

ORGANIZATION AND PERFORMANCE OF THE AGRICULTURAL LAND MARKET IN UKRAINE

Ruslana TARATULA¹, Mariya MARYNOVYCH²

¹Lviv National Agrarian University, Faculty of Land Management, 1, Department of Land Cadastre, Vladimir the Great Street, Dubliany, Ukraine. Phone+380679001076 E-mail: ruslana.78@ukr.net

²Lviv National Agrarian University, Faculty of Land Management, Department of Land Cadastre 1, V. Velykoho Street, Dubliany, Zhovkva district, Lviv region, Ukraine, Phone: +38 097 000 0455; E-mail: marynovychm@gmail.com

Corresponding author: ruslana.78@ukr.net

Abstract

This article outlines the main issues of the creation and functioning of an accessible land market nowadays. One has shown the background of pan-European land management experience. One has proved that comparing the experience of carrying out land reform is a useful and effective tool for the correct interpretation of Ukrainian ideas if one does not take into accounts the characteristics and features of different states. Considering the essence of land resources management, the concept of “land turnover” is of vital importance. The principal conditions for the formation and functioning of agricultural land turnover have been established. One has substantiated the necessity of complex management of land resources, which presupposes the complete determination of directed efforts, the correct choice of ownership of land plots, as well as the proper foundation of its use.

Key words: land, land turnover, land resources, management, moratorium, market

INTRODUCTION

During the period of world existence, the land has been, is and will be the main mean for its existence and production, a prime source of wealth and undoubtedly a major factor in territory investment attractiveness that ranks the highest position in world politics and in economic prosperity scheme of a country. The year of 1991 was the beginning of land relations the reform in Ukraine. There were radical changes of land ownership forms, as well as a fee was set for the use and production of land plots created to regulate the reliability of legal regulation of land relations due to the de-monopolization of territories. An environment of organization of a completely new fragment of market relations - the agricultural land market was created due to these conditions. However, one should note that our state is still at the stage of realizing the enormous importance and value of land and finding the necessary means of its rational use.

Nowadays the lifting of the moratorium and the establishment of a free agricultural land market has become the most debatable and at the same time a priority issue, as all farmers, politicians, economists and other specialists related to the agricultural sector are interested in this issue.

Without the introduction of official land turnover, one cannot speak of the completion of land transformations, which will be similar to the European experience.

Our modern active use of land resources has such dangerous consequence as the fact that degradation processes of agricultural land potential can lead to irreversible things [8]. Therefore, there is a need to introduce an appropriate legal regime for the use and protection of agricultural lands, increase their fertility and also limit the cases of such land withdrawal from further agricultural land turnover.

In this context, the purpose of the paper is to analyze the European experience in the regulation of land relations, as well as to determine the main tasks management the

landed resources during the formation of the circulation of agricultural land in Ukraine.

MATERIALS AND METHODS

We have used a number of special and general theoretical methods of research to achieve our goal and to solve the set tasks in scientific research. Methods of induction and deduction, analysis and synthesis have been applied to show regularities, specifics of formation, functioning of agricultural land market; abstract and logical methods – to determine the further development of the object of study; system and diagnostic analysis – to study the current state of the promotion of the research phenomenon and to identify the main problems in the process; comparative analysis – to identify temporal and regional differences in the research object. One has used graphic, table and cartographic methods to visualize the results. The information base of the researches is the normative and legislative documents of Ukraine, data from official sites of the State Statistics Service of Ukraine, the State Service of Ukraine for Geodesy, Cartography and Cadastre, reports of the regional departments of the State Service of Ukraine for Geodesy, Cartography and Cadastre.

A. Martyn (2011), A. Tretiak (2006), H. Cherevko (2009), O. Litoshenko (2015), P. Sabluk (1999), M. Zos-Kior (2012a), and others [4, 11, 1, 3, 6, 13] studied the problem of rational use of land resources, taking into account the further improvement of existing relations. In addition, one should consider that today there is no clear legislative framework and regulated state policy for the establishment of free turnover of agricultural lands.

RESULTS AND DISCUSSIONS

Due to the present conditions, the land resources market is of great value in the agrarian sphere, because it is a space for commodity exchange, in which land plays the role of commodity [3]. We can control the redistribution of land and the transfer of

ownership of land from one owner to the other thanks to the land market. According to A. Tretiak's arguments, the land market is an instrument and at the same time a guarantee of the fulfillment of the main constitutional rights of legal entities and citizens, which makes it possible to draw up all documents for land plots and ultimately have them privately owned [11]; the right to own, use and dispose of land plots freely (without causing damage to the natural environment and without at the same time disrupting other people's freedoms and legitimate interests); the main mean of land reform; the key component for reform in general [6].

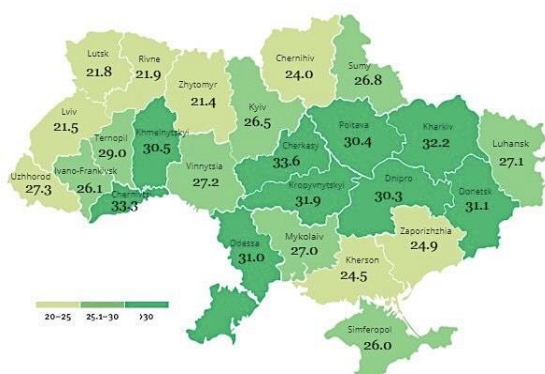
Considering the logical completion of land reform one should get necessary and at the same time reliable information to understand its scope and to provoke threats that may arise in the course of obtaining the status of agricultural land. A. Tretiak extends the notion of land resources management in a market environment and draws attention the fact that they are processes of the registration and at the same time providing information on land ownership, land cost and use of the territories, and appropriate resources [10]. However, in the early stages of gathering and grouping information, there are obstacles caused by the lack of a single, comprehensive database on accounting for available land plots. A rational information system is missing and creates the conditions for conflict situations related to the purchase or sale of land or its lease, which in turn can be aggravated during the sale of agricultural land as a commodity. Taking into account the situation of completion of land reform, the beginning of which began in 1991, the main issue that attracts the most attention and is increasingly discussed is the formation of free circulation of land [4]. However, regulating the land market in Ukraine is impossible due to the lack of effective instruments, resulting in a moratorium (ban on alienation of agricultural land as a result of their sale), which continues on a regular basis, suspending the creation of free circulation of land [3].

Under the current conditions, it is necessary to distinguish the main factors that suspend the process of formation and operation of the land market due to carrying out of land reform. They are:

- shortage of funds for land purchase;
- fear of competition with large agricultural holdings;
- corruption in the sphere of land relations;
- lack of clear legislative rules and regulations;
- a complete distrust of public authorities;
- the threat of speculation over land territories;
- fear of changing the purpose of agricultural land and their rapid urbanization, which will lead to higher prices for agricultural products;
- shadow and illegal use of land territories;
- purchase of agricultural land by foreigners, etc.

Creating and putting into operation the free agricultural land turnover, as well as in the future its rational regulation by the state, it is possible to form the basis for solving a number of significant problems:

- 1.Implementation of the full right of private ownership of agricultural land by the subjects of land relations;
- 2.Determination of fair market value of agricultural lands as a result of their turnover;
- 3.Effective redistribution of agricultural land use;
- 4.Citizens' rapid access to the information and accounting database of agricultural lands;
- 5.Creating new jobs.



Map 1. Amount of regulatory monetary valuation per 1 hectare of land in the regions of Ukraine, thousand UAH/ha
 Source: the authors' achievement according to [7].

Taking into account the data of the State Service of Ukraine for Geodesy, Cartography and Cadastre, the regulatory monetary value of one hectare of arable land in the regions of the country is on average 27.5 thousand UAH, which is about 840 Euros as of January 1, 2019 (Map 1).

The cheapest arable land is estimated in Zhytomyr region – 21.4 thousand UAH/ha, which is about 667 EUR, and the most expensive one is in Cherkasy region – 33.6 thousand UAH/ha (about 1,048 EUR).

Large tracts of agricultural lands are in long-term or short-term lease. Taking into consideration the information on certain EU countries, we can make conclusions that the cheapest lease of agricultural land is observed in Latvia – 46 Euros/ha, while the most expensive one is in the Netherlands – 791 Euros/ha. One should note that there is an even more critical situation since in certain regions the value of agricultural land lease reaches 41 Euros/ha (Fig. 1).

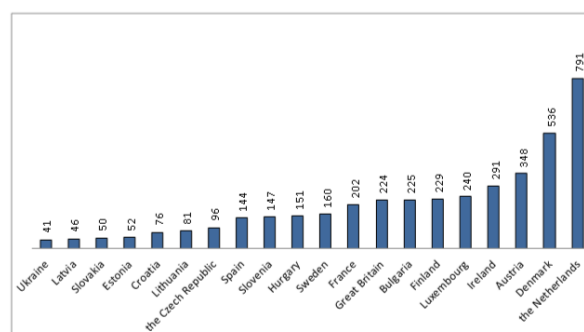


Fig. 1. An average lease payment for agricultural land in Ukraine and some EU countries for the year of 2017, Euro/ha

Source: Authors' achievement according to data [9].

Analyzing the average value of arable land in the European Union countries (Figure 2), we can conclude that one is ready to pay about 63 thousand Euros for one hectare of arable land in the Netherlands, which is considered to be the highest indicator and, moreover, not competitive one with other countries.

The lowest price indicators are set in Romania, where hectare of arable land is estimated at almost 2,000 Euros [9].

Over the last 5 years, the cost price of arable land increased in all EU member states except Greece. The value increased much more in the

Czech Republic and Lithuania (in three times), Estonia (in 2.5 times), and Hungary (in two times) in the above period [9].

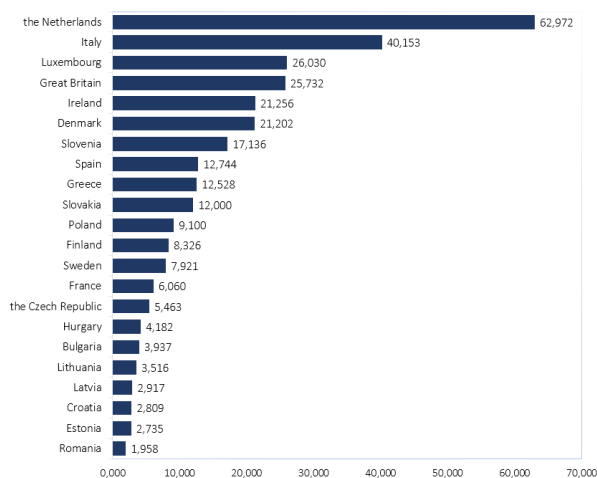


Fig. 2. The value of arable land in certain countries of the European Union for the year of 2017, Euro/ha
 Source: the authors' achievement according to [9].

In addition, the most expensive tracts of arable land were found in the region of Italian Liguria – about 108 thousand Euros/ha, and the cheapest ones –in the south-western part of Bulgaria – almost 1.2 thousand Euros/ha (Table 1).

Table 1. The range of the value of arable land within the regions of certain EU countries, Euro/ha

EU countries	min	max
Italy	16,498	108,611
Spain	6,237	94,213
the Netherlands	49,250	77,834
Greece	5,744	55,515
Slovakia	14,700	49,550
Slovenia	14,220	32,982
Denmark	18,412	30,871
Great Britain	17,152	28,837
Luxembourg	26,030	26,030
Ireland	17,998	22,844
Sweden	1,637	15,958
France	2,600	12,680
Poland	5,324	12,396
Finland	4,980	11,065
Bulgaria	1,166	6,008
the Czech Republic	4,384	5,630
Hungary	2,786	4,856
Croatia	2,739	4,651
Lithuania	3,516	3,516
Latvia	2,917	2,917
Estonia	2,735	2,735
Romania	1,863	2,059

Source: It is done according to data [9].

M. Zos-Kior assures that a rational and successful land resources management scheme based on foreign experience, is a guarantee and protection of land ownership, supports taxation, provides credit guarantees, expands land markets, promotes land reform, monitoring, land organization, and improves infrastructure growth [13]. The European experience in regulating land relations is based on the following basic principles:

- a) the regulation of land resources should be carried out on a regulatory and legal basis with appropriate financial support;
- b) the law must include land values, ownership, legally established forms of ownership and use of territories, major restrictions and encumbrances subject to mandatory registration;
- c) the regulation of land relations should be transparent, free and accessible to all members of land relations;
- d) the success, completeness and transparency of the land management system should be regularly controlled;
- e) data should be aggregated in a single institution for their accuracy and timeliness in order to improve the basic information of land ownership, its value and use [14].

Considering modern conditions, the issue of the moratorium is urgent and is actively discussed both among scientists and in society. Prohibition of sale of agricultural land does not comply with Articles 14 and 22 of the Constitution of Ukraine, as it contradicts the essence of ownership of land, limiting the owner's right not only to legally dispose of their own territories but also to get economic profit [2].

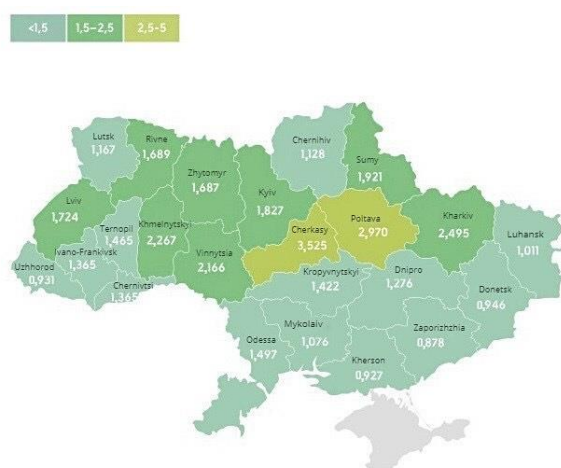
The termination of the moratorium on the sale of agricultural land will give new prospects, first and foremost, for the poverty-stricken population, who will be able to sell their own shares or deliver decent rental value for them; improve their positions in the process of negotiations with large agricultural holdings, with regard to the leasing of their land; exchange of plots for better location, and reduction of parceling (splitting of land into small plots), which will facilitate the consolidation of such plots; obtain bank

financial support for the development of farming and small business at the expense of pledge of land; attraction of investments; realization of legal rights regarding the disposal of property. A resource owner with a well-defined ownership strives to use the resources efficiently and rationally, because a decrease in efficiency means a loss of income [4].

Considering B. Paskhavel's opinion, the owner of agricultural lands can get a market result due to the use:

- during the land lease;
- in commodity agricultural production;
- at sale or pledge.

Due to these directions of obtaining the market effect, it encourages the development of three basic patterns of the land market [5]. However, this option does not satisfy farmers in the context of the restructuring of the food market. As the difference between the purchases value for an agricultural commodity and the cost of selling some types of products is increased ten times. To add more, one should take into account the poorly developed infrastructure of the agrarian market, and such an intermediate link as mediation. Therefore, you should never rely on the experience of foreign countries and give the state a leading role in regulating land turnover [2].



Map 2. Amount of the average rent charge for shares in regions of Ukraine for the year of 2018, UAH/ha
 Source: It is done by the authors according to [7].

The average yearly rent charge was 1,613.4 UAH/ha according to the State Service of

Ukraine for Geodesy, Cartography and Cadastre in all regions of Ukraine in 2018. At the same time, one has registered the highest rates of such payment in Cherkasy (3,525 UAH/ha), Poltava (2,970 UAH/ha) and Kharkiv (2,495 UAH/ha) regions. The least valuable use of land was in the Transcarpathian (931 UAH/ha), Zaporizhzhia (878 UAH/ha) and Kherson (927 UAH/ha) regions.

Today, market circulation must ensure the proper use of the land fund and the creation of efficient land use. In order to achieve this goal, one should involve the authorities to regulate land resources use not only at the legislative level but also as active landowners, who motivate the market relations and its corresponding participants [10]. Land transformations should be carried out in a qualified and informed way on the basis of a grounded scientific justification. The processes of lease, sale, pledge, a gift should be carried out on the basis of revised and improved appropriate institutional support (land legislation, data of the state land cadastre, information on registration of land ownership and land valuation); obtaining credit and unimpeded access to them; adjusting the structure of taxation created on the resource and natural potential [12]. The current reality of the establishment of the agricultural land market in our country depends not on the decision of the Supreme Court of Ukraine, but on the level of readiness of the country and the people for this act [1].

CONCLUSIONS

Considering the above-mentioned information, we can conclude that the existence of a large set of organizational, legal, financial and other problems are hindrances for the future formation and functioning of agricultural lands. The moratorium on land sales should be abolished only when the final formation of the legal and regulatory framework for the regulation of agricultural land turnover is completed. The prosperity of the shadow market of land territories with the existence of a legislative

framework, which in turn rejects the agricultural land market, creates dissatisfaction of the population with state political activity in the land sphere. Observing these events, the primary tasks in creating a land market are the following ones:

- the creation of a single database of land parcels (shares) that were in ownership as a result of the denationalization;
- transfer of information from paper to the electronic database of real property database, the ownership of which is registered until 2003;
- approving the right of free sale and sale of agricultural land, without first changing its intended purpose at the legislative level;
- improving the quality of providing and obtaining administrative services in land relations sphere;
- the creation of conditions for the formation of the market infrastructure of land, as well as the encouragement of owners and users of plots by obtaining credit preferences;
- the creation of equal conditions for access to resources for both powerful agricultural institutions and small and medium-sized farmers.

The establishment and functioning of agricultural land turnover require the creation of detailed and clear regulation and the existence of a successful, efficient and effective legal background.

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