the Bulgarian agriculture were not completely justified. The dominant factor in the process mentioned is the singly favourable economic environment. The tenderest spot was the disturbance among the three factors of production in the agricultural sector. Private

ownership restitution on land has a great importance in itself. Ever since the physiocrats' doctrines, the important role of private ownership of the land has been emphasized. But Bulgarian experience showed that in reality this is not enough.

Due to the restoration in formal real boundaries of land from the period before collectivization, the reform took a long time to complete. In the sphere of agriculture where the production takes place in the open and involves living creatures, the ten-year transition period inevitably deprived the land of its careful owner. The new owner more often than not has neither emotional nor economic connection with the land. He inherits property which used to ensure the livelihood of a generation of Bulgarian peasants which had been economically dependent on the land. That was also proved by a survey made by Professor Mollov in 1922. At the beginning of the last century, the unity among land, labour and capital was the economic ground of agricultural production development. On this basis the land relationships were well developed. A confirmation of that was the variety of land lease, as mentioned above.

At the end of the Reform in 2002 in Bulgaria, statistic data show nearly 100% restituted ownership on agricultural land. The new owners or the majority of them could not be active farmers because of the disturbed connection between the owner's residence and location of the property. Due to the contradiction between the right of ownership and the opportunity for its use, the unity between land and labour was broken. The third factor of production – capital, due to the before mentioned reasons, became old-fashioned both morally and physically. Although the restitution of agricultural ownership is an important prerequisite for the development of land relationships, the principal part in the process mentioned belongs to the economical environment.

The problem limiting land relationships development is the land fragmentation. During the whole 50-year period of collectivization, the operative Law of inheritance confirmed the fact that in all the years of land collectivization the private character of ownership has not been sustained. As a result of the completed restitution in the agricultural sector, over half of the private farms are the size to 0.2 ha each. Bulgarian agricultural areas amount to 25 million parcels. The average agricultural estate is lesser than 0.7 ha. Over 90% of the cases the ownership of these estates is divided among two or three inheritors or successors. Therefore, now in Bulgaria there are about 8 million agricultural lots. The parcels' size impedes the use of new technologies for crop cultivation and the use of high capacity equipment for harvesting which could result in the decrease of output costs per unit and the increase in production competitiveness.

In the near future, when the Law of Land Consolidation will be passed, it is expected that the limitation of land relationships, in particular the land market including lease and purchase or sale of agricultural land, will drop. The above Law once again shows the importance of the agricultural sector where the interests of owners

and leasers of the land as well as these of the whole society are directed towards improvement of the economic outcome resulting from the functioning of the agricultural field. The land consolidation purpose, reflected in the Law, is amalgamation by gathering of owners of agricultural areas aiming at their rational and efficient management according to the National Plan for Agricultural Development.

Some of the economic contradictions mentioned explain the lower rates of the development of the land market. According to the Ministry of Agriculture and Forestry studies, before 1999 there was no land market whatsoever. In 1997 and 1998 initial moments of economic realization of the restituted rights of agricultural lands ownership occurred which give a vague idea about development of a land market and revival of land relationships. Occasional sales have been registered.

Some negative macroeconomic occurrences have an unfavourable influence on the starting land market. In the first place, the general economic stagnation in the country resulted in limitation of the agricultural market and deprivation of the producers of the necessary financial resources. As a result, for 1997 and 1998 the larger part of the cooperatives paid off their land owners in kind giving them a part of the output received.

When private agricultural land is leased in large areas, mainly in the region of Dobrudza, the rent paid off is several times higher than the average for the country. That is explained by the opportunities for a fast market sales of cereals, the possibility for crops growth with the use of modern technologies and machines ensuring high yield from a unit area. That results in high degree of land return and production inputs used. The favourable combination of production factors and its influence on the final economic results are reflected positively in land lease process. The economic interest of the owner coincides with that of the leaseholder. Similar coincidence of interests is observed in land lease for vegetable and tobacco growing in the areas of the Thracian Plain. The large labour consumption of both crops is compensated by a secure market and good remuneration of their produce.

In 1997 and 1998 great deals aiming at purchase or sale of agricultural land were not registered. Single sales occurred only.

A substantial revival of the land market was observed in 1999 because of real land deals available. The process is positive because a part of the new owners invest in purchase of land capital aiming at crops growing. This type of purchasing will contribute to the real development of land relationships in the future.

The marketing information available regarding demand for purchasing and supply for sale of agricultural plots shows land market establishment in the near future. On the basis of offers made, a conclusion could be drawn that up to now demand and supply determined by prices of candidate buyers and these of candidate sellers are rarely met. It is well known that the market concerned is very inert in the developed market economy countries,

too. In these countries, the average purchase or sale of land per year is hardly 2–5% of the agricultural lands. On the other hand, the land lease in the same countries amounts up to 60%. That is the best way for economic realization of land ownership. In normal conditions, this statement will be also approved by our market practice and will contribute to the development of land relationships.

There have been trends of higher rent pay off in the categories of lands having guaranteed soil fertility or suitable for particular crops growing resulting in monopoly rent (potatoe production in the Rhodope Mountains). Hopeful is the demand for purchasing of larger areas aiming at growing of strawberries, vines, and orchards. Up to now, these deals are rare because of difficult provision of large size parcels due to provisional inheritance parcelling of property or reluctance of some of the neighbours to sell their share of the plot chosen.

Trends of improving the land market are observed in the 2000, too. The Ministry of Agriculture and Forestry (MAF) studies cover 80% of the municipalities in the country. A new moment of agricultural land market development is a certain balance between demand and supply, assessed by a relative leveling of the margins. For land of the third category, the price is 110 DM for 0.1ha and for fourth category land – 106 DM. Deals are concluded on prices higher than the rates of the 1999 but are very low for the quality of the lands of these categories.

In the period of October 1999–November 2000, 18 293 ha of agricultural land were included as an object of purchasing-sale. In 2001, 59 305.7 ha changed their owners and 280 883 ha were leased.

The rent in 1999 kept its nature compared to the previous year. Over 80% of persons surveyed paid to the owners in kind their duties. In the year mentioned, the trend of repeated higher payment in lease of agricultural land for vegetable and tobacco growing (due to sales guaranteed) was maintained. On large lease cereal areas in the whole country (which by size of lots are far from these in the Dobrudzha region), the rent paid-off was not over 100–150 DM per ha. Short-term form of lease mainly for one year was dominant. Evidently, there is an influence of category of the land cultivated on rent size. More fertile lots of land ensuring higher yield resulted in higher profitability for the leaseholder and higher rent for the owner of the land parcel. The economic interest of lease of such parcels will increase and so will the terms of lease contract. In the Law of Lease, it is stated that the minimum term of lease contract will be four economic years. However, this normative provision is rarely in accordance with the practice where the economic interest is dominant. It is expected that the Law of Cooperations will boost the interests of the owners to give their lands under lease. Probably, it will contribute to keeping the term of lease for a 4-year period of use (Law of Lease) and there are contracts with longer duration. In these contracts, the owners' interests are protected by a clause providing change of payment if during the term of the contract there is an inflation rise.

The statement up to now indicates a trend towards positive development of the land relationships and the land market in the field of Bulgarian agriculture. The economic interest is determining, i.e. opportunities for high quality output production having low production costs under realization guaranteed. These conditions are available in the production of grain and in the growth of some industrial and vegetable crops. In these cases, there is a good combination of production factors and input return. The economic interests of the owner, the leaseholder and society are met.

The strategic importance of the agricultural production originates from the fact that in this sector, goods of prime necessity are produced. During a scientific conference organized by the University of National and World Economics, Sofia (UNWE) in September 2001, Professor St. Savov determined food supply as a component of the national security system of Bulgaria. This opinion is supported by many authors and is confirmed by the importance of agriculture within the system of national economy. Now, over 26% of the economically active population are employed in the sector and it forms 15% of GDP of the country. These are pointers inherent to low-developed or developing economy such as the Bulgarian one.

The future Bulgarian membership in the European Union (EU) provides opportunities for management of financial resources of the structural and pre-accession funds of the EU. The Bulgarian agriculture is the first among the candidate countries, which have received funding on the SAPARD programme. For 2001, the projects approved were 38 but the total sum of the investment costs amounts to 25 335 630 DM and the subsidy is 12 667 815 DM and till end March 2002, 64 projects have been approved. The Republic of Bulgaria has opened the chapter 'Agriculture' which is a prerequisite for the sector adaptation to the EU requirements.

CONCLUSION

The restituted rights of ownership on the main factor of production – the land – which under Bulgarian conditions has a high production potential – is a prerequisite for land relationships revival, in the interest of the whole society. The Bulgarian experience shows that private ownership of the land should not be exaggerated, nor should it be isolated from the way of management. The combination of all economical subjects' interests (concerning agricultural production) will favour (under Bulgarian conditions) that economic units whose production results would satisfy both the owners and the users of agricultural land as well as the agricultural product consumers, i.e. the whole society. To this effect, the Bulgarian Cabinet has indicated agriculture as a priority sector in its activity.

By an active legislation, the purpose is synchronization of private farmers' and leaseholders' interests aiming at the creation of prerequisites for optimization of the

production process within the agricultural sector because of the necessity of its competitiveness increase. The efforts indicated have to result in introduction of products having high organoleptic and technological characteristics at low input per unit of consumption value.

This is a balance point in which the land relationships ensure meeting of interests of all participants in the production process and the efficient development of the agricultural sector within the system of material production.

In conclusion we could say that the efforts of the Republic of Bulgaria are aimed at the increase of the agricultural sector efficiency by creating a favourable economic environment and stimulation of the process of forming of the right land relationships serving this aim.

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Contact address:

D-r Plamena Yovchevska, Institute for Agricultural Economy, 136 Tsar Boris III Blvd., Sofia 1618, The Republic of Bulgaria
tel.: +359 2 56 28 08, fax: +359 2 56 28 05, e-mail: yovchevsky@abv.bg
