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The Land Market in Ukraine: a Necessity or a Threat for Economy

One of the major problems of land reform in Ukraine is the existence of moratorium on sale of agricultural land, which has been in place since January 18, 2001.

Aiming at analyzing the need for the moratorium at this stage of economic development of Ukraine, it is necessary to highlight the next points:

- the moratorium “steals” up to 90% of potential income from 6.9 million of land share owners each year, particularly due to low land prices;
- land owners haven’t got access to the credit resources in cause of disability to use it as a collateral property and high cost of credit resources;
- today nearly half of agricultural land in Ukraine is in a long lease;
- short-term lease became popular nowadays and it causes the fact of low level of agribusiness’s investment attractiveness and rapid depletion of soil fertility.

Fully-functioning land market has several negative aspects, and the biggest one is higher price of land, and, consequently, the prime cost of agricultural products. It leads to a decrease in competitiveness for Ukrainian agrohholdings on the world market, but an increase in the efficiency of agricultural production will help them not to lose their segment of Ukrainian’s and world’s market. Furthermore, land market will lead to increasing competition between small and medium-sized landowners in Ukraine. Moreover, with the market legalization significant competition from foreign investors may appear (when the land market will be open for foreign investors), and this fact significantly will increase the value of land.

One of the hardest problems of creating a land market is an issue of market protection against foreign buyers. According to the scholars' opinions, the land market has to be protected from foreigners at least for two years, because we have to check up our legislation framework and make corrections to it.

To conclude it is necessary to Ukrainians to lift of the moratorium if we want to break out of the economic crisis and to fight corruption and shadow economy. The creation of land market will lead to higher incomes for land owners, higher investment attractiveness of Ukrainian economy, “healthier” banking sector, higher mobility of Ukrainian capital, higher income for Ukrainian budget and many others.

Unfortunately, these forecasts may be inaccurate, so the situation may develop within the frame of other scenario. All the population might be divided in two groups: the small one will comprise landlords who had enough money to acquire land assets; and the larger one will consist of people who should lease land from the first group. In Ukraine it seems to be the ground for the very threatening social tension, and our land legislation has to exclude the possibility of such a situation.