

State Policy in Land Relations Sphere in Terms of Ukraine's Agrarian Reform

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Abstract

The article outlines the main stages of land relations formation in the process of agrarian reform implementation in Ukraine and their impact on the socio - economic component of rural territory living standards. The results of the agricultural land denationalization have been considered and the transformation of the relationship between the owner, the manager of the land resources and their user has been analyzed. The need to develop a comprehensive approach to ensure the free ownership and disposal of land resources, taking into account the needs of society and the historical traditions of the Ukrainian peasantry, has been emphasized.

Keywords: State Regulation, Land Market, Land Relations, Agrarian Reform.

Introduction

Developing a country's management strategy is the basis for developing its economic system. The strategic goal of the country's socio-economic development substantiates the choice of the course for the economic growth of the main macro indicators. Integrating into the world community, it is important for Ukraine to take into account current trends and make maximum use of its own natural, labor, and financial resources, which allow to take care of the country's food security, economic growth, and hence its sovereignty. Ukraine, which has strong land potential, has every opportunity to become one of the leading players in the global agricultural market, where demand for food is growing.

Sustainable development of the economy agrarian sector largely depends on the available production resource potential, one of the key aspects of which is the agricultural land, which serves both as a means of production and as economic object of property relations, rent in particular. The development of market relations in the agrarian sector of the Ukrainian economy, the introduction of

private land ownership, the formation of a real owner, user of land and economic structures of market type, necessitate the substantiation of qualitatively new methodological approaches to the agricultural land use organization in order to provide an effective mechanism for their rational use and protection. The structural land relations restructuring in the countryside, which in the process of land reform and collective agricultural enterprises reform during the 90s of the 20th century, was the spur for the formation and development of lease land relations in agricultural production. Despite the world's highest level of land resources involvement in economic circulation, high soil fertility, diversity of land and resource potential, it was not possible during the Ukraine's independence period to realize the main task of land reform, that is the transfer of land in possession of effective landowners and transforming these lands into a key determinant of economic growth.

The analysis of recent research and publications

The problems of land relations reforming and establishing, as a component of socio-economic relations, have always been in the focus of domestic agricultural scientists. A significant contribution to their solution, as well as research on the development specifics at the present stage, has been made by the following scientists: P.I. Gaidutsky, S.I. Demianenko, T.G. Dudar, P.M. Makarenko, P.E. Matkovsky, V.Ya. Messel-Veseliak, L.Ya. Novakovsky, O.M. Onyshchenko, P.T. Sabluk, A.M. Tretiak, V.V. Yurchyshyn and others. The research they conducted provided a basis for reforming and developing land relations in Ukraine. Scientific development of scientists is of great theoretical and practical importance in terms of land relations transformation process. At the same time, the development of the economy agrarian sector at the state level in the direction of the European integration requires the justification of the algorithm of land reform completion in Ukraine in terms of agricultural land market introduction, which determines the urgency of conducting in-depth scientific studies concerning land relations development in rural business.

The aim of the article

The purpose of the article is to analyze the stages of land reform development in Ukraine, to determine the land relations formation in connection with agricultural land denationalization, and the creation of new forms of farming in agricultural production based on private and private – lease ownership. It is also necessary to generalize scientific approaches to defining the content of the categories “agricultural land market” and “agricultural land turnover” as economic categories at the stage of market land relations forming and defining the basic calculations of the land reform institutionalization.

The Main Material Statement

Land is the leading natural resource in the world. At all stages of social development, man has been inextricably connected to land. In the process of transition to a sedentary lifestyle, land resources began to function as both objects and means of work, serving as the basis for the production of food and raw materials for various industries. The agricultural land availability is one of the components of each country's population economic and social well-being. During Ukraine's centuries-old historical development, the peasantry has traditionally occupied a significant place as an ancient community, directly related to agriculture. The peasantry's labour activity plays a significant role in the sustainable creation of food resources to meet the needs of the country's population, to guarantee its food security at the world market.

Land resources play a leading role in Ukraine's economy as they are a working tool for the production programs implementation for the formation of food and raw materials for the processing industry. The total area of agricultural land in Ukraine is about 70% of the country's entire territory and is 42.7 million hectares, 32.5 million hectares of which is arable land. The presence of such a category of land resources defines the agrarian sector of Ukraine as one of the key segments of its economy, where within 60% of the consumption fund is formed and more than 10% of gross domestic product is created. At the same time, the incompleteness of agrarian reform, limited market operations with agricultural land, lack of a consistent state policy on land use, disposal and ownership

impedes investment into the agricultural sector, causing negative socio-economic consequences of the rural economy.

Speaking about the role of the agrarian economy, it should be noted first of all that this industry is the main resource potential in creating jobs for the rural population, and at the same time, it provides jobs in a number of other sectors of the domestic economy – food and processing industry, trade, transport and etc. Therefore, agricultural production functioning and development in rural areas directly affects the level of unemployment, labor migration, socio-economic component of living standards of rural areas. At the same time, no development of agricultural production can exist without the basic means of production, that is without land. After all, the development of society, in the process of its evolution, at all stages is directly connected with land.

The Constitution of Ukraine determines that land in Ukraine is a major national wealth and is under special state protection, since land resources occupy a special place in the country's economy. According to Article 13 of the Constitution of Ukraine, land is the object of property rights of the Ukrainian people. On behalf of the Ukrainian people, the rights of the owner are exercised by state authorities and local self-government bodies within the limits defined by the Basic Law of Ukraine. Ukraine's desire to restructure land relations in agriculture and to develop them in accordance with world standards, objectively led to the formation of an adequate system of land relations, primarily focused on the formation of a full-time land owner in the countryside.

Private ownership of land is one of the most important and inseparable elements of protection of the civil rights system, state guarantees of business and investment activity, and according to V.K. Zbarskyi, economic freedom is "the foundation and integral part of civil society freedoms" (Zbarskyi, 2004). According to the French philosopher François-Marie Arue (Voltaire), "private property is the key financial guarantee of the individual's personal freedom" (Voltaire, 2005). Taking into account the fact that a person is a social being, having one's own private property allows one to feel independent and to be more self-confident within society.

The reform of the agrarian sector of Ukraine's economy took place in stages. One of the main stages was land reform, initiated after the resolution of the Verkhovna Rada of Ukrainian SSR "On Land Reform" of December 18, 1990, which helped organize the search for an effective user of agricultural land. According to this statutory document, the redistribution of lands with simultaneous granting of them to permanent hereditary possession of citizens, to permanent possession of collective farms, state farms and other enterprises, organizations, institutions was envisaged. That is, agricultural land was provided only for indefinite use, while the monopoly of the state on land ownership was preserved. The land leasing into permanent possession gave the right to use it at own reasoning without instructions, but did not allow to dispose of it, i.e. did not give the right to sell and lease. The laws of Ukraine: "On the Peasant Farming", "On the Collective Agricultural Enterprise", "On the Form of Land Ownership", Land Code of Ukraine, adopted in 1992 played an important role in the formation and improvement of legislation on land reform.

The land relations were reformed and the collective farms were reorganized into collective agricultural enterprises, to which the state transferred the agricultural land to the collective ownership for free. Motivated by socio-economic aspects, most domestic scientists in the early 90's purposefully argued that the land should be brought closer to the producer, that a system of land relations, which functions only on state land ownership, prevents the formation of conditions for more efficient use of land, labor as well as financial resources.

According to the Decree of the President of Ukraine of August 8, 1995 No. 720/95 "On the order of lands partition transferred to collective ownership of agricultural enterprises and organizations", the partition of agricultural lands between members of collective agricultural enterprises was conducted. In fact, newly established collective farms were no different from the collective farm model, the only difference was the transition from the state form of land ownership to the collective one, with the subsequent division into land shares to which private property rights were acquired. The lack of ecological and economic justification for the redistribution of land resources led to the crushing of

27 million hectares of agricultural land (65% of the country's agricultural land) between 6.9 million citizens. In other words 46.4% of the rural population acquired the land shares which were given to them into private property. The average size of the land share in Ukraine was 3.9 hectares. Depending on the available agricultural resources and people – members of collective agricultural enterprises in the regions of Ukraine, the average size of the land share varies from 1.1 hectare to 8.8 hectares.

The peasants became the owners of land certificates, which confirmed their right to land shares, while land shares were not allocated in kind in the area. There was no significant change in agricultural production, the establishment of collective farms continued to operate on the principles of collective farms, that is, collective ownership, and therefore the peasants did not feel much difference from the reform of the collective farms. Agricultural production in Ukraine continued to develop extensively, which inevitably deepened the crisis situation of the industry. In 2000, the production of gross agricultural products in the country decreased by 46.6% or by UAH 131752 million compared to 1990 production.

Presidential Decree No. 1529 of December 3, 1999, "On Immediate Measures to Accelerate the Reform of the Economy Agricultural Sector" encouraged the creation of agro-formations with the involvement of private equity-based investment flows. Business societies, private enterprises and other forms of economic structures, leased peasants' land shares with the aim of developing their own agricultural production and the main purpose - profit.

The limited financial resources of land owners (shares), and sometimes their complete absence have become decisive factors in the choice of lease relations according to the land lease for newly created agro-formations. Almost 99% of the share owners in the early 2000s have leased their land shares completely. The same tendency remains today. Within 97% of agricultural lands, private, communal, and state-owned, are rented by different organizational forms of agro-formations (Table 1).

Table 1: Comparative characteristics of land use in European countries and Ukraine for 2019*

Indicator name	Ukraine	European countries	EU countries
Land area, million hectares	60,4	1015,6	437,4
Area of black earth, million hectares	28	84	18
Area of agricultural land, million hectares	42,7	474,8	177,7
The share of agricultural land in the total area, percent	70,7	46,8	40,6
Area of arable land, million hectares	32,5	277,8	115,7
Percentage of leased agricultural land, percent	97	62	53
Investment cost, thousand USD US / hectares	1,0	4,0	5,5

* Source: formed by the authors

At this stage of land transformation in the Ukrainian countryside, the development of leasehold land relations is extremely important in terms of land owner's income generation, which he receives in the amount of rent and the corresponding tax revenues to the budgets of different levels from the rent received. In fact, after the Presidential Decree No. 1529 of December 3, 1999, "On Immediate Measures to Accelerate the Reform of the Economy Agrarian Sector", the stage of forming a lease relationship began between peasants who acquired the right to land share and newly created agro-formations on the basis of reformed collective agricultural enterprises (CAE).

As a result of collective agricultural enterprises reform 10833 in 2000, 14241 agricultural enterprises were created with a new legal status on the basis of private, privately-leased property. The largest

share of newly formed agricultural companies was occupied by companies, mainly limited liability companies (6761), which made up 47.5%. These companies were based on the private property of individuals. In turn, the company used the land and property shares of former members of the reformed CAE on the basis of lease deals. In addition, 2,901 private enterprises were created (20.4%). Collective form of management still remained attractive, but different from the CAE. Agricultural production cooperatives based on the shareholding of former members of the reformed CAE also turned into CAE. They contributed their shares to the authorized capital of the production cooperative, and leased land shares to the enterprise created by them. According to this form of management, 3325 (23.3%) of agricultural production cooperatives were created during 2000. 1254 farms were created on the basis of reformed CAE (8.8%). It should be noted that most of the newly established leasehold enterprises continued to use the land of the former CAE with the only difference being that up to 80% of the used agricultural land was leased from land shares owners and 20% was state-owned land.

The introduction of a moratorium on the agricultural land alienation since 2002 outlined the use of leased land as an important legal form of land circulation. Most entities that use agricultural land, namely land shares, operate through the development of lease relations, which have become the main way of land areas forming by agricultural producers.

Agricultural rent is one of the indicators that reflect the state of land relations development. The amount of rent should increase with the increase of agrarian production efficiency and tenants' economic status, since the main criterion of land ownership is the income that can be obtained from it.

Thanks to the formation of highly competitive environment for arable land use, especially in the last ten years, there is an increase in the average rental rate at which land owners transfer their land to use. So, if in 2000 the amount of rent for the land share was equal to one percent of the rented land share value determined in accordance with the law, Presidential Decree No. 92 of February 2, 2002 "On additional measures for social protection of peasants – land owners and land shares" as amended by Decree No. 725 of August 19, 2008, stimulated an increase in the rent to 3% of the value of the land share. If in the beginning of the 2000s the lease term for agricultural land generally did not exceed the five-year term with 1- 1.5% of the normative value of leased land, from 2015 the percentage of lease deals with a term longer than five years increased, the rent increased in average from 7% to 12% of the monetary land valuation (Table 2).

Table 2: Duration of land shares lease deals in Ukraine, %*

The term of the contracts	2000	2005	2010	2015	2019
1-3 years	45,7	26,2	10,0	3,1	-
4-5 years	41,2	61,4	49,0	35,5	22,4
6-10 years	11,3	10,2	30,6	46,4	57,5
From 10 years	1,8	2,2	10,4	15,0	20,1
The average rent in % of the land value	1%	1,5%	3%	4,5%	8%

* Source: prepared by the authors in accordance with the State Land Registry

Increasing the minimum lease term is a positive step, as short-term lease of land is a way of earning income with minimal cost to preserve soil fertility. Therefore, in most developed countries, long-term lease deals (90% of them) are generally concluded for a term of 9-10 years or more. The laws of these countries set a minimum lease term for land. The laws of these countries set a minimum lease land term. For example, in the Netherlands, it is between six and twelve years, in France nine years, and in Belgium between nine and twelve years.

Agricultural land is the main means of agricultural production, and given that the agricultural sector is a priority direction for the state economy development and in recent years confirms its leading position, the farmers' interest in expanding the agricultural land use contributes to increasing demand

for land lease, which in turn causes the increase of the rent for the leased peasants' land. At the same time, the absence of a legally defined land market, the inability to legally exercise their rights to alienate a land share (give, sell, put as subject of mortgage) determines almost only one direction for land share owners – that is the land lease. The protracted nature of the moratorium on the agricultural land alienation leads to widespread debate and speculation in political circles on the Ukraine's legislative acts introduction, which would definitively define mechanisms of land circulation.

**Table 3: Preconditions for the agricultural land market formation
in EU countries and Ukraine***

Country	The start of land reform	Particle of agriculture in the country's GDP, %	Particle of agricultural land, %	Opportunity agricultural land sale to foreigners	Price per 1 hectare of agricultural land, thousand dollars USA
Bulgary	1990	6,7	60,4	limited	4,6
Estonia	1990	4,3	22,3	allowed	5,2
Latvia	1991	4,1	29,2	limited	1,2
Lithuania	1991	4,0	44,8	allowed	1,4
Poland	1990	4,2	48,6	limited	10,3
Romania	1990	6,4	32,1	allowed	6,1
Hungary	1989	4,1	59,0	forbidden	4,2
Ukraine	1991	11,9	71,3	forbidden	-

* Source: formed by the authors

The issue of the state-owned agricultural land use is acute. At the beginning of the agricultural land moratorium introduction in Ukraine, there were 12 million hectares, as of 01.01.2020 there were 10.4 million hectares. The dynamics of state-owned agricultural land utilization is presented in figure 1.

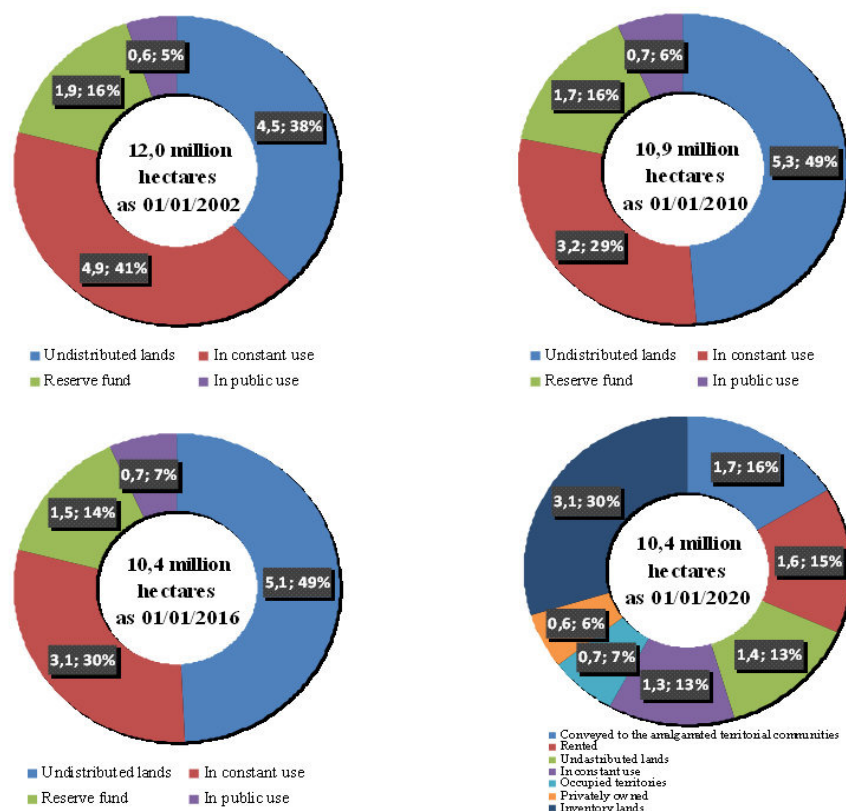


Fig.1: Analysis of the state-owned agricultural land use in Ukraine*

Source: formed by the authors

The results of the conducted studies of organizational and economic foundations of land tenure and land use transformation processes make it possible to state that in historical retrospect these issues have occupied and still occupy a central place in the country's development economy as a subject of debate for many generations. The diversity of theoretical and practical ways and methods of solving the problem differ diametrically. At the same time, the current state of agricultural land use, rural development trends, and the ongoing dissatisfaction of a part of the population with the system of land relations indicate the incompleteness of institutional transformations, the presence of unresolved questions that need to be answered irrespective of the political system, economic structure or each individual's consciousness.

Conclusions

The study of land relations development in Ukraine substantiates that the economy agricultural sector reform involves the transformation of land relations to a market type, the final stage of which should be the formation of the agricultural land market and the provision of the right to dispose of these lands to land owners.

Despite the fact that land relations are one of the debated and politicized issues of Ukraine's agrarian policy, within which disputes have been going on for two decades, there is no unanimity about the mechanism of market circulation formation. Views on this problem solution are different - from the formation exclusively of the land lease market to the removal of any restrictions on the agricultural land transfer to ownership. At the same time, it is undisputed that the actual realization of ownership, use and disposal rights is possible only in the conditions of land market functioning with appropriate infrastructure and institutional support. Lack of private land ownership reduces its efficient use and slows down the intensification of production in the agricultural sector.

Despite the implementation of a number of important organizational, economic and legal measures related to the transition to private land ownership, the Ukrainian peasantry expects a positive settlement of the next stage of land reform, which should provide the legal foundations for the land market formation, without any sharp conflicts in the villages and in society.

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