LAND MARKET
LIBERALIZATION IN UKRAINE

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First International Conference on Agricultural Law/ September 22, 2021
Outline

1. Brief information on the farmland market in Ukraine
2. Ban/moratorium on farmland: its scale and existing evidence on the impact
3. Adopted farmland market design: ex-ante economic and distributional impact
4. Emerging farmland market
5. Comprehensive land reform agenda
1. Why farmland is so important in Ukraine

1/3 of the most fertile land in the World is in Ukraine
1. Farmland stock in Ukraine

Total area is 42.7 mln ha or 71% of the total country area
1. Farmland market in Ukraine

Farmland
42.7 mln ha
(71% Ukraine’s total area)

LEASE
≈ up to 21 mln ha (leased by agricultural producers)

SALES
Only after July 1, 2021 land moratorium (sales ban) was lifted;
Before that:
Tradable: 4.2 mln ha
Under the sales ban: 38.5 mln ha

Agriculture and food industry generate about 10% of GDP and about 45% of foreign exchange (agrifood exports)
1. Agricultural producers and LEASED FARMLAND

- Agricultural commercial producers - 21 mln ha, incl:
  - Small individual farmers:
    - 4.4 mln ha; avg size is 105 ha
    - Produce about 7% of total ag output
  - Agriholdings (large mega farms):
    - about 6 mln ha; size: 30-700 thd ha
    - Produce about 23% of total ag output
  - Independent commercial agricultural companies:
    - ≈ 9.5 mln ha; size: 1500 ha on avg;
    - produce ≈ 22% of total ag output
- Households or unincorporated individual farms (not legally registered)
  - ≈ 16 mln ha, avg size 2-3 ha
  - Produce ≈ 44% of total ag output
1. Agricultural producers cultivated mainly leased land

% of own farmland in cultivation, 2014

- < 10 ha: 70%
- 10-20 ha: 60%
- 20-50 ha: 50%
- 50-100 ha: 30%
- 100-500 ha: 10%
- 500-1K ha: 5%
- 1K-5K ha: 3%
- > 5K ha: 2%
2. FARMLAND SALES MARKET IMPRESSIVE SCALE AND CONSEQUENCES of THE MORATORIUM

- Introduced as temporary measure back in 2001; prolonged 10 times since then; lifted in July 2021
- 64% of Ukraine’s land area
- Violates human rights - decision of the European court for human rights
- Soil erosion, commodities dominate production and export structure
- Negative impact on rural lives through depressed land prices and taxes
- Rural financing is far from potential. In the US, for example, farm debt averaged about 20 times more at USD 1,190 per hectare: 65% of farm debt was backed by farm real estate in the US, almost all farm debt in Ukraine is backed by non-land assets, and often non-agricultural assets
• Very scarce (especially from academic literature)
• Preliminary results: price tag in terms of annual TFP forgone is 6%!
• As a result, Ukraine’s productivity could have been 2.5 times higher than it is now

• NB!: in 2019, value added per hectare of agricultural land in Ukraine averaged US$ 355 in Ukraine, compared to USD 456 in the United States, USD 502 in Brazil, USD 792 in Poland, USD 1,316 in Germany, and USD 1,558 in France
3. Approved turnover law or farmland design

- State and communal lands are out of the market forever (7 mln ha)
- W/o foreigners (until the referendum)
- Until 01/01/2030. Minimum price at the level of normative land value (USD 1000/ha on average)
- Two phases:
  - 1st phase 01/07/2021 - 01/01/2024:
    - w/o legal entities; only physical persons and commercial banks
    - Ownership limits - up to 100 ha
  - After 01/01/2024:
    - Legal entities come in
    - Ownership limit per beneficiary - 10 000 ha
3. Approved turnover law or farmland design – ex-ante analysis

- Deininger and Nivievskyi (2019).
- Classical partial equilibrium analysis and existing farm-level performance data.
- Various scenarios of the future farmland market design and estimate how the incomes of various stakeholders and agricultural value added would change. The list of the modeled scenarios includes various combinations of the following options:
  - Phasing versus one-go opening of the land market (i.e. allowing transfer of state land first, to be followed by private land later),
  - Access of foreigners (yes/no), access of small farms to credits (yes/no),
  - Availability of targeted support program for small farmers to allow their productivity improvements (yes/no),
  - Multiple land ownership restrictions for physical persons and legal entities, including implicit control against excessive land concentrations

3. Approved turnover law or farmland design – ex-ante analysis

- the scenario whereby financial support of small farmers to access the capital and increase their productivity is available, produces additional USD 2.2 bn of agricultural GDP or about 1.5% of GDP
- the scenario whereby only financial support of small farmers to access the capital is available, produces additional USD 0.42 bn of agricultural GDP
- the scenario without financial support of small farmers to access the capital and increase their productivity, produces additional USD 0.017bn of agricultural GDP

4. Emerging Farmland Market - Monitoring

- Daily land market (transactions) monitoring data: https://land.gov.ua/monitorynzh-zemelnykh-vidnosyn/

Моніторинг земельних відносин

Дані моніторингу земельних відносин (починаючи з 01.07.2021 р., оновлюються щоденно)

- Кількість відчужених* земельних ділянок, шт.: 19 177
- Площа відчужених* земельних ділянок, га: 47 112
- Середня вартість** 1 га відчужених* земельних ділянок, грн: 45 833
4. Emerging Farmland Market - Monitoring

More information in:

Land Market monthly review: Ministry of Agricultural Policy and Food of Ukraine, State GeoCadastre of Ukraine, and KSE


4. Emerging Farmland Market Monitoring

Daily land transactions (cumulative)

Source: Land Market Review
## 5. Land reform agenda ahead/Comprehensive legislation package

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### Institutions

1. Monitoring of land governance system (support from the World Bank/EU)
2. State agrarian registry
3. Partial credit guarantee fund
5. Land reform agenda ahead/Comprehensive legislation package

- More details in:

Thank you!
ДЯКУЮ!
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