Міністерство аграрної політики та продовольства України

ДЕРЖГЕОКАДАСТР
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KSE Kyiv School of Economics

LAND GOVERNANCE REVIEW UKRAINE

November 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)*	4 039 uah/ha
Private land **	2 117 uah/ha
Average sale price of agricultural land ***	39 848 uah/ha.
Total area of agricultural land used as a collateral	810 ha
Average number of sales transactions per day****	398
Average size of the land sales transaction	2,37 ha
Total number of sales transactions for agricultural land	45 024
Total area of the registered agricultural land sales transactions	106 739 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 December 1, 2021.
**** - does not include weekends

Agricultural land market in November 2021

After October's slowdown, with single-digit growth rates - the farmland market in November skyrocketed. Compared to October's results - the number of transactions in November had grown by 37%, while the total volume of land sold increased by 43%, reaching the record-high level of 37 924.5 hectares of land sold in a single month.

There are two key factors why the volume of transacted land outpaced the number of transactions. The first one is the slight change in the structure of land transactions. The share of land for commercial agricultural production (‘ua: dlia tovarnogo silskohospodarskogo vyrobnyztva’), the type of land with the largest average parcel size, had grown by one percentage point. Another contributing factor is an increase in the average parcel size of land for individual peasant farming (‘ua: dlia osobystogo selianskogo hospodarstva’). The average parcel size had grown by 0.1 hectares, the median - by almost 0.15 hectares.

There are changes aimed to improve the ease of conducting the transaction to bring down the transaction cost. The new layer on the Public Cadastral Map helps notaries check potential buyers' eligibility (in terms of the total land bank they control, up until 2024, Ukrainian legislation prohibits purchasing of more than 100 hectares).

Most of the transacted land (65.5% of total area) is the land for commercial agricultural production, the second-largest land category is the land for individual peasant farming (‘ua: dlia osobystogo selianskogo hospodarstva’), 31.5% of the transacted area. A small but noticeable share of transactions was done with the land ‘for farming enterprise’ (‘ua: dlia fermerskogo gospodarstva’) - 2.4 % of the total transacted 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.

Ranking of the regional activity on the agricultural land market in Ukraine*

		# of sales	Area, ha	Area, %**
1	Kharkiv	4671	16498	0,684%
2	Kherson	2106	9023	0,458%
3	Kirovograd	2636	8447	0,416%
4	Poltava	3534	8890	0,411%
5	Dnipropetrovs'k	2296	8908	0,355%
6	Sumy	3520	5882	0,347%
7	Khmelnystky	2946	5045	0,322%
8	Vinnytsya	3263	5525	0,274%
9	Kyiv	3247	4278	0,259%
10	**Ukraine**	**45024**	**106741**	**0,257%**
11	Mykolayiv	1420	5046	0,252%
12	Volyn	1756	2589	0,247%
13	Chernihiv	2257	4683	0,226%
14	Zaporizhzhya	1235	4292	0,192%
15	Cherkasy	1437	2535	0,175%
16	Zhytomyr	1593	2596	0,172%
17	Luhans'k	579	2965	0,155%
18	Ternopil	1109	1614	0,154%
19	Donets'k	765	2898	0,142%
20	Zakarpattya	590	514	0,114%
21	Chernivstsi	618	507	0,108%
22	Odesa	836	2182	0,084%
23	Rivne	846	650	0,070%
24	Lviv	1005	865	0,069%
25	Ivano-Frankivs'k	759	310	0,049%

*-As of December 1, 2021

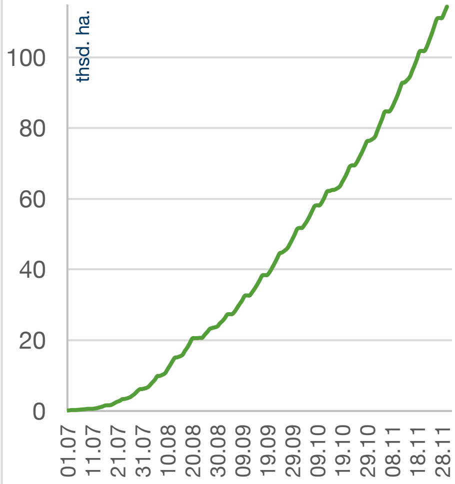
**- % of the total area of agricultural land in the region

By the land type, most of the sales transactions were made with the arable land (85.9% of the sold land, by area), followed by hays & pastures (10.9%). The remaining land transactions was with either a mixture of multiple land types within the same parcel or with other land types.

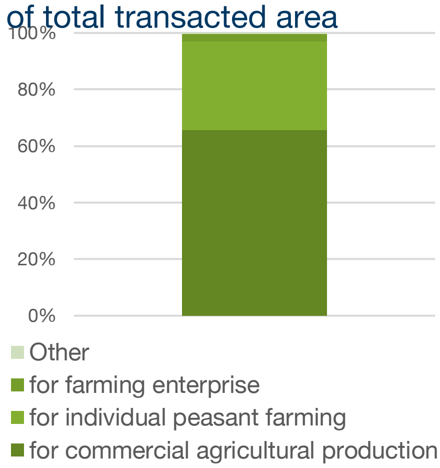
The top regions from the previous month's rating held their position - Kharkiv, Kherson, and Kirovograd regions are still the top three regions in terms of land market activity. The most active region, Kharkiv region, holds its position with almost 16.5 thsd. ha., or 0.684% of all farmland in the region sold. There are slight changes at the bottom of our rating. The Odesa region left our list of top-three outsiders by conceding its second place to the Lviv region.

The total volume of land in circulation for the first four months of the land market amounted to 0.257% of the total area of agricultural land in Ukraine.

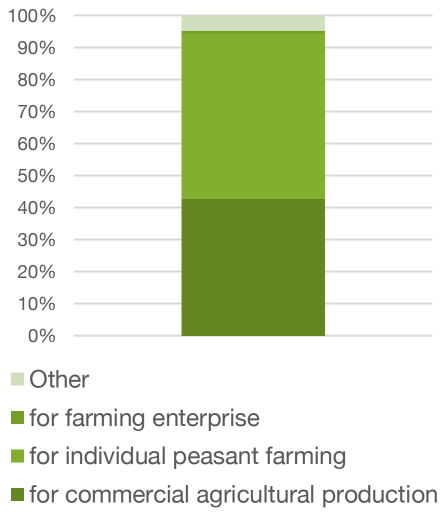
Daily number of transactions (cumulative)



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



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



Comparison of the inherited, sold and gifted land

	Gift agreements	Sale transactions	Inheritance
Total number of parcels	8161	45024	110967
Out of which - parcels for commercial agricultural production, %	45%	43%	68%
parcels for individual peasant farming, %	48%	51%	31%
Total volume of transacted land, hectares	18199	106741	211423
Out of which - parcels for commercial agricultural production, %	75%	66%	88%
parcels for individual peasant farming, %	17%	32%	11%
Average parcel size, ha.	2,23	2,37	1,91
Among parcels intended for commercial agricultural production, ha	3,75	3,63	2,47
Among parcels intended for individual peasant farming , ha	0,78	1,45	0,70

**as of December 1, 2021*

Gift agreements & inheritance of farmlands

The land market opening allowed Ukrainian citizens to buy or sell their farmland and opened other ways of transacting the land. Apart from selling the land, the landlord could also conclude a gift agreement, exchange the parcel for something else, and sell the parcel using the lifelong annuity scheme (lifelong financial support). An opportunity to exchange a parcel or to sell it via lifelong annuity has not gained popularity. After the first five months of the land market, there are only 328 exchange agreements and just 20 contracts for a lifelong annuity.
On the other hand, gift agreements are on the rise and constitute an appreciable share of total transactions. As of December 1, 2021 - 84% of transacted parcels were sold, and 15% - transacted through the gift agreements.

In this special topic of our Land Review, we decided to compare inherited parcels versus the sold and transacted through the gift agreements parcels. We use the inherited land as a benchmark in this comparison since inheritance occurs regardless of the new owner's intention to sell this property in the nearest future. At the same time, the price may play a significant role in the decision to sell land. The higher is the price - the higher is the probability that the owner decides to sell his parcel. On the other hand, we can expect gift agreements to follow a similar pattern as an inheritance or being made regarding less liquid assets.

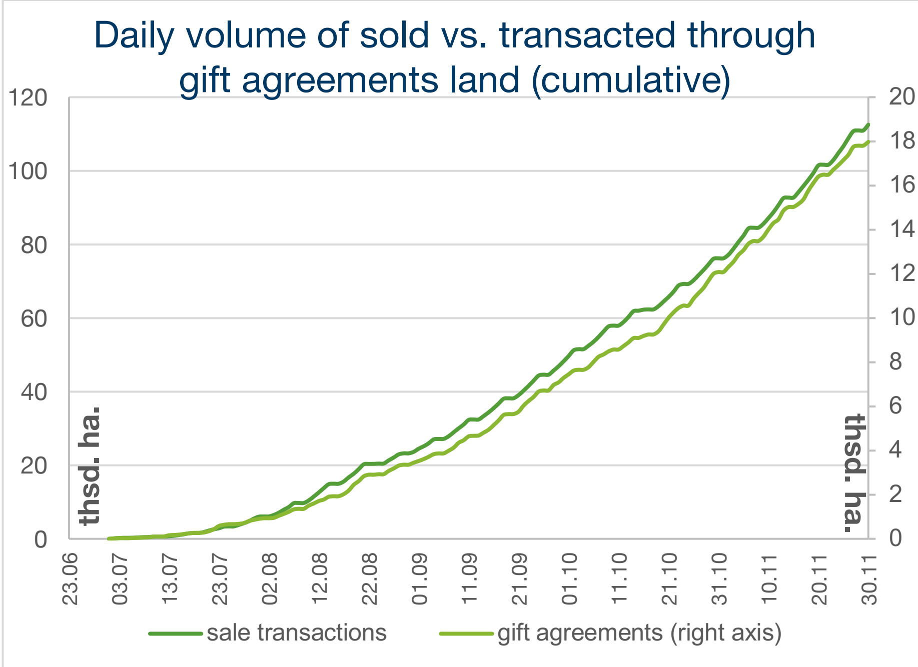
As we can see from the table above - even considering a substantial growth of the land market - it still lags behind the total volume of the inherited land. During the first five months of the land market - the volume of inherited land exceeds the volume of sold, exchanged, and gifted land by a factor of two.

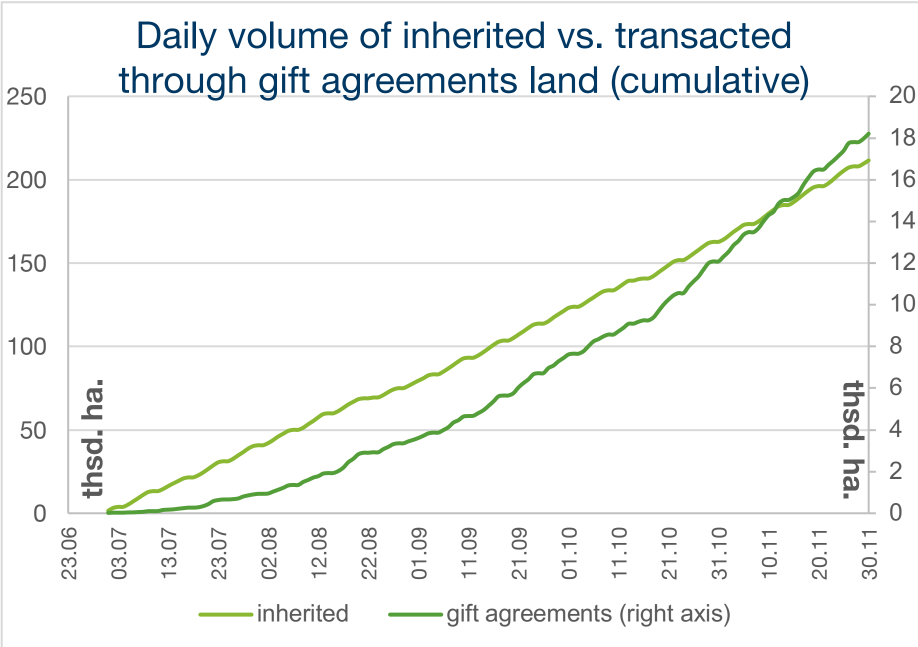
More than two-thirds of the inherited parcels are land for commercial production, followed by land for individual peasant farming, 31% of inherited parcels.

On the other hand, for gift agreements and sale transactions, the structure of transacted lands looks fairly similar and substantially differs from the pattern for inherited land. Land for commercial production made up 43% and 45% of all sold and transacted through the gift agreement parcels, while land for individual peasant farming constitutes 48% and 51% correspondingly.

The overall structure of transactions differs drastically if we analyze the transacted area rather than the number of transactions itself. The land for commercial production constitutes 75% of the total volume of land transacted through gift agreements. This indicator is noticeably smaller than for inherited land and equally larger compared to the sold lands. The picture for the individual peasant farming lands is the opposite.

Those differences are mainly explained by the contrast in the average parcel size, depending on the purpose of the parcel. Parcels intended for commercial agricultural production are typically larger than individual peasant farming lands.





The average parcel size for individual peasant farming land transacted through the gift agreement is 0.73 hectares, which fully corresponds to the average size of an inherited parcel with the same intended purpose - 0.7 hectares. For the sold land, on the other hand, the average size of an individual peasant farming parcel is twice as large, 1.42 hectares. Thus, we can conclude that judging by the average parcel size - for this category of the farmlands, the gift agreements resemble a picture essentially closer to the inherited land rather than the sold lands.

However, the picture for commercial production lands differs significantly. The average parcel size for land transacted through the gift agreement is 3.75, which is way closer to the sold lands, with an average parcel size of 3.63 hectares, than to the inherited land with an average parcel size of 2.47 hectares. Thus, as for the land for commercial agricultural production - the average parcel size for gift agreements exceeds the one for inherited land by one and a half times.

We can also compare the pace of development of the land market to the rate of inheritance of farmlands. As we can see from the lower graph - the overall pace of land inheritance remains the same throughout the whole period of observation. The volume of sale transactions, on the other hand, has exhibited substantial growth since the land market opening. The general pattern for the gift agreements and sale transactions is hugely similar and dramatically differs from the pattern for the land inheritance.

Lending with agricultural land as a collateral

	July 2021	August 2021	September 2021	October 2021
Number of banks that lent with land as a collateral	4	4	5	4
Number of credits with land as a collateral	6	13	14	11
The total volume of credits, thsd. uah.	28600	14548	56084	47957
The total amount lent to individuals, thsd. uah.	20600	14548	10405	4297
The total amount lent to legal entities, thsd. uah.	8000	-	9579	43660
The total amount lent to individial proprietors, thsd. uah.	-	-	36100	-
Breakdown by the term of the loan				
The volume of short-term loans (up to 1 year), thsd. uah	4 000	-	32 379	-
The volume of medium-term loans (from 1 to 5 years), thsd. uah	20 500	122	600	6 250
The volume of long-term loans (more than 5 years), thsd. uah	4 100	14 426	23 105	41 707
Weighted average credit interest rate				
For short-term loans (up to 1 year), %	16,0%	-	12,9%	-
For medium-term loans (from 1 to 5 years), %	14,2%	17,7%	15,1%	13,4%
For long-term loans (more than 5 years), %	10,0%	12,8%	13,2%	6,9%
The total value of the collateral, thsd. uah.	71218	40631	948586	192838
The total value of agricultural land used as collateral, thsd. uah	28959	3272	12531	9194
Other collateral, thsd. uah.	42259	37358	936054	183644
% of agricultural land's value in collateral's value	41%	8,1%	1,3%	4,8%
The total area of agricultural land used as collateral, ha.	470	53	61	227

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