The Invincible LAND

ANALYTICAL REVIEW OF THE LAND MARKET IN UKRAINE

May 2024

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KSE Center for Food and Land Use Research

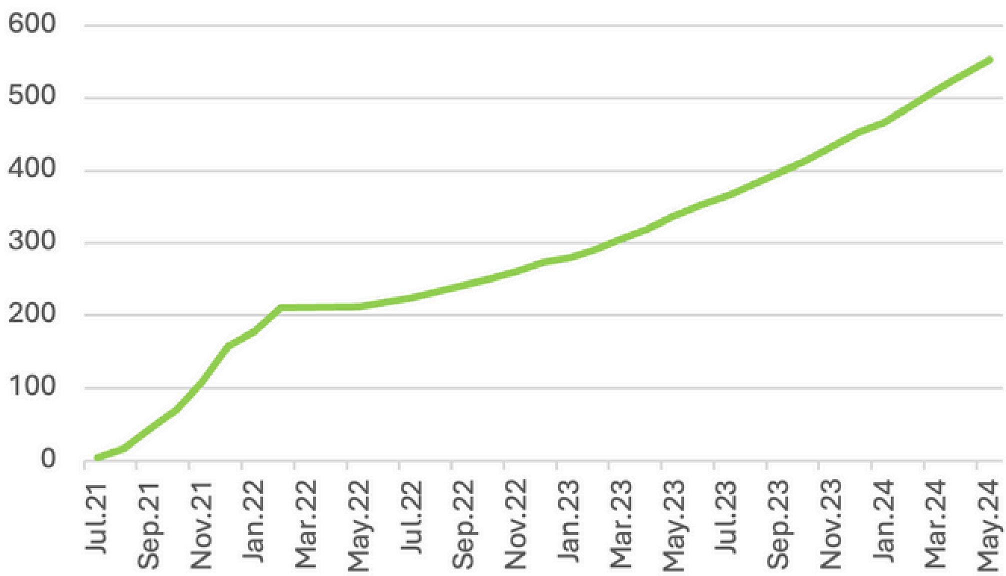
KEY INDICATORS OF THE AGRICULTURAL LAND MARKET IN UKRAINE	
Lands registered in the State Land Cadastre	**44.9 million hectares (74.4%)**
Agricultural lands registered in the State Land Cadastre	**33.0 million hectares (77.2%)**
The average normative monetary value of arable land	**UAH 28,924/ha**
Average weighted amount of rent for plots of agricultural land designated as communal property (at land auctions)*	**UAH 8,771/ha**
Average weighted price of purchase and sale of a plot of agricultural land of destination**	**UAH 43,582/ha**
Area of farming lands used as a pledge of farming loans***	**15 460 ha**
The average number of purchase and sale transactions per day in May 2024.	**290**
The average size of the land plot of the sale agreement	**2.24 ha**
The number of concluded purchase and sale agreements, total	**246 769**
Area of registered purchase and sale agreements, total	**552 899 ha**

*according to "Prozorro.Prodazhi" data from 01.01.2024 to 01.06.2024, larger plots receive more weight when calculating the average price per hectare
** average price weighted by area from 01.01.2024 to 01.06.2024; larger plots receive more weight when calculating the average price per hectare; 1% of the most expensive and 1% of the cheapest plots are not considered.
***From 01.01.2022 to 31.12.2023

LAND MARKET IN MAY 2024

April 2024 witnessed a remarkable surge in land market volumes, marking the highest number of transactions since the start of the full-scale invasion. This surge, however, was followed by a decline in May. The volume of the land market in May was 13% smaller than the market volume in April - both in terms of the number of transactions and the area of land in circulation. Despite this decline, the May indicators significantly surpass the average monthly indicators of the previous year - by 28.9% in the number of concluded agreements and by 31.3% in terms of the land area in circulation. The previous month-on-month decline in land market volume was seasonal, as in January 2024, when transaction volume fell by 24% compared to December 2023, a typical pattern for the first month of the year in all years since the land market opened. That is not relevant for May. Therefore, the land market data for the past month will require additional analysis, which is crucial for our stakeholders to stay informed and involved in the market trends.

Fig. 1. Dynamics of the volume of purchase and sale agreements (cumulative), thousand ha



* According to the State Geocadastre data for the period from 07/01/2021 to 05/31/2024

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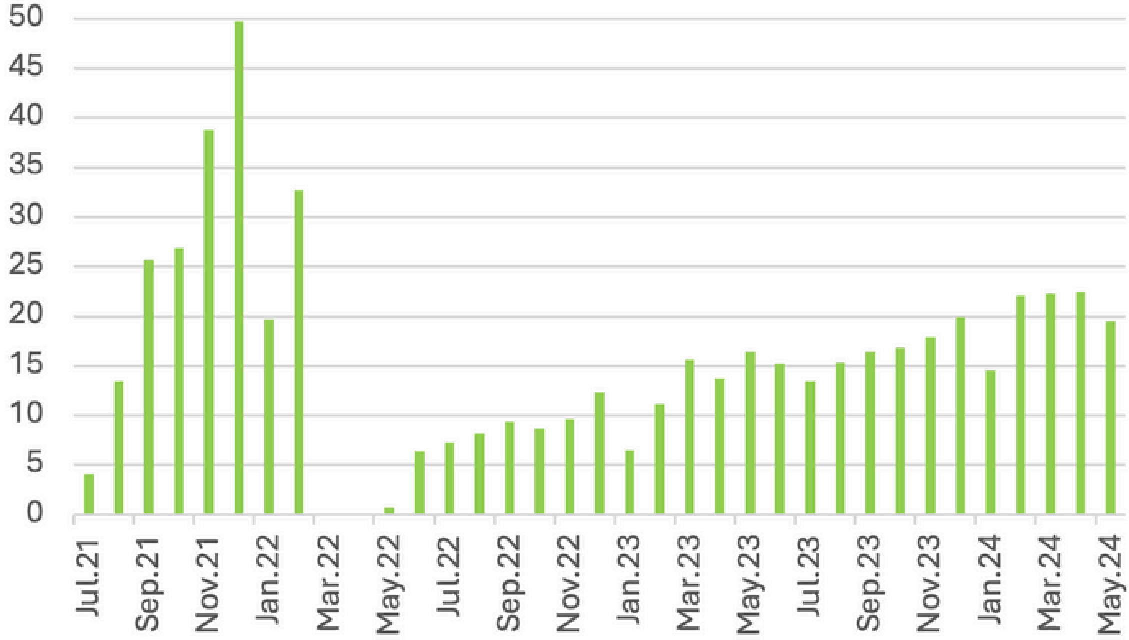
The total volume of the land market since its opening in July 2021 reached 246.8 thousand transactions on a total area of 552.9 thousand hectares. In total, since the opening of the land market, as of the end of May 2024, 1.34% of the total area of all agricultural land in Ukraine was in circulation. Or 1.62% if we count only those regions where the land market is not complicated by hostilities or occupation.

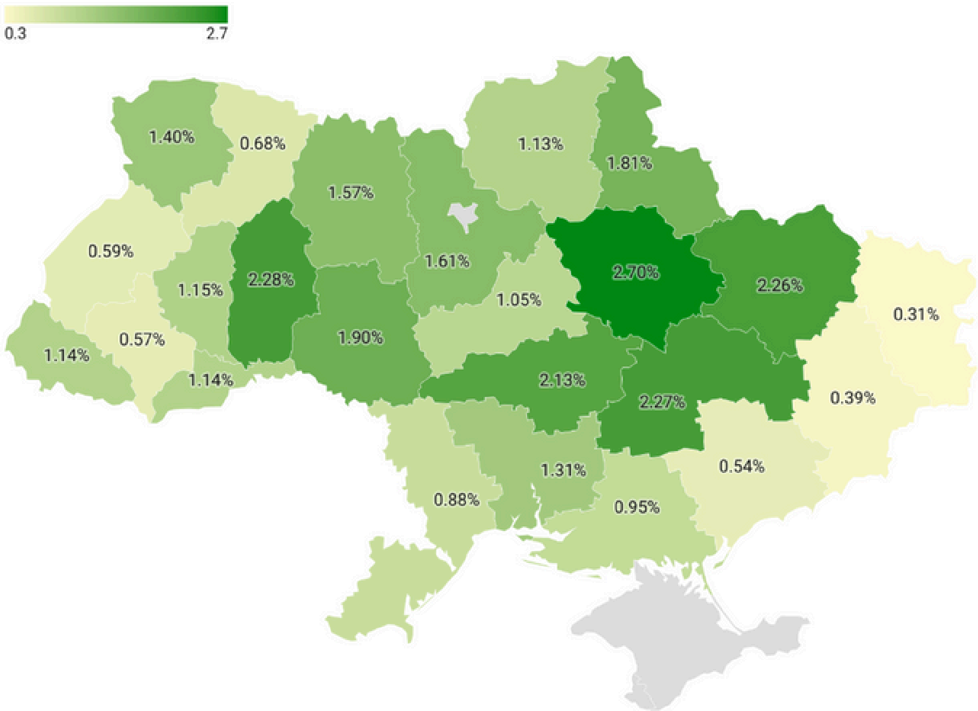
Fig. 2. Dynamics of the volume of purchase and sale agreements (monthly), thousand hectares



* According to the State Geocadastre data for the period from 07/01/2021 to 05/31/2024

According to this indicator, the land market in Ukraine has significant growth potential. If we extrapolate the results of the first 5 months of 2024, then this year in Ukraine, 0.59% of the area of all agricultural land will be in circulation. At the same time, considering that the land market does not function in the occupied territories, this indicator is close to the indicators of developed markets. The share of land in circulation in the most liquid regions of Ukraine - Kharkiv, Dnipropetrovsk, Khmelnytskyi, and Poltava regions is over 2.2%, corresponding to the indicators of developed markets. This potential growth should instill optimism and hope in our stakeholders about the future of the land market in Ukraine.

Fig. 3. The share of land in circulation from the total area of rural land in the region



* According to the State Geocadastre data for the period from 07/01/2021 to 05/31/2024

AGRICULTURAL LAND PRICES ARE INCREASING

Agricultural land purchase and sale prices in May of this year increased significantly compared to previous months and are currently the highest in the entire history of the land market. The weighted average price per hectare in May was UAH 45,000, 8.2% more than the prices in April 2024 and 5.6% more than in March this year. Moreover, the land cost designated for "commercial agricultural production" was even higher and reached UAH 46.2 thousand. This increase in prices in May 2024 can hardly be regarded as a long-term trend. However, it is worth noting that since the beginning of 2024, average land prices have remained significantly higher than in previous periods. Therefore, opening the land market for legal entities in January 2024 caused structural changes in market conditions, which led to an increase in the value of agricultural land.

Fig. 4. Dynamics of weighted average prices, thousand UAH/ha

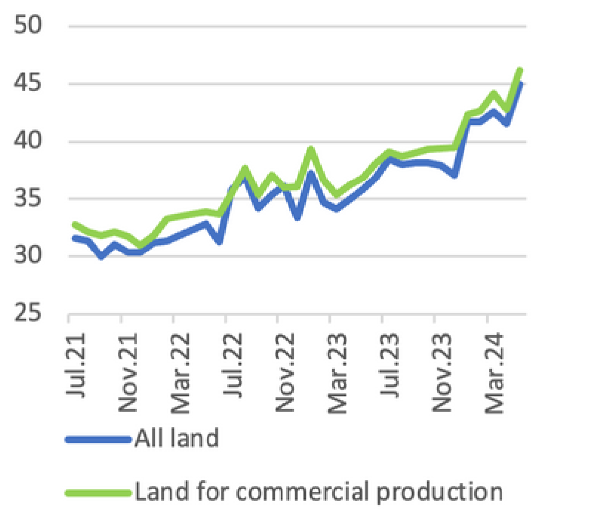
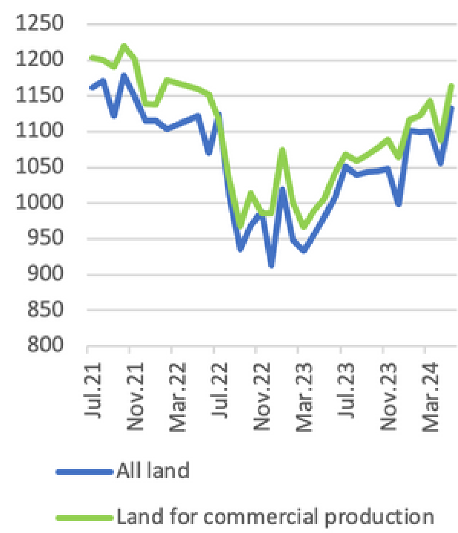


Fig. 5. Dynamics of weighted average prices, $/ha

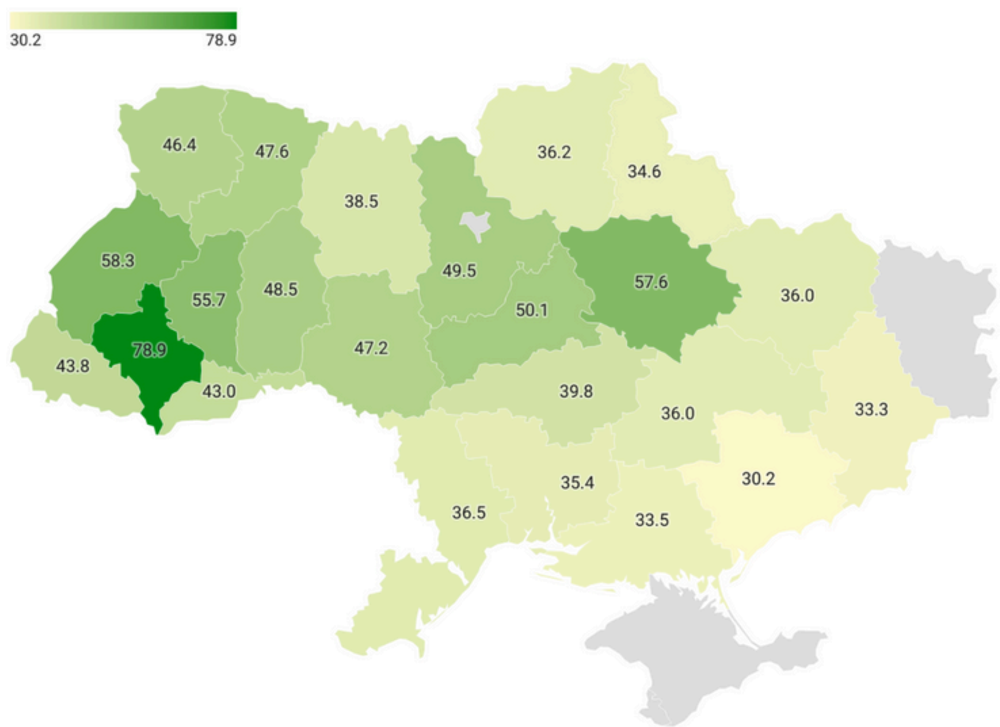


* According to the State Geocadastre data for the period from 07/01/2021 to 05/31/2024

At the same time, it is essential to understand that the specified prices are based on the official prices registered in the Register of Real Property Rights when concluding purchase and sale agreements. Market prices for land can be much higher because most transactions are concluded at a price that does not differ from the regulatory monetary assessment (the minimum price established by law for former moratorium lands) by more than 2%. At the same time, because the share of deals concluded at a price equal to the NGO is constant month to month - the percentage change in prices in transactions reflects the percentage change in market prices for agricultural land.

Despite the slight decrease in prices in April 2024, the increase in the value of agricultural land in May this year can hardly be regarded as a long-term trend. However, it is worth noting that since the beginning of 2024, average land prices have remained significantly higher than in previous periods. Therefore, opening the land market for legal entities in January 2024 caused structural changes in market conditions, which led to an increase in the value of agricultural land.

Fig. 6. Weighted average prices by region in 2024, thousand UAH/ha



* According to the data of the State Geocadastre for the period from 01.01.2024 to 05.31.2024

THE PARTICIPATION OF LEGAL ENTITIES IN THE LAND MARKET HAS NOT CHANGED

From January 1, 2024, legal entities were granted the right to acquire former moratorium agricultural land, provided they were founded by Ukrainian citizens who were not sanctioned. Since the beginning of this year, the limit for the purchase of agricultural land has also increased to 10,000 hectares.

Since the opening of the land market for legal entities, 724 companies have exercised the right to purchase agricultural land, of which 318 companies bought at least one farming plot in May 2024. That corresponds to the indicator of April 2024, when 322 legal entities purchased at least one plot of land. Considering that in

Ukraine, 23.5 thousand agricultural producers are engaged in producing grains and legumes, and 18.5 thousand agricultural producers are engaged in producing sunflowers - the number of legal entities in the land market has a significant potential for growth.

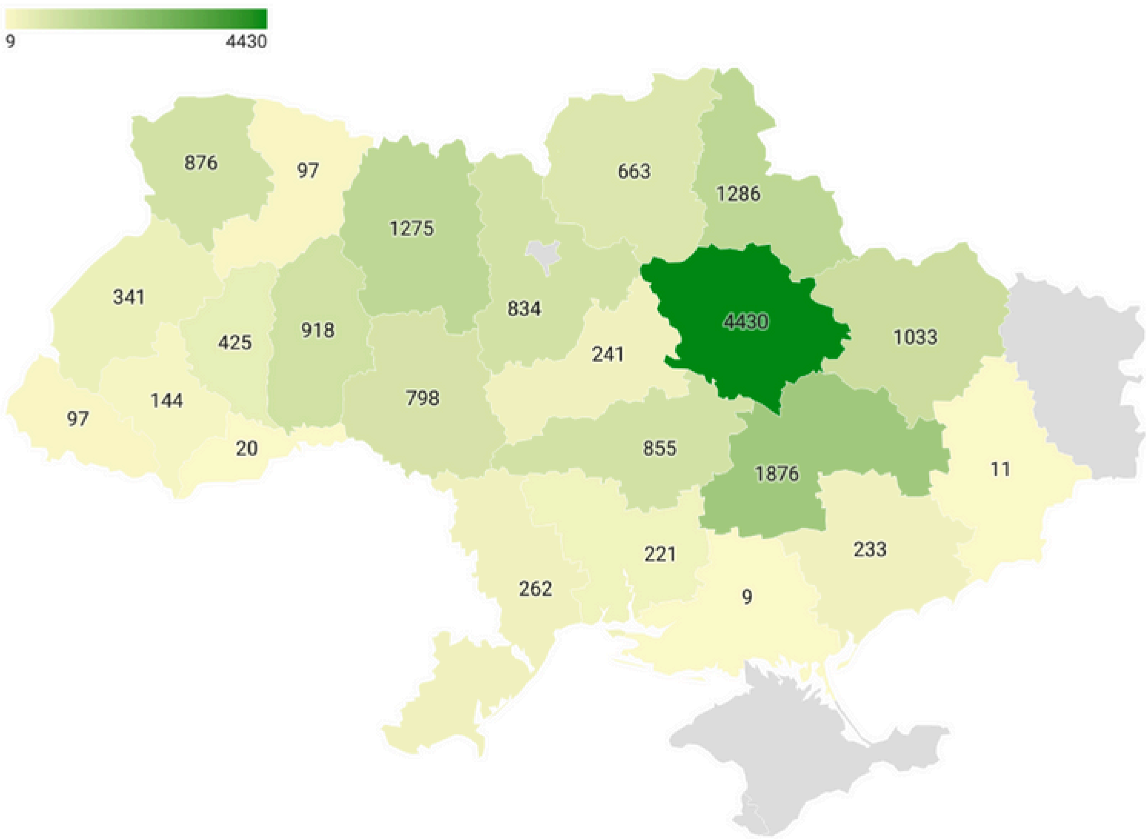
Since the beginning of 2024, legal entities have acquired 5,879 land plots with a total area of 16,900 hectares, of which they acquired 3,900 hectares during May 2024. In April 2024, legal entities acquired 4.5 thousand hectares. Therefore, the behavior of legal entities in the land market corresponds to the market trends. Against the general decrease in the market volume, the volume of land purchased by legal entities also decreased. The aggregate share of legal entities in the land market in May 2024 reached 20.0%, which corresponds to the indicators of April 2024.

Most land plots purchased by legal entities are former moratorium lands. Of the 5,879 purchased plots, 4,427 are lands for commercial farming, and another 1,381 are lands with a target purpose for personal farming, most of which were also under moratorium until July 2021.

The area of plots purchased by legal entities in 2024 is unevenly distributed by region - 26% of the plots are located in the Poltava region. The three leading regions in land area acquired by legal entities also include the front-line Dnipropetrovsk (11% of the total area of agricultural land purchased in May) and Sumy (8%) oblasts. Legal entities did not buy any land in only two regions of Ukraine, a large part of which is under occupation - the Luhansk region and the Autonomous Republic of Crimea.

Due to the relatively small number of land transactions involving legal entities and their uneven geographic distribution, it is too early to directly compare the prices of plots purchased by individuals and legal entities. Instead, comparing the median price increase relative to the regulatory, monetary assessment (NGO, which acts as the minimum selling price for former moratorium lands) for individuals and legal entities - land buyers gives an exciting result. The median ratio of the price of deals concluded in 2024 by individuals to NGOs is 1.01. This means that for 50% of transactions involving individuals, the selling price does not exceed the NGO by more than 1%. A similar indicator for legal entities is 1.68, i.e., in 50% of cases concluded by legal entities, the transaction price exceeds that of NGOs by more than 68%. Such a discrepancy may indicate that legal entities are willing to pay a much higher price for agricultural land or are more motivated to reflect the actual price of the transaction in official documents instead of specifying the minimum allowable price with an additional payment of the difference in cash.

Fig. 7. Area of agricultural land purchased by legal entities in 2024, ha

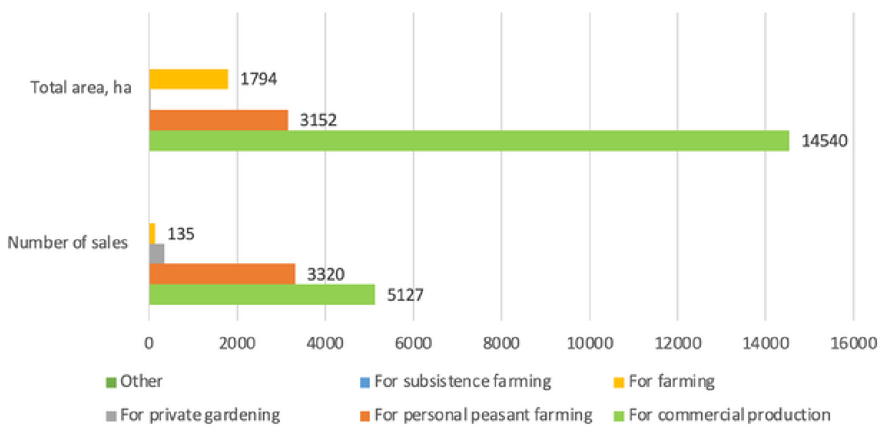


* According to the data of the State Geocadastre for the period from 01.01.2024 to 05.31.2024

EX-MORATORY LAND DOMINATES IN CIRCULATION

As in previous months, purchase and sale agreements in May 2024 were concluded mainly with so-called "commodity" lands (57%) and lands for personal farming (37%), a large part of which was under moratorium until July 2021. At the same time, the area of land in circulation, due to the larger average area of the land plot, is dominated by commercial land (74%), while plots for the management of OSG make up only 16% of the total area of sales land transactions in May 2024. Another 9% of the area in circulation in May is land for farming.

Fig. 8. Distribution of purchase and sale agreements according to the purpose of the land plot in May 2024



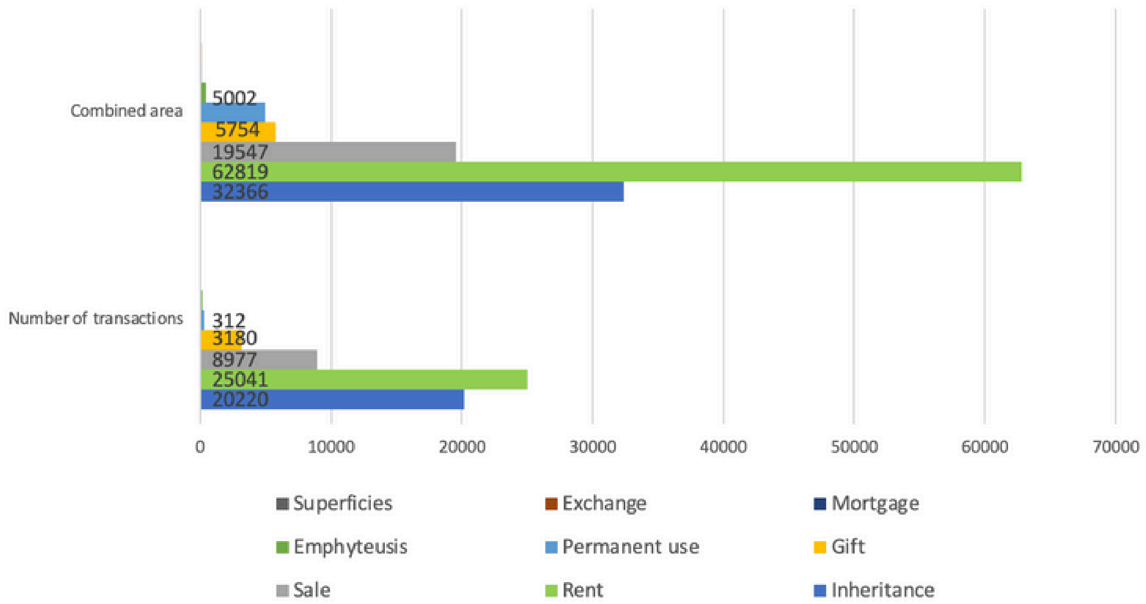
* According to the data of the State Geocadastre for the period from 01.01.2024 to 05.31.2024

After a rapid increase in the volume of lease agreements concluded in April, when almost 32,000 were concluded, their number in May returned to the average figure of Q1 2024. In May 2024, 25,000 agricultural land lease agreements were concluded, while in Q1 2024, 24,000 lease contracts were concluded on average.

Among the 58,000 transactions with farming land in April 2024, leases (25,000) and land inheritance (20,200) prevailed. Land purchase and sale contracts held third place (9,000).

The total area of lease agreements concluded in May 2024 was 62.8 thousand hectares, while the total area of sold land was three times smaller - 19.5 thousand hectares. Also, in May 2024, 30 cases of mortgage transfer of agricultural plots with a total area of 81 hectares were recorded.

Fig. 9. Land agreements by types of transactions in May 2024



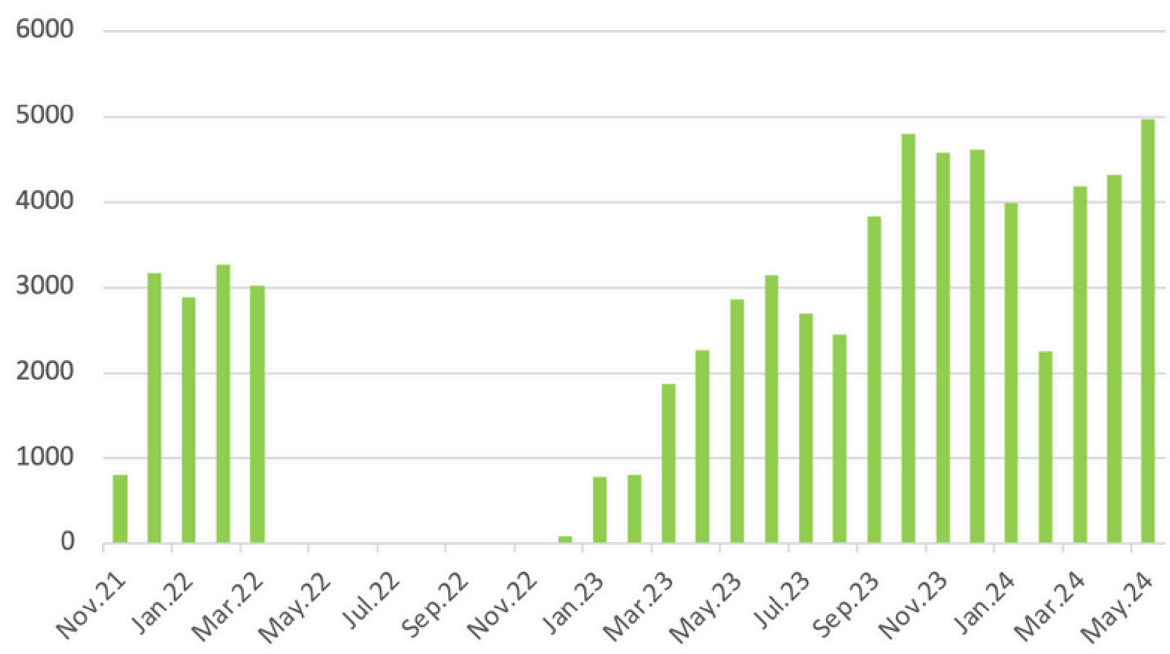
* According to the data of the State Geocadastre for the period from 01.05.2024 to 31.05.2024

LAND AUCTIONS - INCREASE IN VOLUMES AND PRICES

Starting in October 2021, communal land was provided for rent through electronic auctions on the Prozorro.Sales platform. Since then, 7,918 plots of communal property with a total area of 67.7 thousand hectares have been successfully leased, which brings the communities 594.2 million hryvnias of income annually.

According to the updated data, in May 2024, 619 successful land auctions with a total area of 5.0 thousand hectares were held, i.e., 10% more than the number of successful land auctions and 15% more than the total area of successful auctions in the Prozorro.Sales platform in April this year.

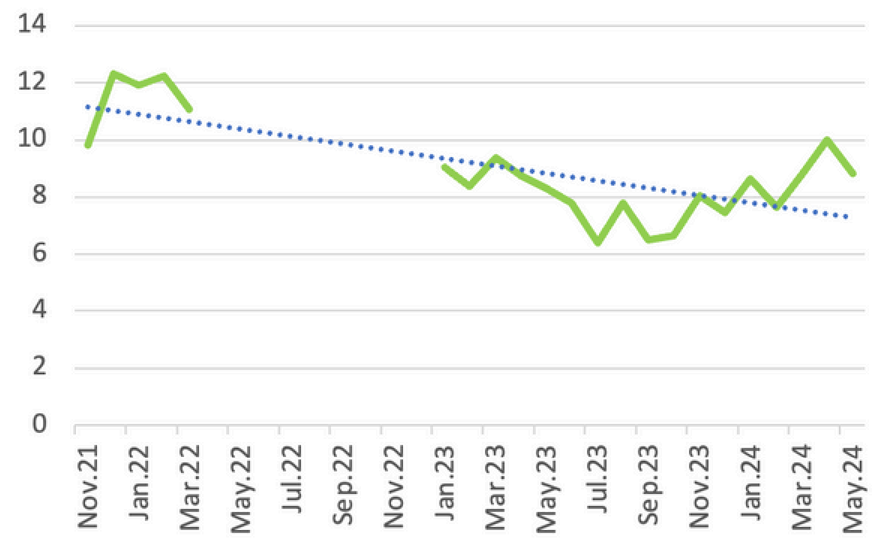
Fig. 10. Dynamics of sale of lease rights at land auctions, ha



* According to Prozorro. Sales for the period from November 2021 to May 2024

After an abnormal price increase in April 2024 to UAH 10,000 for the annual lease of a hectare of land against UAH 8,800 in March, the price at land auctions in May 2024 returned to the average value observed in the first quarter of 2024. The weighted average rental price at land auctions in May amounted to UAH 8.8 thousand per hectare.

Fig. 11. Price dynamics at land auctions, thousand UAH/ha



* According to Prozorro. Sales for the period from November 2021 to May 2024

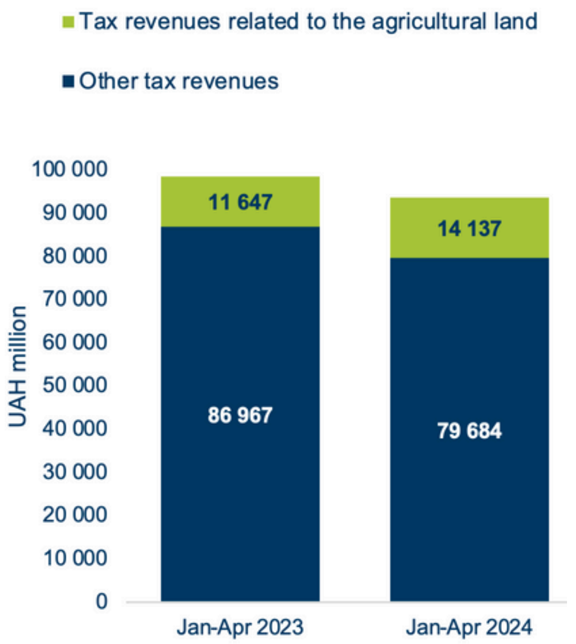
INCOME TO COMMUNITY BUDGETS GROWING DUE TO THE LAND MARKET

The circulation and use of agricultural land bring significant income to territorial communities. Yes, they are paid to the budget revenues of communities the following tax revenues related to agricultural land:

- rent for the use of communal land;
- land tax;
- single tax on agricultural producers;
- personal income tax (PIT) received from the lease or sale of land plots;
- in some cases - the minimum tax liability (MTL).

According to operational data on budgets from the official web portal of the Ministry of Finance of Ukraine Open Budget, in April 2024, thanks to **circulation and use of agricultural land**, community budgets were replenished by almost UAH 4.8 billion. This volume is 30% higher than the revenues in April 2023 and the largest since the beginning of the agricultural land market. April became the first month since the start of the year when other tax revenues of communities increased in annual terms by 4%, which is a lower growth rate than revenues from circulation and land use. Since the beginning of 2024 (in January-April), communities have already received more than UAH 14 billion in tax revenues related to the circulation and use of agricultural land, which is 21% higher than the same value for 2023. In the first four months of 2024, the share of these revenues in the aggregate tax revenues of communities increased from 12% to 15%. Therefore, the agricultural land market is becoming increasingly important for preserving **financial capacity** at the local level.

Fig. 12. Tax revenues of communities, UAH million



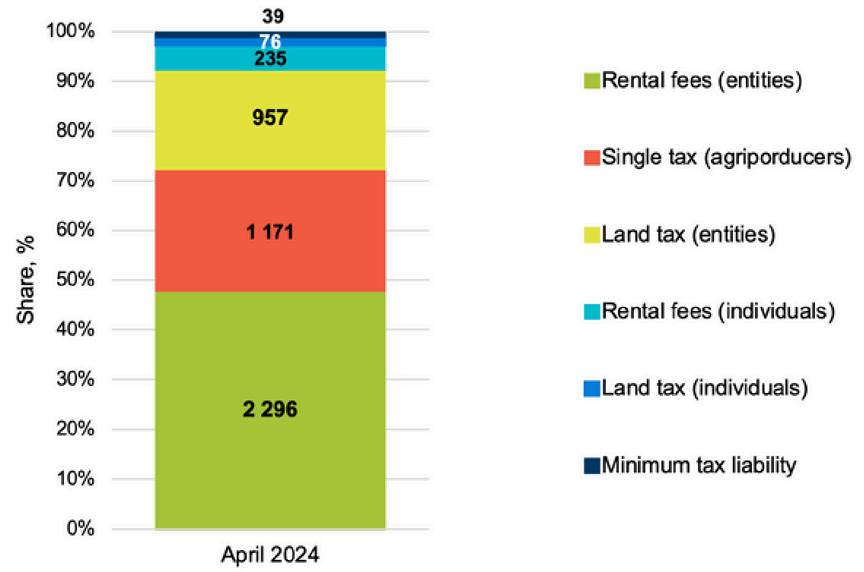
* Own calculations based on data from the OpenBudget portal of the Ministry of Finance of Ukraine

In April 2024, they increased **payments for the lease of communal land**, which forms the basis of the budget revenues of communities related to agricultural land. In April 2024, more than **UAH 2.5 billion** rents, which is 38% more than in March 2024 and 60% more than in April 2023. Conclusion of agreements at electronic rental auctions on the Prozorro platform. Sales and indexing of NGOs have an increasingly tangible effect on filling local budgets. According to the type of tenants, the largest payers for communal agricultural land are legal entities (mainly agricultural enterprises), which provide more than 90% of all rental income.

In April 2024, communities' income from

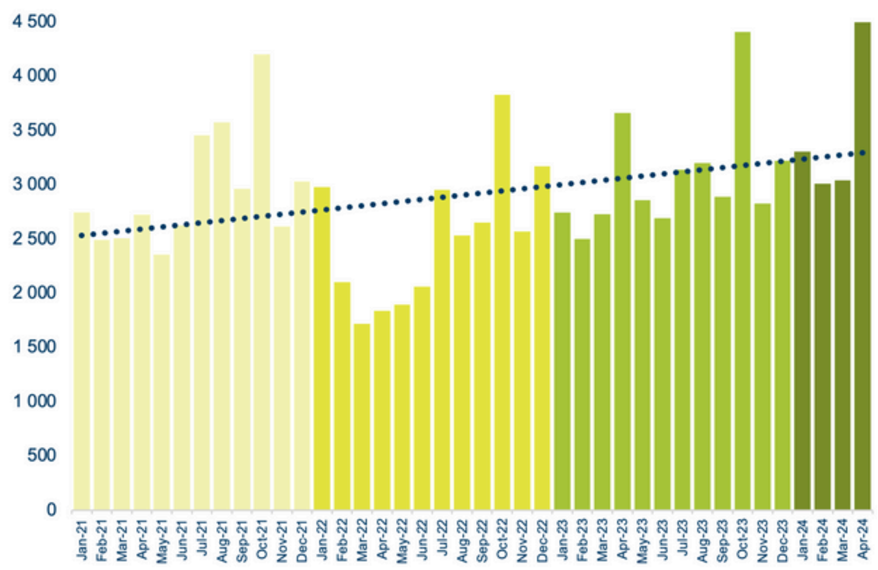
payment increased significantly **in land tax** - by 27% annually. In April 2024, more than UAH 1 billion was paid to the communities' budgets. In April 2024, agricultural producers operating under a simplified вtaxation system replenished their budgets for UAH 222 million, having paid **a single tax**. Personal income tax in the form of **minimum tax liability** brought an additional UAH 39 million to communities.

Fig. 13. Budgetary incomes of communities related to agricultural land, million UAH



* Own calculations based on data from the OpenBudget portal of the Ministry of Finance of Ukraine

Fig. 14. Budgetary incomes of communities related to agricultural land, million UAH

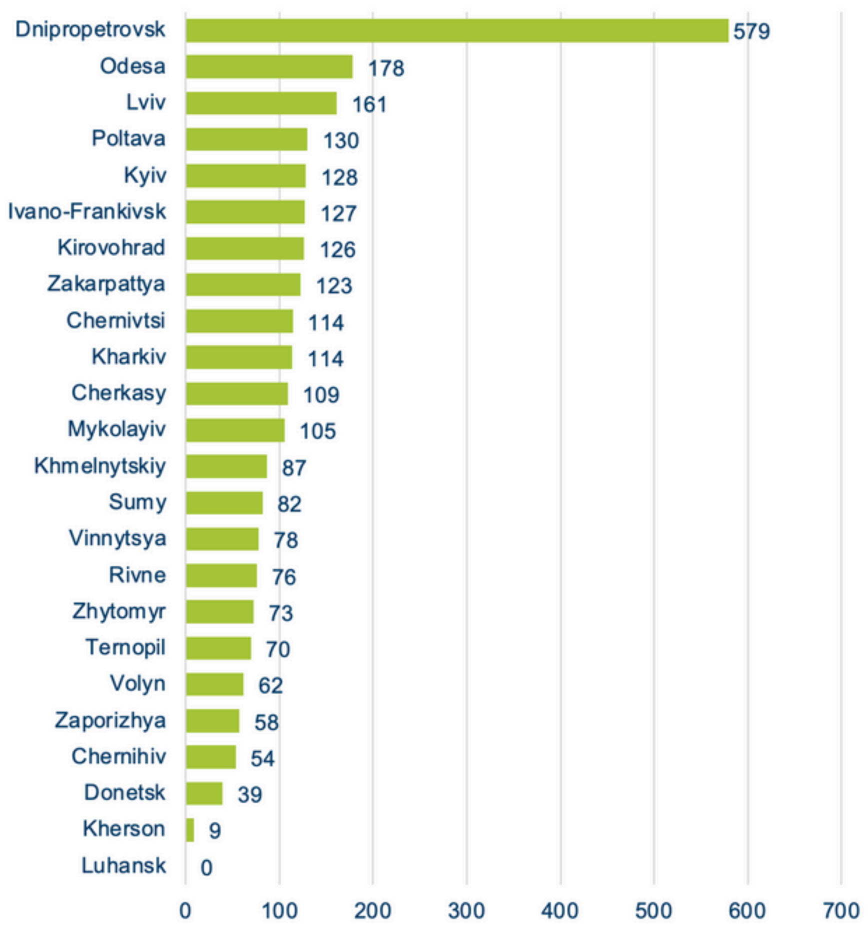


* Own calculations based on data from the OpenBudget portal of the Ministry of Finance of Ukraine

Among the regions for April 2024, **the most income** related to the circulation and use of agricultural lands was transferred to the budgets of communities by taxpayers in **Dnipropetrovsk (UAH 1,455 million), Odesa (UAH 461 million), Poltava (UAH 282 million) and Kharkiv (UAH 271 million) regions.** There must be a steady trend to restore such incomes in the Kharkiv region, which is the target of active attacks on offensive actions by the Russian Federation. However, among communities, a significant area of which is temporarily occupied by russia, incomes related to the circulation and use of rural land will continue to be at a shallow level. Thus, the sum of such revenues in April 2024 for the budgets of communities of the Luhansk region amounted to UAH 0.1 million, and in the Kherson region – UAH 18 million.

The communities of the Dnipropetrovsk region continue to receive the highest income per hectare of agricultural land—UAH 579 per hectare in April 2024. That is almost five times more than the national rate of UAH 121/ha. The communities of the Odesa and Lviv regions also demonstrated high relative indicators of budget revenues—178 and 161 hryvnias/ha, respectively.

Fig. 15. Tax revenues of communities related to agricultural land, calculated on the area of agricultural land in April 2024, UAH/ha



* Own calculations based on data from the OpenBudget portal of the Ministry of Finance of Ukraine and the State Statistics Service

NEWS OF THE LAND LEGISLATION

Protection of the interests of owners of land shares (shares) and regulation of administrative procedures in the field of land relations

The Verkhovna Rada of Ukraine adopted the draft law (reg. No. 11150 dated 04/04/2024) "On Amendments to Certain Legislative Acts of Ukraine Regarding the Protection of the Interests of Owners of Land Shares (Shares), as well as the Application of Administrative Procedures in the Field of Land Relations."

The purpose of the draft law is to extend the deadline for registration of unclaimed (unallocated) land plots until 2028. It is also planned to make changes to comply with the Law of Ukraine "On Administrative Procedure," which concerns the written form of petitions and correction of appeal procedures. The obligation to upgrade qualifications for land surveying engineers, suspended during martial law, is being resumed. Until 2026, the pilot project of certified land management engineers entering data into the State Land Cadastre has been extended. The discrepancies between the Laws "On Land Management" and "On Land Valuation" regarding the right to carry out land management works have been corrected.

The President of Ukraine used his veto right and proposed finalizing the bill mentioned. On June 20, 2024, the Verkhovna Rada of Ukraine could not overcome the President's veto and agreed to finalize the draft law per his proposals. The president's key proposal is requiring the state to own all land underwater objects of national significance.

State support for land demining

Resolution of the Cabinet of Ministers of Ukraine No. 580 of May 17, 2024, amends the Procedure for using funds provided in the state budget to compensate for costs associated with humanitarian demining of agricultural lands.

The right to compensation belongs to legal entities and non-profit organizations that produce agricultural products on land owned or used by them.

Compensation is provided for humanitarian demining works from February 24, 2022, to April 15, 2024, and those defined in the current year.

Compensation is non-refundable. The state reimburses 80% of the services provided by certified operators, and the agricultural producer pays 20%.

State support for land reclamation

Resolution of the Cabinet of Ministers of Ukraine No. 628, dated May 30, 2024, amends the Procedure for using funds provided for in the state budget to provide state support to agricultural producers who use reclaimed land and water user organizations.

Budgetary funds are directed to providing producers with non-refundable grants up to 50% of the costs (excluding VAT) for reconstructing or building reclamation systems. The limit is up to 26,500 hryvnias per 1 hectare of cultivated land on which hydraulic melioration is carried out, excluding the cost of sprinklers.

WARNING! In the release of the Analytical Review of the Agricultural Land Market in Ukraine for the 1st quarter and March 2024, a technical error was made: the weighted average price of purchase and sale of agricultural land in March was not UAH 43.5 thousand per hectare, as was indicated in the review, but 42, UAH 5,000 per hectare.

CONTACTS

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