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## **PRIORITIES OF THE IMPLEMENTATION OF AGRICULTURAL LAND TURNOVER**

*The article is devoted to the substantiation of effective ways of circulation of agricultural lands. The experience and limitations of the agricultural land market in the neighboring countries of Ukraine are analyzed. The principal risks of the immediate introduction of the agricultural land market were identified. The main directions for preventing speculation on the agricultural land market are offered. Complex measures for the development of the agricultural land market have been developed.*

**Keywords:** *agricultural land turnover, land market, land sale, land relations, the experience of neighboring countries.*

**Будзяк Василь, Будзяк Ольга. Пріоритети запровадження обігу земель сільськогосподарського призначення.**

*Стаття присвячена обґрунтуванню ефективних шляхів обігу земель сільськогосподарського призначення. Проаналізовано досвід та обмеження ринку земель сільськогосподарського призначення в країнах-сусідах України. Встановлено основні ризики негайного запровадження ринку земель сільгосп-призначення. Запропоновано основні напрями щодо запобігання спекуляціям на ринку земель сільськогосподарського призначення. Розроблено комплексні заходи розвитку ринку земель сільгосппризначення.*

**Ключові слова:** *обіг земель сільгосппризначення, ринок земель, купівля-продаж земель, земельні відносини, досвід країн-сусідів.*

**The relevance of the research topic.** For Ukrainians, the land has always been not only a means of growing crops and the basis for the location of objects of industry,

social sphere, transport, communication, settlements, nature reserves, and recreational territories, etc. but also a sacred symbol of social life and survival in different periods of its history. That is why Ukrainians are very cautious and reserved about selling land. As a consequence, discussions have been ongoing in Ukraine for a long time not only on the forms of establishing a full-fledged land market but also on the feasibility of a right to sell and buy land in general.

**Formulation of the problem.** In the absence of specialized discussions and objections with non-agricultural lands in Ukraine, the introduction of agricultural land sales was suspended for almost an undetermined period. Thus, one of the fundamental constitutional rights of every citizen of Ukraine as the owner of the respective lands was violated, namely the right to exercise their powers regarding the possession, use and disposal of the land.

**Analysis of recent research and publications.** A significant number of scientists are engaged in the issues of introduction of the agricultural land market, in particular, Sabluk P.T. [1] developed the principles of reforming the agrarian complex of Ukraine based on the development of market land relations. Fedorov MM [2] substantiated land relations in the system of socio-economic affairs of the country, taking into account the experience of developed countries. Mesel-Veselyak V. Ya. [2] developed methodological approaches to the expert monetary evaluation of agricultural lands. Instead, theoretical, methodological, and practical approaches to maximizing the experience of neighboring countries on the introduction of agricultural land use remain to be fully formulated.

**Setting objectives.** That is why the primary purpose of the article is to substantiate the effective ways of introducing the circulation of agricultural land, taking into account the experience of the neighboring countries of Ukraine, as well as to identify the main restrictions for the development of the land market.

**Presentation of the main material.** The agricultural land market in different countries was introduced on different models and at different time intervals. At the same time, the experience of the neighboring countries of Ukraine testifies to sufficient caution and prudence in the development of ways to introduce the agricultural land market. That is why a detailed analysis of the existing events in the developed and economically prosperous countries of the world and even less successful neighboring countries of Ukraine will allow not only to choose the optimal way for our country to establish the proper land market but also to ensure the development of land and socio-economic relations in the country.

From the neighbors of Ukraine, Romania is the most open market for agricultural land. One of the signs of such openness is the presence in the country of corporate forms of farming on agricultural lands (Table 1). In Romania, both domestic and foreign companies own agricultural land. However, in comparison with other neighboring countries in Romania, foreign companies own about 10% of agricultural land.

The high share of these companies is offset by the diversification of the structure of agricultural landowners. In addition to improving the resilience of the agricultural sector to changes in market conditions and financial and economic crises, this factor has a positive effect on the level of capitalization of agricultural land itself. The investment climate in the country's agriculture is also improving.

*Table 1*

**The experience of the neighboring countries of Ukraine in the introduction of the agricultural land market**

Country	Area of agricultural land, million hectares	The maximum allowable area of purchase of agricultural land, hectares	The share of GDP of agroindustrial complex in total GDP, %	The share of persons employed in agriculture, %	Starting price, USD / hectar
Poland	14,7	A 10-year moratorium on land acquisition was in place for foreigners from EU countries Up to 500 hectares for individuals and legal entities	3,2	17	10300
Romania	14,7	Foreigners from EU countries allowed to buy land Individuals up to 100 hectares	5,4	29	6150
Hungary	0,9	Foreigners from EU countries allowed to buy land Individuals up to 300 hectares Legal entities are prohibited from buying land	4,3	5,2	4500
Moldova	0,3	Foreigners are prohibited from buying land Individuals and legal entities without restrictions	15	28,8	1700
Slovakia	1,9	For foreigners there was a 7-year moratorium on land acquisition Individuals and legal entities without restrictions	4,4	3,5	1750
Russia	225,7	Foreigners are prohibited from buying land The minimum area is 2 hectares The maximum area is 10% of the administrative area	4,2	9,8	1150

Country	Area of agricultural land, million hectares	The maximum allowable area of purchase of agricultural land, hectares	The share of GDP of agroindustrial complex in total GDP, %	The share of persons employed in agriculture, %	Starting price, USD / hectar
Ukraine	40,8	Foreigners are prohibited from buying land 15% of the area 0,5% of the country area	12,1	17,7	1058

*Source: [3] and [4].*

However, in most agricultural landowners, there are plots of less than 5 and even less than 2 ha, which adversely affects the volume and structure of the crops grown. Considering the fact that in Romania there are the smallest landowners, not only among the neighboring countries of Ukraine, but also in the EU, it is now a pressing issue to further develop agricultural land use and management in order to find opportunities and ways to consolidate agricultural land.

The situation with the development of the agricultural land market in Slovakia is similar. This country is also dominated by small (less than 5 hectares) landowners. Despite the dominance of small landholdings in the country, most of these landowners have many co-owners, which usually complicates the efficiency of land use and management, and the primary efficiency in making the necessary decisions, such as decisions related to changing market conditions. As a result, farms in Slovakia require perhaps the highest protection among similar farms in neighboring countries of Ukraine.

Moreover, a considerable number of small-scale farms in the country operate without attracting additional and, above all, foreign investment. In addition, the value of agricultural land is adjusted by local authorities, that is, the price of land becomes recommended rather than dictated by the market. All this leads to low capitalization of agricultural land.

In Hungary, in addition to the traditional ways of forming landowners among EU countries, they have taken a unique path, namely to create conditions for the additional and free acquisition of agricultural land for private ownership. As a result, a large proportion of agricultural landholdings have emerged in the country, who are also most interested in the most efficient use of their land. Moreover, such average land users are not corporate owners but private individuals. That is, the search for an effective owner of agricultural land occurs among the villagers and not among foreign companies or even large domestic investors. These circumstances, on the one hand, hold back the capitalization of agricultural land and, and on the other, are the more socially just redistribution of land as the fundamental national wealth of each country. At the same time, the Hungarian state itself is the leading investor in agricultural land use and management.

Moldova has one of the most closed markets for agricultural land among Ukraine's neighbors. This is due not only to the ban on the sale of land in the country

by foreigners but also with significant state and even place interference in market land relations, first of all, it is a matter of regulatory pricing. In addition, Moldova's agriculture does not have sufficient internal financial resources for its accelerated development, and the path to foreign investment is almost completely closed at the legislative level.

Lack of internal stimulation of at least the most efficient agricultural land users leads to their long-term selection in the domestic agricultural market, and thus to a long-term improvement of investment conditions in the country and a slight and slow capitalization of agricultural land. All this comes against the backdrop of the almost complete absence of legal restrictions, such as the permissible areas of agricultural land. The current gradual development of agricultural land use and management in such severe conditions is conditioned by the dominance of the rural population and rural lifestyles in Moldova.

Russia is characterized by a large number of medium-sized agricultural enterprises that have been reorganized to some extent from former collective farms. In general, less than 14% of the land in the country is suitable for agricultural production. All this forced the farmers who started farming to abandon the property of the respective collective farm. Instead, they received new often less quality and less transportable, and therefore more expensive, agricultural land.

As a result, small holdings in Russia take less than a third. At the same time, medium and large farmland areas have retained mainly the old approaches to land use, which means that they are less attractive for investment. The capitalization of these lands is slow, as the large number of co-owners complicates their sale. Abuse with a change of purpose is observed in the country of agricultural land, for example, under construction land.

Belarus has a significant share of state-owned agricultural land, which, of course, has a negative impact on the development of the agricultural land market. In addition, collective farms have been preserved in Belarus, albeit in somewhat modified form, which hinders the development of new market forms of farming, such as farms. Besides, only agricultural lands of private farmer farms are in the market turnover.

This market model is virtually closed not only to foreigners but also to the development of medium and large farms based on private ownership of agricultural land. That is why the capitalization of agricultural land is virtually non-existent, and foreign investment is at best replaced by state support. As a result, most farms, regardless of their size, have low competitiveness not only on external but also on internal agricultural.

In Ukraine, the moratorium on the sale of agricultural land for both individuals and legal entities has been going on for 18 years. During this period, a large proportion of the farmers who received the land shares died without ever exercising their right to sell their land. On the other hand, most of the most fertile agricultural land is leased to the so-called agro holdings, that is, corporate forms of management.

These legal entities now mostly abuse their monopoly position in the land lease market, which is manifested, first of all, in the low rent payments to the landlords, as well as in the neglect of environmental and even production rules and rules of agricultural production. Monopoly in the land leasing market allows large land users not only to lease agricultural land on favorable terms but also at times, virtually at no cost [5].

In addition, their monopoly position ensures the selection of the best fertile land and often the maximum depletion of leased land. The latter is facilitated not only by the lack of legally prescribed mechanisms of land protection and punishment measures against their reduction in Ukraine but also by their quality accounting.

Moreover, the Ukrainian state does not allocate funds for a legislatively stipulated norm for conducting at least five years of soil surveys for physical and chemical characteristics of the main soil types in the regions of Ukraine. Therefore, there is a need for the introduction of the agricultural land market in Ukraine, but the conditions for its full implementation have not yet been created [6].

Against this background, the Ukrainian government has drafted a legislative change on the way to the immediate launch of the agricultural land market. Thus, the draft Law of Ukraine «On Amendments to Certain Legislative Acts on the Circulation of Agricultural Lands» [4] proposes, firstly, to allow the purchase of the specified lands only to Ukrainian citizens, and secondly, to establish the area permitted for the sale at 15% of the agricultural land area of the respective administrative region and 0.5% of the country area (Table 2).

*Table 2*

**Areas and value of agricultural lands available for purchase by one individual and legal entity \***

Region	Area of agricultural land, thousand ha	Regulatory monetary value of land, UAH / 1 ha	The area of potentially acquired land by one individual and legal entity, thousand ha	Cost of potentially acquired land by one individual and legal entity, thousand UAH (million USD)
Crimea	1774,2	26005	266,13	6920710 (276,8)
Vinnitsia	2939,4	27184	440,91	11085697 (460,9)
Volyn	1055,0	21806	158,25	3450799 (132,7)
Dnipro	2510,3	30251	376,55	11390862 (438,1)
Donetsk	2034,8	31111	305,22	9495699 (365,2)
Zhytomyr	1654,0	21411	248,1	5312069 (204,3)
Transcarpathian	453,3	27268	67,99	1854087 (71,3)
Zaporizhya	2242,5	24984	336,38	8403993 (323,2)
Ivano-Frankivsk	608,7	26087	91,31	2381873 (91,6)
Kiyv	1706,6	26531	255,99	6791670 (261,2)
Kirovohrad	2044,6	31888	306,69	9779730 (376,1)
Luhansk	1884,4	27125	282,6	7665525 (294,8)

Region	Area of agricultural land, thousand ha	Regulatory monetary value of land, UAH / 1 ha	The area of potentially acquired land by one individual and legal entity, thousand ha	Cost of potentially acquired land by one individual and legal entity, thousand UAH (million USD)
Lviv	1263,2	21492	189,48	4072304 (156,6)
Mykolaiv	2003,3	27038	300,49	8124783 (312,5)
Odesa	2562,7	31017	384,41	11923089 (458,6)
Poltava	2182,5	30390	327,38	9948926 (382,7)
Rivne	927,9	21938	139,19	3053440 (117,4)
Sumy	1720,2	26793	258,03	6913397 (265,9)
Ternopil	1055,0	29035	158,25	4594788 (176,7)
Kharkiv	2412,3	32237	361,85	11664797 (448,6)
Kherson	1968,8	24450	295,32	7220574 (277,7)
Khmelnytskyi	1568,8	30477	235,32	7171847 (275,8)
Cherkasy	1454,5	33646	218,18	7340884 (282,3)
Chernivtsi	472,6	33264	70,89	2358084 (90,7)
Chernihiv	2121,1	24065	318,17	7656640 (294,5)
Ukraine	40773,0	27499	2038	56044429 (2155,6)

Source: [7] and [8].

In addition, the tenant has the preferential right to purchase agricultural land at the price of its sale. A 5-year installment is proposed for the farm to pay the value of the land at the regulatory, monetary valuation, but this only applies to those farmers who have the right of permanent use and the right of inherited ownership of the land of state and communal ownership.

We are offered virtually a market without domestic restrictions, first of all, regarding the area of agricultural land acquired in the ownership of land, since even when more than 15% of the land of the respective administrative area is obtained by natural and legal persons for domestic buyers, there is no penalty, no financial or legal only their so-called overtime area of acquired land is simply not registered.

Secondly, legal entities for land acquisition have the same rights as natural persons, which means that it will be practically impossible to compete with natural persons in land auctions with legal entities, with the exception of natural oligarchs who are now both natural and legal. A person can legally purchase 15% of the land in the region, and if you add a few more members of his family, the land in the area may not remain for other persons.

As a result, local land tycoons will appear to us as it was in previous periods of our history. There will be no competition from ordinary natural persons – citizens of Ukraine since the average citizen will not get the money to buy land and foreign oligarchs under the draft law will have neither now nor later access to the agricultural land market.

As a result, capitalization of agricultural land in Ukraine will practically not occur, and if foreign investment arrives, it will be only in the form of return of financial resources from the territory of domestic land tycoons, but they will invest not in agricultural production but the construction of their estates, since with the removal of the moratorium agricultural land is lifted and a moratorium on the prohibition of changing their intended purpose.

That is, we are offered a land market that will provide a full right to buy the majority, and most importantly, the highest quality and most fertile lands of Ukraine by a group of domestic oligarchs, and ordinary farmers are given only the right to sell their land, but without financial opportunities to buy agricultural land, at least for agricultural activities.

Also, domestic farmers will be deprived of the financial opportunity to buy leased agricultural land from farmers who want to sell them, as they will, of course, sell their land at the maximum market price that farmers have, due to lack of free money and lack of cheap credit.

The primary purpose of legislative changes in the field of agricultural land turnover, according to the explanatory note, namely the introduction of flexible and effective state regulation of agricultural land turnover, while minimizing the potential negative socio-economic consequences, is particularly illustrative.

Today, only 26% of agricultural land is in state and communal ownership, and after the ban on their sale is lifted, this proportion will decrease, and it is, therefore, unclear how the state, with such a small share in the ownership structure of agricultural land, will be able to regulate the market of these lands by market methods.

The goal of reducing the socio-economic impact of the introduction of the agricultural land market is equally enigmatic. The state will sell its land and so as its farmers, and the state does not plan to establish, as is customary in developed countries, a sales tax and even a tax or at least minimal restrictions on the resale of the land.

In addition, it is not proposed to introduce any mechanism and make no reference to the need to regulate the relevant laws for newly acquired large landowners, such as the owner of 15% of the area of agricultural land of Kyiv region, functioning and development of the social sphere of the village, where those farmers in which he lives and buy at minimal non-market the normative monetary value of land and shares.

The way out is to bring the relevant draft law on the circulation of agricultural land in Ukraine to the norms adopted in the EU or at least to the standards of non-EU neighbors. Yes, even in Russia there are stricter restrictions on the purchase of agricultural land, namely such purchase cannot exceed 10% of the corresponding administrative formation and it must agree with the local authorities.

Since the draft law does not contain provisions for imposing a tax on sale and even on a resale of agricultural land, it is advisable to introduce a moratorium on a resale of purchased land. It is necessary to introduce a ban on changing the purpose of



the purchased land and oblige the new owners to carry out the agricultural activity on the acquired land, as well as to develop mechanisms of punishment for the non-use of the land as a whole and their non-purpose use.

Particular attention is paid to the need to establish the objective value of agricultural land. The draft law proposes to adopt the normative monetary value for the starting price of land plots, while now the tax on the purchase of land for personal farming, gardening, etc. is charged at the expert monetary valuation, i.e., at a much higher and much closer market price. This means that they artificially reduce the value of agricultural land, and therefore, farmers do not receive their money when selling, for example, land shares. It may make sense to identify areas of agricultural land that can be purchased at a regulatory, monetary valuation and areas that need to be paid for not less than an expert monetary assessment.

It is also advisable to establish additional requirements for a potential buyer of agricultural land, at least land lots of a large area. The stated norms include the need for permanent prior residence in the respective locality and registration of their business activity at the place of purchase of land by a potential buyer, and therefore the payment of taxes to the respective rural or settlement community. The united territorial communities should be empowered to coordinate the purchase of large tracts of land in their respective territories.

**Conclusion.** Therefore, the accelerated movement towards introducing agricultural land market circulation, although correct and motivated, is not sufficiently substantiated today. First and foremost, the agricultural land market should be based on the introduction of full restrictions for unscrupulous future land users and landowners, both financial, economic, and administrative.

Next, it is necessary to define the primary purpose of introducing such a market. The proposed goal, namely, to improve state regulation of land relations, is, first of all, not entirely marketable, since state regulation is mostly envisaged as state intervention, and there is currently insufficient financial resources and even agricultural land for the proper regulation of the state. Secondly, for the appropriate purpose, it is necessary to determine the creation of a favorable market environment for the development of efficient and rational landowners and land users, as well as the development of support paths, social development of the village and the environmental friendliness of the countryside.

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