

# PERSPECTIVES TO THE LIBERALIZATION OF THE AGRICULTURAL LAND MARKET IN UKRAINE

Iryna ZRYBNIEVA<sup>1</sup>, Tatyana ZAVOLICHNA<sup>2</sup>

Yuriy Fedkovych Chernivtsi National University, Ukraine

**Abstract.** The liberalization of Ukrainian agricultural land market does not lose their relevance in the process of the European integration. Ukraine's transition to the free market of agricultural land requires a theoretical substantiation. The scientific research of modern European approaches to the regulation of the agricultural land market is needed. *The purpose of this research* is an analysis of the formation and development prospects of the agricultural land market, identifying the possible consequences of the moratorium removal on the purchase and sale of agricultural land, and the search for an acceptable variant of further development land reform policy in Ukraine. The theoretical basis and features of the functioning of the agricultural land market of some European countries that will provide the ability to extrapolate these data into Ukrainian practice are explored in this research. It is expected that many trends are common to the markets of the land of Ukraine and neighbouring countries. Fundamentals of forming effective and transparent agricultural land market require the creation of understandable and clear mechanisms for the regulation of land use systems at various levels. *Methodology.* In this research are used historical-comparative and logical-dialectical methods for investigating the theoretical foundations and the main determinations of the agricultural land market in Ukraine. Features of circulation of agriculture land plots in Ukraine are submitted. The authors used a system-structural method and a comparative analysis method to justify and compare the indicators of agricultural land use efficiency in Ukraine and some of the European countries. *Results.* The economic effect of the prospects of liberalization of the agricultural land market in Ukraine is assessed. The determinate hypotheses about perspectives of agricultural land liberalization in Ukraine are argued. *Practical implications.* The conducted research allows stating that to date, all risks and fears of land market liberalization are insignificant in comparison with the benefits that Ukraine may have in the coming years. An analysis of international experience shows that the reform of the land market was often conducted during the period of economic crises and it was the liberalization of land markets that facilitated the restoration of economies. This should be an incentive for modern Ukraine, to choose finally an approach to market liberalization of agricultural land as a promising way to effectively implement its resource potential.

**Key words:** liberalization of agricultural land market, land relations, land circulation, land evaluation, cumulative effect, Ukraine.

**JEL Classification:** E02, H83, Q15

## 1. Introduction

The post-industrial shift has significantly influenced the development of productive forces and production relations in the economic systems of the world, implicitly having changed the ideological guidelines of the peasantry, government, and society on the development of land relations in the direction of the idea of economic and ecological and social efficiency of agriculture. In the European countries that are EU members, hosted a shift in public agricultural policy on diversification of economic and legal mechanisms of the functioning of the market-based circulation of agricultural land

in order to meet the new agro investors. For Ukraine, the same land is the most valuable national wealth and powerful potential competitive resource. In terms of the quality level of the land – the presence of black soil – Ukraine takes the fourth place in the world: Russia – 145.4 million hectares (46.3%); the United States – 55.1 million hectares (17.6%); China is 38 million hectares (12.1%), Ukraine – 27.8 million hectares (8.7%); all other countries – 15.2% (Petrychenko, 2013). Taking into account the fact that the total area of the world's black soil is only 314 million hectares or 2.4% of all soils and the fact that, in many countries,

*Corresponding author:*

<sup>1</sup> Department of Business Economics and Human Resource Management, Yuriy Fedkovych Chernivtsi National University.  
E-mail: i.zrybneva@chnu.edu.ua

<sup>2</sup> Department of Theoretical Economics, Management and Administration, Yuriy Fedkovych Chernivtsi National University.  
E-mail: t.zavolichna@chnu.edu.ua

there is no black soil altogether (such as Norway and the Netherlands) or its area of scant (as in neighbouring Poland is about 1% of the territory) then after the expiration of the moratorium in Ukraine, there will be a new potentially powerful free market of agricultural land in Europe. Therefore, the study of the actual state of the land market in Ukraine is causing great interest in both domestic and foreign investors.

## 2. Analysis of recent research and publications

The problems of the theory, methodology, and practice of the land transformation to the market found their reflection in the treatises of Dudych M., Zayats V., Zinchuk T., Zos-Kiora M., Martin A., Mesel-Veseliak V., Pronina O., Skydan O., Tretiak A., Fedorov M., Khodakivska O., Sharoh H., Ahner D., Gliessmann S., Swinnen J., Ciaian P., Kancs A., Van Herck K., Vranken L.

However, by this time, the unity of thoughts concerning the problems of a complex formation and functioning of the liberal land market was not achieved in terms of geopolitical changes both in Ukraine and in the countries of the post-industrial economy.

## 3. The statement of the problem

Modern agricultural transformation in Ukraine's economy is focused on the removal of the moratorium and the launch of the free agricultural land market which, according to scientists, is able to feed 300 million people. It is a powerful resource for the restart and the development of the agricultural sector and the economy as a whole that involves attracting investment, creating jobs, stabilizing the banking system, the growth of profits. In general, in the agricultural sector today, you can already invest more than in the whole of Europe, which is currently checked. On the correctness of the chosen model of the free agricultural land market in Ukraine, the effectiveness of the implementation of this diverse land resource potential will depend. Despite the high fertility and the world's highest degree of land resources involvement in the economic circulation in Ukraine, it is still unable to carry out the transfer of land in the possession of effective landowners and turn it into a key factor of economic growth.

The question of property and land prices is sharp and speculative since it simultaneously represents both conflicting public fears and business interests. That is why the moratorium on the sale of agricultural land has been around for over 16 years, despite the fact that the introduction of a free agricultural land market can improve the well-being of tens of millions of Ukrainians. In the overview perspective of the strategy of forming a liberal land market in Ukraine, it cannot be considered as an end in itself but should be determined as a combination of the requirements of the market and the environment, maintain their dynamic equilibrium,

respond to external and internal challenges, and reflect the interests of all participants in the land. In the context of the positive example, it is worth to explore international experience and different ways of creating and functioning of agricultural markets. Therefore, the search for approaches to the liberalization of the agricultural land market belongs to the most urgent of the scientific view of the tasks that have to confirm or deny the existing hypothesis:

1. Are the agricultural land market and circulation of lands of identical categories?

2. The price of agricultural land in Ukraine after the termination of the moratorium will terribly increase. Will the ratio of rents and prices be the same as in the EU?

3. Whether to allow the free sale to foreign investors, domestic holdings? After the abolition of the moratorium on land, will they buy it from the peasants for next to nothing?

4. Will liberalization of an agricultural land market turn the raw appendage? Increase the shadow sector of the national economy?

Based on these positions, the main problem of scientific discussions and practical action is to find the methods, mechanisms, and instruments for the combination of positive international experience of the agricultural land market functioning of the historical features of the Ukrainian civilization development and national traditions to create an incentivized, effective landowner.

## 4. The theoretical foundations and main determinations of the agricultural land market

For the study of liberalization of the agricultural land market issues in Ukraine, first, we must give a clear division of categories, which will operate: "land relationship", "agricultural land", "agricultural land market", "circulation of agricultural lands". Today, the concept of "land relationship" continues to cause an active debate in the scientific circles. In most cases, the land relations are associated with the category of "property", analysing the aspects of the assignment of the land as the economic benefits of those or other subjects. In particular, Bochkov M. defines the land relations as relations in the field of ownership, disposal, and use of the land as the "means of production", and Zhylenko K. determines land relations as "public relations", composed of subjects of economic activity as a result of the management of the land fund, through the use, disposition, and possession of land as object and subject of economic activity that are influenced by the regulatory organizational and economic mechanisms, Nosik V. focuses on the "management approach" to the definition, Shulha M. emphasizes the "ecological component" of the contents of the land, and according to Hutsuliak H. land relations are "an element

of industrial relations, society, and a social nature belong to the economic base of society". Broader views respected Hlistun V. and Uliukaev V. who interpret land relations in the "functional approach", arguing that with land ownership forms an important aspect of land relations is a form of land management, which largely depend on the form of ownership on the ground but are characterized by a system of political, socio-economic, legal, and administrative measures aimed at organizing the land (Zavolichna, 2016). The modern definition of land can be found in the writings of Tretiak A.: "land relations are public relations between state authorities, local authorities, citizens, and legal entities regarding the possession, use, and disposal of land plots and state management of land resources of Ukraine" (Tretiak, 2011). The Land Code of Ukraine (Verkhovna Rada Ukrainy, 2001) defines agricultural lands purposes as lands granted for the production of agricultural produce, agricultural research, and training activities, the corresponding production infrastructure or intended for these purposes. Thus, agricultural lands include farmland (arable land, perennial plantations, grasslands, pastures, and fallows) and non-agricultural land (commercial ways and purlins-protecting forest strips, and other protective plantings, other than those assigned to the forestry land destination, the ground under the farm buildings and houses, temporary preservation). Note that the object of our research is only a farmland.

In scientific discussions and in accordance with the existing Ukrainian practice, notions of "market" and "circulation" of land are very often mixed together, unlike the practice of the old EU countries. Because the reform of the agricultural land market in Ukraine began only in 1990, and, for example, the history of the development of the open liberalized land market in the UK is more than 200 years old. A part of domestic scholars interprets the concept of "agricultural land market" as more widespread than the circulation of land because, in addition to the system of agreements (operations), it also includes the mechanisms and infrastructure. It is considered that the circulation is a set of operations, and the market is the operation mechanisms and infrastructure. The rest of the scholars on the contrary consider that the land market is a part of the land, which includes only certain operations, such as the purchase and sale of land (shares), letting them rent and mortgage loan, receiving compensation when land is ejected for the state and public needs (Zaiats, 2012). Regarding the economic entity of land market, we are close to the idea of economist Carl Polanyi (Polanyi, 1944) that the land market is a set of real interactions between sellers and buyers of land plots, lease rights, also institutions and organizations that provide and limit the freedom of such interactions. Accordingly, we believe that the organizational structure of the land market consists of 3 components:

- 1) peer interactions (sale, lease, exchange, mortgage, and inherit land);
- 2) objects (land, property rights and securities, the basis of whose lying plots or rights);
- 3) subjects of the market (sellers (owners), buyers).

Under the land circulation, we understand the totality of transactions with land plots that are performed in accordance with the norms of civil and land laws by entering into civil-legal transactions and registered by the competent state authorities. Moreover, the circulation of land can be both market and non-market. The market circulation is when the transition of land rights between the subjects of the action takes place according to the law of supply and demand and makes sure the contract of sale or lease agreement. Non-market circulation of land-ownership is the transaction of rights by inheritance, gift or easement without regard to demand and supply. Therefore, we believe that the category of "land circulation" is wider than the category of the agricultural land market. According to the Draft of Law of Ukraine "On Turnover of Agricultural Land" (Verkhovna Rada Ukrainy, 2016): the land market is a system of relations between the owners of land (the rights to them), and people who acquire the right to land, public authorities, government privatization, and local governments relating to the conclusion, execution, change, and termination of civil-legal agreements, which include the alienation of land or rights to them. In turn, the circulation of land (their rights) is the switch of rights to land from one person to another on the basis of contracts, including those concluded by the results of the land trades.

### 5. Features of circulation of agriculture land plots in Ukraine

Based on the specified definitions and aggregated statistical data (Table 1), we can conclude that, in Ukraine, the circulation of land plots, especially its non-market part, has existed since 2000 and is one of the largest in Europe – 7 million citizens entitled to privatization of 28 million hectares of land shares, a transaction, which draw mainly through inheritance. And market of agricultural land is still being formed because the owners of the agriculture land plots remained the owners only on paper, and they cannot dispose the land as the property due to the introduction on 1 January 2002 of the moratorium on the sale of agricultural land.

Therefore, it is reasonable to conclude that in Ukraine in 2002-2016 years, agricultural land was given but the rights to dispose it as valuable property as real estate, transportation, privatization vouchers, any other private assets were not given. From a legal point of view, this is a pure discrimination, restrictions on the constitutional rights of citizens of Ukraine to be stewards of their private property on the ground. Privatization of this

Table 1

**Transactions of ownership on the agricultural land plots are certified**

Indicators	2001		2005		2010		2014	
	The number	%						
Notarized change of ownership	425894	100	924533	100	1257462	100	1373780	100
Including inherited	324898	76.29	813956	88.04	1145073	91.06	1261129	91.80
Presented	87565	20.56	95157	10.29	95503	7.59	95606	6.96
Exchanged	754	0.7	2393	0.26	2760	0.22	2864	0.21
Sold	12677	2.98	13027	1.41	14126	1.12	14181	1.03

Data concerning the number of certified transitions of ownership of the agricultural land plots are cumulative since 2001 (National report on the completion of land reform, 2015)

asset in Ukraine, unlike neighbouring states in Eastern Europe, caused the emergence of a new market. The moratorium was introduced as a temporary measure until the regulatory-legal base of the alienation of the land converts it into a fully-fledged market asset and it will not be sufficiently balanced. The moratorium is valid for 16 years and hampered the economic development of both Ukraine and every potential seller-buyer in Europe.

Taking into account the natural-resource potential, the growth of world demand, cheap labour, and proximity to potential markets, Ukrainian producers of agricultural products are rubble competitive in the world market. According to experts of the World Bank in an innovative approach to the use of agricultural land, Ukraine may increase export of products already in 2020 up to \$27 billion that is, double the figure by 2015. After all, Ukraine occupies the first place in Europe in the area of arable land, which is 41.5 million hectares, that is 30% and 2.4% in the world. In the structure of ownership of private property dominated by the state – 74% and 26% respectively. More than 50,000 firms leading economic activity in the agricultural land market. According to the International Monetary Fund (IMF) estimates, the cancellation of moratorium in Ukraine will lead to the creation of a robust land market that will generate a \$14-40 billion of the money supply in circulation, expected aggregated income of the population in the next 10 years from the sale will be \$8-25 billion and from rental – \$7-15 billion. This will lead to the average annual growth of Ukraine's Gross Domestic Product (GDP) to 7.1% (EasyBusiness, 2015). So, a moratorium on the sale of agricultural land development is emphasized by changes in Ukraine. Note that Ukraine is not the only country in Europe where the following the moratorium was introduced but it did not last long and the country managed to move on to better market methods of land tenure.

## 6. Assessment of the status and effectiveness of the use of agricultural land

The experience of the forming of free agricultural land market of European countries can be divided into two groups: countries with a similar model of management to ours (Bulgaria, Poland, Romania,

Hungary), and countries similar to classical western-market model (United Kingdom, Denmark, Spain, Germany, Netherlands, France, Sweden). Making an analysis of approaches and results of the formation of the agricultural land market in Europe, we have pulled together these indexes (Table 2), sample calculations based on the economic entity ratio “cost of sale” and “the price of rent” of the land. The price for sale in well-developed markets reflects the “capitalization of the rental value of the land”. Thus, countries with low-interest rates and more accessible markets loans will have higher prices on the ground. In addition to the interest rate, better protection of the rights of land ownership (for example, the formal registration and control over the execution of the law) also contribute to higher prices. But the distortions (e.g., restrictions on the size of land in ownership or use, restricted access to purchase land, taxes) will reduce the price. The possibility to rent the land and use it as collateral, as well as subsidies to producers, can also increase the value of the land and the price. All these factors affect the ratio of rent to prices (Martyn, 2011).

An analysis of indicators of the first group showed that all states that had close to Ukrainian economic model that was based on collectivization, held the land reform in the early 1990s by restitution or an allocation of lands with eventual liberalization to foreign capital. All of these economies are gradually introduced or fully open land market, or market with partial restrictions. This transformation has led to a decrease in the share of agriculture in GDP but caused the growth of profitability and performance of the agro sector. We believe that an alternative example among the countries of Central and Eastern Europe are the Balkans and the Baltic States. As a consequence, in these countries, the price of land (which is worse than the quality compared to ours) is governed by the basic principles of the market and exceeds the Ukrainian figure several times. Accordingly, the rates are much higher for the rent of land. So, we have \$37 in Ukraine, where the land market is frozen by actions of the moratorium – against \$300 in the countries of the former social unit, where there is a mechanism of liberalization and open markets.

Table 2

**Assessment of the status and effectiveness of the use of agricultural land in Europe**

Country	Total area (thousand hectare)	The area of arable land (thousand hectare)	The share of agriculture in GDP (%)	Land in private property (%)	The share of rented land (%)	The average price of the sold land (\$/hectare)	Rents, (\$/ hectare)	The ratio of rent and sale price (%)	Regulation of rents
Bulgaria	11100	3300	5.2	98	90	4650	187.5	4.03	market
United Kingdom	24290	6200	0.7	90	41	31400	275	0.86	on arbitration
Denmark	4310	2400	1.4	98	24	26650	725	2.72	market
Spain	50600	12400	2.5	70	33	16100	225	1.39	local law
Netherlands	4150	1000	1.1	89	38	63700	625	0.98	law
Germany	35700	11800	0.4	49	68	32300	219	0.67	law
Poland	31270	10900	3.2	81	28	10300	314.6	3.05	market
Russian Federation	1707540	119800	2.4	39	88	1150	37	3.21	law
Romania	23840	8800	5.4	94	46	6150	120	1.95	market
Ukraine	60350	41500	12.0	73.5	62.3	moratorium	37	-	law
Hungary	9300	4400	4.3	86	64	4500	125	2.77	market
France	55150	18300	1.1	80	84	7450	205	2.75	law
Sweden	45000	2600	1.4	91	44	9800	157.3	1.60	7-9% of the cost of sales

Source: formed by the authors based on: (EasyBusiness, 2015; The Report of the World Bank and the United States Agency for International Development, 2014; Ciaian & d'Artis Kancs & Swinnen & Van Herck & Vranken, 2012; Eurostat, Savills, National statistical institute of Republic of Bulgaria, Central Statistical Office of Poland, The German Agricultural Society (DLG), Teagasc, 2016)

In the developed countries of Western Europe, land reform lasted a few decades but has not been associated with the provision of a full range of landowners' rights to ownership of private property. The main problem was there to create a balanced market in a post-industrial, attraction of direct investments in the agricultural sector, and the motivation of farmers to produce products with high added value. As it can be seen from Table 2, the ratio of rent to the price of land in the EU varies from 0.06% to 5.99% (average – 2.01%), which is a positive result. We may conclude that developed countries of the EU coped with this in using the libertarian way by removing all the restrictions on the participation of foreign capital or price regulation. Even in the countries where traditionally influential “Keynesian lobby” was decided not to be an experiment with agriculture and shifted partial regulatory control to local self-government units (The Report of the World Bank and the United States Agency for International Development, 2014).

### 7. Perspectives to the liberalization of the agricultural land market in Ukraine

Taking into account the European experience, we can predict that the development of the market for the sale of agricultural land in Ukraine after the removal of the moratorium will be determined by two main factors: the availability of capital and the list of constraints that will be spelled out in the law on circulation of land. Based on this statement, we can deny the myths of fear and make some hypotheses about the prospects for the liberalization of agricultural land in Ukraine:

1. According to the study by the Kiev International Institute of Sociology, only every sixth Ukrainian supports the moratorium. Main fears of shares owners are low prices of land, the pressure on the sale of land, and fraudulent schemes to purchase but the paradox lies in the fact that more than ½ respondents in general and ⅓ shares owners expect the moratorium will bring benefits to the economy of the state (Nivievskiy & Nizalov & Kubakh, 2016). In fact, it is a moratorium, the high cost of servicing the land bank and difficult access to capital annually “steal” from the 7 million owners of shares up to 90% of potential income. There is a myth that the Ukrainian land market will be passive because of the low income of the owners of agricultural land, who mostly are retirees. The argument of the objections to this hypothesis is that a feature of the market is that a large part of Ukraine is handled not by the owners but tenants. So there are reasons to argue that the land market in Ukraine will not be inert. Probably, the percentage of land that will be the subject of agreements will be higher than in most European countries (perhaps about 5% after the initial stabilization, a liberal regulation after the removal of the moratorium). On the other hand, most of the land deals in other countries are funded by the banks. And in Ukraine, land loans are actually there. This factor will restrain demand for land. It is advisable to wait for a large number of transactions in the first 23 years after the opening of the market sales (5-7% depending on the availability constraints). The reason will become a speculative demand and attempts to legalize previously made informal agreement.

2. There are two opposing hypothesis regarding the rapid growth/decline of prices for land and its lease after the removal of the moratorium in Ukraine. As for prices on agricultural land in the neighbouring countries of the EU, they are very different: the highest price recorded in the Netherlands (more than \$60 000 per hectare); in most West European countries, prices range from \$15 000 to \$30 000 per hectare, while in Eastern Europe from \$1 000 to \$5 000 per hectare. Accordingly, it is expected that the price of land in Ukraine will be significantly lower than in Western countries, however, on the same level of prices as in Eastern Europe. For example, in Romania, which has only recently (at the beginning of 2014) liberalized its market and is very similar to Ukraine for the fertility of the land, today the average price of a hectare is more than \$6150. If the ratio of rental rates for land in Ukraine it will be the same as in the EU, we can make a prediction that if for the next 5 years we will be at least at the level of \$3500–\$5000 per hectare, we will create an asset worth \$125 billion (Nivievskiy & Nizalov & Kubakh, 2016). Such a possible economic effect discards all inert fears the owners of the shares.

3. After the abolition of the moratorium, foreign investors and domestic agrohholdings will buy the land from peasants for next to nothing. As evidenced by the experience of neighbouring countries, this myth is a great exaggeration. First of all, the pain is in the first 5-10 years of liberalization as the market is only opened to citizens and legal entities and residents in Poland, Romania, Estonia, the Czech Republic, and Slovakia. In Ukrainian bills, the similar reservations about the participation of foreign capital in the sale of agricultural land are also planned. Second, it is a bad idea not to let foreigners into the market because it can adversely affect the value of the land and losses the owners of the shares. Just in the same way it happened in the Canadian province of Saskatchewan in 1974, when a province limited the maximum amount of farmland that can be non-resident, the price of land fell by \$10-85 per hectare (VoxUkraine, 2017).

For hypotheses about the benefit of large domestic holdings, everything is contrary. The experience of neighbouring countries – Poland, the Czech Republic, and Slovakia shows that the free market is an incentive to the development of small and medium-sized agribusiness. One way that promotes the development of farms is to limit the area of land that can be owned by one person. In Poland, the law limits the size of land parcels up to 500 hectares; in Hungary – up to 300 hectares; in Slovakia, the average size of plots is 0.45 hectares. In Ukraine, the situation is fundamentally different because the price of land sets no market and it is formed on the basis of the standard evaluation, which can be both lower and higher than the market. The low price of the lease allows the agrohholdings to accumulate large areas of land bank. Because of the lack of liberal

land market, mechanisms are quite monopolized, that is the 100 largest companies accounted for 6.5 million hectares rented arable land (20% of the land), the range of arable lands in the possession of the loan top-10 companies ranges from 150 to 654 thousand hectares, whereas only 1% of land resources on areas of less than 20 hectares (EasyBusiness, 2015).

4. Actually, the shadow of the land market, associated with the sale of land, exists today. Most often it is evident in the design of “contracts for 50 years and emphyteusis”. According to the latest estimates of the Association “Ukrainian Agribusiness Club”, the volume of the market is from 10 to 12 billion UAH a year. And then adopted in 2015 restrictions on the minimum term of the lease at a level of 7 years relocated short-term lease relations in the shadow sector. In addition, over 2 million hectares of land collective ownership and heritage is generally used on the conditions at the time. The presence of contradictions and conflicts of interests of state bodies and bodies of local self-government at different levels of the administration of land relations promote the distrust to them and to the bribery. The results of an independent nationwide survey indicate that a significant number of respondents for solving land issues, paid bribes when they received services in law enforcement agencies (49%), land services (25%), registration and licensing services (22%), courts (21%), tax (18%), municipal enterprises (6%) (Transparency International, 2013). Therefore, it is believed that one of the most important consequences of the introduction of a transparent land market will be exactly the settlement rights of ownership and use. Firstly, the owners and users will no longer need to “circumvent paying bribes” moratorium and increase the shadow market. Secondly, those owners who will not be able to handle the ground or will be unprofitable will be able to sell the land to a more effective farmer.

The hypothesis that the moratorium on the trade of agricultural land will transform Ukraine into a raw appendage of developed EU contradicts the economic theory. In a market economy, agricultural land does not have a fixed cost, their price changes under the influence of a large number of factors, the main of which is the profit on the land (actual or expected) or annuity; the alternative costs of capital; inflation. Therefore, a rational land user or investor who is considering buying a land compares the cash flow of expected residual income from land with alternative capital costs or alternative income from real estate or financial investments. A potential investor usually optimistically estimates the perspectives of their own economy to increase productivity and yields, so goes on the intensive methods of managing and expanding the range of additional investment. According to IMF, it is estimated that the cancellation of moratorium may already happen in the next 5-10 years, direct investment only lead to purchase of land in the \$25-50 billion.

Approximately the same amount may be granted in the form of financing under the security of land, 85% of which can go to the development of the Ukrainian small and medium business in the village. It is important to focus on the fact that when such investment volumes and the corresponding correction of tax issues will appear, tax on agricultural land could annually bring in Ukraine during this period 50-60 billion UAH, tax on transactions with the ground 5-10 billion UAH, taxes from economic activity of related businesses and overall growth of the economic activity of the rural population is still 10-20 billion UAH. As the experience of Europe, free agricultural land market leads to another effect that is the creation of new jobs. The increase in direct investment has a direct effect on increasing the number of employees. There is no standard dependence for all sectors but in the case of the opening of the market, the following formula will operate: \$1 million of additional direct investment brings in about 20-30 additional jobs. Therefore, the cumulative effect in the agro sector for the next 10 years may bring about 1-1.5 million jobs.

## 8. Conclusions

There are reasons to state that today Ukraine is the only democratic country in the world where the owners of agricultural lands do not have the right to dispose them at

their discretion, cannot give the land on bail and receive funding for farming or any other activities; cannot sell their land shares and invest money in another activity or assets. The authors do not attempt to impose any definite model for the development of the land market for Ukraine because, in no one of the countries, whose experience has been studied, someone's experience is used by copy-paste ways. We have only presented a general trend in the development of the economies of countries that are moving towards high social standards and efficient production methods by liberalizing and releasing the land market from regulatory constraints.

The conducted research allows stating that to date, all risks and fears of land market liberalization are insignificant in comparison with the benefits that Ukraine may have in the coming years. The analysis of international experience shows that the reform of the land market was often conducted during the period of economic crises and it was the liberalization of land markets that facilitated the restoration of economies. This should be an incentive for modern Ukraine, finally to choose the approach to the liberalization of the agricultural land market as a promising way to effectively implement its resource potential; as the main impetus to overcome the current crisis and gradually form its own model of its functioning, which will be the subject of further research.

## References:

- Pavel Ciaian, d'Artis Kancs, Jo Swinnen, Kristine Van Herck and Liesbet Vranken, (2012). Institutional Factors Affecting Agricultural Land Markets. CEPS, Centre for European Policy Studies (Belgium). Brussels: Centre for European Policy Studies, 22 p. Retrieved from: [http://www.factormarkets.eu/system/files/FM\\_WP16%20CEPS%20on%20Institutional%20Factors%20Affecting%20Ag%20Land%20Markets\\_D15.3\\_final.pdf](http://www.factormarkets.eu/system/files/FM_WP16%20CEPS%20on%20Institutional%20Factors%20Affecting%20Ag%20Land%20Markets_D15.3_final.pdf) (in Eng.).
- EasyBusiness, (2015). Creation of the free land market in Ukraine. The Analysis of benefits and expenses for a public discussion. Kyiv, 16/04/2015. Retrieved from: [https://www.slideshare.net/Easy\\_Business/ss-47028836](https://www.slideshare.net/Easy_Business/ss-47028836) (in Ukr.).
- Eurostat, Savills, National statistical institute of Republic of Bulgaria, Central Statistical Office of Poland, The German Agricultural Society (DLG), Teagasc, (2016). Land Prices and Size of the Market: What to Expect for Ukraine. Retrieved from: <https://voxukraine.org/2016/01/18/land-prices-and-size-of-the-market-what-to-expect-forukraine-en/> (in Eng.).
- Martyn, A. (2011). Regulation of land market in Ukraine. Kyiv: Ahrar Media Hrup. 254 p. (in Ukr.).
- National report on the completion of land reform. (2015). Kyiv. Ahrar. Nauka. 48 p., available: [http://naas.gov.ua/upload/iblock/4be/доповідь\\_типографія.pdf](http://naas.gov.ua/upload/iblock/4be/доповідь_типографія.pdf) (in Ukr.).
- Nivievskiy, O., Nizalov, D., Kubakh, S. (2016). Restrictions on farmland sales markets: a survey of international experience and lessons for Ukraine. Project «Capacity Development for Evidence-Based Land & Agricultural Policy Making in Ukraine». Retrieved from: <https://docs.google.com/viewerng/viewer?url=http://www.kse.org.ua/download.php?downloadid%3D446> (in Eng.).
- Petrychenko, V. (2013). Ukrainian black soil – the efficient use and reliable protection. Uriadovyj kur'ier. 21.08.2013. Retrieved from: <https://ukurier.gov.ua/uk/articles/ukrayinskimchornozemam-efektivne-vikoristannya-i/> (in Ukr.).
- Polanyi, Karl. (1944). The Great Transformation. Chapter 6. The Self-regulating Market and the Fictitious Commodities: Labor, Land, and Money. N.Y.: Farrar & Rinehart, Inc. p. 68-76. (in Eng.).
- The official site Verkhovna Rada Ukrainy. (2001). The Land Code of Ukraine № 2768-III. Retrieved from: <http://zakon2.rada.gov.ua/laws/show/2768-14/page2> (in Ukr.).
- The official site Verkhovna Rada Ukrainy. (2016). The Draft of Law. On the circulation of agricultural lands purpose. Retrieved from: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=60724](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=60724) (in Ukr.).
- The Report of the World Bank and the United States Agency for International Development (2014). Issues and Options for Improved Land Sector Governance in Ukraine. Application of the Land Governance Assessment Framework in Ukraine, 31 p. Retrieved from: [http://siteresources.worldbank.org/INT/LGA/Resources/Ukraine\\_Synthesis\\_Report.pdf](http://siteresources.worldbank.org/INT/LGA/Resources/Ukraine_Synthesis_Report.pdf) (in Eng.).

Transparency International. (2013). The barometer of corruption in Ukraine: every third is ready to go out to fight it. Retrieved from: [http://news.liga.net/articles/politics/874575kazhdyy\\_tretiy\\_ukrainets\\_gotov\\_vyyti\\_na\\_ulitsu\\_protiv\\_korruptsii.htm](http://news.liga.net/articles/politics/874575kazhdyy_tretiy_ukrainets_gotov_vyyti_na_ulitsu_protiv_korruptsii.htm) (in Ukr.).

Tretiak, A. (2011). The economy and efficiency of land administration in Ukraine. *Ekonomika pryrodokorystuvannia i okhorony dovkillia, zbirnyk naukovykh prats'*. Kyiv. Instytut ekonomiky pryrodokorystuvannia ta staloho rozvytku NANU. p. 14-24. Retrieved from: <http://ecos.kiev.ua/publications/journals/2/> (in Ukr.).

VoxUkraine, (2017). Land as reached the constitutional court: 5 main myths about the moratorium on land. Retrieved from: <https://voxukraine.org/2017/02/24/zemelnij-moratorij-en/> (in Eng.).

Zaiats, V. (2012). The development of the market of agricultural land. Kyiv. NNTs "IAE". 390 p. (in Ukr.).

Zavolichna, T. (2016). Features of "land relations" in the field of economic theory. *Naukovyj visnyk Chernivets'koho universytetu. Ekonomika*. Vol. 773-774. p. 8-11. Retrieved from: <http://econom.chnu.edu.ua/wp-content/uploads/2016/11/visnyk-773-774.pdf> (in Ukr.).

---

## **Ирина ЗРИБНЕВА, Татьяна ЗАВОЛИЧНА**

### **ПЕРСПЕКТИВЫ ЛИБЕРАЛИЗАЦИИ РЫНКА ЗЕМЛИ В УКРАИНЕ**

**Аннотация.** В процессе европейской интеграции либерализация украинского рынка сельскохозяйственных земель не утрачивает своей актуальности. Переход Украины на свободный рынок сельскохозяйственных земель требует теоретического обоснования. Необходимы научные исследования современных европейских подходов к регулированию рынка сельскохозяйственных земель. *Целью данного исследования* является анализ перспектив формирования и развития рынка сельскохозяйственных земель, выявление возможных последствий отмены моратория на покупку и продажу сельскохозяйственных земель и поиск приемлемого варианта дальнейшей политики земельной реформы в Украине. В этом исследовании исследуются теоретические основы и особенности функционирования рынка сельскохозяйственных земель некоторых европейских стран, которые позволят экстраполировать эти данные в украинскую практику. Ожидается, что многие тенденции являются общими для рынков земли Украины и соседних стран. Основы формирования эффективного и прозрачного рынка сельскохозяйственных земель требуют создания понятных и четких механизмов регулирования систем землепользования на различных уровнях. *Методология.* В этом исследовании используются историко-сравнительные и логико-диалектические методы исследования теоретических основ и основных категорий рынка сельскохозяйственных земель в Украине. Представлены особенности обращения сельскохозяйственных земель в Украине. Авторы использовали системно-структурный метод и метод сравнительного анализа для обоснования и сопоставления показателей эффективности использования сельскохозяйственных земель в Украине и некоторых европейских странах. *Результаты.* Сделана оценка экономического эффекта от перспектив либерализации рынка сельскохозяйственных земель в Украине. Аргументируются детерминированные гипотезы о перспективах либерализации сельскохозяйственных угодий в Украине. *Практическое значение.* Проведенные исследования позволяют утверждать, что на сегодняшний день все риски и опасения по поводу либерализации рынка земли незначительны по сравнению с выгодами, которые Украина может иметь в ближайшие годы. Анализ международного опыта показывает, что реформа земельного рынка часто проводилась в период экономических кризисов, и либерализация земельных рынков способствовала восстановлению экономики. Это должно стать стимулом для современной Украины, наконец, выбрать подход к либерализации рынка сельскохозяйственных земель как перспективный способ эффективного использования своего ресурсного потенциала.