



UKRAINE

Greener Pastures For Ukrainian Farmers? Zelenskiy Plows Ahead With Land Reform

September 17, 2019 11:23 GMT

By Tony Wesolowsky

With some of the world's most nutrient-packed soil, Ukraine has long been considered "the breadbasket of Europe."

But since the collapse of communism, buying and selling the country's chornozem, or black earth, has been banned, amid fears that the wealthy would monopolize it.

That's costing the country's billions of dollars in lost revenue annually, according to the World Bank.

President Volodymyr Zelenskiy, who rode to power on promises to root out corruption, has vowed to lift that ban.

It's one of the boldest reform efforts that Zelenskiy has embarked on, along with ambitious plans to upend major industries and government agencies, **such as the powerful spy agency**, and the **defense industry**.

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Experts say he may pull it off. And, if he does, the agricultural sector could reap plenty, according to the World Bank, adding as much as \$15 billion to annual output and **increasing annual gross domestic product** (GDP) by about 1.5 percentage points.

"Yes, I think the moratorium on land sales will be lifted," said Natalia Mamonova, a researcher at the Swedish Institute of International Affairs in Stockholm. "The government is currently working on opening the land market. When exactly that happens, I don't know."

Deep Ties To The Land

On September 2, Zelenskiy ordered his government to submit draft legislation for land market reform. The effort takes aim at an 18-year-old ban on the buying and selling of around 43 million hectares, some of Europe's most arable land.

"Now we have a unique situation, a unique chance to carry out all necessary reforms. We have everything for this: the political will of the president, the majority in the Verkhovna Rada (parliament), the government and the prime minister ready to work," **Zelenskiy said**.

Even with the ban in place, agriculture is thriving. Large agribusinesses are growing, producing not for the home market, but largely for export. Ukraine is now among the world's top grain exporters and the third largest global food supplier to the European Union. China now relies on Ukraine for most of its corn, not the United States as in the past.

Ukrainians ties to chornozem are deep, steeped in emotional significance. Many officials said the ban was needed to protect the "black soil," from being snatched up by wealthy Ukrainians, foreigners and others, elbowing out average people.

But experts say the moratorium has instead encouraged just the opposite, with farmland being leased at a fraction of its value: a bonanza for big agribusinesses, a bust for small-scale farmers.

And it is those benefiting from the status quo who have long blocked efforts at farmland reform, Satu Kahkonen, World Bank country director for Belarus, Moldova, and Ukraine, told RFE/RL.

Still, Zelenskiy has an impressive track record so far, since his landslide election in April. And the July parliamentary election gave him a legislature stacked with members of his party.

What To Do With the Kolkhozes?

After the Soviet collapse, the government faced the task of parceling out farmland after closing all 12,000 of its collective farms. Known as kolkhozes, they were set up after the 1917 Bolshevik Revolution, forming the backbone of Soviet agriculture while wiping out farming families.

In December 1999, then-President Leonid Kuchma signed a decree formally handing over agricultural land to some 7 million rural Ukrainians. Each received certificates that entitled them to about four hectares, or a so-called pai—the area of about six soccer fields.

Two years later, a land code came into force, giving people functional titles to land. In that same year, however, the moratorium was introduced.

Since then, parliament has **extended it every time** it was set to expire; the most recent—and tenth – time coming in December 2018.

What About Small Farmers?

While meant to protect small farmers, the moratorium has actually hurt them, experts said.

Part of that has to do with the fact that many of the land parcels they received were too small for effective farming. Plus, despite holding titles, farmers were unable to use their lands as collateral to secure bank loans for farm operations given their murky legal status.

With few options, the holders of farmland titles had nowhere to turn, except the large agrobusinesses that emerged on the scene, both from Ukraine and abroad.

"No one wants plots that are separated or surrounded by land controlled by another big player," said Oleksi Pasyuk, an activist at the **Ukrainian NGO Ecoaction**. "So, often people have little choice other than to lease to a major regional player or not lease at all."

Also, terms of lease agreements have tended to be disadvantageous to the lessor.

Kahkonen said the rental price of land in Ukraine is low: on average \$37 per hectare compared to \$195 in France, \$219 in Germany, and \$279 in Bulgaria.

"This market is not open and transparent, and no registry of lease prices exists. Thus, land owners are not properly informed of the value of their land," he said. "Millions of small Ukrainian landowners are renting out their most valuable asset at a fraction of its potential value. This is not only unproductive, but it is also unjust to 4.5 million small Ukrainian landowners."

Despite the challenges, small family farmers play an integral role supplying livestock, as well as fruits and vegetables to the country's domestic market, Dmitry Prikhodko, senior economist at the UN's Food and Agriculture Organization, told RFE/RL.

Small farmers account for 40 percent of agricultural output, he said.

Rise Of The 'Latifundy'

The ambiguous legal status created by the moratorium brought in large companies. They scooped up tracts of land under favorable terms in lease agreements -- in some cases running up to 49 years.

Called "latifundy" -- a term derived from the Latin word for the land estates and ranches in ancient Rome -- these tracts dominate the export-driven sector: 93 Large Farm Management (LFM) entities, each controlling at least over 10,000 hectares.

While the average farm size is a little over 1,000 hectares, some of the LFMs control hundreds of thousands of hectares. The top 20 such agribusinesses hold 14 percent of Ukraine's arable land.

The largest, **Kernel**, boasts of being Ukraine's largest producer and exporter of sunflower oil, and is **reported to control** some 570,500 hectares of land. The company, whose shares trade on the Warsaw stock exchange, was founded in 2007 by Andriy Vereyevskiy, a former member of parliament with the faction of former President Viktor Yanukovich.

Another company, UkrLandFarming, is **reported to control some 570,000 hectares** of farmland. Its owner, Oleh Bakhmatyuk, began his career in the 1990s as a manager in Itera, a Russian intermediary company supplying gas to Ukraine and other former Soviet regions. He also owns Avangard, one of the world's largest producer of eggs and egg products.

These agrobusinesses are plowing more and more land, controlling 6.25 million hectares in 2017, up from 1.7 million in 2006, **according to a 2019 report** published by a Dutch research organization.

The lure of profits has attracted foreign capital as well. In January 2014, U.S. agribusiness giant Cargill, which has been in the country for two decades operating two big sunflower oil plants and several silos, **bought a 5 percent stake** in UkrLandFarming. The company is among the largest exporters of Ukrainian grains and sunflower oil.

Bunge, and Archer Daniels Midland, both headquartered in the United States, and Swiss-based Glencore, also have businesses in Ukraine including processing plants and export terminals on the Black Sea.

Record Crops Amid Corruption Claims

Ukrainian agriculture had another record year in 2018, with the highest grain harvest, according to the State Statistics Service, totaling 70.2 million metric tons of corn, sunflower, and soybeans.

The main markets for Ukrainian cereals are China, North Africa, Middle East, and Western Europe, **according to UNIAN**. Foreign-currency earnings from agro-exports from January to November 2018 amounted to more than \$17 billion, proof of agriculture's rising role in the still struggling economy.

However, some of that money, activists and others said, leaves Ukraine and is repatriated back to the countries where many of the agribusinesses are based, depriving the country of capital and tax revenues.

There are tax breaks and state subsidies too. The leading beneficiary of state largesse in 2018 was MHP, Myronivsky Hliboproduct, a prominent producer of poultry owned by Yuriy Kosyuk, who is **reported to be a close friend** of former President Petro Poroshenko. The company received nearly \$30 million in subsidies thanks to a reimbursement program adopted by parliament.

Push For Change

Zelenskiy's reform efforts, if they succeed, should tackle head on this perceived unfairness and corruption, activists said.

"It is difficult to predict what happens with the new parliament, but there is definitely a change in the balances and international donors push for open market as well. So, chances that the moratorium will be lifted are higher than before," Pasyuk said.

There are signs Zelenskiy's administration is mustering all the support it can to pass the changes.

Andriy Radchenko, the chairman of the state-owned Agrarian Fund, traveled to Washington in August to gather support for the reforms, hiring the Washington-based lobby group Yorktown Solutions to aid in these efforts.

Radchenko told RFE/RL that Russia was using scare tactics to convince Ukrainians that rich foreigners would gobble up all their farmland. He said the government should counter Russian propaganda efforts by carrying out a public relations campaign on what the reforms will mean.

He pointed out that foreigners didn't scoop up land in the other 12 communist bloc countries that carried out land reform.

Lifting the moratorium also won't change anything for big farm players, Pasyuk said. "They already control the land in long-term lease agreements. So this won't have much of an effect on them," he said.

Alex Frishberg, an American lawyer with years of experience working under the bureaucracy in Kyiv, predicted Zelenskiy will succeed. "Zelenskiy will push through the lifting of the long-outdated moratorium on sale of farm land with the same speed and efficiency as he lifted the immunity of parliament members," **he said.**

"At last, Ukraine is finally doing what it should have done 28 years ago," he said.

With reporting by Todd Prince in Washington

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