



The Invincible  
LAND

# LAND MARKET REVIEW UKRAINE

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Center for Food  
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# UKRAINE NEEDS A FULL-FLEDGED AGRICULTURAL LAND MARKET



**Land market turned 2 years, of which almost 1.5 years are under the wartime pressure**

More than two years ago, on July 1, 2021, a truly historical event happened – a more than 20 years’ moratorium on purchases and sales of agricultural land was lifted and almost 43 million ha or more than 60% of Ukraine’s territory was finally turned into a full-fledged market asset. The Parliament adopted a conservative two-stage model of the land market opening. From the 1st of July 2021 only individuals - citizens of Ukraine received the right to buy agricultural land plots with their total size capped at 100 hectares. Whereas starting from January 1, 2024, legal entities will be allowed to buy the land, and the maximum total ownership area cap for one entity/individual will increase to 10,000 hectares. However, other substantial restrictions remain, i.e., the ban on sales of state and communal agricultural lands, as well as on the purchase of agricultural land plots by foreigners, the minimum land price at the normative land value, preemptive right of tenants. Under such constraints, economic benefits from opening the agricultural land market were rather limited so far.

**The agricultural land market was launched with a comprehensive support from other instruments and infrastructure**

The law on agricultural land turnover was accompanied by an unprecedented and comprehensive land reform laws package developed and adopted in 2019-21 to support an efficient and transparent land market functioning. It included eight laws requiring close to a hundred secondary legislation items. The legislation package was aimed at preventing land raiding, decentralizing land management and passing it over from the central state to local communities, introducing electronic land auctions and establishing tools for comprehensive land planning and use, creating the national infrastructure of geospatial data etc. The land reform package also laid a legislative infrastructure to establish institutions for supporting small farmers and empowering their capacity to compete for land, i.e., the State Agrarian Registry and the Partial Credit Guarantees Fund in Agriculture. The government managed to timely adopt necessary bylaws and to establish basic infrastructure, so that the market of agricultural land in Ukraine was opened according to a schedule on July 1, 2021 – 238 days before Russia's full-scale invasion.

For more than 500 days, the agricultural land market has been operating under the martial law that nobody expected whatsoever. Nevertheless, the market generates revenues for the budgets, provides income to smallholders, helps to attract investment, and will contribute to the post-war recovery of communities and the country overall.

Despite this, there are already several legislative initiatives to halt the reform and to postpone or even cancel the second stage.

**The agricultural land market is already showing stability and decent results, but the full effect is yet to come**

After two years of the land market inception and under the burden of tight restrictions and wartime hardships, the market outcome so far is quite limited. As of June 2023, 0.95% of the total agricultural area under the control of the Government of Ukraine has been traded. This is an encouraging outcome that is quite close to the developed countries benchmark, where on average about 1% of the total agricultural land area is traded (Nivievskiy et al., 2016). Due to the full-scale war of Russia against Ukraine, we inferred that 102 thousand agricultural land sales transactions of a total area of approximately 282 thousand hectares did not take place, and this makes up UAH 11.5 billion (US\$ 312 million or 0.2% of Ukraine’s GDP) of the war-induced losses (see Fig. 1).

At the same time, in the first 6 months of 2023, in all regions but the occupied ones, the

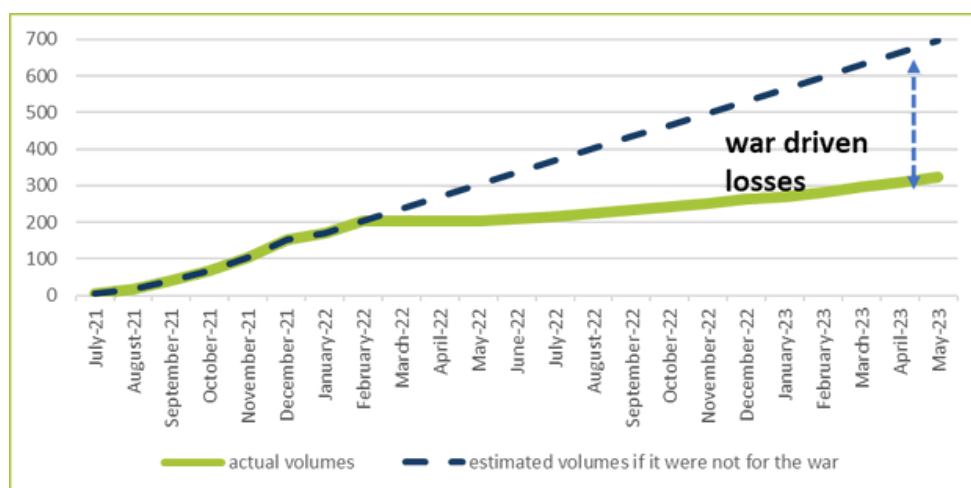
volume of transactions has recovered and even exceeded in some western oblasts, i.e., in Zakarpattia, Ivano-Frankivsk and Chernivtsi (+16%, +22% and +10% to 2021, respectively).

Full benefits from the land market will start to come after January 1, 2024, when legal entities will be allowed to buy agricultural land. The expected economic benefits from opening the land market for legal entities is in the range of 1-2.7% of GDP annually over the next 3 years. The result will depend on the duration and intensity of hostilities, the availability of financial support for small agricultural producers, including for the purchase of land plots.

**The potential of agricultural land as collateral is to materialize, conditional on the full participation of legal entities in the land market**

For farmers, land is an additional asset for attracting loans and investments, the potential of which will be impossible to realize without the second stage, since it is impossible to ensure sufficient liquidity of the market without the full participation of legal entities in it.

**Fig. 1. Actual and estimated monthly sales transactions, in 000 ha**



\* KSE Agrocenter estimations using the data of StateGeoCadastre

[1]Restrictions on farmland sales markets: a survey of international experience and lessons for Ukraine (Nivievskiy O, D, Nizalov and S. Kubakh, 2016). VoxUkraine paper



Currently, only about 6% of loans are secured by agricultural land.

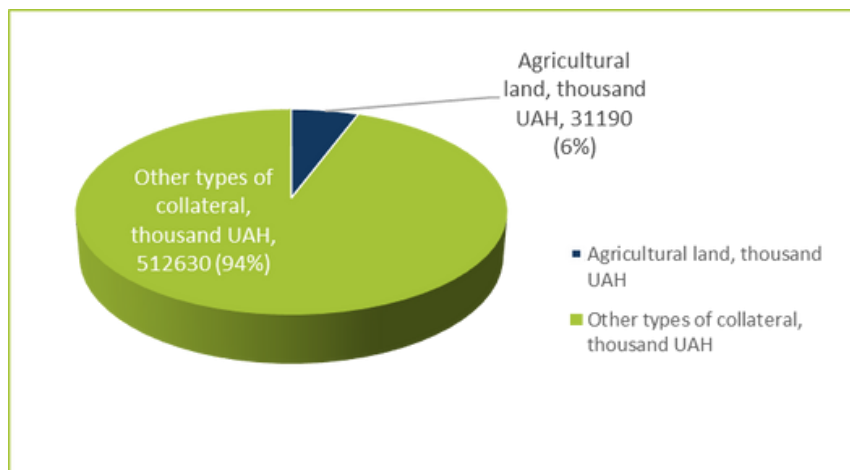
For comparison and as a benchmark, in the USA with its well-established and functioning agricultural land market, about 50% of all agricultural loans are secured by land, and the volume of these loans per 1ha of agricultural land is approximately 200 times larger than it is in Ukraine.

liquidity ratio of agricultural land as collateral based on the information about land transactions for the last two years.

**The agricultural land market will facilitate rebuilding of agricultural sector and communities**

In July 2023, the Project “Invincible Land conducted a survey “Impact of the land market

**Fig. 2. Loans by type of collateral, 000 UAH**

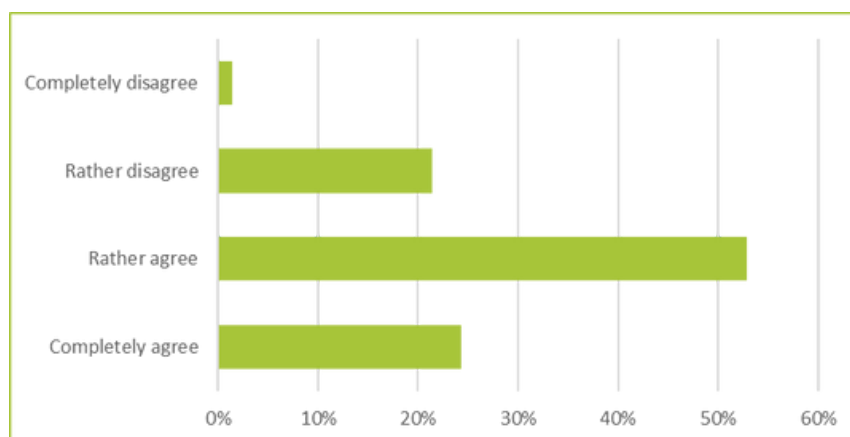


\* According to NBU, for the period from March 2022 to May 2023

Significant increase in using agricultural land as collateral should be expected after opening of the agricultural land market for legal entities, and the Partial Credit Guarantees Fund in Agriculture is fully operational. It is also time for the National Bank of Ukraine to review the

on the well-being and rebuilding of communities”. Representatives of 97 communities with a total of more than 3 million ha of agricultural land and with over 5,000 agricultural producers, took part in the survey.

**Fig. 3. Do you agree that the agricultural land market development will contribute to the post-war reconstruction of your community?**



\* KSE Agrocenter, Survey “Impact of the land market on the well-being and recovery of communities”, July 2023

[2] KSE Agrocenter. Analytical review of the land market in Ukraine, May 2023  
 [3] KSE Agrocenter. Agricultural War Damages, Losses, and Needs Review Issue 3 - April 2023

Thus, 81% of the surveyed communities positively assess the impact of the land market opening on their wellbeing, and 62% are convinced that the financial wellbeing of landholders has improved as a result of the land market opening.

In addition, 77% of the surveyed communities believe that the development of the agricultural land market will contribute to the post-war reconstruction of their communities. More than 82% are convinced that this will also be facilitated by lifting the ban on the sales of state and communal lands. More than half of the respondents support cancellation of free privatization of state and communal agricultural lands by citizens as one of the prerequisites for economic recovery.

### Price registration and mass valuation are essential

Agricultural land prices in local currency (hryvnia) continue to grow moderately (see Fig 2 & 3). Prices for commercial agricultural land are traditionally somewhat higher than for other land use types. Distance to the intensive fighting, as well as the normative monetary valuation (NMV), remain the key driving factors for prices.

Since the publication of the recent monthly land market review in May 2023 that put a spotlight on the problem of low price registration levels, the StateGeoCadastre has facilitated the information exchange with the State Registry of Property Rights and updated information on prices in the official list of sales transactions. As a result, the share of registered prices reached almost 100% in June 2023.

The discrepancy between the officially registered and actual market prices remains, however. For 53.4% of transactions in June 2023, the registered agricultural land prices did not exceed the NMV by more than 2%. At the same time, the estimated ratio of rental

Fig. 4. Development of sales prices (weighted avg), in 000 UAH/ha



\* Based on the data of StateGeoCadastre

Fig. 5. Development of prices (weighted avg, \$/ha)



\* Based on the data of StateGeoCadastre

[4] KSE Agrocenter. The land market in Ukraine: an analytical review for the 2nd quarter and June 2023

[5] KSE Agrocenter. Analytical note on the impracticality of renewing the free transfer of agricultural land to private ownership, May 2023

auction price for communal land to the registered sales price is 1:3.5, suggesting that the registered sales prices are at least twice as low as the real market prices.

Implementing mass land valuation based on market prices instead of NMV should help to tackle this issue. The law that establishes a legal background for introducing a mass land valuation pilot has been recently adopted. However, it is necessary to further support a high level of price registration for all types of land plot transactions.

**Control over the implementation and improvement of land legislation will also contribute to the development of the land market**

Over the past five years, there have been tectonic changes in Ukraine's land governance. In order to implement eight laws of the so-called land reform package adopted in

2019-2021, the Cabinet of Ministers of Ukraine adopted 49 by-laws; four are under development; eleven by-laws are still to be adopted. The biggest lag is observed in the area of management of historical and cultural lands.

The priority directions for improving land legislation are the introduction of mass land valuation, cancellation of free privatization, resolving the issue of land consolidation, comprehensive reform of the right for permanent use of land plots, including the creation of an effective mechanism for the use of land by state enterprises and introduction of a transparent mechanism for the sales of state and communal land plots in electronic land auctions.

The next stage in the land legislation development will be its alignment with the EU land governance legislation as part of Ukraine's EU accession process.

# HIGHLIGHTS OF THE ROUNDTABLE “LAND MARKET IN UKRAINE: EXPECTATIONS AND REALITY”

On July 26, 2023, USAID Program for Agrarian and Rural Development (AGRO) jointly with the KSE Agrocenter organized a public discussion “Land Market in Ukraine: Expectations and Reality” with the key policymakers, market participants, local government and land experts.

Oleg Nivievskyi, vice president for economic education at the Kyiv School of Economics, made a key-note presentation on behalf of the team of the Project The Invincible Land, implemented with the support of the USAID AGRO Program.

“Opening of the agricultural land market for legal entities from January 1, 2024, can generate an additional 1-2.7% of GDP annually over the next 3 years. Despite the war-induced losses, the land market is recovering. Since the land market opening in July 2021, over 152,000 sales transactions for a total area of more than 338,000 hectares have been concluded. This makes 0.82% of the total agricultural land in Ukraine (including Crimea and other territories of Ukraine temporarily occupied by russia), and 0.95% of the total agricultural land area controlled by Ukraine,” according to Oleg Nivievskyi.



“The land market opening has become an incentive for the development of those

directions in which investments were not possible before. For example, significant positive changes happened in horticulture and irrigation”, as reported by Mykola Solskyi, Minister of Agrarian Policy and Food of Ukraine.

“The second stage of the land market opening is extremely important both for today and for the post-war reconstruction and transformation of the agricultural sector. We already see that due to problems with logistics, the agricultural sector needs to develop agricultural processing. Projects with long-term payback involve the use of owned, not leased land”, as emphasized by Denys Bashlyk, Deputy Minister of Agrarian Policy and Food of Ukraine for Digital Development, Digital Transformations and Digitalization.

“It is critical that the format of the land market, that was determined in 2020, is continued and implemented throughout the entire reform process. This consistency is needed for both Ukrainian agribusiness and for landowners, as well as for the value of agricultural land as an asset and as an object for investment. Besides, in the future, the issue of agricultural land as a collateral and the options for using lease rights as a collateral, will need to be addressed. This could help the agricultural sector attract additional financing for post-war reconstruction,” as added by Roman Slastyon, executive director of the UCAB Association.

## LAND MARKET NEWS

**May 2, 2023** - The Verkhovna Rada of Ukraine adopted Law #3065-IX “On Amendments to Certain Legislative Acts of Ukraine Regarding Improvement of Legal Regulation of Notarial and Registration Acts Upon Acquisition of Rights to Land Plots.” The Law improves the procedure for purchasing agricultural land plots: it is specified that each of the spouses can acquire ownership of 100 hectares (and not 100 hectares for two); it simplifies the eligibility check procedure implemented by notaries for the purchase of small land plots (land for horticulture and personal farming within the settlement); it also improves the mechanism for implementing the preemptive right to purchase a land plot and concluding a sale agreement. The ban on the acquisition of land by sanctioned persons has been strengthened. The law also provided for the pilot project on the land mass valuation. The law entered into force.

**May 12, 2023** - The Cabinet of Ministers of Ukraine adopted Resolution #474 dated May 12, 2023 “On public monitoring of land relations”. It provides for the creation of a comprehensive public land monitoring system, which will provide all interested parties with access to key indicators of the land market and the state of land relations - up to the level of communities, which will contribute to improving the quality of data in official registers, empower communities to better manage their land bank, provide data for in-depth statistical and economic analysis, and will help to identify bottlenecks of the land legislation.

**July 25, 2023** - The Cabinet of Ministers of Ukraine adopted Resolution #766 in compliance with the requirements of the State

Anti-corruption Program for 2023-2025, resuming the implementation of the pilot project on entering information about land plots into the State Land Cadastre by certified land surveyors. This initiative will contribute to liberalization of land registration services, increase their quality and speed, relieve cadastral registrars, and reduce corruption risks during land registration. The results of the pilot should be evaluated, and the best practices should be institutionalized by a relevant law.

**July 27, 2023** - The Verkhovna Rada adopted as a whole the DL #7588 “On Amendments to Certain Legislative Acts of Ukraine on Increasing the Efficiency of Land Use by Individuals and Subjects of the Public Sector of the Economy”. The law stipulates that agricultural lands on the right permanent use by the National Academy of Agrarian Sciences of Ukraine, the penitentiary service and other state-owned enterprises will be leased at 12% of the normative money valuation, instead of 1%, and may be subleased through public electronic auctions at Prozorro.Sales platform. The adopted changes contribute to filling of local budgets, and increasing transparency of land use. The law is awaiting the signature of the Chairman of the Verkhovna Rada, the President of Ukraine and further publication.

**July 29, 2023** - Law #3223-IX “On Amendments to Certain Legislative Acts of Ukraine on the Application of Sanctions” entered into force. The launch of the registry will be important for automatic eligibility checks of buyers of land plots. The procedure for maintaining and accessing the Register will be determined by the relevant regulation of the National Security and Defense Council of Ukraine.



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## Contacts

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<https://agrocenter.kse.ua>

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