Bosnia and Herzegovina

Notes on Land Markets and Land Structures

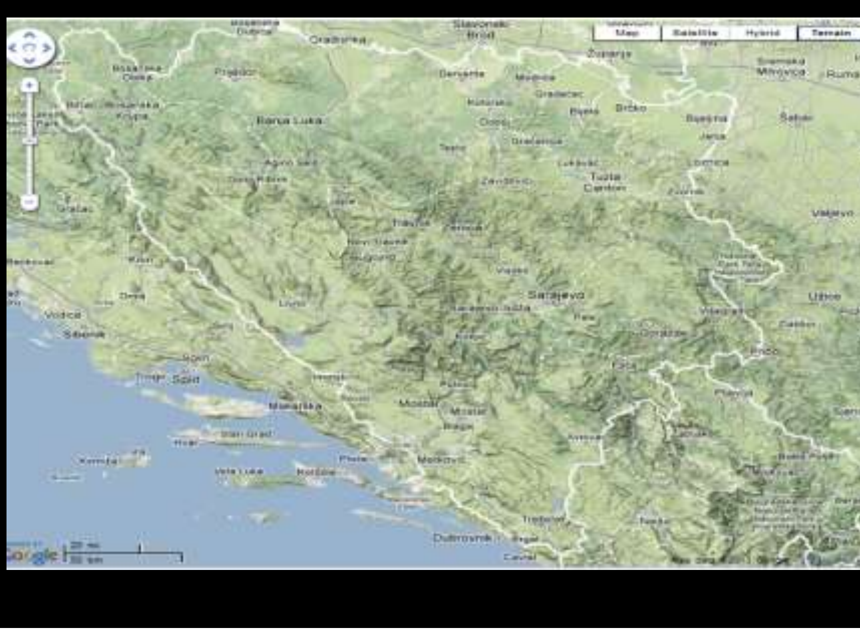
TAIEX-LANDNET

Multi-beneficiary Workshop on Land Market Development and Land Consolidation in EU countries,

21-24 April, 2013

Skopje, Macedonia

Figure 1: Map of BiH (Sourced from *Google Maps-www.nationsonline.org/oneworld/map/google_map_bosnia_herzegovina.htm*)



1. Facts and Figures

(Fact and Ficures data sourced from *BiH, Country Report, December 2006 - ARCOTRASS Consortium*)

- Total land area: **5,113,000** hectares , out of which **2,444,000** hectares (or **47.8%**) is agricultural land.
- **1,250,000** ha are on the territory of Republika Srpska and **1,194,000** ha on the territory of the Federation of B&H.
- Within the total land area, there are approximately **1,000,000** hectares of arable land, out of which **40%** is uncultivated.
- Roughly **237,000** ha are landmined.
- Low percentage of total arable land **(20%)** is available as compared to the EU, relatively high percentage of grassland, meaning potential advantage for some types of livestock production over crop farming.
- Grain production accounts for over **50%** of land use, fodder crops for approximately **30%**, horticulture **15%**, and orchards and vineyards **4%**.
- More than **85%** of the land in B&H is currently privately owned (over **90%** in the Federation and **78%** in RS

Table 1: Land Use as compared to the EU (2005)

	B&H			EU-25
	1995	2000	2005	2005
Share of Agricultural land in total land	n/a	n/a	48%	40.8%
Share of Arable Land and Permanent Crops in total land	n/a	n/a	25%	n/a
Share of Agricultural GDP in total GDP	n/a	n/a	10.1%	1.6%
Share of Agricultural Labour in total Labour	n/a	n/a	3.6%*	5%
Share of Agri-food labour in total labour	n/a	n/a	7.4%*	n/a
Share of Agricultural Export in total Export	n/a	n/a	6%	6%
Share of Agricultural Import in total Import	n/a	n/a	20%	6%

2. Land Holding Structure Facts

- There are no well functioning land institutions that would be in service of business development.
- Land reform is accutely needed, for it is seen as a path towards clear titles and ownership of land.
- Land ownership is based on poorly functioning land registry and cadastre. The RS switched to a single ownership registration system, whereas the dual property registration process is still in use in the F BiH. The system in the country as a whole is in need of urgent modernisation since it is rooted in by far outdated Austro-Hungarian survey, with the exception of smaller portion of the country whose parcel registration is based on new cadastral survey.
- There is no state law on property registration, entities keep and maintain their own registries based on separate respective laws.
- Use of modern technologies (i.e., Digital maps, GIS data, electronic registration, etc.) is seen as an aid towards better land registration and record mainenance practices.
- It is estimated that about 94% of agricultural land in BiH is privately owned and farmed where applicable.
- Data on farm structure are very hard to obtain, last census as a source of official information was carried out in 1991 and cannot be seen as a reliable source for any serious analysis.

2. Land Holding Structure Facts, Continued

- Estimated number of agricultural holdings is around 0.5 million.
- More than 50% of these holdings farm on total acreage smaller than 2 ha, whereas 80% of them have the land size smaller than 5 ha.
- Small total acreage is made even smaller due to severe land fragmentation into a number of smaller individual land parcels.
- State owned farms have much larger properties, some of them are bankrupt, with frequent fact being not clear title of ownership of their land, or long lasting legal proceedings due to the property claims made by private individuals.
- Larger complexes of land are leased to bigger producers, or are commissioned through concessions.
- Unclear property righs on land is a very strong deterrant for any serious capital investment into agriculture.
- Both entities made room in terms of both laws and procedures to accommodate land sale, but there appaears to be very little incentive by private land owners to offer their assets for sale, due to poor land market, lack of transaction securities, low land market value or other weaknesses.

Table 2: Farm structure, as per size of Utilized Arable Area (Sourced from *Study on the State of Agriculture in Five Applicant Countries, ARCOTRASS Consortium, 2006*. Data are based on the authors' estimations).

Land area	Number of holdings	% of holdings
Total	515,000	100.0%
Up to 2 ha of UAA	250,000	48.5%
Above 2 ha to 5 ha	150,000	29.1%
Above 5 ha to 10 ha	90,000	17.5%
Above 10 ha to 100 ha	20,000	3.9%
Above 100 ha UAA	200	0.0%

3. Rural Development Aspects of Land Mobility

- Rural Regions are not officially defined in BiH, the estimated 43% of total BiH population live in what is generally seen as rural areas.
- Rural areas are strongly influenced by dissolution of the former system, collapse of industrial facilities, huge losses of employment, large people displacement, refugees returns.
- Rural areas are seen as the last, transitional resort for younger population who are in search of jobs in towns.
- Due to the loss of employment in urban communities, many returnees do farming with no proper skills or attachment to the land, thus resulting in low yields/income.
- Farming is seen as a complementary income for older population, who frequently have emotional attachment to the land.
- Majority of farms are substinence or semi-substinence ones (No accurate statistics on numbers), with a variety of low volume crops, small number of animals, with very little or no marketable surplus to sell and thus boost their income. It is estimated that 350,000 farms fall into this category.
- Poverty in rural communities is significant, livelihood is based on a number of strategies, such as pensions, remittance, small enterprises or on-and-off jobs in urban communities.
- Tough living conditions and lack of prospect in other sectors give a special, clearly emotional or symbolic value to the land that is frequently not rooted in economic reasoning.
- Land is seen as an asset to rely on in the times of job and general insecurity that could provide at least a minimum of staples, although it is not so much marketable under current circumstances.

Figure 2: Typical occurrence in rural communities across BiH

4. Land Market Indices

Table 3: Cost of Land and Labor across Countries , 2005 (Sourced from *AGRICULTURE SECTOR POLICY NOTE FOR BOSNIA AND HERZEGOVINA-Trade and Integration Policy Note, World Bank, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region*)

Country	Cost of Agricultural Land (€ per hectare)	Gross Labor Costs (€ per month)
Western Balkans		
Albania	7,000	161
BH	2,500	420
Macedonia, FYR	2,775	343
Serbia and Montenegro[a]	5,000	316
Eastern Europe		
Bulgaria	1,207	161
Croatia	3,600	841
Hungary	1,500	638
Poland	1,700[b]	586
Southern Europe		
Greece	8,765	1,984[c]
Italy	14,266[d]	2,904[e]
Portugal	—	1,557[e]
Spain	16,489	2,135[e]

Source: Agricultural land data: for Albania, Sallaku and Shehu 2005; for BH, World Bank staff estimates; for Macedonia, FAOSTAT 2008; for Serbia and Montenegro, *The Financial Times* 2008; for Bulgaria, *SEE News* 2008; for Croatia, Lukas 2005; for Hungary, Popp and Stauder 2003; for Poland, Central European Land Knowledge Center 2005; for Greece, Italy, and Spain, Eurostat 2008. Labor costs: for Western Balkans and Eastern Europe, World Bank 2007c; for Southern Europe, Eurostat 2008.
— is not available. a. Data are for Vojvodina only. b. Data are for 2004. c. Data are for 2003. d. Data are for 2001. e. Data are for 2002.

4. Land Market Indices, Continued

- Agricultural land in BiH is cheaper than land with similar climate and growing season in Southern Europe, although it is more expensive than land in similar condition in Hungary or Poland
- Prices of land may have resulted from underdeveloped land markets and fragmentation in BiH (Estimated by the World Bank).
- Average gross monthly labor costs are 20% of those in Southern Europe and nearly half of those in Croatia, Hungary or Poland
- Agricultural wages tend to be lower in agriculture than the average in services or industry, partly because of the large amount of informal and houshold labor going into primary production (World Bank estimate).
- Land as an asset in majority of country is in accute need of improvement, in terms of infrastructure, fertility, general management, erosion control, soil and water conservetion, good agricultural practices, etc. Some or all of these circumstances call for significant investment schemes.

5. Some general conclusions

- Accurate data on land mobility or its marketability in BiH is hard to acquire.
- Land is generally of low marketability, and it is relatively cheap as compared to the countries from the region.
- People are reluctant to sell land, particularly elderly.
- Although the majority of land available is in the constant state of attrition, it nevertheless is seen as an asset to rely on either as a source of added income, or through its cultivation, the only source of livelihood.
- Low interest in land sale could be due to its low current value. In a country ravaged by the war as BiH was until recently, many returnees see it as their only asset, so they are bound to it by the necessity of their situation.
- If and when the land is more the commodity and less the family asset to be passed on to the next generation through systematic fragmentation, it will be once it was given a **significant added value**.
- Land market in the country is the phenomena that could be created only as a part of larger and deep process of agriculture transformation that includes a number of factors, such as: **Improvement in skills of agricultural producers**; **Building institutional setup that would encourage investment subsidy policy rather than direct payment**; **Infrastructure refurbishment or building from ground up**; **Improvement in qualitay of land as an asset**; **Creation of better institutional environment for agriculture, so that more (i.e., youngsters) people are driven to it**, etc.
- Increase in land marketability calls for a very thorough research of factors that influence it, some of which are far out of the agriculture arena.

Thank you for your attention!

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