THE IMPACT OF LAND FRAGMENTATION IN OWNERSHIP ON FARMLAND USE IN BULGARIA

V. DIRIMANOVA

Faculty of Economics, Department of Management and Marketing, Agricultural University of Plovdiv, 12 Mendeleev Street, 4000 Plovdiv, Bulgaria
E-mail: violeta_dirimanova@yahoo.com

Abstract. During the agrarian reform in Bulgaria, farmland was restituted to its pre-collectivisation owners. All landowners have obtained their deeds even though land property rights are still absent in practice. One of the reform outcomes was severe fragmentation in terms of land ownership. As a result, benefits from farmland are low, and the cost component high. The aim of the article is to examine the impact of land fragmentation on farmland use in Bulgaria. In order to achieve this aim, we evaluate benefit and cost streams received by ownership, co-ownership, and land use rights. Multiple sources of information were used to analyse land property rights in Bulgaria such as legal framework, data about land fragmentation that was obtained by land administrative offices and the case studies from three study regions with different level of land fragmentation in Bulgaria. Findings show that existence of co-ownership decreases the incentive of landowners to use the land. To counteract the fragmentation, farmers have started to exchange plots among them. Along with a softening of the farmland fragmentation problem, the state changes led to concentration of farmland in the hands of powerful actors.

Keywords: Bulgaria, land use, land fragmentation, property rights.

AIMS AND BACKGROUND

Land property rights exist to secure individuals interests when resources are scarce. However, only well-defined ownership rights provide such a protection and ensure an efficient use of resources. The necessity of determining the parameters of the private property regime is an incentive component for market economies. Individualisation of property is a factor that generates a functional land market. For this purpose, land was constituted in many European constitutions as a freely tradable good. The problem that may arise for private property rights is that changes in formal institutions need time to be adopted by social actors\(^1\), also, cultural and social norms can affect the pattern of institutional evolution\(^2\) and a discrepancy may exist between legal rights and rights-in-practice as well\(^3\).

Changing a property regime through privatisation or restitution might lead to a form of ‘shock therapy’ for the society\(^4\). Governments across the CEEC have taken legislative action over the last decade to protect people interests and to provide the necessary conditions for land market development. Under social-
ism, the production process was organised by state/collective cooperatives. After restitution (privatisation) of the farmland, individuals were unable to fully realise the benefits of holding private property rights over the farmland. Ho and Spoor called this process of restituting land an ‘empty institution’ rather than a ‘credible one’. They describe land titling in the CEEC as a ‘paper agreement’ between the owners and the government, because landowners still do not actively benefit from their land ownership rights.

Restoration of landed private property rights is a necessary but not sufficient condition for market development in Bulgaria. The results of land reform were both positive and negative. Among the positive effects have been allocation of land to landholders and creation of opportunities for increasing the income of the rural population. Among the negative effects are: high fragmentation in terms of legal ownership; legal rights and obligations having been provided to the owners without accounting for real ‘economic potential’; destruction of irrigation equipment, orchards and vineyard gardens. Land fragmentation and the ability of actors to benefit from their ownership rights affect the way land property rights can be exercised.

The aim of the paper is to examine the impact of land fragmentation in ownership on farmland use in Bulgaria. In order to achieve this aim, it will be evaluated benefit and cost streams received by ownership, co-ownership, and land use rights. Multiple sources of information were used to analyse land property rights in Bulgaria such as legal framework, data about land fragmentation that was obtained by land administrative offices and the case studies from three study regions with different level of land fragmentation in Bulgaria. In each region, two villages were selected based on three criteria: average plot size, number of plots and amount of land per owner, and then 80 interviews with landowners and farmers were conducted in total.

RESULTS AND DISCUSSION

The formal land ownership rights are already well-defined in Bulgaria. In 2000, land reform officially ended. Most landowners have their official ownership documents: notary deeds, decisions of the land commission, maps or protocols. However, after restitution, land has a low value for most landowners in Bulgaria. The link between land and the people was cut off 50 years ago. Only landowners currently living in the rural areas consider land as an important asset. One of the reasons for this attitude is that, often, the notarised title includes a list of heirs of the original owner, not one owner. Therefore, the economic value of the shared property is low and the new co-owners need to act collectively. This creates a barrier to land transactions. In addition, the new owners way of thinking about property and lack of interest in farming constrains the exercise of property rights-in-practice.
Benefits and costs received by landowners after restitution. During restitution, some of the owners/heirs who had stronger local power succeeded in obtaining fertile and consolidated plots with easy access to main roads, while people without such a power obtained fragmented plots of bad quality and in inconvenient locations. But, since most of the beneficiaries from the land reform were either not ready or not willing to start farming, the first option for many of them was either to become members of cooperatives or to rent their land out to one of the local actors (cooperatives, large and small farmers). Initially, the cooperatives, which were the dominant actors in agriculture from 1990 to 1995, asked their members to provide an installment per da for covering production costs and, at the end of the year, they were paid rent in kind and/or in cash. The rents, however, were very low, and this created the incentive for many to withdraw land from the cooperatives.

Although the farms became more profitable, comparatively good rents were only paid in the region with a low level of land fragmentation. In the regions with average and low levels, local agricultural producers were unable to work so efficiently, and the rents were low. In most cases, the amount of the rent (in kind) was so small that many owners did not bother to collect it. The lower rents were only part of the problem. Land was restituted to those who owned the land before collectivisation. Most plots, however, had several heirs with rights over the land, among whom the benefits/land needed to be redistributed. This further complicated land property management.

Co-ownership. Co-ownership is a type of ownership where the co-owners must share not only benefits but also cost components. Some heirs might choose to keep their land in co-ownership, while others might choose to split it up. Land restitution in Bulgaria and the established inheritance patterns created conditions for co-ownership. Most of the people who owned land before collectivisation and to whom land was restituted were very old and had several heirs. Many have passed away, but their heirs have not yet officially subdivided the land among themselves. Since there are at least two generations following the original landowners, they end up with at least several heirs among which the original land must be divided. Therefore, regardless of the inheritance pattern, one may expect more fragmentation in ownership after restitution compared to the period before collectivisation.

Co-ownership is a kind of ownership shared by at least two individuals; but in the Bulgarian land case, these individuals are relatives. Hence, it may be expected a high level of trust. Is this, however, true? Although family relations are considered to be strong, opportunistic behaviour and conflicts can often be observed. Therefore, co-ownership decreases the motivation of an individual owner to exercise his or her property rights. Also, the existence of co-ownership creates opportunities for a third party to benefit from the situation.

Co-ownership also plays a significant role regarding land use. Although this factor does not directly influence the production process, as the physical land
Parcelling does, it further complicates the contractual process. In the case of co-ownership, land users have to negotiate for a single plot with all co-owners. The high costs of contracting lead the land users to contract informally with only one of the co-owners. Since the farmer, in this case, does not have a formal contract, his access to state support programs and bank credits is constrained.

Land use rights and informal mechanisms for overcoming land fragmentation. As property rights theory suggests, the people who can use the ‘bundle’ of property right are the real owners of the resource. The benefit for landowners is rent, while the benefit for land users is the profit they obtain from cultivating land. The situation in Bulgaria, with the existing land fragmentation in terms of ownership and physical land parcelling, prevents landowners and users from extracting maximum benefits. In this situation, the rights of access, use, and withdrawal are constrained and the obligation to maintain farmland has become difficult to fulfill.

In order to organise the production process in a competitive way, each farmer has to negotiate with many owners. In some cases, the field looks like a puzzle. To arrange this puzzle in an efficient way, the farmers need to find mechanisms for overcoming the problem of land fragmentation. In most cases, these mechanisms are costly, but this is the only way to soften the problems associated with fragmentation in ownership.

- Separation of fields around a village among large farmers (Fig. 1). This method for overcoming land fragmentation is very common practice in the region with low level of land fragmentation. All producers – small, medium or large lessees, co-operatives or individual producers – take part in this process and share the belief that they need to cultivate large blocks of agricultural land. In this way, they can more efficiently use their machinery and properly perform common technological practices. Normally, the process takes place at the beginning of the crop year. All interested parties attend a meeting in which they determined who will cultivate which part of the agricultural land around the village. The main principle that land users follow is that the quantity of consolidated land received by a producer after the division has to be equal to the land owned or rented by him. In these meetings, the mayor often participates as an independent arbiter.

![Fig. 1. Rearrangement of fields around a village among large farmers](image)
Farmland parcel exchange between small individual producers (Fig. 2). The small and medium individual producers often use this system. The exchange is usually for a period of one crop-year, with an oral agreement; payment is not usually required. Here it is mainly the each farmer own land that is exchanged, between people who know each other. This mechanism, however, provides only a short-term solution and does not stimulate long-term investment in the land. It also creates other problems related to crop rotation and improper treatment with fertilisers and chemicals, thereby threatening the sustainability of land use.

![Fig. 2. Farmland parcel exchange between small individual producers](image)

Although the process of voluntary exchange of parcels was initiated by the farmers, soon the local officials of the MAF became interested and began to formalise it. In 2005, when the survey was conducted, an MAF official in Dobrich asked the farmers to come into his office and show on a map which areas they would cultivate. Official contracts were not required. Later on, in 2007, all of the MAF local offices began to ask farmers to indicate on a map the areas they currently cultivate. The intention is for this system to be further developed and to become a base for per 1 ha subsidy distribution.

CONCLUSIONS

Formal land-ownership rights in Bulgaria are well defined in the legislation and all landowners have obtained their land deeds. However, the prerequisites for successful operation of land property right are still absent. The new landowners have insufficient experience concerning how to bring land into use and obtain benefits therefrom. Land fragmentation further complicates the process.

The benefit streams from land to landowners are low and do not provide sufficient incentives for active land management. The land fragmentation imposed additional costs to landowners and land users. First, since the families received land located in different places and often in different villages, monitoring of all these plots became problematic. Second, the existing equal rights to all heirs, increases the cost of negotiation when a collective decision needs to be taken. Land
fragmentation imposes additional costs also on land users, since they need to negotiate with many small land owners or co-owners, thus reducing the net benefits that they derive from the production of agricultural commodities.

The landowners and land uses, however, have started to adapt to the existing situation. They have more cooperative than opportunistic behaviour. Where cooperation among the landowners and land uses does not work, land lies abandoned. In order to counteract the above problems, absentee landowners delegate rights to local ones. Facing competition from the large farmers, the cooperatives began either to behave competitively or go out of business. The increased competition in the sector plays the role of external control mechanism for the coops. The large commercial farmers began the process of voluntary plot exchange. Some began to plough land without land contracts; but even in this case, do pay rent if a person shows them ownership documents. The state authorities are making efforts to formalise solutions, which have emerged at the local level. All of these actions decrease the costs imposed by land fragmentation in ownership over land use. However, the process of property rights adjustments is at its beginning, and the benefits from land are still low. This situation still does not provide sufficient incentives to landowners to actively manage property.

Land fragmentation decreases the efficiency of land property rights-in-practice. Landowners and land users obtain part of the benefits, but at the same time, they avoid bearing part of the cost for maintaining land. Formal property rights are clearly defined in the formal legislation and, with the sufficient time, the market should lead to efficient redistribution of land property rights-in-practice.

REFERENCES


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