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Land Markets and Land Structures: Case of Georgia

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Prepared for the Multi-beneficiary workshop on land market
development and land consolidation in EU countries

Skopje

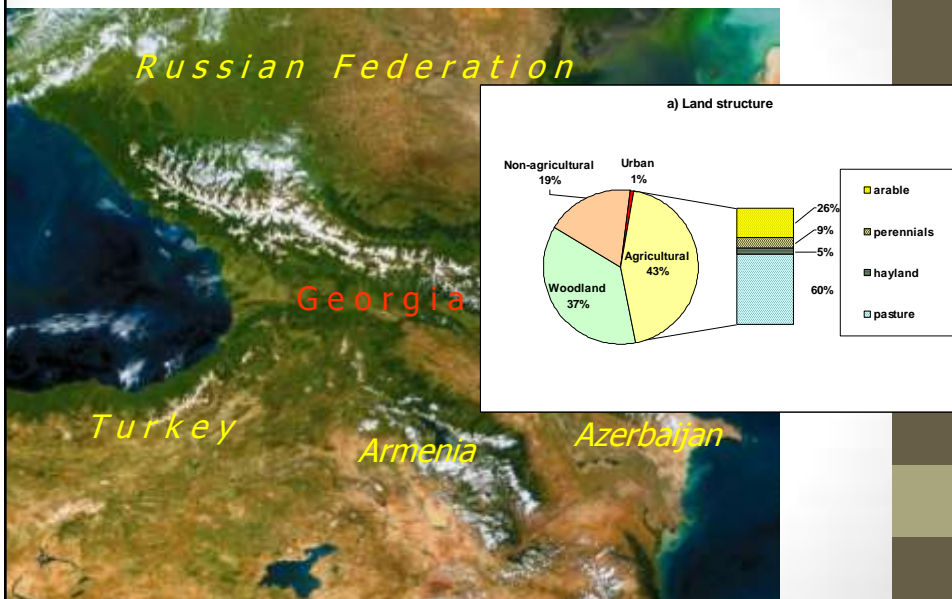
22-24 April 2013



European
Commission

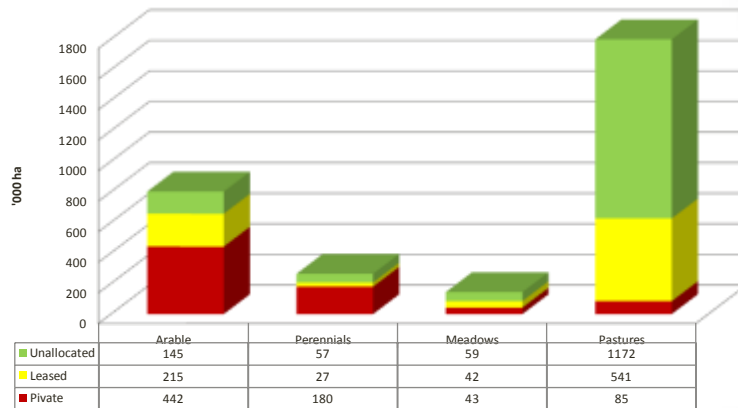
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Georgia: Land structure



Privatization of agricultural land

(1 stage of privatization: from 1992- up to 2005)



Privatization (%)

55

68

29

5

Total agricultural land = 3.018.500 hectares, privatized- 25.3% by 2005

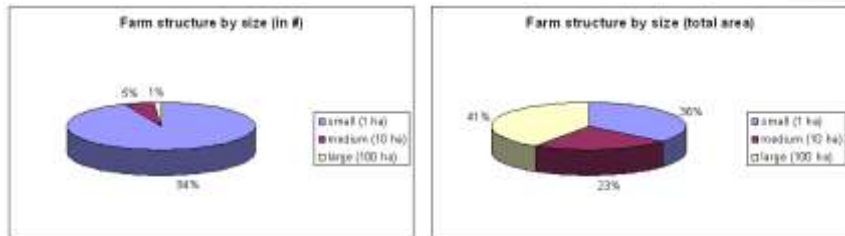
In private tenure was 44.5% of all agricultural land, incl. 70% of rented land

In the following years (2006-2013) the share of privatized land grew up to 44.5%; about 70% of leased land has also been privatized.

Privatization strategy and its outcomes

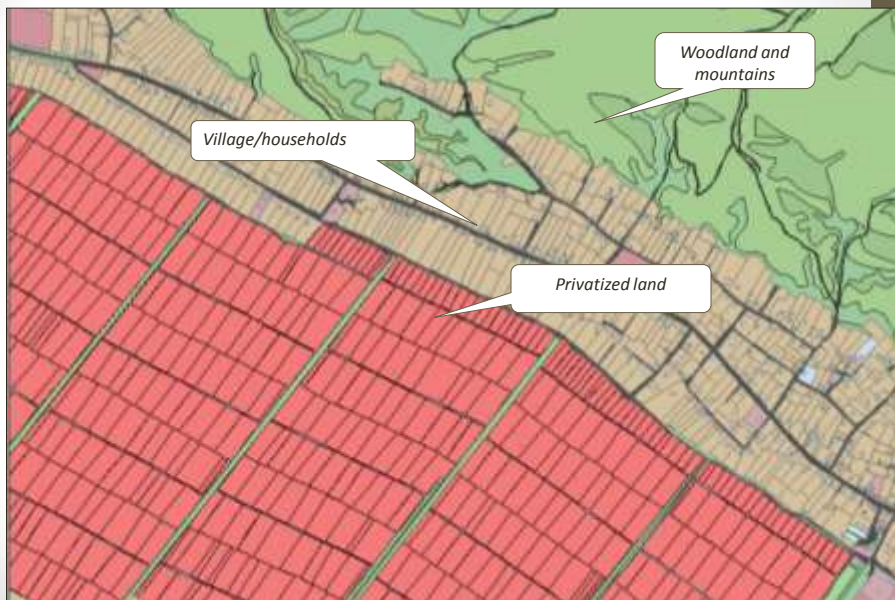
- Equity principle – 1.25 ha per household - was applied for privatization of agricultural land
- Socially oriented: free of charge privatization
- More than 800,000 landowners (households) appeared in rural areas
- Over 3 million private land parcels appeared in rural areas
- Degree of fragmentation of agricultural private parcels is very high: 0,9 ha- average holding; 3-5 parcels per owner; 0,25 ha- average parcel size
- 40 % of population lived out of land in 1990s

Structure of land holdings/farms



- In the Soviet times in Georgia 1,750 large state farms existed; today less than 300 joint stock cooperatives exist
- Large number of small holdings are subsistence and have limited if any economic potential
- Medium-size farms combine private parcels with leased land and have certain potential
- Big commercial farms lease large valuable agricultural blocks and have best development perspectives
- Over 80% of production is produced in big and medium farms

Land fragmentation and farm structure: an example



Agricultural land market

- In general, agricultural market is underdeveloped, except for certain exceptions in the areas/districts of production of profitable agricultural goods – vine, citrus, several fruits and vegetables, nuts, etc.
- Problems:
 - ✓ heavy fragmentation of land – economically ineffective
 - ✓ low rate of registering of agricultural plots – less than 25 %
 - ✓ unavailability of affordable bank credits – small parcels are not accepted as collateral
 - ✓ unwillingness to invest in agricultural sector – agriculture is considered as unprofitable business
 - ✓ underdevelopment or lack of agricultural market services – insurance, consultancy, etc.
 - ✓ non-existence of sales market

Agricultural land market information

- Is any agricultural land market information collected and collated?
- No

Transparent agricultural land market

- Do you consider that it is economically important for your country to have an open and transparent agricultural land market?
- Yes, certainly – moreover, the new Georgian government declared agriculture among top three priorities of the national economy