





Republic of Macedonia
Ministry of agriculture, forestry and water economy



5th International Workshop Skopje

21-24 April 2013

AGRICULTURAL LAND IN MACEDONIA
analyses of agricultural land market
Kiril Georgievski





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Macedonia and Macedonian agricultural sector

- **Republic of Macedonia is a small land-locked country with diversified natural endowments and climate and variety of ethnic groups and cultures.**
- **The Country with an area of 25 713 km² and population estimated over 2 million is located in the South Western part of the Balkan Peninsula** geo-strategically positioned at the crossroads of two major transport corridors linking the Central Europe to the Adriatic, Aegean and Black Seas.
- **As an independent state from 1991, after the breakdown of former Yugoslavia, the Country was going through long way of transition from a centrally-planned to a market economy.** Progress in this area is quite significant with unemployment and poverty showing signs of declining, but much remains to be done towards sustained economic growth and improvement of the business environment.
- **Membership of the European Union is a strategic goal of the Macedonia,** ever since the country's independence. The current status of EU Candidate Country enables access to financial assistance mechanisms, but it also requires adjustments and reforms in the Country.
- **Agriculture is the third most important sector of Country's economy.** The current status of EU Candidate Country enables access to financial assistance mechanisms, but it also requires adjustments and reforms in the agricultural sector.





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3

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Family Farming
in rural landscapes

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The importance of the agricultural sector

- The country is largely hilly and mountainous. The combination of Continental and Sub Mediterranean climate, characterized by long, warm summers and short, not too severe winters, and fertile soil provide generally excellent conditions for production of a range of food products. **The agriculture sector plays an important role in the country's economy, its contribution to GDP accounts for nearly 10% and is relatively stable. Together with food processing the percentage increases to 17%. Agriculture has always served as a shock absorber for the socio economic and structural changes in industry and other sectors of the economy.**
- As in many Western Balkan countries, almost **half the population lives in rural areas.**
- The structure of the agricultural sector is characterized by small-sized family farms - around 80% of agriculture holdings are estimated to be 2.5 – 2.8 ha on average; they are owned or leased, and are highly fragmented into small parcels.

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4


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The importance of the agricultural sector


- **Almost the totality of the Gross Agricultural Output (70%) is generated by crop production, where vegetables are the main contributors.** Tomatoes, peppers and melons dominate the vegetable production and make the Republic of Macedonia a net exporter of processed vegetables. **Other important agricultural products are fruit, cereals, tobacco and grapes for wine production as well as for direct consumption.** Livestock output has a smaller contribution; dairy farming with cow milk production dominates this sub sector.
- **Agriculture is the main source of incomes for the rural population, followed by forestry, crafts and village tourism, services and trade. Officially, the agricultural sector provides for an income and employment for about 19.25% of the active working population in the country (around 3 times more than in EU-27), but the real contribution in the realized incomes most likely exceeds this percentage as 45% of the total population, 36% of the workforce and 44% of the poor persons live in the rural areas.**

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The importance of the agricultural sector / Land structure by type of utilisation

		Privately owned	%	State-owned	%	TOTAL
Arable land	Number of parcels	2,215,189	83.2	447,482	16.8	2,662,671
	Area - hectares	451,702	65.5	237,882	34.5	689,584
	Average size	0.2		0.53		0.26
Pastures	Number of parcels	315,605	60.4	206,764	39.6	522,369
	Area - hectares	81,566	12.6	567,507	87.4	649,073
	Average size	0.26		2.74		1.24
Forests	Number of parcels	278,310	73.7	99,221	26.3	377,531
	Area - hectares	102,374	10.9	832,765	89.1	935,139
	Average size	0.37		8.39 !!		2.48




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State owned agricultural land facts and figures

- State-owned agricultural land covers 237,882 hectares or about 30 % of all agricultural land
- The manner in which this land is owned, occupied and farmed is of considerable national economic and social significance.
- Legal bases: Agriculture Land Law from 2007

Important aspects of the law:

- Bar on sale of state-owned agricultural land;
- Leasing the state owned agricultural land in accordance with the Cadastral records;
- Long term leasing arrangements (from 10 to 50 years);
- Bar on sub – letting of state owned agricultural land;
- The Land Registration and management department in MAFWE is the body responsible for the management
- About 140 000ha leased to more than 6000 tenants
- Only 60 tenants with more than 100 ha



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7
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Agricultural Land Market and Land Leasing in Republic of Macedonia

The state land leasing procedure is conducted by MAFWE, which collects offers for the rental of state land. Each offer is individually and independently evaluated, without external influence. A geodesy surveyor statement is used to determine cadastre data on land parcels with exact measures and state cadastre land parcel boundaries. **MAFWE has 24,400 ha of state land at its disposal that cannot be advertised because of certain legal matters, which are in the process of being resolved.**

Agricultural land may be rented for up to 30 years for the cultivation of vineyards, orchards and greenhouses or for rural tourism. For fish ponds the rental period is 20 years, and for other crops mostly up to 15 years.

Land category	Rental value of agricultural land initial Rental price (MKD/ha)
Mountain area	310 – 900
Land category of 5 – 8 class	900
Land category of 4 class	1,600


Source: Unpublished data MAFWE (2011)

- Land prices and land rental values depend on the land category. The land category is set according to cadastre data. **The initial price for renting of state land is €25 per ha up to the**
- 4th category, for state land from the 5th to 8th category, the initial rental price is**
- €15. Prices are lower in the mountain areas (from 5 to 15 euro).**




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8
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Insufficient dynamics of agricultural land market

- One of the problems pertaining to the insufficient dynamics of the agricultural land market is lack of information regarding demand and supply of agricultural land and in particular lack of information regarding farmers' interest in agricultural land exchange.
- In 2012, performed analysis of the agricultural land market in the territory of the Municipality of Prilep and Kocani/ in the frame of TCP project: "Support to the management of state owned agricultural land in Macedonia"




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9
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Analysis of the agricultural land market in the territory of the Municipality of Prilep and Kocani/in the frame of TCP project: "Support to the management of state owned agricultural land in Macedonia"

- The main objectives of the analyze report were the condition of valuation and transactions with real estate, agricultural land. Realization of the goals of this report was based on real knowledge of the transactions made with the primary amount of data in two Municipalities in Macedonia.
- Within the Law on real estate taxation, the tax amount is defined in proportion to the market value of the property, which sets the value of the property as a main component in this process. Taxation of real estate, in relation to agricultural land is under the authority of the local government that is responsible to implement and support this process and therefore taxation activities, i.e. the assessment of real estate is within their competence.
Determining the fair market value of real estate in this process is of great importance because the absolute value of the real estate tax is directly dependent on the amount on the market value of the property.
For the needs of the municipality and the determination of the market value of agricultural land, a municipality adopts their own methodologies which makes the estimation of market value. At the national level there are two methodologies to estimate the value of urban land and buildings.



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1
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Formal methodology for assessing agricultural land in the territory of the municipality of Prilep


- Methodology for estimation the market value of agricultural land for the municipality of Prilep, is published in Official Gazette No. 12 in 2008. This methodology is primarily intended for the evaluation of agricultural land for the purposes of taxation, i.e. calculating the sales tax on real estate. According to Methodology, the value of agricultural land is based on two, and in some cases three factors: location, class, and in some cases cadastre culture of agricultural land.


- In order to gain a realistic knowledge of the market value of agricultural land, used extracted data from purchase contracts where the subject transaction is agricultural land were used. These results are listed in the Table of agricultural land transactions




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1



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General conclusions

- Lack of data on market transactions on national level prevents detailed analyses of the market dynamics
- Further step for Macedonia is setting up of mechanisms on follow up of the agricultural land market
- MAFWE is in process of development of Official methodology for valuation of agricultural land, an activity that will provide further solid bases for determination of the agricultural land value in combination with actual market data


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1


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Thank you for your attention


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