

**L.Moldavan**, Doctor of Economics, Professor, Chief Researcher,  
Institute for Economics and Forecasting  
National Academy of Sciences of Ukraine

### **CONTRADICTIONS OF THE LAND REFORM IN UKRAINE'S AGRARIAN SECTOR IN THE CONTEXT OF THE WORLD PRACTICE**

*Analysis of land reforms that have occurred in the world during the last century, leads to an important conclusion: land relations in the agricultural sector are not seen as a self-sufficient economic and legal category, but as a foundation for the whole agricultural policy. The international science and practice recognize, as the main analytical tool and method for the development of agricultural policies world-wide, the concept of agricultural multifunctionality. The multiple (economic, social and environmental) purpose of agriculture is ensured by adequate principles of land relations. The second "foundation" of the land reforms are the features of the agricultural land as a basis of agrobiocenosis, which is a complex natural and economic system, whose efficient management can be performed professionally trained people who have a direct relationship with the object of management.*

*The above mentioned arguments together necessitate a specific approach to the distribution and use of agricultural land and selection of the type of economic management that would meet the purpose and characteristics of agricultural land. In the international legislative practice, such approaches include: the legal codification of the right to purchase (lease) of an agricultural plot areas for individuals residing in the territory where the plot is located; the obligation to work directly on the farm; qualification requirements for buyers (tenants) of land; prohibition or restriction to purchase (lease) land for the foreigners; codification of the minimum and maximum sizes of farms; preferential loans for the purchase of land by farmers; introduction of incentives for creating associations of small land owners (tenants) for joint cultivation of land; regulation of pricing and defining the sizes of the rent payment and so on.*

*In Ukraine the land reform has virtually exhausted itself with the distribution of and privatization of land plots (shares). The reformers are unwilling to recognize either the multi-purpose character of the agriculture and land as its basic element, or the importance of individual (family, cooperative) type of agrarian management, which as proven by the international practice, is the most suitable for agriculture. Such an attitude, together with the absence of the rules of the turnover of agricultural land and other regulations in land use, has caused a series of economic, social and environmental issues that are becoming more increasingly dangerous for our society.*

*Lack of restrictions on land use caused a rapid formation of two opposite and equally harmful to the village land use models: the latifundy-oligarchic and the parcel ones. Concentration hundreds of thousands of hectares of land in the agri-industrial-financial companies, their transition to monocrop production crowded out about 2 million people from the agriculture. Abandonment of crop rotation, use of surface technologies, lack of substitution of the nutrients taken from the soil with the harvest (in order to increase profits) all have caused a degradation of soils and their reduced fertility. The soil scientists confirm that the agroecological situation in Ukraine is in a pre-crisis state.*

*Against that background, shady deals with land, and raiding are thriving.*

*Small farms have become neglected by the state as unpromising and can hardly provide, in the competitive environment, an efficient land-use and effective employment of their members.*

*The situation requires, before the expiration of the moratorium on sale of agricultural land, to institutionalize the rules for their turnover and use based on international, especially Western experience, in order to overcome the above mentioned and other negative phenomena that have become deeply rooted in the "fabric" of land relations in the domestic agricultural sector.*

*Key words: land reform, strategic goals, the land specifics, multifunctionality of agriculture, land use patterns, land degradation, turnover of agricultural land, socio-ecological orientation of the land market.*

**JEL: Q15**

Analysis of land reforms that occurred in the world during the last century, leads to an important conclusion: they achieve positive results only with a rigorous strategy of the transformation processes as a single integrated system, aimed at a clearly defined end result. Such a system determines the sequence of measures, their subordination and interconnection, as well as appropriate tools. When developing such a strategy, land relations in the agrarian sector are considered *not as a self-sufficient economic and legal category, but rather as a foundation on which the whole agricultural policy is built aimed at achieving the established long-term goals*. Among their goals, the strategic ones are the following:

- maintaining and improving agricultural productivity, food security and food independence;
- creating favorable conditions for effective employment and residence of the rural population, improving income and welfare of farmers;
- promoting environmental and economic development of rural population and rural settlements.

These goals fit into the concept of multi-functionality of agriculture, which, unlike other sectors, has not only economic function (production of goods for profit), but also a social one (food security, promoting rural employment in conditions of limited scope of employment in rural settlements, which keeps population in villages and promotes the development of rural areas) and an environmental one (conservation of favorable for human life rural environment, support of local agricultural landscapes, protection of soil from pollution and degradation, etc.). The documents of the UN Conference on Environment and Development (1992, Rio de Janeiro) recognize the multifunctional agriculture as a tool for analysis and a method of development of the varieties of agricultural policy, oriented towards long-term sustainable development of the sector in the interests of every person and society as a whole.

Consequently, since land reforms are not separated from agricultural ones, but, on the contrary, the latter "germinates" from land relations, agriculture can only be multifunctional (i.e., socio-economic and environmentally oriented) if it

## ***Economics of agriculture***

---

follows that orientation in land relations (formed under the influence of ownership on agricultural land), in the organizational forms of agricultural production and land use, in the rules of circulation of agricultural land and in other aspects.

The second "foundation" of land reforms consists of *the peculiar features of agricultural lands, which necessitate specific approaches to their distribution and use.*

In particular:

- agricultural lands being a strategic resource for the production of irreplaceable food products are at the same time limited in space; and their improper use reduces their natural capacity to produce food;
- they are not a renewable factor of production, they cannot be created artificially, their reproduction involves only improving their productive properties, for which purpose a constant support of soil fertility is required;
- soil is a basis of the agro-biocenosis, a complex natural and economic system combining technological, biological, climatic and economic interests, and therefore the effective management of these processes (in other words – ensuring effective land use) can only be performed by skillful people having a direct relationship with the object of management;
- in the course of agricultural production, lands are involved in the regulation of chemical composition of the atmosphere and hydrosphere, in the maintenance of a constant air composition, and in the development of the biosphere, which shapes the ecological functions of soils;
- agricultural lands and their productivity as the main means of agricultural production are a basic foundation of a nation's food independence and a spatial basis for resettlement and for economic safety of rural areas, which, in a globalized economy, gains considerable importance in terms of national security and overall national independence.

*The multi-purpose nature of agriculture and peculiar features of agricultural land (as its main means of production) determine the basic principle of land ownership and land use: they should be economically and socially oriented.*

Peculiar features of agricultural lands as the main means of agricultural production and the multifunctional nature of agriculture are provided by a sophisticated legislative regulation of all aspects of land relations, starting with the requirements for people who are given the right to purchase (lease) agricultural lands, and ending with the regulation of the functions of state institutions that control the movement of land plots on the market [1]. The analysis allows distinguishing the most common elements of such regulation.

1. In international practice, *the right on acquisition of land for conducting agricultural activities* through the purchase and/or lease is granted to individuals who live directly on such plots or at their near vicinity (in Denmark – 10–25 km). Often there are requirements as to the duration of dwelling in rural areas (in Denmark – at least 8 years).

In some cases, the right to purchase (lease) can be granted to a legal entity if it is a non-profit association of owners (lessees) of land plots for conducting joint agricultural activities (e.g., GAEC and EARL in France, cooperatives in Italy).

2. Buyers (lessees) - both each individual, and each member of the association – must work directly on the farm and be engaged in agricultural activities. Their work cannot be limited to managerial functions. If, in a big farm, combination of managerial and technological functions is impossible due to the scale of production, an executive director may be hired.

3. *An important legislative provision is the qualification requirements for buyers (lessees) of agricultural land.* They must have:

- agricultural vocational diploma or other document;
- a fixed professional record (in France – at least 5 years);
- certain means of production, such as livestock etc.

It is exactly the compliance with the above mentioned requirements, rather than the offered price or rent that is the priority criterion for evaluation of the candidates participating in the competition (auction) on sale (lease) of land plots for agricultural purposes. And the privileged right to buy (lease) a land plot belongs to the family members, neighbors, farmers, lease farmers and their heirs.

The above requirements also apply to the farms' heirs. If they are a few people, the right to land is granted to the one with the highest qualifications. If his or her skills do not meet the legal requirements, the inherited farm should be temporarily leased out until he or she obtain the required qualifications.

4. *Another feature of the global legal practice is a ban or restrictions, which make the purchase (lease) of agricultural land virtually impossible for foreigners.* In some countries this is provided by national law (EU, Japan, Australia), in others by regional law (US, Canada).

The most common restricting requirements for foreigners are as follows:

- residence in the country during an established period of time and having citizenship (France – 7 years, Kentucky, USA – 8 years);
- the above mentioned qualification requirements;
- purchase (lease) is possible only of uncultivated land with the purpose of its consequent agricultural development (New Zealand);
- purchase (lease) of agricultural land is only possible for research purposes (Minnesota, USA) and others.

5. Along with securing the right on purchase (lease) of agricultural land for the farmers, *the legislation promotes the formation of sustainable farms by regulating minimum and maximum farm sizes and by creating mechanisms to avoid farm parcelization and scattered farmsteads, to create incentives for land owners( lessees) to unite for joint cultivation of land and business activities.*

In Germany, the minimum farm area (owned or leased) should be 1 hectare, maximum – 400–500 hectares depending on the conditions of federal lands, in

## ***Economics of agriculture***

---

Poland – from 1 to 300, and together with inherited lands – to 500 hectares. In Denmark, the upper limit of the use of land (owned or leased) is 150 hectares. In the US, the concentration of land in the hands of individual farms since the 70<sup>th</sup> has been kept down by means of the prohibition of their purchase and lease for non-farmers and qualification requirements (before that, in the Western states the limit for individual farms was 130 hectares, and for the family farms – 260 ha).

6. In many countries, *regulation of the size of land use is bound to the effective employment of working farm members*. In Switzerland, the minimum farm size has to ensure a 75% employment of one person or 2,100 hours during the year. The minimum amount of leased land is calculated based on the full employment of 1.5 persons. The maximum farm area (owned or leased) is considered such that provides an income that satisfies 2.5–3 persons engaged in its cultivation.

In France, the minimum optimal farm is considered one that ensures full employment of two persons and an income that meets their needs and keeps them from shifting over other areas of employment. The average national size of such a farm is 25 hectares. Depending on the region, a local ratio is set, which determines a deviation within a 30% limit up and down. The upper level of farm area is not legally determined. However, in case of a farmers' non-commercial partnership for joint agricultural activities (CAEC, EARL, etc.) total area of their farms cannot exceed 6 minimum farm sizes.

7. *A common practice is the rules to combat farm parcellation*. In France, Sweden, Italy and other countries, it is not allowed to divide a land plot for sale, lease or gift, that is, it is only put in circulation as a whole. In the inheritance of land, the right on it is granted to only one member of the family, who is determined by agreement, through the courts or by special authorities. The remaining heirs receive payment for their shares. To prevent the money compensation from becoming a burden for the designated heir, a certain timing and form of payment are established.

8. *The ideology of the regulation of pricing and formation of the rent size* is aimed at balancing the two tasks – to prevent dumping prices in the interest of the farmer who sells (leases out) his or her land, on the one hand, and on the other – to prevent speculation on the market of agricultural land in the interest of their new buyer (lessee) who takes over the farm's activities. There are various mechanisms to balance the interests of the buyer and the seller, and those of the lessee and the lessor. In many countries, this is achieved by regulating the "price corridor" within which selling prices are formed. Going beyond the "corridor" triggers the intervention of public institutions. The authorities control the amount of rent payment by setting its standard or maximum size.

9. *Institutionalization of the "rules of the game" on the market of agricultural land is accompanied by the creation of structures that monitor compliance with the legislation*. In France, this function is performed by SAFER – an institution

"that regulates and orients the agricultural land market" in order to facilitate early professional activities of farmers, particularly the young ones; increases the land area of farms to their optimal (justified for each zone) size; redistributes land plots between the farms and combats the phenomenon of scattered farmsteads; prevents speculation in agricultural land, etc. [2].

To properly perform its functions, SAFER is given the rights:

- on priority purchase of land plots put on sale, on conducting on them, if necessary, reclamation activities and their sale within five years choosing the variant, which best suits the above mentioned objectives of the law ;
- on expertise of all purchase projects for their compliancy with the law, and on preventing excessive concentration of land in one's hands or, on the contrary, parcellation of the farms and purchase of lands too distant from the operator's dwelling;
- on cancelling purchase agreements, including through the court, in case they go beyond the established limits of minimum and maximum prices;
- on creating, through the redemption of land plots, land reserves for public needs etc.

Funds for the SAFER operation are by 50% provided by the state and the remaining 50% by the fees from land buyers. On the purchase and conservation of land plots, SAFER is granted a special preferential credit (25) by cooperative bank Credit Agricool [3].

In Poland, the functions of regulation of the market of agricultural land are assigned to the real estate agency that carries out, in respect to agricultural lands, the operations of leasing, purchase, sale, transfer to outside management etc. The law of 1991 secures with it the same tasks as those performed by SAFER.

In Canada, practically until the 90s of the XX century, the regulator of the market of agricultural lands was the Land Bank vested with monopolistic rights on their purchase, sale, lease and other operations [5].

10. *The above mentioned regulatory policy is complemented by public financial support.* Farmers, as a rule, do not possess (due to the specificity of agricultural production) a ready necessary capital to buy lands for launching or expanding agricultural activities. And here the state becomes their partner. In EU, the farmers' land purchases are credited by cooperative farmers' banks at a low interest, which is further at 50–70% compensated by the state; in USA, the cooperative financial and credit institutions are accounted for up to 50% of loans on land real estate, being the rest provided by the state owned Farm Service Agency.

The household-based farming had to be introduced even in those countries where the positions of the latifundia model of farming seemed unbreakable. Thus, practically until the 60s of last century, in Latin America, the dominating latifundia based farming had been actively integrating, with a participation of foreign companies, in the big capitalist production with its inherent mono-crop

## ***Economics of agriculture***

---

character and crowding-out of indigenous tribes and small farmers from rural areas (under such developments, in Argentina, for example, the share of rural population fell to a mere 7%).

Concentration of land in the agro-trading and financial companies, lack of land, poverty, pressure on the urban labor markets and other social adversities called for radical change in the land use. Those changes were based on a mechanism of redistribution of lands through *their nationalization and redemption with consequent sale to peasants' families at affordable prices with privileged crediting from the state budget*. In such a way, a complete shift over the household-based agriculture took place in Mexico, Cuba, Bolivia, and Venezuela. In Mexico, in early 70s, already about 30 mln ha had been redistributed.

In Chile, according to the law on reforming the agricultural sector of 1967, the expropriated and redeemed lands were transferred to rural families with payment in installments. With the state's assistance, the peasants who acquired land plots, first had to organize themselves in cooperatives (*asientamiento*) for joint farming for a period of 3–5 years, then the land passed to individual family farms. During the first six years of the reform, 3.6 million hectares were expropriated, and on that territory 916 *asientamientos* were organized with the participation of 29 thousand families (an average cooperative accounted for 3736 hectares of land, and an average family farm – 117 ha).

In Brazil, the process became extensive since the 80s. During the second half of the 90s alone, 18.0 million hectares of land were expropriated and purchased, on which 285 thousand farms were created. Shifting the agriculture over the household-based pattern involves high costs. In Brazil, the state budget supports preferential crediting of land plots and the means of production, the creation of new settlements on depopulated lands from the families previously crowded out from the city, as well as funding the social infrastructure, especially housing and so on. It should be noted that state support of long-term acquisition of land by farmers is present in the legislation of all countries.

In Ukraine, the land reform was based on the privatization of agricultural land as a main element in the formation of efficient "owner-worker" who had to replace the class of hired workers. To make true the slogan "Land should belong to those who work it" the following measures were implemented:

- privatization of land, its transfer to collective and consequently to private ownership by granting land shares to individuals;
- issuing land certificates and granting them to the peasants;
- granting the peasants state acts on private ownership on their land plots (shares);
- providing the peasants with limited rights on their land (shares), prohibition of sale, "anti-parcellation" measures to keep large integrated areas of leased land.

As a result of these activities, out of 38.7 million hectares of land, which were run by the state and collective enterprises, 27.5 million hectares (71%) were di-

vided by shares among 6.8 million of their members and retirees (an average of 4.2 hectares per 1 person, from 8.8 ha in Lugansk oblast to 1.1 ha on Ivano-Frankivsk oblast) together with land certificates, later replaced by state acts for the right on land (share).

In early 2000, 16 thousand joint stock companies, private enterprises and productive cooperatives created as a result of the reorganization of collective and state farms became users of the land plots on the lease basis. Subsequently those lessees were joined by part of private and subsistence farms, who used their right to expand the size of their land use by acquiring additional land plots in the form of leased land.

However, with division and privatization of the land of former collective and soviet farms, the land reform virtually exhausted. As a result of the non-recognition of the multi-purpose nature of agriculture and land as its basic element and the importance of the choice of the type of farming that best suits this paradigm, the lack of rules of the circulation of agricultural land with corresponding restrictions, licensing of agricultural activities, standards of the land users' responsibility for preservation and reproduction of land fertility and other generally recognized components of agrarian reforms, in Ukraine's agrarian sector, emerged a series of negative economic, social and environmental developments that became increasingly dangerous for our society.

A basic mistake in the implementation of land reform in Ukraine was the fact that, despite the international experience and recommendations by many Ukrainian agrarian scientists, its concept lacked such an important pillar of its foundation as the focus on the household-based farming, on whose basis the rest of reform measures and rural social policy should be consequently implemented.

Back in the 90s, Academicians V.Yurchyshyn, O.Onyschenko, and P.Haydutskiy argued in their works the idea that *the owner of the land and its real master should become only a local peasant who remains loyal to mother-land in all disasters rather than a "temporary stranger or a front person who, taking advantage of the moment has taken a considerable piece of land."* *The reforms must renew the farmers' dynasties, and strengthen the social roots of the peasant* [6]. And organizational transformation in the collective farms in the most general terms should be aimed at deepening and strengthening *the cooperative principles of agricultural management* [7]. The above mentioned arguments actually focused on the development of household-based management through individual, family based and socially oriented (non-commercial) corporate enterprises and their cooperatives and other associations for collective action at the level of product sale and acquisition of capital goods. However, Ukrainian legislation until now has not determined the dominant type of farming, which results in a "reign" of the big commercial, industrial and financial capital ("strangers") on Ukrainian agricultural lands.

Ineffective for the development of farming was the mechanism of free (at no cost) transferring of land shares (plots) to the members of the former collective farms. It did not create in the farmers any confidence in the privatization, nor re-



vived the sense of owner. More efficient, as suggested by international practice, would have been the purchase of land at a reduced price affordable for the poorest peasants. This conclusion is confirmed by our sociological study conducted before the land reform in 8 oblasts of Ukraine in all areas covering 10 thousand respondents of various professional and social groups of rural population. From all methods of acquiring land in ownership, the respondents preferred the purchase of land plots. The villagers argued their choice that the act of purchase is more reliable for the owner ("a redeemed thing is more mine than a granted one", "as the land was given for free so it can be taken away"); "a granted thing is usually less valued"; "a peasant who intends to redeem land is first of all he who is seriously planning to link his future activities with agriculture", that the redemption will eventually result in a natural selection of those who will stay in the commercial agriculture ("the most businesslike ones") [8].

The above development together with the lack of restrictions on land use caused a rapid formation of *two opposite and equally harmful to the village* land use patterns: the latifundia-oligarchic and parcel based ones. The former is accompanied by concentration of hundreds of thousands hectares of farmland in the hands of some agro-holding companies (usually registered abroad), the flourishing of shady corrupt land deals, repurchase and raider seizure of farms, speculation in lease rights, destruction of local agro-ecosystems and traditional agricultural areas of rural employment, impoverishment of the rural population and other spontaneous, uncontrollable and negative processes. According to the State Statistical Service of Ukraine, in 2015, there remained only 500 thousand employed in the agrarian enterprises versus 2.5 million in 2000, being their average wage from 71 to 95% of average national level.

The latter model is represented by small peasant farms. The parcel farms cannot expand their land use by means of lease (as agricultural holdings will always offer a higher rent), their opportunities are also limited in the acquisition of the means of land cultivation, as for them are not available either state support or loans of commercial banks. Having received 2 million of people crowded out from the corporate enterprises, the peasant farms cannot provide their members with income at a level that would keep them from moving to other areas of employment or from migrating. Due to the lack of legal provisions establishing the responsibilities of the owners and tenants for non-compliance with rigorous land tenure systems, the rural environmental problems have become threatening.

Assessment of the condition of soils for the period of land reform demonstrates an accelerated development of various types of their degradation, such as erosion, loss of soil humus, reduced nutrients, excessive density, excessive humidity, acidification etc. The structure of degraded soils, due to the reduction of organic matter and other factors, is badly distorted with the living conditions for microorganisms deteriorated, which reduces the productive forces of land.

In our country up to 8% of the world black earth soils are concentrated. In the structure of Ukraine's soils they account for over 60%. As of 1990, we had a non-deficit balance of nutrients, and by the phosphorus content we had an extended

reproduction. The farms used to apply 140–160 kg of NPK active ingredient per hectare and up to 280 million tons of organic fertilizers (8–9 t/ha). We had crop rotation farming with fields of "humus-creating" crops, especially grasses and legumes.

Now we have a completely opposite picture. Nutritional deficiencies have reached 120–130 kg/ha and they affect even the best soils. Return of nutrients carried out with the harvest, is only 30–50%. As a result, their content in Ukrainian black earth soils is 2.5–3 times lower than in the soils of Western Europe. The annual loss of humus reaches 650–700 kg/ha, which is, for example, 10 times the limit permitted in Germany. As compared to 1990, application of organic matter to the soil per hectare has decreased 9–10 times.

In Ukraine, the environmentally acceptable ratio of arable land, natural grasslands and forest plantations has been violated, which affects the stability of agricultural landscapes. The share of arable lands in the corporations has reached 93.9% of total agricultural lands; unproductive lands, riverine meadows, pastures and slope lands are all engaged in cultivation. The intensive use of agricultural land reduces the fertility of soil through wind and water erosion. The areas of land subjected to erosion every year expands by 80–100 thousand ha. As a result of soil erosion, annually 11 million tons of humus are carried out, as well as 0.5 million tons of nitrogen, 0.4 million tons of phosphorus, and 0.7 million tons of potassium. Annual environmental and economic losses from soil erosion on average exceed 9 billion UAH. The soil scientists confirm that agro-ecological situation in Ukraine is in the pre-crisis state.

The above mentioned facts show the mistakes that the reformers made when determining the logic of the reform in such a highly sensitive sphere as land relations. The real state of affairs poses before science and practice serious tasks on the need for a comprehensive revision of the validity of the chosen strategy of land reform, in the context of its correspondence to the defined objectives, effectiveness and consistency of the measures and provision of their implementation with effective tools. Revealing mistakes and shortcomings makes it possible to develop a tactics to overcome the negative tendencies in the practice of land reform and consolidate its achievements in order to ensure a solid foundation for sustainable development of the domestic agricultural sector for generations to come.

Completing this task requires, within the time left until the lift of the moratorium on the sale of agricultural land, to institutionalize the rules of its circulation on the basis of international experience, including Western countries, and on the basis of the above mentioned phenomena, which are deeply rooted in the land relations in Ukraine's agricultural sector. This could be largely fulfilled by the Law of Ukraine "On the Circulation of Agricultural Land". However, the draft law submitted to the State Agency of Ukraine for Geodesy, Cartography and Cadaster [9] contains no tools that could carry out the tasks of the state policy in the sphere of farmland circulation stated in Art.3. Thus, lacks any legal support the protection of *the legitimate rights and interests of sellers and buyers of agricul-*

## ***Economics of agriculture***

---

*tural land*. According to Art. 6, the sale of lands included in a single plot used in crop rotation is not a ground for termination of the lease of land or the requirement for the new owner to change the conditions of crop rotation. This implies that the seller (land owner) can sell the plot only to a person who will lease it without a possibility to set up own farm. There are also a number of other provisions that directly or indirectly make it difficult, and in some cases *impossible for the owner to withdraw his or her land* (previously received as a share) from the lease in order to join it to his or her personal farm, or for a peasant from the same village to buy it for the same purpose. Thus, small businesses, commercial and subsidiary farms are losing opportunities to expand their land plots to the optimum size, hence to attain efficient farming.

The draft contains no *precautions to prevent monopolization of agricultural land on the basis of lease*. The absence of restrictions on land use based on lease or qualification requirements for tenants consolidates the latifundia based type of land use for big capitalist companies based purely on hired labor with their inherent propensity to minimization of the number of employees and their wages, as well as to unsustainable use of leased land.

The transfer of the function of setting limits for tenants of agricultural land to the Cabinet of Ministers of Ukraine, whose regulations are rapidly changeable, is an attempt to maintain the current trend of concentration of hundreds of thousands hectares of leased land in the hands of individual agricultural holdings.

There are no articles that would solve the problem for sustainable land use and rational sustainable use of agricultural land with a focus on food security, ensuring fair market prices and land rent. The draft law does not stipulate for any credit support for the peasants buying agricultural plots, which is contrary to international practice. The draft law contains an unjustified restriction on the size of land that can be owned by one person (200 hectares). Very controversial is the provision on the legalization of the institution of security for the right of lease of agricultural land plots. In the draft law, the functions of the regulation of the market of agricultural land are distributed between different authorities, and a significant part of them has no responsible bodies at all.

There is still a gap between land issues and agricultural policy. Ministry of Agrarian Policy of Ukraine has not been responsible for the reform of land relations, and so it remains as to the above draft law. For the Ministry it is only left to "reap the fruit" of this reform whose developers are other institutions whose functions are not related to national food security, preservation of productive forces of the land in the process of production, as well as rural employment and welfare.

Without a correction of the above stated rules of circulation and concentration of land plots towards the optimization of land use based on the multi-purpose agriculture, sustainable rural employment, preservation of a stable pattern of rural settlement and proper development of rural areas and other factors, Ukraine is likely to follow the way of Latin American countries, paying for it a big price.

### ***References***

1. Nazarenko, V.I. Foreign experience of functioning land market. ValNet.ru. Retrieved from: [http:// www.valnet.ru/m7-114.phtml](http://www.valnet.ru/m7-114.phtml) [in Russian].
2. Code rural. Titr quatrieme. (1997). Paris: Editions Dalloz [in French].
3. Les SAFER. (Novembre, 2003). *Revue de Drait Rural*, 317, 613–626 [in French].
4. Konik, A. Martin, A. (2011). The Polish experience of market regulation of land relations. Retrieved from: <http://www.zsu.org.ua/andrij-martin/90-2011-05-08-06-38-07> [in Ukrainian].
5. Moskalenko, A. (2001). The evolution of land lease: foreign and domestic experience. *Ekonomika Ukrainy*, 9, 88–91 [in Ukrainian].
6. Yurchyshyn, V.V. (2013). Modern agrarian reforms in Ukraine. Retrospective essays: in three volumes. Kyiv: Institute for Economics and Forecasting, NAS of Ukraine [in Ukrainian].
7. Yurchishin, V., Onishchenko, A. (et al.) (February, 1994). The state will not survive without the farmer. *Selians'ka birzha* [in Ukrainian].
8. Moldavan, L.V. (1991). Social orientation mechanism of management in the agricultural sector. Kyiv: Urozhai [in Ukrainian].
9. Draft Law of Ukraine "On Circulation of Agricultural Land" (2015). Retrieved from: <http://land.gov.ua/info/proekt-zakon-ukrainy-pro-obih-zemel-silskohospodarskoho-pryznachennia/> [in Ukrainian].

*The Editorial Office received the article 19.05.2016*