



State Geodetic Authority
Ministry of Agriculture, Forestry and Water Management

The First Wave of the Agricultural Land Reform in Croatia

Regional workshop: 'Land Consolidation and Territorial Organization'

Prague, 6th - 10th March, 2005.

Ana Budanko Penavić, Zlatko Medić



Table of Contents:

Abbreviations

1. Introduction
2. Historical Background
3. Land Consolidation – Current Status
4. Situation Analyses
 - 4.1. EU & Croatian Agricultural Land Reform & Rural Development in Croatia
 - 4.2. Croatian Farm Structure
 - 4.3. Programmes for Sorting out Unsorted State-owned Agricultural Land
 - 4.4. Management of the State-owned Agricultural Land (Agricultural Land Law summary)
 - 4.6. Croatian Agricultural Land Reform Progress
 - 4.7. Rural Development in Croatia
5. Case study: ' How Croatian farmer can improve his farm (land) structure?'
6. Conclusions

References

Abbreviations:

MAFWM	Ministry of Agriculture, Forestry and Water Management
EU	European Union
SAPARD	Special Accession Program for Agricultural and Rural Development
Sida	Swedish International Development and Cooperation Agency
FAO	Food and Agriculture Organization

1. Introduction

The Republic of Croatia was awarded the EU candidate status in June 2004. The 'European Partnership between Republic of Croatia and EU' sets the priorities for Croatian agriculture to be respected. One of the most problematic areas in Croatian agriculture is not competitive farm structure which is characterized by small and fragmented parcels. Land consolidation can be an effective instrument in efforts aimed at making agricultural farms more competitive and at promoting rural development. Land consolidation projects together with other rural development measures help the improvement of the farm structure. At the moment, there are no land consolidation activities in the Republic of Croatia, except the voluntary exchanges of agricultural parcels, programmes for sorting out unsorted state-owned agricultural land prepared and implemented by State Geodetic Authority and the preparation of the Pilot project 'Land Consolidation' proposed by the MAFWM and Sida. The MAFWM has to decide on the implementation of the Pilot project.

In this paper will be presented issues which are important components of the first wave of the agricultural land reform in the Republic of Croatia and which to some extent present preconditions for second wave of the agricultural land reform: the implementation of the land consolidation schemes. Presented issues are as follows: History of land consolidation in Croatia, Management of the state-owned agricultural land, Sorting out unsorted state-owned agricultural, Rural development in Croatia and Case study: 'How Croatian farmer can improve his farm (land) structure?'.

2. Historical Background

Land consolidation schemes which have been implemented in ex-Yugoslavian countries could be divided into two groups: Land consolidation between 1891 and 1950 & Land consolidation between 1954 and 1991

- Land consolidation between 1891 and 1950

First land consolidation schemes were implemented at the end of the XIX century in Slavonija and Srijem (1891 and 1902) according to the old Land Consolidation Law. The main reasons for the implementation of the land consolidation were as follows: fragmented parcels not harmonized data between land book and cadastral evidences, not adequate shape of the land parcels and not resolved inheritance of the property which was owned by the land unions. The land consolidation schemes were implemented by taking into consideration the existing irrigation systems, other melioration systems and not regulated streams. In period between 1891 and 1950, 405.193 ha were consolidated in Srijem and Croatia.

- Land consolidation between 1954 and 1991

After II World War, Act on Agrarian Reform and Colonization, Act on Confiscation of Property and Implementation of Confiscation, Act on Nationalization of Tenements and Urban Land and Act on Nationalization of Private Enterprises were enacted and they allowed the transformation of private ownership to social ownership. A dual system of property rights existed: there was, on the one hand, the politically dominating worker's self managing system of socially owned property, and on another, a regime of privately owned property.

In 1954 the Socialist Republic of Croatia enacted new Land Consolidation Law which was amended in 1979 and 1984 According to that Law, land consolidation schemes were implemented in the Socialist Republic of Croatia and the following results were achieved:

- In 274 cadastre municipalities, mainly in Slavonija, land consolidation schemes were implemented together with the establishment of the new melioration systems. Thousands of km of paths and drainage channels were built, old channel networks were reconstructed and few thousand of ha of socially and privately owned agricultural land were drained. Implemented land consolidation schemes allowed planned agricultural production.
- Number of parcels of the privately owned agricultural properties fell by three and more times and number of parcels of the agro-kombinates fell by 40 times. Very comprehensive evidence about agricultural land was established.
- Real property rights were resolved.
- Building areas were organized and additional areas for further village development were reserved by the physical planning procedures.

In that period, 654.413 ha were consolidated.

All activities related to the implementation of the land consolidation schemes were supported by different state institutions which were responsible for agriculture and forestry, finances, water management, justice and surveying. Apart from the state institutions, privately owned surveying and other companies, different experts including agronomists, economist, lawyers and judges, participated in the implementation of the land consolidation schemes from 1955.

Since 1991 land consolidation schemes have not been implemented.

According to the old Agricultural Land Law which entered into force in 1991, formerly socially owned agricultural land became state owned agricultural land. State owned agricultural land was managed according to the Agricultural Land Law from 1994 to 2001 and based on that Law, decisions were made on the tenure of a total of 308.338 ha of the arable state owned agricultural land. 287.690 ha of the arable state owned agricultural land was leased, 8.414 ha was privatized, 5.166 ha was given in concession, 2.728 ha was donated and 4.339 ha was given to life tenancy.

3. Land Consolidation – Current Status

The legal, organizational, institutional, technical and managerial framework for land consolidation/improved land management and territorial organization schemes according to the old Land Consolidation Law, are not applicable in the new Croatian circumstances. That means, comprehensive land consolidation schemes which have for the main objective to improve the farm structure and to develop rural areas are not implemented in the Republic of Croatia, except some simplified land consolidation schemes - individual attempts between two or more farmers which include simple exchanges of agricultural parcels or new purchases of additional neighbouring parcels. Programmes for sorting out unsorted state-owned agricultural land present a form of land consolidation which serves to modernize tenure arrangements by eliminating outdated rights of use, and to harmonize the data between land book and cadastral evidences. This is a precondition for the state-owned agricultural land privatization.

The Pilot project 'Land Consolidation' has been prepared together by the MAFWM and Sida and its follow up has to be decided. The Pilot project proposes introduction of the Swedish model for land consolidation and sector rationalization in the Croatian circumstances. The rationale of the project is that the current land structure should be improved, in order to increase agricultural productivity, to create conditions for economic and social development and to mitigate poverty in rural areas (Sida, 2004).

4. Situation Analyses

4.1. EU & Agricultural Land Reform & Rural Development

Republic of Croatia submitted its membership application for the EU on February 21, 2003. On April 20, 2004 Republic of Croatia received positive European Commission's Opinion on the Croatian candidacy for EU membership. At that time, the European Partnership between Republic of Croatia and EU was adopted.

The European Partnership indicates the main priority areas for Croatia's preparations for further integration with the European Union, based on the analysis in the Commission's Opinion on Croatia's application for membership. Some short term priorities, which are expected to be accomplished within one to two years and which are related to some extent to land consolidation and rural development are as follows:

- Accelerate land reform, and in particular registration and privatization of agricultural land, through the establishment of a modern and efficient cadastre and land registry to eliminate the current obstacles to the development of land and housing markets;

- Reinforce the administrative structures needed to establish a rural development strategy and policy instruments for the design, implementation, management, monitoring, control and evaluation of rural development programmes.

Some medium-term priorities, which are expected to be accomplished within three to four years and which are related to some extent to land consolidation and rural development are as follows:

- Complete land reform, with particular emphasis on the registration and privatization of agricultural land;
- Strengthen the administrative structures needed to implement market and rural development policies (EC, 2004.).

As the Republic of Croatia was awarded candidate status on 18th June 2004, the Republic of Croatia can benefit from EU assistance for candidates in their efforts to implement the requirements for EU membership through a country-specific pre-accession strategy. This includes various kinds of financial assistance to improve infrastructure and economy and one of them is SAPARD.

4.2. Croatian Farm Structure

It is important to mention that in Croatia there are two official sources of data: the recent Agricultural census 2003 and the Statistical Yearbook of the Republic of Croatia. Unfortunately, these sources significantly differ in some very basic figures such as land use.

According to the Statistical Yearbook of the Republic of Croatia, the total surface of the agricultural land in the Republic of Croatia is 3.155.690 ha of which still 1.066.437 ha or 34% is state owned.

The Croatian agricultural sector has two different production systems: private family farms and agricultural companies. According to the Agricultural Census 2003., there are 448.532 family farms with an average area of 1,9 hectares. Family farms are very fragmented and split into eight plots on average, mostly due to the Inheritance Law which allows splitting. There are 1.364 agricultural companies which are the remaining or reorganized structures of the ex-socially-owned agricultural cooperatives (DSZ, 2003.). Some of these are still (partly) owned by the government and are soon to be privatized (AEP, 2004.). The average size of the agricultural companies is 159 ha.

Farm size ha	Farm households		Agricultural companies		Total	
	Number	ha	Number	ha	Number	ha
0-1	227.434	50.759	327	71	227.761	50.830
1-2	71.933	67.103	51	77	71.984	67.180
2-3	40.129	65.330	45	108	40.174	65.438
3	109.036	670.004	941	216.952	109.977	886.956
Total	448.532	853.196	1.364	217.208	449.896	1.070.404

Agricultural Census 2003., Central Bureau of Statistics, Zagreb

In 2003, 139.698 agricultural farms were registered in the Farm Register¹ and out of that number 137.917 were family farms. According to the Farm Register in 2003, it was 863.500 ha of Utilized Agricultural Area.

Farm size/ha	Number of the Agricultural farms
0-3	67.212
3-10	58.290
10-50	13.248
50-100	615
100	333
Total	139.698

Farm Register 2003., Ministry of Agriculture, Forestry and Water Management, Zagreb

The great majority of the agricultural farms are divided into many small and fragmented parcels (DZS, 2003; DZSa, 2003 and Farm Register, 2003). Small and fragmented agricultural farms present an obstacle for the improvement of the efficiency of agricultural production.

4.3. Programmes for Sorting out Unsorted State-owned Agricultural Land

When land consolidation schemes were implemented in ex. Yugoslavian countries, very often, changes in title were not recorded in land book and cadastral evidences and due to that, today, real land uses for the state-owned agricultural land differs from data in land book and cadastral evidences. Such unsorted state-owned agricultural land has been slowing down the privatization and restitution process.

However, State Geodetic Authority prepares Programmes for sorting out unsorted state-owned agricultural land (hereinafter referred to as: Programmes) which include the execution of technical and legal measures. Implementation of such Programmes may reduce the number of parcels and resolves property rights, allowing towns and municipalities to privatize state-owned agricultural land according to the Agriculture Land Law. In addition, those activities positively influence the development of the overall property market.

4.4. Management of the State-owned Agricultural Land (Agricultural Land Law Summary)

Management of state owned land according to the Agricultural Land Law has been in process since 2001. Forms of the management of state owned agricultural land are lease, sell and concession.

According to the Agricultural Land Law and the State Owned Agricultural Land Management Strategy, local self-government units have to adopt the Programs for Management of State Owned

¹ Administrative evidence of the Ministry of Agriculture, Forestry and Water Management for farm subsidies

Agricultural Land (hereinafter referred to as: Programmes) for their territory. The Programs have to be approved by MAFWM.

The Programmes contain the following: total area of state owned agricultural land, information on management of state owned agricultural land to date, area earmarked for restitution, surface earmarked for selling, surface earmarked for concession and surface earmarked for leasing.

Parcels of agricultural land have to be presented in the Programmes on the basis of cadastral information. Prior to adoption of Programmes, local self-government units are not allowed to manage state owned agricultural land.

State owned agricultural land can be sold, can be leased or can be granted as a concession through public bidding. Physical persons have preemptory rights in purchasing and leasing state owned agricultural land, while legal persons have preemptory rights in getting a concession.

The decision on inviting of bids for selling/leasing of state owned agricultural land and the decision on selecting of the best bid is made by municipal or town councils on the territory of which the land is located. Both decisions have to be approved by MAFWM.

On the basis of selection of the best bidder for selling/leasing of state owned agricultural land, municipal or town mayor enters a lease/sell agreement with the best bidder. The contract of sale, made on the basis of the decision of municipal or town mayor without the consent of MAFWM is null and void.

State owned agricultural land can be sold by a direct agreement, by market price after buying party has submitted evidence indicating that it is in the interest of the Republic of Croatia. The decision is made by the Government of the Republic of Croatia, at the proposal of Minister. On the basis of the decision, Minister and submitter of the offer enters into contract of sales in writing.

The Government of the Republic of Croatia makes decision on inviting public bids for granting of concessions, at the proposal of the Ministry. Committee for Concessions for Exploitation of Agricultural Land Owned by the Republic of Croatia conducts public bidding. The Committee has 5 members and a secretary, appointed by the Government of the Republic of Croatia at the proposal of Minister. The Government of the Republic of Croatia makes decision on granting of a concession for exploitation of state owned agricultural land, at the proposal of Ministry.

4.5. Agricultural Land Reform Progress

The implementation of the management of the state-owned agricultural according to the Agricultural Land Law has been accelerated in the local authorities which have the Programs approved by the MAFWM.

338 Programs have been submitted in the MAFWM by the local authorities and 263 Programs which comprises 473.883 ha have been approved by the MAFWM. 138 Programs have to be submitted in the MAFWM in the near future and 64 local authorities do not have state owned agricultural land on their territory (MAFWM, 2005).

Since 2001 the MAFWM has approved 103 decisions on inviting of bids for leasing in the local authorities according to their Programs for the total surface of 54.472 ha. The MAFWM has approved 47 decisions on selecting the best bids made by local authorities for the total surface of 22.780 ha (MAFWM, 2005).

The MAFWM has approved 80 decisions on inviting of bids for selling in the local authorities according to their Programs for the total surface of 25.870 ha. The MAFWM has approved 52 decisions on selecting the best bids made by local authorities for the total surface of 16.849 ha.

The Government of the Republic of Croatia has made 20 decisions on inviting public bids for granting of concessions for the total surface of 15.201 ha and the concession have been granted for the total surface of 9.016 ha.

The Parliament of the Republic of Croatia will amend the Agricultural Land Law at the beginning of the 2005 with the main intention to improve and to accelerate the state-owned agricultural land privatization and management process.

The amendments to the Agricultural Land Law have been made on the basis of the previous experiences in the implementation of the privatization process of the state-owned agricultural land.

4.6. Rural Development in Croatia

Rural Development Strategy was prepared by the FAO and the MAFWM in 2003 In June 2004, Rural Development Department was established in the MAFWM. According to the Law on Agriculture, Rural Development Department is responsible for the preparation and implementation of structural measures. It is a group of measures which stimulate the economic effectiveness of agricultural production in order to assure a stable income and suitable standard of living for farmers in villages and the harmonious development of agricultural regions and villages.

At the moment, Rural Development Department is preparing the Programme for the village area improvement (hereinafter referred to as: Programme) according to the Law regarding State Subsidy in Agriculture, Fishery and Forestry. The aim of the Programme is the development of village area by ensuring the suitable working and living conditions and the preservation of natural and cultural inheritance. The measures of village area development include subsidies for the following: investments in agricultural estates, processing of agricultural products, establishment of machinery rings, young agricultural workers, education, retraining, training, measurements of the environment protection in the agriculture and forestry area, forestry, measures of land reparcelling, development of

village, preservation of cultural inheritance, rural customs and manifestations, diversity of agricultural and other activities for the purpose of acquiring additional alternative sources of income, rural tourism and traditional rural handicrafts, improvement of the rural infrastructure connected with agricultural development, promotion of vine and other tourist roads and promotion of quality autochthonous products.

The preparation and implementation of the Rural Development Plan for SAPARD program is under the responsibility of the Rural Development Department, and till now four measures have been taken into consideration. Measures are as follows: Investments in agricultural holdings, Improving the processing and marketing of agricultural and fishery products, Renovation and development of villages and rural infrastructure and Technical assistance.

5. Case study: 'How Croatian farmer can improve his farm (land) structure – one example?'

Farmer has to make the following steps:

- To identify agricultural land parcel in which he is interested and to discover who is the owner of the parcel by contacting people in the village.
- To get information on agricultural land prices from other farmers or village habitants. There is no official land market information in Croatia.
- If owner is interested to sell his parcel, owner (seller) and farmer (buyer) agree upon price for a parcel. Owner and farmer make a Sale Contract what has to be paid.
- On the base of Sale Contract, farmer can get a loan from a commercial bank for the agricultural land purchases under the following conditions: 7-10 years repayment (2 year grace period), 7% interest and 1:1,2 collateral. Otherwise, farmer can pay a parcel by cash.
- After paying, farmer brings Sale Contract in the local Land Book office and local Cadastre office where the title has to be changed. That procedure has to be paid. It takes a long time while processing the issue in some Croatian areas, due to the existing backlogs.
- Farmer has to pay a tax which is 5 % of the value of the parcel.
- Farmer can claim back 25% of the value of his new parcel from the state budget according to the Law regarding State Subsidy in Agriculture, Fishery and Forestry - Capital Investments Scheme.
- After buying, farmer can exchange his new parcel with a farmer who has a parcel closer to his farm. In that case, they have to make a Sale Contract and 5% tax has to be paid.

It is very important to mention that farmers who want to enlarge their holdings face many difficulties which are presented in the SWOT table. Management of the state-owned agricultural land presents an opportunity for farmers to acquire additional land and to improve their farm structures.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Farmers interested to improve their farm structures • Existing commercial loans • Capital Investment Schemes 	<ul style="list-style-type: none"> • Small parcels • Not clarified or not known ownership • Too many owners of one parcel • Emotional attachment on the land • Tax 5 % of the parcel value for purchase and for parcels exchanges and other expenses • Not existing agricultural land market information • Inheritance Law • Not existing land consolidation legal and institutional framework • Private agriculture land leasing arrangements no longer than 1 year
Opportunities	Threats
<ul style="list-style-type: none"> • EU accession – preaccession funds • Management of the state-owned agricultural land • Rural development measures are going to be developed 	<ul style="list-style-type: none"> • Agricultural reforms face difficulties • Agricultural land reform is slow process

6. Conclusions

- The objective of the land consolidation in the ex. Yugoslavian countries was the improvement of the primary agricultural production, while the objective of the modern land consolidation is the improvement of the rural livelihoods. The final result should be community renewal through sustainable economic and political development of the whole community and the protection and sustainable management of natural resources (FAO, 2003).
- Rural development policies and measures in Croatia are still to be developed. It is believed that the preparation of the Plan for Rural Development for SAPARD programme would promote the EU rural development understanding and make rural development measures more popular between Croatian farmers. The success and sustainability of rural development projects and programmes will depend to a large extent on how they address the reality of the thousands of

small and fragmented farm holdings in existence. Land tenure plays a vital role in promoting sustainable rural development thereby reducing poverty and hunger (FAO, 2003).

- There are two official sources of data in Croatia: the recent Agricultural census 2003 and the Statistical Yearbook of the Republic of Croatia. Farm Register is the administrative evidence of the MAFWM for farm subsidies. Unfortunately, these sources significantly differ in some very basic figures such as land use and farm structure.
- The great majority of the agricultural farms are divided into many small and fragmented parcels (DZS, 2003; DZSa, 2003 and Farm Register, 2003). Small and fragmented agricultural farms present an obstacle for the improvement of the efficiency of agricultural production.
- Private agricultural land market exists, but it is not efficient. Legal framework for its development has to be improved.
- Official land market information for private and for state-owned agricultural land does not exist.
- A lease law should be developed to encourage medium-term tenancies. The role of renting private agricultural land in improving farm structure is important.
- State-owned agricultural land market is organized to a certain extent, but not harmonized data between cadastre and land book evidences stop its improvement and slow down the privatization and restitution process. The Parliament of the Republic of Croatia will amend the Agricultural Land Law at the beginning of the 2005 with the main intention to improve and to accelerate the state-owned agricultural land privatization and management process.
- Programmes for sorting out unsorted state-owned agricultural land are implemented by State Geodetic Authority and for the main objective have to update data in cadastral and land book evidences which presents the precondition for the privatization process.
- The Republic of Croatia still has to complete the first wave of agricultural land reforms (state-owned agricultural land privatization) and this stage presents the historic opportunity for the farm structure improvement by introducing land banking and land consolidation schemes.

References:

- DZS, 2003. Agricultural Census 2003. Central Bureau of Statistics, Zagreb.
- DZSa, 2003. Statistical Yearbook 2003. Central Bureau of Statistics, Zagreb.
- EC, 2004. Council Decision on the principles, priorites and conditions contained in the European Partnership with Croatia, Commision of the European Communities, Brusseles.
- FAO, 2004. The design of land consolidation pilot projects in Central and Eastern Europe. Food and Agriculture Organisation of the United Nations, Rome.
- MAFWM, 2005. Internal Database for the Management of the State-owned Agricultural Land. Ministry of Agriculture, Forestry and Water Management, Zagreb.
- Sida, 2004. Terms of Reference for the Pilot project 'Land Consolidation', Ministry of Agriculture, Forestry and Water Management & Swedise International Development Agency, Zagreb.