



LAND GOVERNANCE REVIEW UKRAINE

September 2021

Key land market statistics in Ukraine

Share of total land registered in the State Land Cadastre	72,7% (43,8 m ha)
Share of agricultural land registered in the State Land Cadastre	75,6% (32,3 m ha)
Average normative land value for arable land	27 520 uah/ha
Average rental price for agricultural land:	
State and communal land (land auction price)*	4 025 uah/ha
Private land **	2 117 uah/ha
Average sale price of agricultural land ***	45 233 uah/ha.
Total area of agricultural land used as a collateral	523 ha
Average number of sales transactions per day****	284
Average size of the land sales transaction	2,2 ha
Total number of sales transactions for agricultural land	22 655
Total area of the registered agricultural land sales transactions	50 747 ha

* - since 01.01.2021

** - average price as of 01.01.2021

*** - weighted average price for land sale transactions occurred since July 1, 2021 till October 1, 2021.

**** - does not include weekends

Agricultural land market in September 2021

It has been three months since the agricultural land sales and purchase market opening. Every month the market is accelerating. As we noted in the august issue of the Review, there were about 6 thsd. ha. of agricultural land transacted in July 2021. In August, it was already almost three times more of the area transacted, - about 16 thsd. ha.

In September, the trend continued and the market volume almost doubled, comparing to the previous month. More than 25 thsd. ha were sold in September. Therefore, the total volume of the land sales transaction reached almost 43 thsd. ha in the first three months after the land market opening. The growth in the volume of transacted land was precipitated by the growth in the number of notaries who gained access to the State Land Cadastre. As of October 4th, there were 5,057 notaries (out of about 6,500) who has already gained access to the Cadastre.

Most of the transacted land (62,8% of total area) is the land for commercial agricultural production ('ua: dlia tovarnogo silskohospodarskogo vyrobnytva'), the second largest land category is the land for individual peasant farming ('ua: dlia osobystogo selianskogo hospodarstva'). Not significant share of transactions was done with land 'for farming enterprise' ('ua: dlia fermerskogo gospodarstva') - 1003 ha or 2 % of total area. Other categories of agricultural land made up only 0,6% of the land market transactions. At the same time, the largest number of transactions was made with the land for individual peasant farming.

By the land type, most of the sales transactions were made with the arable land (78% of the sold land, by area), followed by hays & pastures (16.8%). The remaining of land transactions was with either a mixture of multiple land types within the same parcel or with other land types.

Regionally, the top three most active regions in terms of agricultural land market transactions remained the same – Kharkiv, Poltava, and

Regional agricultural land market activity in Ukraine*

	# of sales	Area, ha	Area, %**
1 Kharkiv	2032	7327	0,304%
2 Poltava	1963	4932	0,228%
3 Kirovograd	1288	4321	0,213%
4 Kherson	934	4098	0,208%
5 Khmelnytsky	1631	2732	0,174%
6 Sumy	1816	2921	0,172%
7 Dnipropetrovs'k	1123	3993	0,159%
8 Volyn	1049	1575	0,150%
9 Vinnytsya	1758	2862	0,142%
10 Kyiv	1782	2247	0,136%
11 Ukraine	22655	50747	0,122%
12 Chernihiv	1131	2403	0,116%
13 Mykolayiv	624	2133	0,106%
14 Cherkasy	759	1317	0,091%
15 Zhytomyr	794	1131	0,075%
16 Zaporizhzhya	461	1661	0,074%
17 Ternopil	535	742	0,071%
18 Donets'k	310	1163	0,057%
19 Zakarpattya	314	255	0,057%
20 Luhans'k	214	1033	0,054%
21 Chernivtsi	289	208	0,044%
22 Lviv	550	448	0,036%
23 Rivne	462	312	0,034%
24 Odesa	370	751	0,029%
25 Ivano-Frankivs'k	466	180	0,029%

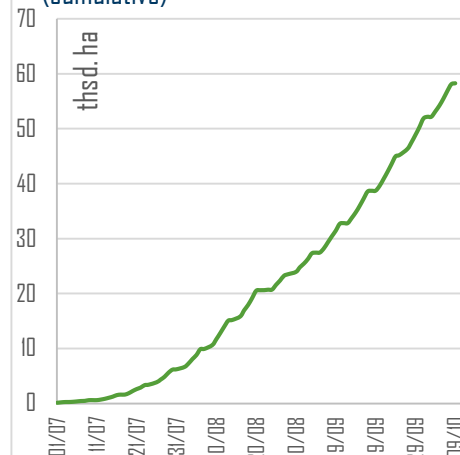
*-As of October 11, 2021

** - % of the total area of agricultural land in the region

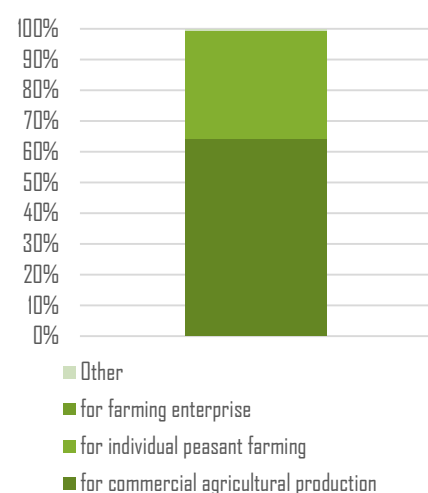
Kirovograd regions. Kharkiv region ranked in the top and almost doubled the volume of transacted land compared to the previous period, – more than 7 thsd. ha, or 0,3% of the total agricultural land in the oblast. Khmelnytsky region has substantially improved its ranking by more than doubling the volume of land transacted and thus moved up from the 8th to the 5th place. Kyiv region dropped from 4th place down to 10th in terms of land market activity. There were no significant changes at the bottom of the ranking, except for Odesa oblast that moved to the bottom of the list, and Luhansk moved up by 5 positions (increasing the area of transacted land by more than 12 times, 81 hectares – in July-August and 778 hectares – in July -September).

In the first three months after the land market opening, the total area of land in circulation amounted to 0.1% of the total agricultural land area in Ukraine.

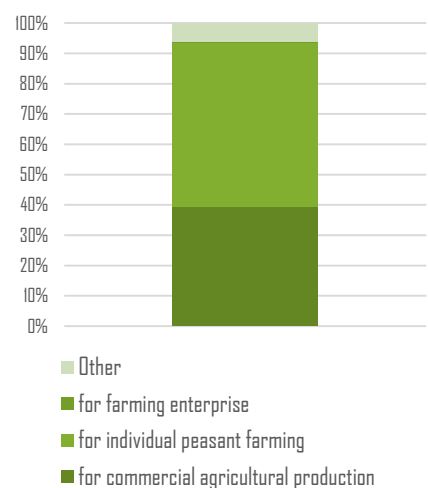
Daily number of transactions (cumulative)



Purchase&Sale transactions structure by land purpose, % of total transacted area



Purchase&Sale transactions structure by land purpose, % of total transactions



Lending secured by agricultural land

	July 2021	August 2021
Number of banks that issued the loans secured by agricultural land	4	4
Number of loans secured by agricultural land	6	13
Total volume of loans, thsd. UAH	28600	14548
Including to: physical persons, thsd. UAH	20600	14548
legal entities, thsd. UAH	8000	-
Terms structure of the loans		
- short-term loans (up to 1 year), thsd. UAH	4 000	-
- medium-term loans (from 1 to 5 years), thsd. UAH	20 500	122
- long-term loans (more than 5 years), thsd. UAH	4 100	14 426
Weighted average interest rate		
- short-term loans (up to 1 year), %	16,0%	-
- medium-term loans (from 1 to 5 years), %	14,2%	17,7%
- long-term loans (more than 5 years), %	10,0%	12,8%
Total value of the collateral, thsd. UAH	71218	40631
Value of agricultural land as a collateral, thsd. UAH	28959	3272
Other types of collateral (on top of agricultural land), thsd. UAH	42259	37358
Agricultural land value in total collateral value, %	41%	8%
Total area of agricultural land used as collateral, ha	470	53
Disclaimer: the table is based on the regular survey of commercial banks of Ukraine conducted by the NBU. The data in the table is not the official data of the NBU, it can substantially change over time due to low volume of loans secured by land, and should be taken carefully.		

Review of lending secured by agricultural land

With the opening of the land market, new opportunities for the development of lending secured by agricultural land emerge, for the land is considered as an ideal "hard" collateral. Currently, this market has not been developed in Ukraine. For example, in the United States, the volume of agricultural debt amounted to 1,190 US dollars per hectare of land at the end of 2020, which is 20 times more than in Ukraine. In addition, 65% of agricultural debt in the United States was secured by agricultural land, while in Ukraine this share is almost zero.

The development of lending secured by land is especially important for the small-scale farming development (small-scale farmers produce more than 40% of total agricultural output in Ukraine); moreover, small-scale farmers mainly cultivate their own land and for which the lack of hard collateral to secure the loan has been one of the main problems in access to financing.

However, the first months of the land market functioning indicate the first steps and experience in lending secured by agricultural land, although the total volume of such loans is very low. Among the 72 banks surveyed by the National Bank of Ukraine, only four banks reported that they issued loans secured by agricultural land since July. At

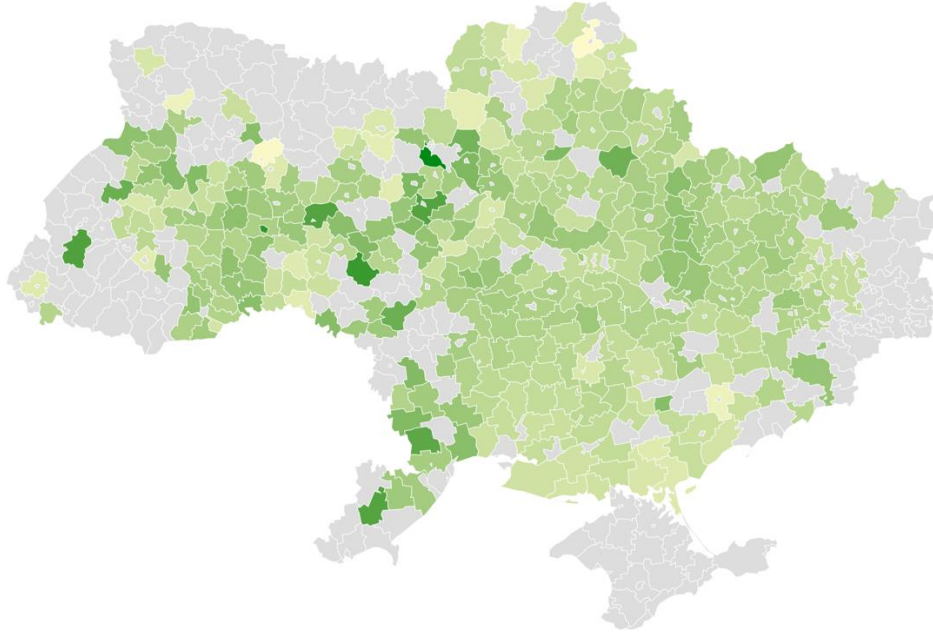
the same time, there were only six loans issued in July of total volume of UAH 28.6 million, and 13 loans of total UAH 14.5 million in August. However, agricultural land was not the only collateral used for these loans. For July loans, agricultural land made up 41% of the collateral value, and only 8% in August loans. In the first two months after the land market opening, a total of 523 hectares of agricultural land was used as collateral for securing the loans.

As in case of the land market, the practice of lending secured by agricultural land just started to accumulate. Therefore, one should not expect a "breakthrough" in the volume of such loans. Moreover, the legal entities will not enter the market up until January 1, 2024.

Agricultural land market opening will improve to some extent the access to finance for small-scale farmers. A real breakthrough in this area should be the adoption of the Draft Law №3205-2 "On the Partial Credit Guarantee Fund in Agriculture" and launch of this financial institution. This will allow getting a partial guarantee from the Fund for long-term loans for various projects (including the purchase of agricultural land, intensification, and diversification of production) and will allow banks to intensify their long-term lending to farmers.

The weighted average price of agricultural land with land purpose "for commercial agricultural production", uah./ha.

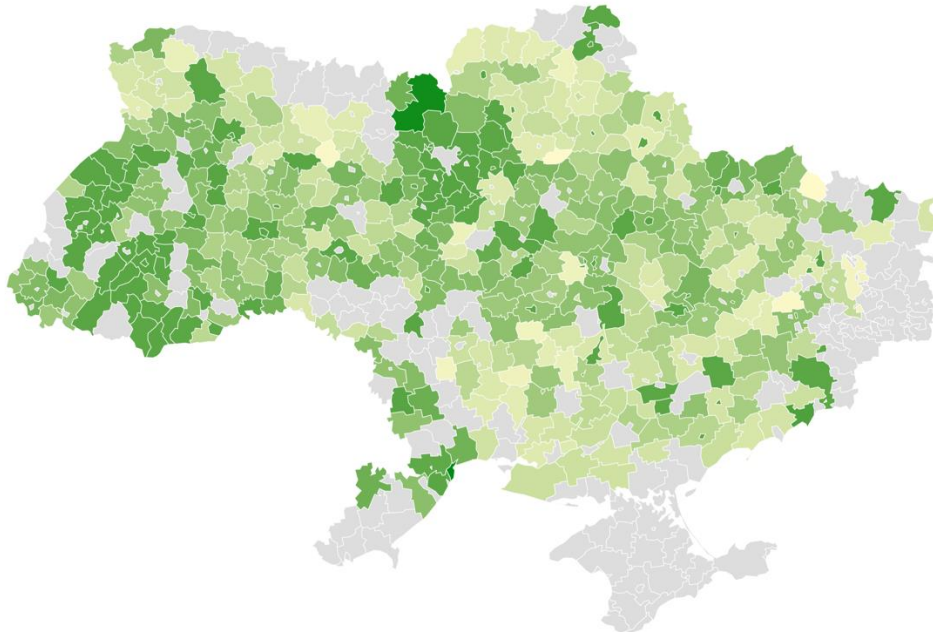
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The weighted average price of agricultural land with land purpose "for individual peasant farming", uah./ha.

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If you have any questions or suggestions regarding the Review, please send them to the e-mail address: Taras.dzoba@minagro.gov.ua or onivievskiy@kse.org.ua