



TEGOVA

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The agricultural land market in Bulgaria

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Main objective:

to present specific data on the agricultural land market in Bulgaria, influencing factors and trends.

To discuss a model for agricultural land market analysis and valuation in line with the proposed guidance note on agricultural valuation.

Highlights:

01

**Legislative
framework**

02

**Agricultural
land market
dynamics**

03

**Influencing
factors**

04

**Expectations
and forecasts**



Legislative framework

Specifics of the legislative framework

The Bulgarian legislation (ZUT, 2001) distinguishes five types of territories according to their main purpose:

1. urban areas;
2. **agricultural territories;**
3. forest areas;
4. protected areas;
5. disturbed areas for restoration;
6. areas occupied by water and water bodies and
7. transport territories.

Specifics of the legislative framework

The agricultural territories contain agricultural land (both arable and non-arable land). The term "agricultural land" is defined in the Agricultural Land Ownership and Use Act (1991). **Agricultural land within the meaning of this Act is intended for agricultural production** and:

1. are **not located within** the boundaries of the **urbanized areas**;
2. are **not included in the forest fund**;
3. are **not occupied by buildings** of: industrial or other business enterprises, recreational or health care facilities, religious communities or other public organizations, nor are they yards or storage areas attached to such buildings;
4. are **not occupied by** surface mines and quarries, power, **irrigation, transportation or other common use facilities**, nor are they adjacent to such facilities.

Construction on agricultural land without change of its purpose may be carried out for greenhouses, and for objects whose functions are related to the agricultural purpose of the land.

Specifics of the legislative framework

In Bulgaria, agricultural land lease relations are regulated by the Agricultural Lease Act (ALA). According to this act the **minimum lease term** in Bulgaria is **5 years** (no restrictions on the amount of land to be leased and the maximum duration of the agreement). There is no special law on land consolidation adopted in Bulgaria.

The **highly fragmented land ownership** is one of the main characteristics that influence the specifics of land relationships and the agricultural land market in Bulgaria. After the changes in 1989 in Bulgaria, the country was among the ones with the lowest average amount of land ownership – **0,37 ha** and **86%** of the properties were with an area below **1 ha** (compared, for example, to Romania, where 40% of the properties had an area below 1 ha).

Small and medium-sized holdings (SMH) in Bulgaria accounted for 85% of all holdings, but received as little as up to 10% of the total subsidies under the single area payment scheme.

Specifics of the legislative framework

The beginning of the valuation profession in Bulgaria was in the 90s of the last century, with the beginning of the transition to a market-oriented economy in Bulgaria.

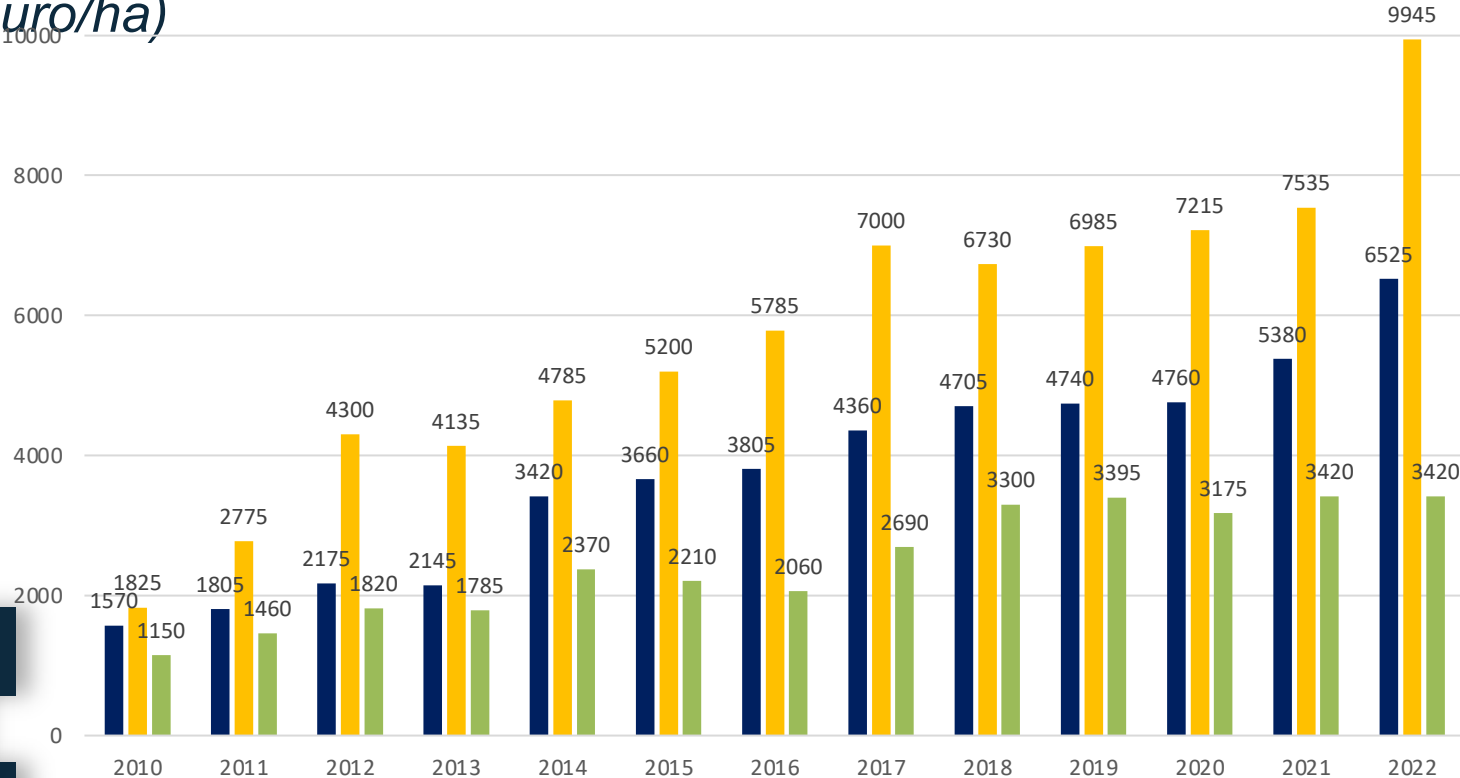
Since 2008 there is an Independent Appraisers Act (IAA), that transformed market valuation from an activity of licensed valuers into the profession of "independent valuer".

The purpose of the **IAA** and **CIAB** is to increase public confidence in the independent valuations carried out, to create opportunities for a fuller and more effective use of the qualifications and professional experience of independent valuers and to promote the principles of fair price and transparency in transactions related to state property or management of funds of public companies.



Agricultural land market dynamics

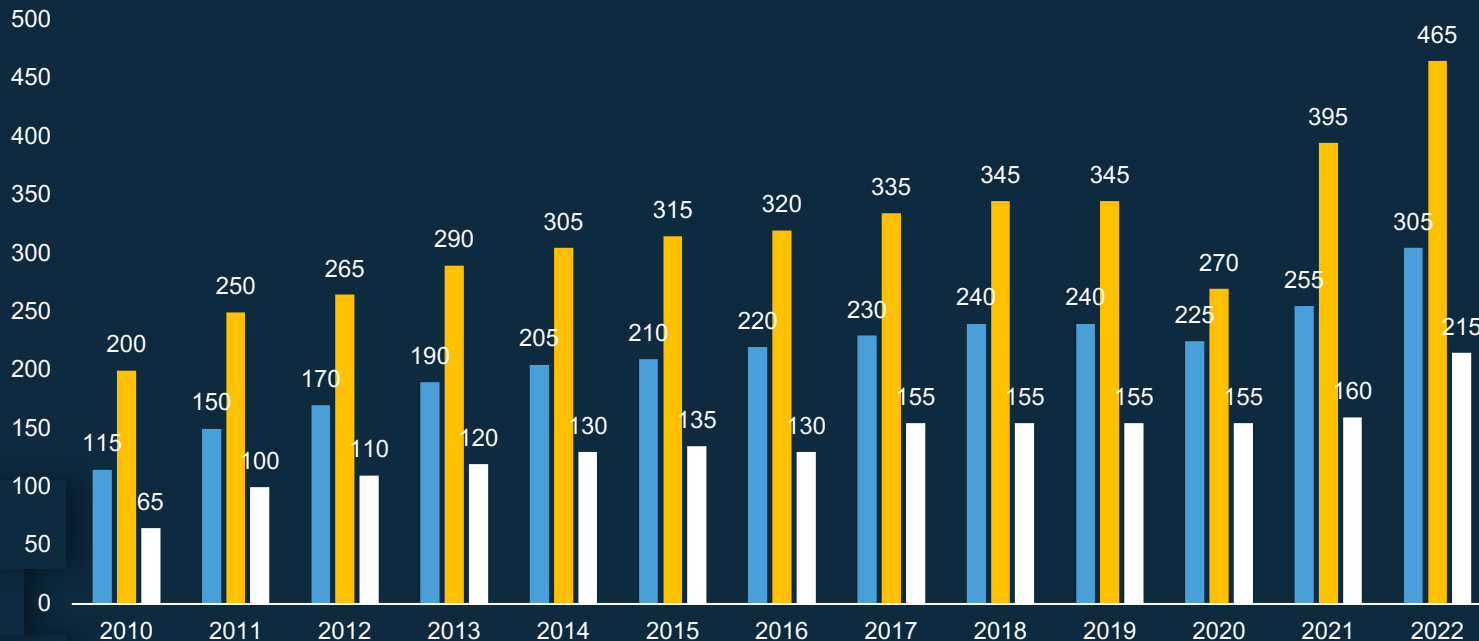
Average price of agricultural land (Euro/ha)



Average rate of land price growth - **13.5% for the country as a whole, 16.7% for the NER and 10.5% for the SCR.**

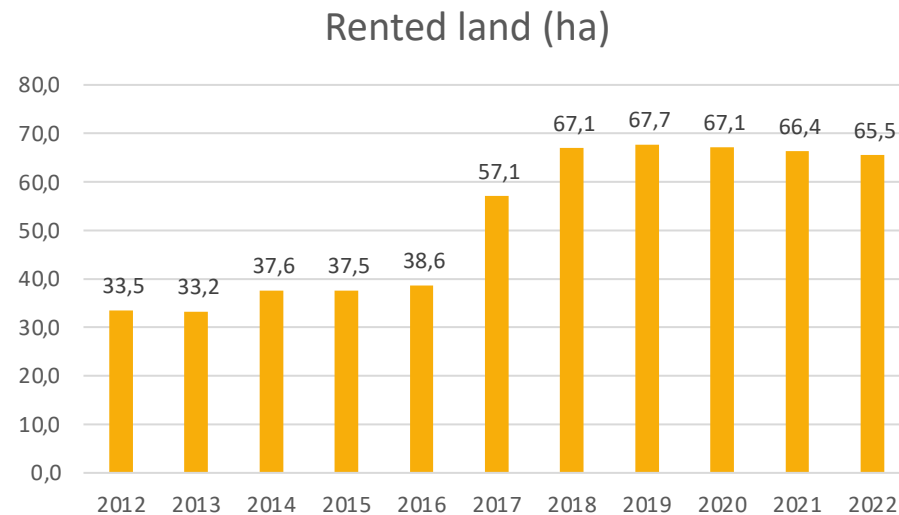
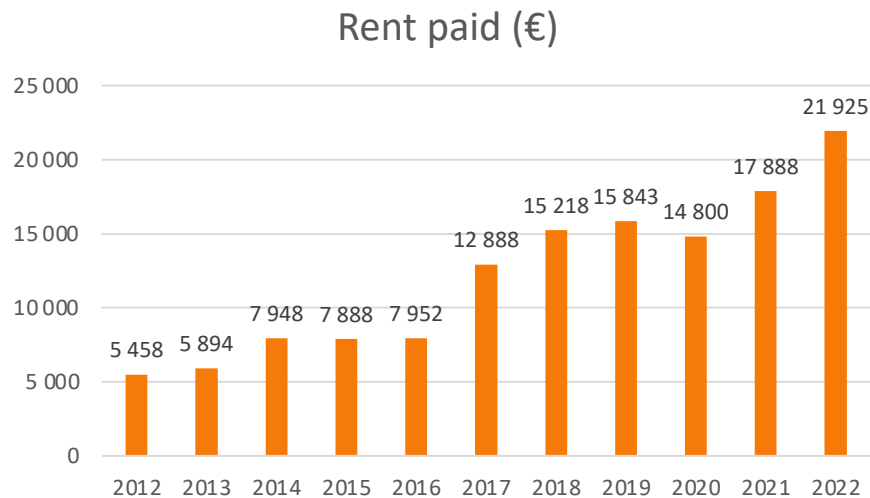
Data source: [Agricultural land market | National Statistical Institute \(nsi.bg\)](#)

Average rent for agricultural land (EURO/ha)



Average rate of rent/rent growth - **8.9% for the country as a whole**, **8.4% for the NER** and **11.5% for the SCR.**

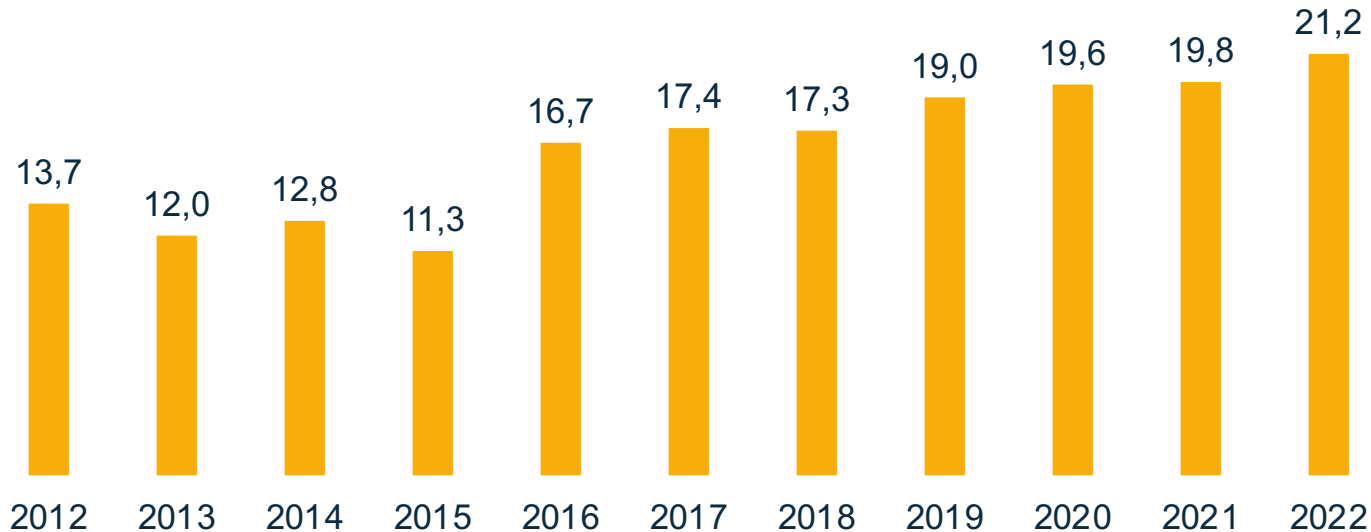
Data source: *Agricultural land market | National Statistical Institute (nsi.bg)*



The impact of land rent on the price of agricultural land for the period 2010 - 2022 is very strong (coefficient of determination 0.961), and the relationship is statistically significant (standard error $\alpha = 0.000$).

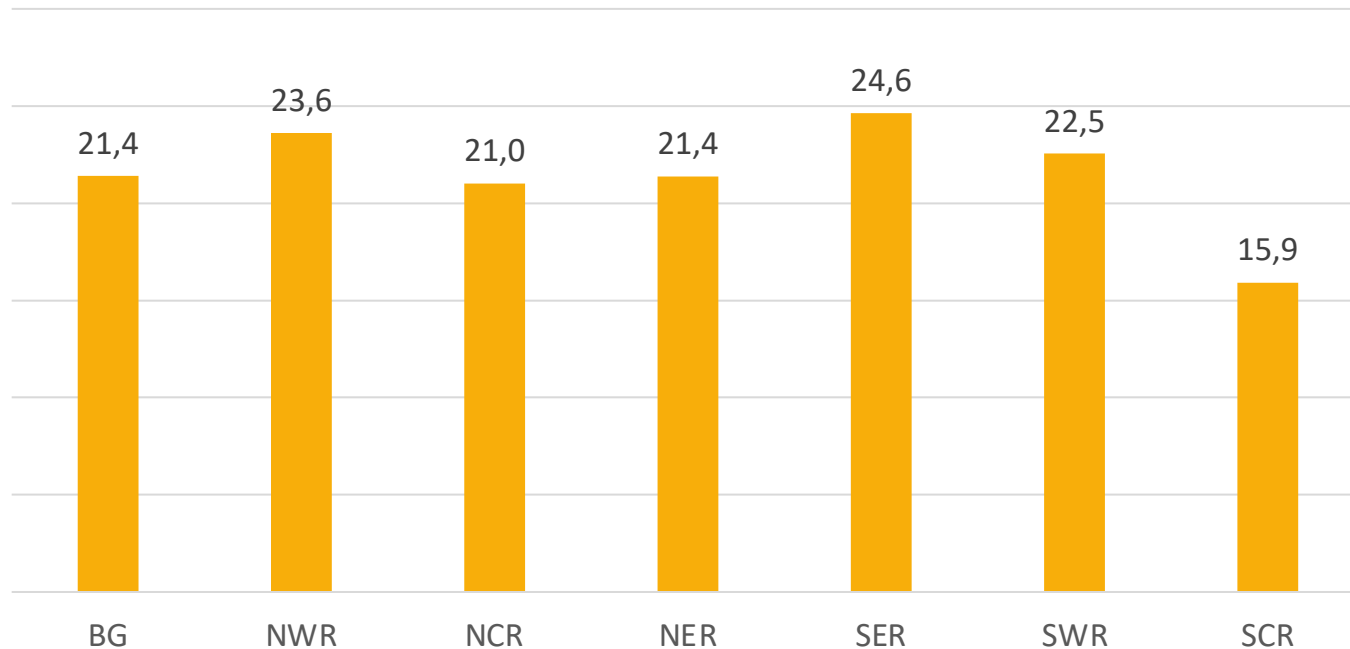
Data source: [FADN PUBLIC DATABASE SO \(europa.eu\)](https://europa.eu/fadn/public-database-so)

Price/rent ratio (income multiplier) in Bulgaria



Data source: *Agricultural land market | National Statistical Institute (nsi.bg)*

Price/rent ratio (income multiplier) by region for 2022



Data source: Agricultural land market | National Statistical Institute (nsi.bg)



Differentiation in land price and land rent



Highest average price -
16830 Euro/ha (Dobrich-
rural) and average land
rent – 785 EURO/ha
**(Balchik) Northeast
Bulgaria**



Lowest average price -
2015 EURO/ha and
lowest average
rent/rent - 110 Euro/ha
**(Haskovo) South
Central Bulgaria**

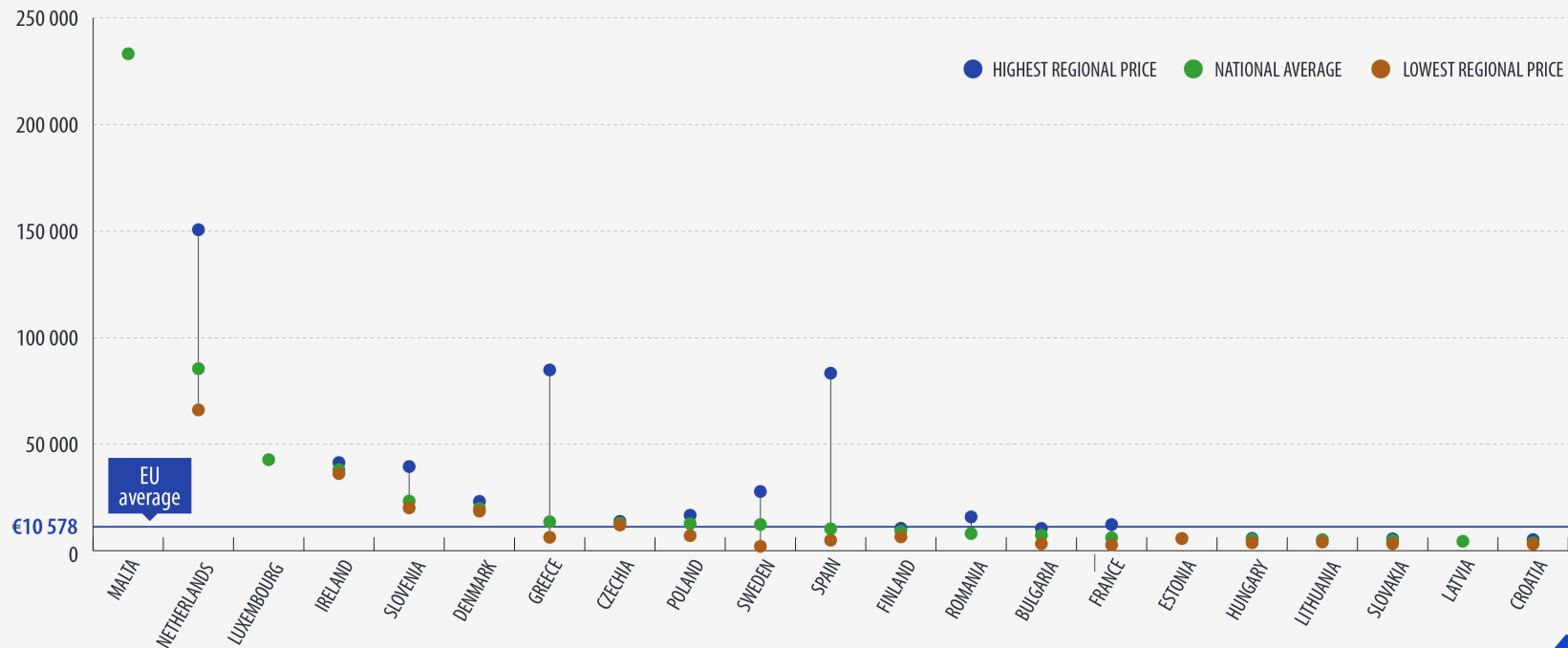


Lowest price/rent ratio
(15.9) in **South Central
Bulgaria**



Average prices of arable land in the EU, 2022

(€ per hectare)



Data for Austria, Belgium, Cyprus, Germany, Italy, and Portugal are not available. EU27 average: Eurostat estimate.
Ranked on national average.

eurostat

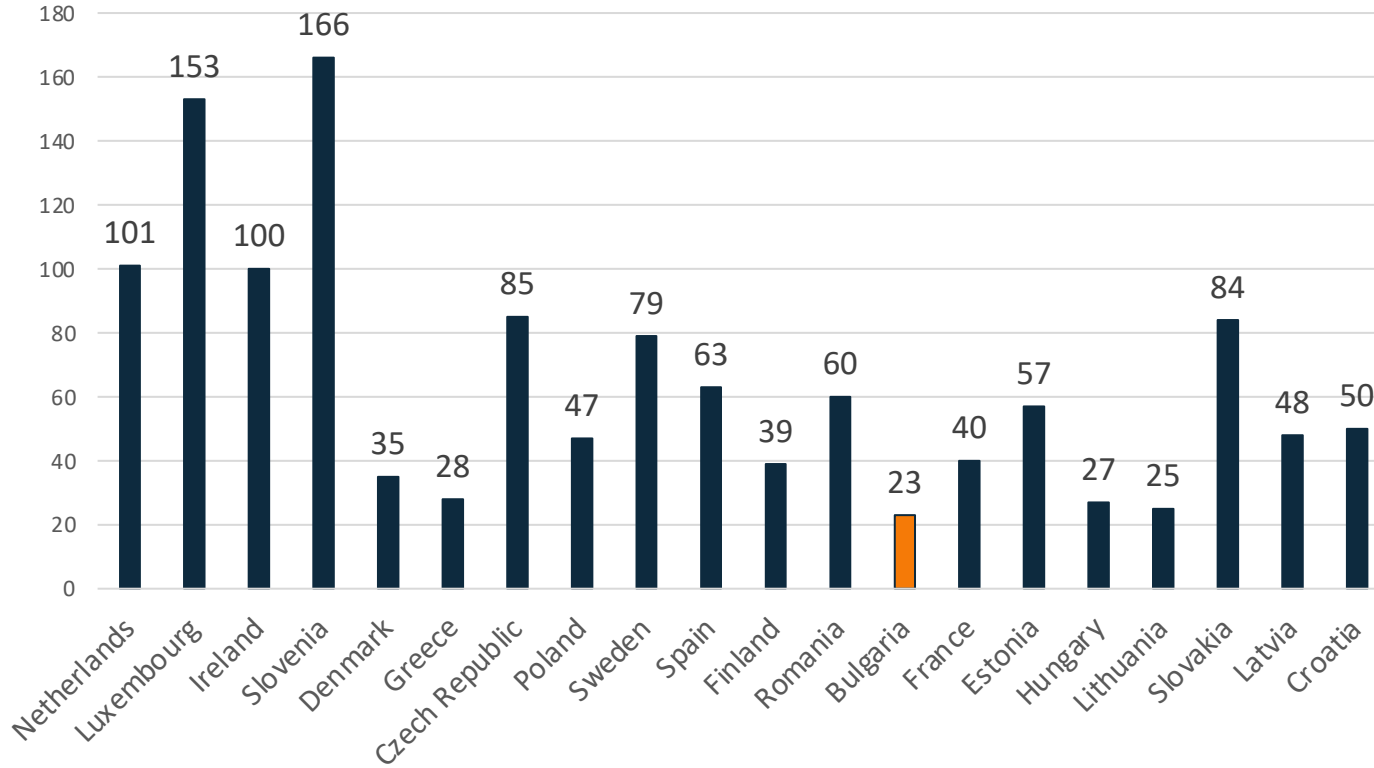
Data source :Agricultural land prices and rents - statistics - Statistics Explained (europa.eu)



	Average price (euro/ha)	Average rent (euro/ha)	Price/rent ratio
Malta	233 230	89	2621
Netherlands	85 431	843	101
Luxembourg	42 720	279	153
Ireland	38 013	379	100
Slovenia	23 282	140	166
Denmark	19 841	561	35
Greece	13 571	486	28
Czech Republic	12 885	151	85
Poland	12 673	268	47
Sweden	12 277	156	79
Spain	10 263	163	63
Finland	9 099	231	39
Romania	8 051	134	60
Bulgaria	7 303	313	23
France	6 130	154	40
Estonia	5 730	101	57
Hungary	5 240	196	27
Lithuania	5 012	198	25
Slovakia	4 790	57	84
Latvia	4 420	92	48
Croatia	3 700	74	50

Bulgaria is the EU country with the lowest income multiplier (price/rent ratio)

Price/rent ratio in Europe



Bulgaria is the EU country with the lowest income multiplier (price/rent ratio)

What groups of factors should be considered in the valuation process of agricultural land?

- Factors affecting the suitability of agricultural land for land use (land category)
- Factors determining the demand, supply and price of agricultural land
- Factors affecting the efficiency of the agricultural land market as a system



Factors affecting the suitability of land for land use

Category of land

A complex indicator characterising the suitability of land for a particular type of use is its **quality**.

Natural factors

Focus on factors such as **climate, hydrology, topography, soils, land cover, vegetation requirements**, etc.

Main crops

Analysis and assessment of the **production and market of economically important crops** for the specific national and regional context.

The **quality of agricultural land is no longer the main factor determining the value of agricultural land** due to the growing influence of capital outside agriculture.

The importance of experts who know the specificities and complexities of rural development is growing. The potential for the development of non-agricultural activities is an increasingly decisive factor for the demand for agricultural land.



Main Influencing Factors on the Price of Land in Bulgaria



Inflation (CPI)



Ownership and land use structure



Quantity and prices of the main crops produced



Income from agricultural production

Inflation (CPI)

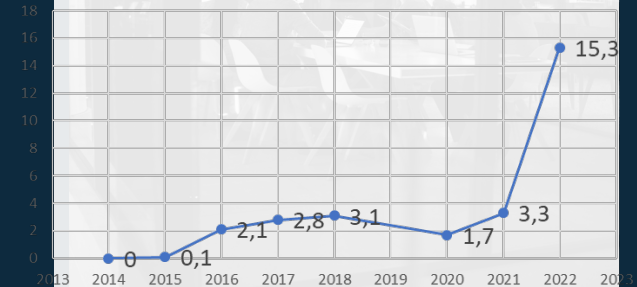
National level

Average-strength, straight-line relationship between inflation and the price of agricultural land for the period 2013-2022 (correlation coefficient 0.75).

Regional level

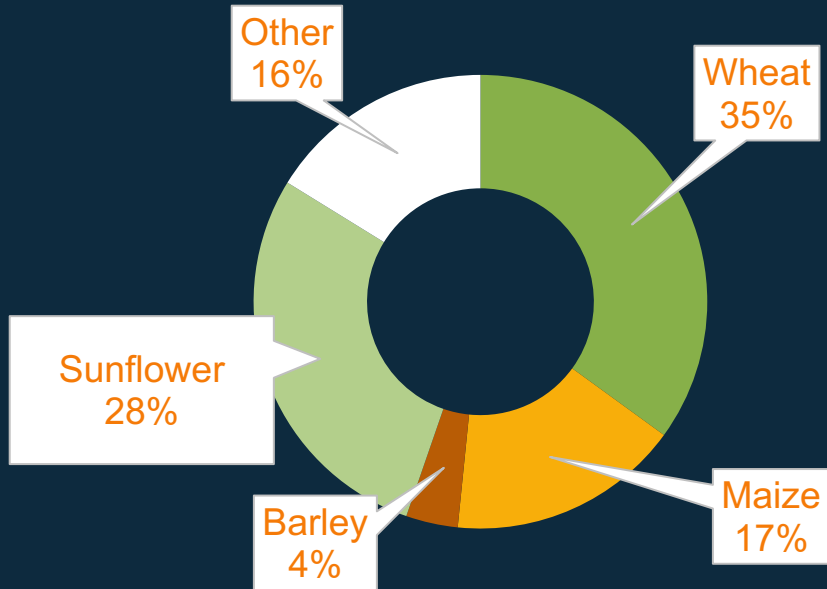
	Coefficient of determination R Square	Regression equation
BG	0,827	$P=828.947+33.642 \cdot \text{CPI}$
NWR	0,766	$P=813.963+43.989 \cdot \text{CPI}$
NCR	0,712	$P=924,247+42,466 \cdot \text{CPI}$
NER	0,868	$P=1221,307+53,118 \cdot \text{CPI}$
SER	0,707	$P=752,346+22,226 \cdot \text{CPI}$
SWR	0,562	$P=334,478+27,612 \cdot \text{CPI}$
SCR	not significant	not significant

CPI 2014 - 2023



Main crops production

Wheat, maize and sunflower together account for more than 80% of used agricultural land in the country.



The **land rent paid** is influenced to a very high degree by the total production of the **three leading crops** (coefficient of determination 0.937).

There is a very strong statistically **significant correlation between the price of land** on the one hand **and the price indexes of the three main crops on the other hand** (coefficient of determination - 0.9).

Average net **farm incomes vary considerably across regions** of the country, hence their importance for land price changes.

The impact of this indicator is significantly higher for South Central Bulgaria (coefficient of determination - 0.9) and relatively lower for North East Bulgaria (coefficient of determination 0.72), compared to a value of 0.88 for the country as a whole.



Agricultural subsidies as a factor influencing the agricultural land market

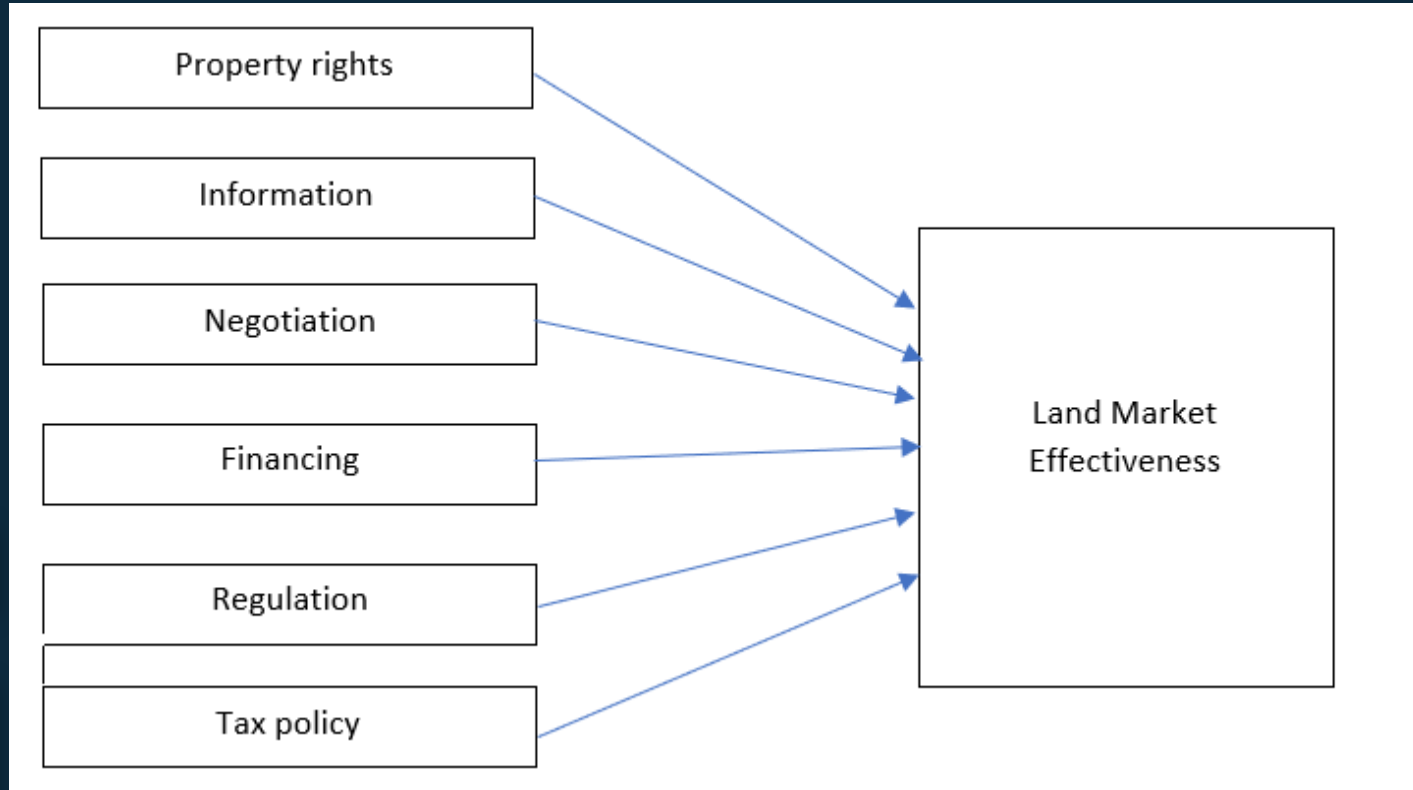
Following our country's accession to the EU, the so-called "Single Area Payment Scheme" (SAPS) is being introduced as a transitional and easier to administer option ahead of the possible future introduction of the "Single Payment Scheme" (SPS) used by the old Member States and based on a historical approach. The main difference between the SAPS and the SPS is that the former system determines the amount of subsidies based on the amount of area farmed, while under the latter support is determined on the basis of the quantity of agricultural production, produced by farmers at a given past time. **The correlation coefficient between the level of subsidies per area and the price of agricultural land varies by region, for the country as a whole it is 0.8.**

What is an effective land market?

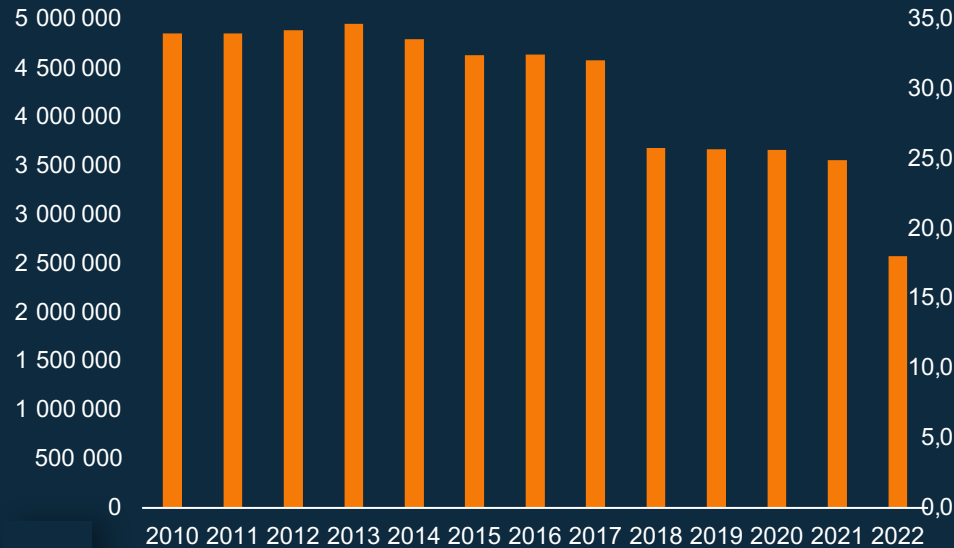
- Easy access to the agricultural land market – regulation and information for purchases and sales.
- Contribution of purchases to optimization of the size of landed properties
- Contribution of land purchases to the optimal allocation of land among land users (in terms of production efficiency).



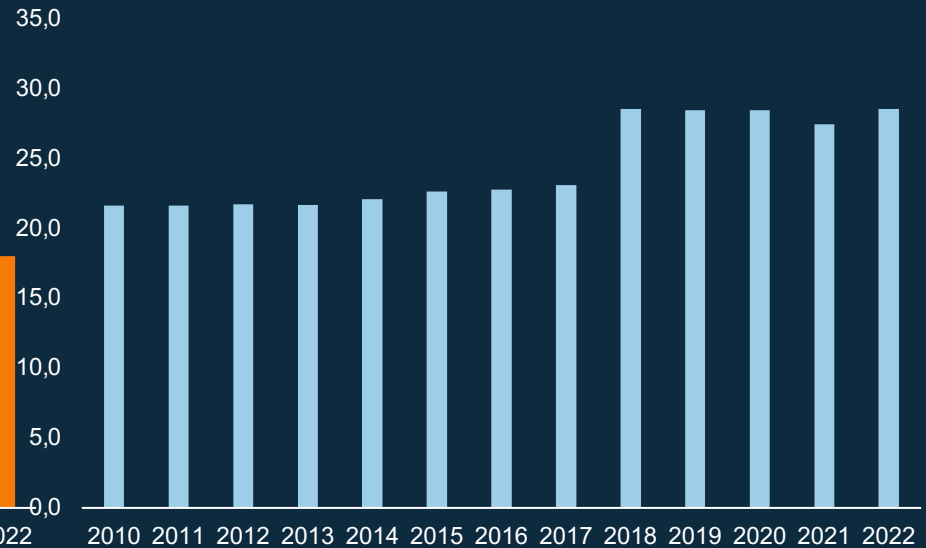
Model for the analysis and evaluation of the effectiveness of the agricultural land market



Land use structure



The average number of farms for the period decreased by 46.9%



Utilised agricultural area increases by 32%

Data source: [FADN PUBLIC DATABASE SO \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

Land use structure

Key indicators	2010	2013	2016	2020
Agricultural holdings (number)	370 222	254 142	201 014	132 742
Utilised agricultural area of agricultural holdings (ha)	3 616 965	3 794 911	3 795 534	3 959 288
Utilised agricultural area - total (incl. total land for grazing animals)* (ha)	4 475 528	4 650 936	4 491 860	4 564 152
Total standard farm output (thousand euro)	2 458 263	3 260 817	3 776 469	-
Labour input - GGE	406 519	320 231	253 946	181 884

Data source: : <https://www.agrostat.bg/ISASPublic/Structure>

Taxes and obligations for farmers

Year	Taxes (EUR)	Total liabilities (EUR)	Long- and medium-term borrowings (EUR)	Short-term loans (EUR)
2022	762	107 039	49 190	57 849
2021	753	86 143	39 074	47 069
2020	651	87 295	36 868	50 426
2019	619	82 226	34 853	47 373
2018	613	80 997	33 161	47 836
	24%	32%	48%	21%

Data source: FADN PUBLIC DATABASE SO (europa.eu)

Key findings ... Questions?

THANK YOU!



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