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# Restitution and Market in the Bulgarian Land Reform

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**Abstract**: The expected outcome of the economic transition that has been unfolding in Bulgaria since 1989 is the construction of a market economy. The evaluation of economic policies of structural reform under transitional conditions is not a simple task. Viewed from a polanyian perspective, the creation of a market economy requires the installation of markets into those fields characteristic of economic reproduction, that is to say, labour, the means of production and land. This article contributes to the establishment of a mechanism that permits the evaluation of the effectiveness of economic policies of reform in a transitional period, beyond merely analysing the formal changes. Besides, the article determines the effectiveness of land reform in Bulgaria. Land restitution has been completed and property rights of land are fully guaranteed. However, the strategies taken by owners regarding the use of the land have limited the development of a land market. Therefore, it is observed that a breakdown exists between the installation of formal market institutions and the creation of market relationships in the land sphere.

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**Keywords**: Transition, Land Market, Institutional Change, Bulgaria

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The economic transition that has been going on in the Eastern European countries since 1989 constitutes a systemic transformation whose purpose is the implementation of market economies. It requires the marketisation of the production factors, that is to say, the land, the labour and the production means. At the same time, the negotiation process, recently concluded, for the incorporation of Bulgaria to the European Union in 2007 included, among others, the condition of developing the land market. Since the end of 1989, the transformation process unfolding in Bulgaria has expanded market relationships in the land sector of the economy.

The use of the term transition from a conventional perspective could imply that the outcome of the land reforms would be the appearance of a market economy. In this case, the elimination of the central planning institutions, the decentralisation of economic decisions and the extension of private property rights would guarantee such a result. However, this process also includes the possibility that the transition, while creating decentralisation, will not necessarily generate a market. In fact, the transition includes the possibility of the emergence of different systems of regulation, besides the market system.

The objective of the present paper is to determine the effectiveness of land reform in Bulgaria beyond the formal changes, and to identify the obstacles to the expansion of market relationships. At the same time, the analysis seeks to question the power of the structural reform policies under transitional conditions. In the first part the methodological approach is presented that allows us to understand the construction of a market economy as a process of institutional change in terms of Polanyi. At the same time, the criteria for analysis that permit us to estimate the degree of development of the land market in Bulgaria are defined. In the second part, Bulgarian land reform is analyzed and the results are contrasted with the established criteria for analysis. Finally, the degree of development of the Bulgarian land market is evaluated and the origins of obstacles to the expansion of market relationships are pointed out.

## 1. Construction of a market economy and marketisation of the land. An approach from the institutionalism of Polanyi

According to the orthodox approaches backed by authors such as Aslund (1994, 1996 and 2002), Brada (1993 and 1996), Lipton and Sachs (1990), Blanchard (1997) and Fischer (1993), the elimination of central planning and the creation of institutions typical of a market economy generate, without doubt, a system of resource allocation. However, this approach has been widely questioned by authors such as Andreff (1996, 1999 and 2003), Murrell (1992a, 1992b, 1993, 1996), Roland (1993), Ellman (1994), Stark (1998a and 1998b) and Lavigne (1997). These authors have contributed to the criticisms of the orthodox approach from the perspective of the transition being understood as an institutional change that is related to the transformation of the behaviour of the economic agents and organisations.

From a polanyian approach to the transition (March and Sánchez, 1999, 2000a, 2000b and 2002; Arriba, 2001a, 2001b, 2002a and 2002b), the chain of casual relations that, from the elimination of the centralizing institutions, leads to the decentralisation of decision-making, from there to an exchange system subjected to the profit and finally to the market, is an issue questioned. In fact, in any society there exists the possibility of the development of forms of economic integration other than exchange, such as reciprocity and redistribution, which could be defined as institutional models other than the market (Polanyi, 1976). On the other hand, the existence of markets does not imply the appearance of market economies. This outcome requires additional conditions. It is necessary that profit becomes the motivation for economic relationships and that the survival of individuals depends on their participation in the market (Polanyi, 1989). Therefore, it is necessary that all the key spheres of the economy be subjected to market relations and that these be auto-regulated and interconnected. As a consequence, the construction of a market economy requires the marketization of those three spheres that are characteristic of economic reproduction, that is to say, land, labour and the means of production.

In order to determine the degree of market development in each relevant sphere and to evaluate the efficacy of the reforms, it is necessary to define the concept of the market. In this sense, the creation of markets requires the accomplishment of the following conditions:

1. The exchange has to be possible.
2. The price has to be determined by the participants to the exchange.
3. The price has to auto-regulate the exchange.
4. This integration mechanism (the exchange) has to be dominant.

In transition economies, such as Bulgaria's, there exist obstacles to the creation of markets in the three spheres beyond the realization of changes to the formal institutions such as decentralisation, privatization or the liberalisation of prices. Resistance to the changes by informal institutions as well as the reaction of agents to the new institutional universe helps to explain these limits. As a consequence, the structural economic policies characteristic of a transition process could generate a hybrid institutional system resulting in a mixture of exchange, redistribution and reciprocity relationships.

On the other hand, these conditions of marketization defined in a general way are specified as a function of the scope of the application of reforms (production means, labour and land) and as a function of the analyzed economy. In this way it is possible to evaluate the effectiveness of the program of economic reforms and the institutional transformation that it is really happening in the economies in transition.

The reforms developed in Bulgaria leading to the creation of a land market, have their nucleus in the property restitution process that returned land to those owners who held the land before the collectivization process dating from the second half of the 1940's. Nevertheless, property restitution is not the only element that explains the evolution toward a land market. The elimination of institutions of a planned economy, such as the collective and state farms, and the privatization of land doesn't guarantee the achievement of this objective. To accurately estimate the extent of the creation of land markets in this specific case, it is necessary to establish specific validation criteria that permit responses to the general conditions in the definition of markets[1].

The first condition is that the exchange of land has to be possible. It requires that any agent can consent to the ownership of land, without restrictions, and that diverse forms of ownership can be developed. Additionally, the exchange must specify that the property in question is fully transferable and possessible. This demand leads to the necessity of guaranteeing full legal and economic ownership of the land. The holder of the property rights must have freedom for the use, abuse and usufruct on the land.

The second condition is that the price has to be determined by the participants to the exchange. That is to say, another party, for example the State, should not determine the price in an administrative way.

The third condition is that the price has to auto-regulate the exchanges, meaning that the offer-price-demand mechanism must work. The price should operate as a regulator of the behaviour of the economic agents. A limitation on the exchange of land comes from the importance that it can acquire as a mechanism to guarantee self-consumption. In the case of families with meagre rents, the land can become necessary to guarantee their survival. In this case, the land won't be available for disposition in the market. Also, the exchange of land will depend on the existence of adequate financial resources to acquire and work the land. On the other hand, land is a production factor that needs to mobilize other resources for its farming, for the production of saleable products, and for the disposition of those products in the market. It is therefore necessary to analyze the difficulties associated with farming the land that, in an extreme situation, could cause the land to lose its utility as a factor of production. In the same sense, difficulties in disposing of the agricultural products of the land in the market would restrict its utility.

The fourth condition is that the land exchange has to be the dominant form of integration. Other forms of integration could appear, such as the redistribution of land or reciprocity, but they must be on a small scale when compared to the overall market.

## 2. Land reform in Bulgaria

The key elements of the land reform in Bulgaria have been the restitution of the land and the liquidation of the collective farms. The initial perception was that starting from the creation of favourable conditions a dynamic and transparent land market would be developed.

The law on the use and ownership of agriculture land (or land law) of February of 1991, approved by the government of the Socialist Party, constituted the first law that regulated land

[1] There are diverse works that establish different approaches for determining the degree of realization of a market for land. On this subject, Dale and Baldwin (1999) and Prosterman and Rolfes (1999) are interesting.

reform[2]. The law established restitution as the mechanism for land privatization. In accordance with the law, the former owners during the 1940's, prior to the collectivization, were entitled to receive land in the same quantity and quality as the land they surrendered to the collective farms. The law also included diverse restrictions on the full enjoyment of private property rights[3]. In addition to land law, in August 1991 cooperative law was approved. This law allowed the transformation of the collective farms into new cooperatives, in this way avoiding their break-up. According to this law, the cooperatives would now be forced to pay rent and dividends to the members (Dobreva and Kozhouharova, 1994).

With the arrival to power of the coalition anticommunist Union of Democratic Forces (UDF) in November 1991, the law suffered its first modifications in April 1992 in an attempt to radicalize land reform[4]. The restitution of the land to the former owners, or their heirs, at the time that the law of agrarian reform of 1946[5] came into force would be made in real or historical terms and not according to ideals. That is to say, when the property still existed or its previous limits could be re-established, the restitution would consist of the delivery of that actual property. In these cases, the size, category, location and boundaries of the property had to be clearly specified. This exigency sought to impede the survival of the old collective farms. After the modification of the law, the members of these farms could not exchange their rights for others in a new cooperative. On the contrary, the old farms had to be divided into plots and only then could the new owners form a new cooperative (Dobreva and Kozhouharova, 1994). If the land was not refundable in real or historical terms, new comparable land would be restored in quantity and quality on the basis of a plan of reassignment of the land. In fact, this was the dominant method of restitution. The plan of reassignment of the land would be developed according to the consolidation principle. That is to say, the owners would receive the land already consolidated to avoid, insofar as possible, fragmentation and to facilitate its cultivation and communication.

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[2] The first legal regulations dedicated to land reform were two ordinances that appeared in 1989 authorizing certain decentralization of agricultural production. The Ordinance 922 allowed individuals the right to rent land from the collective farms for private use. Then, some of these individuals organized cooperatives more or less informally. Also, the ordinance allowed the registration of new cooperatives as new legal entities (Dobreva and Kozhouharova, 1994). Ordinance 56 allowed the establishment of commercial and individual private companies, both in agriculture and in the rest of the economy. Both ordinances helped to create new agricultural structures outside of the control of State planning.

[3] The maximum surface that any person could possess was limited. The property could not be transferred during three years and later it could only be sold to neighbours, family, lessees or the State. The foreigners or companies with foreign partners could not consent to the ownership of the land. The agricultural land could not be dedicated to non-agricultural uses and the new owner was forced to cultivate it under threat of sanction. On the other hand, the machinery and other assets remained under the control of the collective farms (Meurs and Begg, 1998).

[4] Since then, the law has suffered numerous modifications. The last ones in 2002 and 2003 referred to the development of the land transactions and the development of the land market (MAF, 2003).

[5] This reform consisted of the distribution of the land into small parcels and it meant the confiscation of the properties of the Church, rich peasants and uncultivated lands.

The access to the land introduced several limitations referring to the maximum surface of the new properties[6], that disappeared in 1997, and to the land tenure by foreigners (Howe, 1998). Foreigners could only acquire land through inheritance or restitution, although they had to transfer it during the following three years, in accordance with article 22 of the Bulgarian Constitution of 1991. However, since 1998, legal foreign people registered in Bulgaria can acquire land for agricultural use, although the restrictions against foreign physical people have been maintained[7] (OECD, 2000).

The restitution mechanism for reassignment of land is a slow process. First, the property rights are granted in abstract, that is to say, the right of possessing land of a certain surface area and category is formally acknowledged before the effective restitution has effect. The plan of division of the land, in order to assist the restitution by reassignment, demands the development of a new cadaster. Next, a sketch of each parcel must be prepared by the Municipal Agrarian Commission and given to the new owner. After this, a notary delivers a legal document of ownership for the property, and finally, the Agrarian Commission issues the permanent title to the property[8] (Howe, 1998).

The landowners are free to determine the use of the land, on the condition that their use doesn't harm the soil and is in accordance with the relevant sanitary and environmental regulations (Kubratova, 1994). Once the property rights are totally restored, the new owners can carry out any transactions, including, for example, selling, renting or donating the property. According to the original wording of the laws on leasing land, limits existed with respect to the allowable maximum surface area and the rental period. Since 1999, however, all such limits have disappeared. (OECD, 2000).

The land law contemplates the liquidation of the collective farms and other similarly structured organizations including the new cooperatives created according to ordinances nº922 and nº56 and the Law of Cooperatives of 1991. The objective was to avoid the continued survival of these types of organizations in Bulgarian agriculture. The assets would be distributed between the owners of the land and the workers according to their contribution in land, work and other assets.

However, the assets of the collective farms were not easily distributable amongst the small owners. In many cases the owners received quickly devalued monetary compensation that didn't allow them to acquire the necessary equipment. As well, the equipment was often

[6] During practically all the restitution process, the maximum area that each new owner could possess was 20 Ha (30 Ha in the region of Dobrudza), that is to say, within the limits established by the law of agrarian reform of 1946.

[7] Presently, the Constitution is being reformed to eliminate this prohibition, in accordance with the demands of the European Union referring to the free circulation of funds.

[8] In 1999, the obligation of having to formalize the title by a notary was suppressed; since then, the title of the Municipal Agrarian Commission is sufficient. On the other hand, the land law allowed future owners to temporary possession of a similar surface area to the refundable land, while the title of property was in the process of being formalized. The future owner could cultivate this proportionate land with temporary characteristics (Due and Schmidt, 1995).

illegally transferred. Many times the auctions of assets were won by agents different to the farmers. On other occasions, the assets would be sold in parts, for example, the roofs, facilities and materials would be sold separately, which made them lose their productive potential (Dobreva and Kozhouharova, 1994).

## 3. The outcomes of the land reform

It is considered that the restitution process, in spite of having advanced very slowly, is now concluded. The data of December of 2001 indicates that 98.8% of the land has been restored and that the owners have received titles from the State equivalent to a notarial scripture (Kopeva, 2003). The restitution has radically changed the structure of ownership of the land and has given birth to new forms of agricultural ownership. Although the information on the new agricultural structures is imperfect due to the informal character of many of the arrangements, it is unquestionable that private property, individual farms and private cooperatives have become the new dominant forms and represent 81% of the land for agricultural use and 96% of the arable land. In total, 8.7 million parcels exist and 5.1 million citizens are landowners, which means that 65% of the Bulgarian population owns land (Kopeva, 2003). According to UNDP (2004), 1.5 million households cultivate land, that is to say, half of all Bulgarian families.

35% of the land for agricultural use and 42% of the arable land in total has been grouped into new cooperatives. In spite of the liquidation of the collective farms, collectivism in Bulgarian agriculture has not disappeared but rather it has developed into a new form. The most common of the new ownership structures are cooperatives where the land is leased and the assets of the liquidated collective farms are distributed amongst the new members. Indeed, most of the assets of the liquidated collective farms are used by these new cooperatives. Also, the new cooperatives benefit from the possibility of using the old political networks and the traditional forms of organization (Meurs and Begg, 1998). A high proportion of the cooperatives have defined their production structure as a function of the necessities of their associates, such as personal consumption, food for livestock, mechanization services for the personal plots, warehouses, bakeries, etc. Other cooperatives have decided to structure themselves as a function of the conditions of the market, and they pursue this to obtain revenues and to carry out investments (OECD, 2000).

The second type of private agricultural structure is the individual farm. 46% of the land for agricultural use is held as individual property, while in the case of arable land the percentage is somewhat larger at 54%. Almost all the individual farms are very small personal plots, smaller than 1 Ha. These lands consist of, basically, personal plots for personal use and are maintained with the objective of assuring food for self-consumption and/or to obtain some additional income.

Land restitution in Bulgaria has encouraged the appearance of two characteristic features: an uneven distribution of the land and a high fragmentation. Indeed, 97% of the farms are small (less than 5 Ha) occupying 19% of the cultivated surface, and the average size is 0.9 Ha. While the remaining 3% are large farms of 5 Ha or more and occupy 81% of the surface, only 1% of the farms larger than 50 Ha occupy 75% of the surface (IAMO, 2004).

The fragmentation of the land is a three-dimensional phenomenon. In the first place, it has meant the division of the land into properties of reduced size. In the second place, it has meant the fragmentation of the same property rights, that is to say, the existence of several holders sharing one right. Lastly, the fragmentation has meant the division of the property in several separated parcels. As for the size, 86.3% of the individual farms have a surface less than 1 Ha. As for the fragmentation of property rights, although the total number of restitution applications was 1.7 million, the current number of owners is bigger due to the multiplicity of heirs, about 5.1 million. With regard to the fragmentation into smaller parcels, their number is around 8.7 million (Kopeva and Noev 2003). The forecasts are that the process of subdivision of the land into smaller parcels will continue because of continuing partition for inheritances. This tendency contrasts with the high-priority objective of the Ministry of Agriculture of promoting the process of land consolidation[9].

The objective of land reform in Bulgaria was the expansion of market relationships in this sphere. The specific criteria of analysis discussed before allow us to evaluate the results of the reform in accordance with this objective.

The first condition for the existence of a land market is that it is possible to exchange land. At the present time, once the restitution process is concluded, any economic agent can consent to the ownership of land and his ownership rights are guaranteed. The only existing restrictions make reference to the prohibition against foreign citizens acquiring land[10]. The alternative uses that the new owners can put their land to are either to farm the land or not. In the second case, the options are as follows: to transfer the land by sale or rental, to become an associate in a cooperative or to abandon the land. If the decision is made to farm the land, the production is dedicated either to self-consumption or to obtaining some income in the market.

There are many different reasons for not farming the land personally. Part of the explanation has to do with the fact that many of the new owners either live in the cities, are occupied with developing other economic activities, or else they are elderly[11]. In other cases, landowners simply have neither sufficient knowledge nor experience in agriculture, they lack machinery and other assets, or else they don't have enough capital to farm their lands (Kubratova, 1994). Abandoned arable land not being farmed represents a very large surface,

[9] Presently the government is working on the development of the rules for land consolidation through the creation of a National Land Company that would buy and sell land (MAF, 2003). The extension of the farms dedicated to self-consumption could limit the possibilities of this process. In fact, according to a study mentioned by UNDP (2004), small owners don't have much interest in participating in the consolidation process.

[10] It is necessary to point out, however, that the Constitution will be reformed in 2005 to allow foreigners to acquire land for agricultural use. It is expected that a grace period of seven years will be established starting from the Bulgarian accession into the European Union in 2007.

[11] Concretely, 77% of the owners live far from the farms and they work in other sectors (UNDP, 2004).

approximately a third of the total (EC, 2003). More than half of this abandoned land is held privately. The difficulties of farming and the uncertainty of the markets for agricultural products explain, in part, this behaviour. One of the most widespread options for new owners is to join a cooperative. Several reasons exist to explain this phenomenon such as the aversion to economic uncertainty, or factors of a cultural type such as being accustomed to the idea of collectivism. On the other hand, the difficulties associated with individual farming are diverse. Many new owners lack knowledge and experience and they often don't have sufficient economic resources and machinery to farm their lands.

Another option sometimes chosen by new owners is to farm the land for self-consumption. In 2000, 85% of agricultural producers were not market-oriented and a further 10% only dedicated part of their production to the market (Hanisch, 2003). Furthermore, this choice of farming for self-consumption seems to be increasing (Georgieva, 1999). Farms less than 1 Ha are considered to be subsistence farms which means that a great number of individual farms generate very little or no income. However, their importance is essential for the satisfaction of the necessity of feeding families in Bulgaria.

Finally, there is the possibility of farming the land to sell the production in the market. This option is represented by only 5% of the producers (Hanisch, 2003). Some farms bigger than 1 Ha, intensively worked and producing vegetables, fruits, tobacco or grapes, as well as cattle products on a small scale, sell part of their production in the local markets. The medium-sized farms, between 2 and 10 Ha, and the large ones, more than 10 Ha, are specialized in cereals and industrial crops, as well as cattle activities, and they use more machinery. Most lease lands hire workers and offer services to the small farmers.

The second condition for the existence of a land market is that the price has to be determined in the sphere of the exchange. This condition is satisfied in the Bulgarian case. In fact, the State abandoned, in general, the practice of the administrative fixation of prices at the beginning of the transition.

The third condition for the existence of a land market requires that the price auto-regulates the exchanges, that is to say that the mechanism of offer-demand-price works. From a formal point of view, the freedom exists to either transfer land by rental or sale. However, the process of land transfer has not been developed significantly in Bulgaria, especially by way of sale. It is necessary to note there are regional differences inside the country. Concretely, in some regions like Dobrich, Plovdiv or Silistra such transactions have been more highly developed (Kopeva, 2003).

However, land leases have experienced some development as a result of the reform of land lease law in 1999 that suppressed the limits on the duration of the contract and maximum surface[12]. Although it has been limited. Many owners prefer to rent the land rather than sell it[13].

[12] Leases often have prominent characteristics, such as the short duration of the contracts or the form of payment of the rent, which are discouraging to potential lessees. In Bulgaria, between 80% and 85% of leases are paid in kind (IME, 2000).

The reasons for this behaviour are also of a cultural or emotional type. Especially in inflationary scenarios, the ownership of land is perceived as a sure form of maintaining wealth (Howe, 1998). According to the results of an opinion poll done by UNDP (2004), only 0.2% of landowners are willing to sell. These owners are, for the most part, inhabitants of the cities who work in other activities and have a revenue source other than farming. It seems to be that it is the availability of revenues and not their lack that motivates owners to sell.

The fragmentation of the land is an important obstacle to the development of the land market. The small parcels can be cultivated part-time by their owners and they are an important supplement for family incomes. The dispersal of the parcels in a non-contiguous way also hinders both their sale and rent. On the other hand, the value of the land, and the price realized by its sale, are much reduced[14]. The rent that an owner can obtain for leasing a small parcel is very small because the lessee's potential revenues from farming it are insignificant. Neither do incentives exist to sell, since the price received doesn't compensate for the rents in kind obtained by farming and for the relationships with the cooperatives. This reduced value of the land is explained by the reduced size of the parcels, the low profitability of the agricultural sector and the impossibility of using the land as security for a bank loan.

As it has already been pointed out, one of the most widespread uses of land in Bulgaria is farming for self-consumption. The importance of this activity cancels the potential regulation of the price in an offer to purchase land. On the other hand, the shortage of financial resources limits the possibilities for purchasing and farming land in Bulgaria. Under these conditions, the potential regulation of the price of the land on the demand is neutralized. The credit shortage in the agricultural sector is explained by the low profitability of the sector and the fact that land, in practice, it is not accepted for loan guarantees.

Additionally, farming conditions have worsened considerably since the beginning of the transition. If the value of land depends on its farming potential, the difficulties in the farming sector operate as another neutralizing mechanism on the demand for land. The difficulties associated with farming are of a diverse nature and appear especially in the case of individual farms. In the first place, as has been pointed out previously, the shortage of financial resources hinders the acquisition of the inputs and necessary machinery. As well, the existing machinery is scarce, not prepared for the fragmentation of the farms, and often needs repairs. The fertilizers and herbicides are usually expensive and of bad quality. Other difficulties are the poor state of the roads and deficiencies in the electrical and water supply (Georgieva, 1999).

In Bulgaria, the difficulties in obtaining profits in the market for agricultural products have converted the agriculture industry, and in consequence agricultural land, into a sector generating little interest. Under these conditions, the price of land doesn't stimulate the demand for land. Both internal and external markets for agricultural products have experienced

[13] Certain increases observed in the number of sales registered in 2001 are as a result of exchanges of attractive lands of the Land State Fund for private lands located in unattractive areas (UNDP, 2004).
[14] The prices are, in general, 10 times smaller that in the European Union (UNDP, 2004).

a strong contraction since the beginning of the transition. Furthermore, the liberalization of food imports since 1991 and the growth of illegal imports have worsened the situation (Georgieva, 1999). The characteristic problems caused by privatization and restructuring of the industry related to agriculture, that is to say, the input-supplier industry and the agro-industry, are also causes of the difficulties facing the sector. At the same time, since the price liberalization of 1991, prices of agricultural inputs have increased more than the price of the final products. In addition, the level of state support for producers is insignificant, around 3% of the revenues in 2001, when compared to 35% in the European Union (UNDP, 2004).

The fourth condition is that land exchanges auto-regulated by the price have to be the dominant integration form. As has already been discussed previously, land exchanges, in the form of sales and leases, are scarce. Other integration forms such as redistribution and reciprocity are not developed either. The answer, definitively, is that land transactions of any type are rare.

## 4. Concluding Remarks

Land restitution is completed and property rights are fully guaranteed. At the present time, private cooperatives and individual farms constitute practically the totality of the land ownership. The dominant structure is individual ownership that occupies half of the surface of the land, and within this, the small self-consumption farms are dominant.

Land reform has produced a very unequal distribution and a high fragmentation of the farms. The most dominant agricultural structures are those whose logic of farming is not market-oriented. They are the member-oriented cooperatives and the small self-consumption farms.

With regard to the free use of the land, most individual owners have decided on one of three following options: to associate with a cooperative, to farm the land for self-consumption or to leave it idle. These three options limit the development of the land market. The options of farming the land in order to sell the products in the market, or to transfer the land, are minority options.

Leasing and sales of land are poorly developed, especially sales. The price doesn't work as a regulating mechanism for these exchanges, that is to say, in the case of land the offer-demand-price mechanism doesn't work. In fact, there is not a demand for land, the price is so low that it loses its potential as a regulator, and the type of dominant agricultural structures limit offers being made. The causes of the dislocation of the exchange mechanism are: the fragmentation of the land, the expansion of farms dedicated to self-consumption, the shortage of resources to acquire and farm the land, the difficulties of farming of the land, and the difficulties in selling the products profitably in the market.

Although different integration forms, other than exchange, are not dominant, given the scarce development of exchange, one cannot affirm that exchange is the dominant form. Rather it is a sporadic form of integration.

In conclusion, and in accordance with the four essential conditions for the realization of a market, it can be affirmed that (1) exchange is possible, (2) the price is determined within the sphere of the exchange, (3) the price doesn't work as a self-regulating mechanism of exchange, and (4) the occurrence of exchanges is very scarce. In consequence, the effectiveness of the Bulgarian land reform has been rather limited since a developed land market doesn't exist. Although the precise formal institutions have been implanted, the economic agents have generated behaviours that limit the expansion of the market relationships.

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