

Excessive Concentration of Agricultural Land by Holdings as A Problem of Land Management in Ukraine

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Abstract

A number of agricultural holdings, which are registered as business entities and taxpayers in Ukrainian metropolitan cities, successfully operate in Ukraine. The business practice of such entities indicates that they lease the land of entire regions for the purpose of agricultural production for a significant period and almost in full. The excessive concentration of land by large agricultural corporations, on the one hand, leads to increased productivity in rural areas, but on the other hand, it leads to the decline of local government budgets, rural social infrastructure and the outflow of urban labor and devastation of villages.

The way to solve the problem of agricultural land monopolization is the introduction of special taxes for excessive concentration of agricultural land by the agricultural holdings and for non-compliance with the technology of growing crops.

Keywords: Land Management, Excessive Concentration of Land by Agricultural Holdings, Government Regulation, Tax Regulation.

Introduction

In the conditions of the world food crisis aggravation the land resources of Ukraine are an important factor of food security of both our state and the world as a whole. Ukraine has almost one sixth of the world's reserves of black soil, which in modern conditions may well be considered as the same asset for the state, as oil and gas for the countries of the Middle East region. Ukrainian farmland guarantees participation of the national economy in global integration processes, and agriculture, in the light of the financial crisis and pandemics that hit all countries of the world, is one of the few sectors of the economy that can ensure food security, increase export potential and improve the balance of payments.

In this regard, the issues of economic stimulation of rational use of land, their full involvement into economic turnover and proper regulation of land use processes are the problems of state importance.

One of the ways to ensure the rational use and preservation of land wealth is to resolve modern problems of land management and land use through the improvement of tools of state economic regulation of land use processes.

The works of the world's leading scientists are devoted to the problems of state economic regulation of land use processes, among which are the works of such domestic scientists as P. Sabluk (2001), M. Demianenko (2008), M. Fedorov (1988), V. Zaiats (2007), L. Tulush (2007).

Paying tribute to the scientific works available on the subject matter it should be noted that on the eve of agricultural land market formation and beginning of powerful foreign investments into the national land market the issues of forming effective instruments of financial regulation of market transactions with land, including their excessive concentration in

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certain landowners, remain insufficiently developed and undecided, which does not allow the state to properly influence the turnover of agricultural land. The above-mentioned necessitates the urgency of this study.

Materials and Methods

The purpose of this publication is to outline the current problems of state economic regulation of land use, especially the excessive concentration of agricultural land in individual land users and develop scientifically sound proposals to improve the system of mandatory payments for agricultural land and its mechanism to prevent monopolization of land. The sources of information for this publication were, first of all, the publications of other scholars and the authors' own research. In the course of research of the specified issues the method of supervision and a monographic method of research was used.

Results

Research conducted in this regard by the authors of this publication in Ukraine has shown that a number of agricultural holdings are currently successfully operating in this country. They are usually registered as business entities and taxpayers in Ukrainian cities. The business practice of such entities shows that they lease for a long time and almost in full the land of entire agricultural regions.

At first glance, this phenomenon is positive, because any agricultural holding regularly and without delay pays the owners of land shares rent. In addition, the yield of crops in the areas of such land users is much higher, and the cost of their cultivation is lower than in the fields of neighboring agricultural enterprises. As a result, the retirees in agricultural regions simply seek to lease their own land shares to such agricultural holdings.

However, practice shows that such enterprises in most cases grow only grain crops and practically do not develop the livestock industry in the villages. As a result, the vast majority of villagers who have leased land shares of the agricultural holding are looking for work in cities and even abroad. In addition, agricultural holdings are taxpayers in the cities of registration. Therefore, in recent years, the budgets of those united territorial communities, where lands have been leased by such agribusiness entities, despite the fact that agricultural holdings pay to their budgets local taxes for fees and land tax, largely fulfill their budgets at the expense of transfer payments from higher budgets, because the amount of personal income tax, previously received in their budgets, decreased many times. As a result, kindergartens and even schools had to be closed in many villages.

In addition, maintaining the quality of land is a significant problem. At first sight, this problem is not significant in the territory of those village councils where land is mainly leased to agricultural corporations. However, on the one hand, lease agreements for land shares of these entities, as a rule, do not conclude for a period of more than five years, and on the other – in the fields of agricultural holdings, as already mentioned, mainly sown cereals and, moreover, the vast majority of corporations are not engaged in animal husbandry at all.

Given the above, it is clear that these companies can not use full crop rotations and do not have the opportunity to fertilize land with organic fertilizers. In addition, the short validity of land lease agreements makes it possible for the lessee to refuse to extend these agreements.

Based on the above, the excessive concentration of land by large agricultural corporations on the one hand leads to increased productivity in rural areas, and on the other hand – to the decline of local government budgets, rural social infrastructure, outflow of labor to cities and devastation of villages. If the state somehow manages to prevent the monopolization of land, it will lead to the development of small and medium-sized businesses in rural areas, the development of farming, providing more villagers with jobs and increasing the self-sufficiency of the newly formed united communities. In addition, the processes of monopolization of agricultural land often lead to non-compliance with agricultural production technologies. At the same time, the low level of land payment rates currently operating in Ukraine does not allow to form a reliable financial base for adequate financing of measures to protect and improve soils. Therefore, in our opinion, this problem must be urgently addressed at the legislative level.

One of the reasons of monopolistic concentration of lands is absence of special payment for the use of separate kinds of land resources in case of their excessive concentration at one land user. Our opinion about it is supported by some known scientists (Nikonov A., 1989; Lemeshev M., 1988; Golyan V.A., 2007; Tretyak A.M., 2007).

At the same time in Japan, Canada and some other advanced countries there are special land payments specially introduced to limit the processes of excessive concentration of agricultural land by agricultural holdings (Tretyak A.M., 2007).

Taking into account the above, in our opinion, in Ukraine there is also a need for introduction of tax for monopolistic use as a part of payment for land. The conducted studies have shown that the tax for excessive concentration of agricultural

land by certain land users should be paid by individuals and legal entities who use land with a total area of more than 10,000 hectares per one agribusiness entity during the year. This component of land tax payments should limit the negative processes of agricultural land monopolization by agricultural holdings. Therefore, the rates of this tax should be relatively high (an order of magnitude higher than the rates of land tax). Besides, to our mind, a progressive scale of this tax rates should be introduced, which should directly depend on the area of land concentrated (monopolized) by one landowner or land user.

However, experience has proven that domestic taxpayers tend to avoid paying any taxes, fees and charges in every possible way. Taking this into account, any agricultural holding can lease or even buy up land plots for an affiliated structure over time. Therefore, in order to prevent tax evasion, penalties should be imposed on those individuals who thus minimize the amount of tax for monopolistic use of land, in an amount significantly higher than the amount of tax itself. In addition, in our opinion, in Ukraine it is also necessary to introduce a special tax for non-compliance with the technology of cultivation of crops.

Conclusion

Having regard to the above, for a comprehensive solution to the problems of excessive concentration of agricultural land by agricultural holdings the tax regulation methods should be involved, as well as strengthening the role of land taxation as a regulator of land relations. According to the results of the study, this problem should be solved by introducing special taxes for excessive concentration of land and non-compliance with the technology of growing crops.

It is these payments that should provide a sufficient level of funding for the protection and improvement of Ukraine's national wealth – agricultural land and automatically address the problems of land monopolization and non-compliance with crop production technologies.

Further research in this direction should be devoted to substantiating the optimal rates of payment for excessive concentration of agricultural land by agricultural holdings and the impact of this payment both on the financial condition of its payers and on the revenues of local budgets.

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