



LARGE-SCALE LAND ACQUISITIONS IN UKRAINE

A COUNTRY PERSPECTIVE

AUGUST 2020

WHAT IS THE LAND MATRIX?

The Land Matrix is an independent global land monitoring initiative that promotes transparency and accountability in evidence-based decisions over large-scale land acquisitions (LSLAs) in low- and middle-income countries across the world.

These country profiles present national-level data of LSLAs and transactions, including who the investors are, what the land will be used for, and what the potential benefits and impacts of the land deals are.

By making this information available, the Land Matrix aims to enhance broad engagement and data exchange, facilitating the continuous improvement of the data.

Find out more at www.landmatrix.org.

BACKGROUND

Of Ukraine's 60 million hectares (ha) of total land area, 55% is classified as arable land, which is the highest ratio in Europe. While this incredible wealth of fertile land has earned Ukraine the title of the 'breadbasket of Europe', it has also caused intense debate on how land relations should look following the collapse of the Soviet Union. One of the most contentious issues since the land reform process began in 1992 is the controversial moratorium on the sale of land, which has been in place for almost two decades. Although the moratorium was intended to prevent land ownership being dominated by a select few, in reality, this is exactly what has happened.

To begin with, millions of Ukrainian villagers were given small plots (four ha on average) of land which was formerly state-owned or communal under the Soviet Union through privatisation during the land reform process. However, as investors realised they could circumvent the moratorium's prohibition on land sales through lease agreements, and villagers were forced to rent out their land for trifling sums as a lack of capital and the fact that the plots were so fragmented prevented them from cultivating the land themselves, thousands of these plots gradually becoming concentrated under the control of the investors, especially in the form of agroholdings.

WHAT IS A LAND DEAL?

The Land Matrix defines a land deal as any intended, concluded, or failed attempt to acquire land through purchase, lease, or concession in low- and middle-income countries.

To be included in the Land Matrix global database, deals must meet the following criteria:

- Entail a transfer of rights to use, control, or ownership of land through sale, lease or concession;
- Have been initiated since the year 2000;

- Cover an area of 200 ha or more;
- Involve the change of land use (often from extensive or ecosystem service provision to commercial use).

*In certain cases, deals meeting different criteria to the global database are captured at regional and country level. **Please note:** In this country profile, although there are 273 concluded deals recorded for Ukraine in total, only the 242 deals meeting the global criteria have been included.*

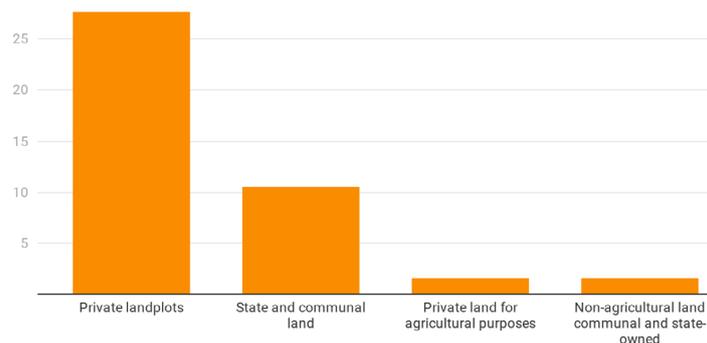
For more information about land deals and how data is captured, analysed, and used, browse our frequently asked questions at www.landmatrix.org/faq.

These agroholdings and other powerful companies were able to take advantage of close political connections and easier access to financing to gain access to, and control over, land, while approvals from the Antimonopoly Committee of Ukraine meant companies with stable financial support could buy up agricultural enterprises with leased land and other assets, ultimately leading to one of the most dramatic increases in the concentration of land in the country's independent history. On 31 March 2020, the moratorium on the sale of land in Ukraine was finally lifted. This opening of the land market will undoubtedly have a significant impact on the nature of large-scale land acquisitions (LSLAs) in the country – particularly for the 42 million ha of agricultural land, of which 32.7 million ha is arable.

This country profile presents the Land Matrix data on land acquisitions in Ukraine, which has been extracted from the website using regional filters¹. In addition, deals initiated by transnational investors are included, as are deals for agricultural and forestry purposes, while domestic investors and deals for mining operations are excluded. **Please note:** Applying different filters on the Ukraine country page on the website will generate a different data set.

¹ Data was extracted from the Land Matrix database in May 2020.

Land under moratorium (per million hectares)



CASE STUDY

THE LAND MORATORIUM IN UKRAINE

In October 2001, the Ukrainian parliament approved a new version of Ukraine's Land Code, which consolidated all the changes that had taken place during the 10 years of land reform. It also introduced a major restriction on the operation of the land market: a moratorium on the sale of agricultural land. The moratorium included a ban on the sale of land with a designated agricultural use, which made it illegal to sell land; change its intended purpose (i.e. from agricultural to non-agricultural use); transfer land in the form of assets to any business enterprise (e.g. as collateral for a loan); or transfer it as a pledge.

The only legal options available for transferring land included lease agreements (for legal and natural persons)

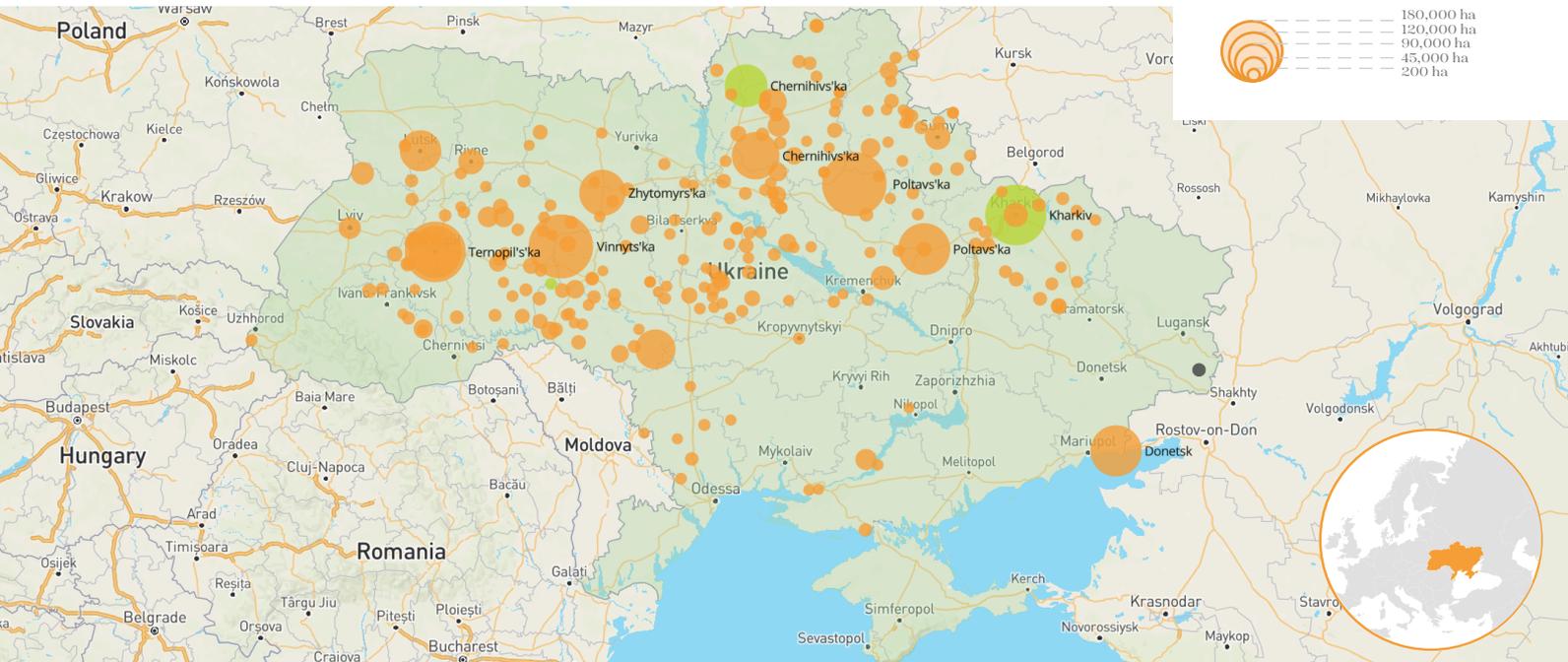
and certain forms of gifts and inheritance (for natural persons).

The moratorium was designed as an interim measure, with subsequent legislation aimed at developing a land market with "adequate" prices to be adopted at a later date. This was to allay fears among certain political and societal actors that land privatisation would open the door for the accumulation of land by large private interests, to the detriment of the majority of Ukraine's farming and rural population. Although it was agreed that the moratorium would be repealed on 1 January 2005, it was prolonged several times and eventually only lifted on 31 March 2020. This means that from 2021, Ukrainians will be given the right to buy and sell land.



Concluded deals in Ukraine

Size



In operation	Project abandoned	No Information
Top five projects: <i>Deal ID, location, size, implementation status, intention of investment</i>	5378 Poltav's'ka oblast, 180,000 ha In operation Food crops	1037 Vinnyts's'ka oblast, 165,258 ha In operation Biofuels, Food crops, Livestock
1041 Kharkiv Oblast, 150,000 ha Project abandoned Food crops, Agriculture unspecified	1049 Ternopil's's'ka oblast, 149,500 ha In operation Food crops, Agriculture unspecified	1051 Ternopil's's'ka oblast, 123,564 ha In operation Food crops, Agriculture unspecified

Ukraine investment profile

Total number of concluded deals

242

Total size of concluded deals

3,242,438 ha

Implementation status

In operation (production)

2,985,138 ha

In operation **319**

Project abandoned

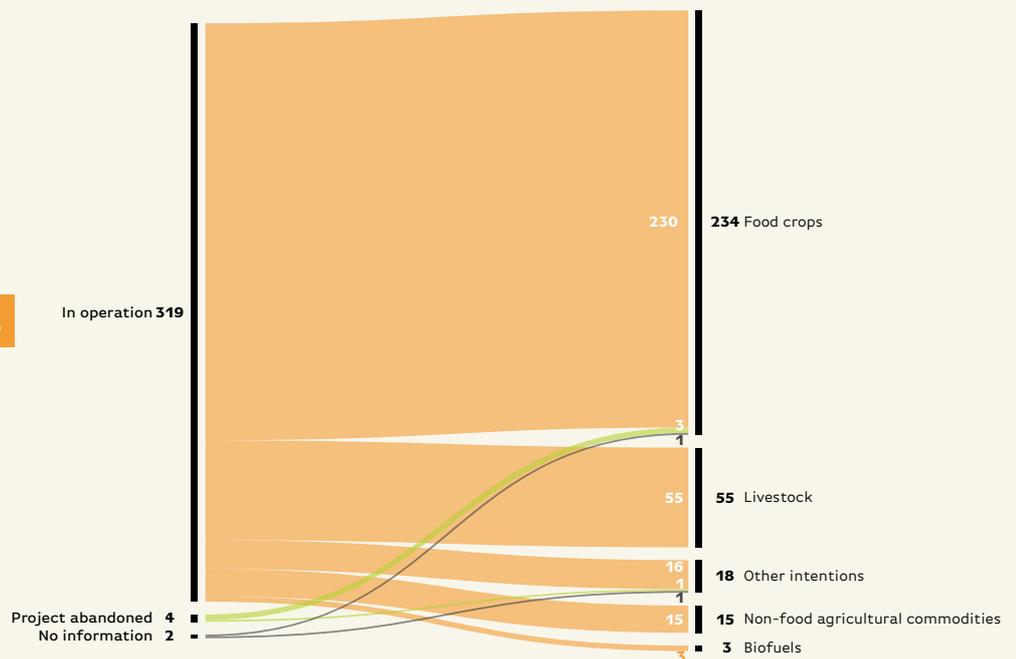
249,300 ha

No information

8,000 ha

Intention of investment

(according to number of concluded deals)*



* This figure lists the intention of investments per negotiation status. Please note, a deal may have more than one intention. In Ukraine, there are 344 intentions for 242 concluded deals.

INTRODUCTION

To date, the Land Matrix has recorded 242 concluded deals with a total size under contract of 3,242,438 ha.

All 242 deals consist of millions of small long-term land lease agreements between companies and smallholders or the government, with the duration of contracts ranging from seven to 49 years. These deals have mostly taken place during three notable waves of land investments: 56 were concluded in 2006-2008, 17 in 2012-2013, and 45 in 2017-2018. From 2017 to 2019, all acquisitions happened as mergers and acquisitions (M&As) of agricultural enterprises (agro-enterprises) with land in rent/land lease rights – so while the average size of agro-enterprise deals is 3,000 to 5,000 ha, because these companies form bigger business structures through M&As, thereby becoming agroholdings, the typical size

under contract is actually over 10,000 ha. Nevertheless, there are some deals that cover as little as 1,000 ha.

LSLAs by negotiation status

	Number of deals	Size under contract (hectares)	Intended size (hectares)
CONCLUDED			
Contract signed	242	3,242,438	4,336,434
Oral agreement	0	0	0
Total	242	3,242,438	4,336,434
INTENDED			
Expression of interest	1	0	5,000
Under negotiation	1	0	38,600
Total	2	0	43,600
FAILED			
Negotiations failed	1	0	3,000,000
Contract cancelled	0	0	0
Total	1	0	3,000,000

Since all acquisitions in Ukraine are made up of thousands of small land lease agreements concluded at approximately the same time and automatically prolonged once they expire, it is not surprising that all registered deals are in operation and in active production phase. Furthermore, even if a project becomes abandoned, the change of ownership happens extremely quickly and production does not stop.

CASE STUDY KERNEL HOLDING

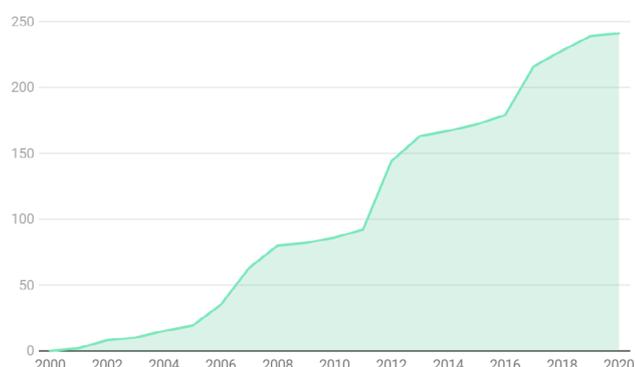
In 2017, having gained permission from the Antimonopoly Committee of Ukraine, Kernel Holding (Luxembourg) acquired Ukrainian Agrarian Investments (Renaissance Group, Russian Federation) and Agroinvest Ukraine (MK Group, Serbia) through an M&A deal, which resulted in at least 40 companies with land under contract for different purposes, from agricultural production to oil extraction and trading. With this, a total of about 220,000 ha of land throughout Ukraine changed ownership, while

Kernel Holding's land bank exponentially increased to around 700,000 ha. The following year, some of this land was sold to other foreign companies in an asset optimisation process. However, as with the vast majority of agroholdings in the country, while all the land remained as private or state property, another company in fact controlled it through thousands of land lease contracts for periods of up to 49 years.

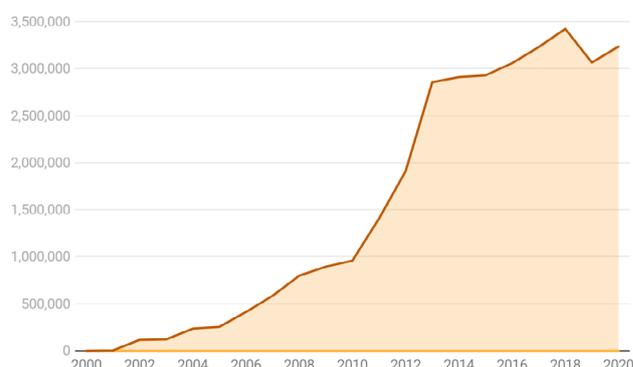
Notably, there has only been one recorded failed deal – however, given it would have seen China's Xinjiang Production and Construction Corps (XPCC) lease 3 million ha of Ukrainian farmland under a 50-year agreement worth a reported \$2.6 billion per year, and made Ukraine China's largest overseas farming centre, it is highly significant. The lease, which was signed in 2013 with Ukrainian government-controlled agricultural firm KSG Agro, was alleged to be for an initial 100,000 ha in Ukraine's eastern Dnipropetrovsk region, with plans to eventually expand to 3 million ha of farmland to be used for growing crops and raising pigs, although both parties strongly denied this was the case. Ultimately, in the wake of enormous public pressure and the change of Ukrainian government in late 2013, the deal was abandoned. More information on this deal can be found on the Land Matrix database (<https://landmatrix.org/deal/4295/>).

Concluded deals over time (2000 - 2020)

Cumulative number of deals



Cumulative size under contract



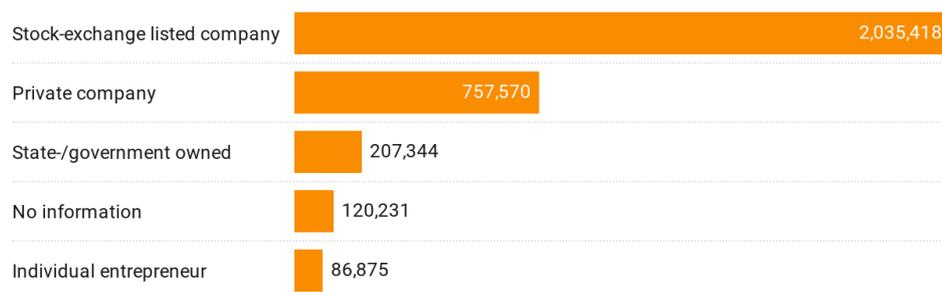
Note: This graph shows changes in size under contract, including for abandoned deals with contracts still in place. Thus, the number of deals can remain the same even if the size increases/decreases.

INVESTORS AND INVESTOR COUNTRIES

In Ukraine, investors control 7.6% of all agricultural land and 10% of arable land, with the size under contract by investors totalling 3,242,438 ha. However, research undertaken by the Eastern Europe Regional Focal Point (RFP) suggests that there is even more land contracted in the country by foreign investors, with an estimated 15% of agricultural land controlled by foreign investors, including Ukrainian citizens who have registered companies abroad for reinvestment in Ukraine. Nevertheless, Ukrainian citizens are the final beneficiaries in four of the five top agroholdings in the country. In addition, domestic investors were involved in 23 deals, with a total size under contract of 307,998 ha, or 9.5% of all size under contract in the country.

Cyprus and Luxembourg, renowned 'tax havens' or offshores¹, are the top investor countries, while the Netherlands, Singapore, and Belize are other prominent tax haven investor countries.

Deals by investor type (in hectares)



¹ Full disclosure of the EU's blacklist of tax havens (<https://www.oxfam.org/en/full-disclosure-eus-blacklist-tax-havens>).

The United States is the third top investor country, but unlike the tax havens, is a completely original transnational investor, as are Saudi Arabia and Germany. Importantly, however, even though these countries are ‘original’ investors, they use their subsidiaries in tax havens during trading of grains or any other agricultural raw materials abroad. Of note, more than half of concluded deals in Ukraine have involved stock-exchange listed and private companies, which took over agricultural firms that owned land through M&As with Antimonopoly Committee approval.

Top five agroholdings in Ukraine:

1. *UkrLandFarming Plc* (Cyprus) **531,306 ha**
2. *Kernel Holding S.A.* (Luxembourg) **507,611 ha**
3. *NCH Capital Inc.* (USA) **350,400 ha**
4. *MHP S.E* (Cyprus) **349,321 ha**
5. *Astarta Holding B.V.* (the Netherlands) **242,400 ha**

Foreign investor countries

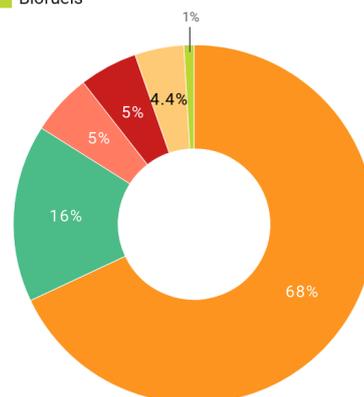


DRIVERS AND AIMS OF PRODUCTION

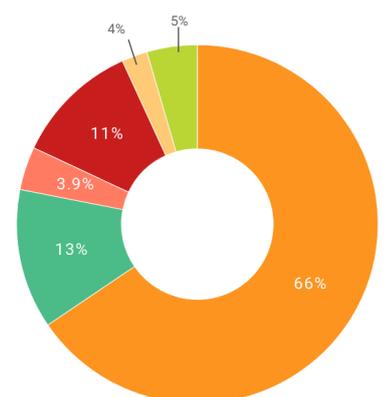
Because aggregation of size is difficult when more than one intention is listed, the Land Matrix counts the number of times an intention is listed, and the contract size of a deal is then divided equally among them.

The vast majority of investments in Ukraine (65%) are intended for food crops, with a focus on production of winter wheat, corn, sunflower, soy beans, and rapeseed for export. In fact, Ukraine is the world’s largest producer of sunflower seeds and sunflower oil exporter,

Land acquisitions by category of production



Number of deals per category of production, represented as a percentage of total concluded deals



Size under contract per category of production, represented as a percentage of total concluded size

and second largest exporter of rapeseed. It is also the fourth largest exporter of corn, fifth largest exporter of wheat, and seventh largest exporter of soy bean.

Other food crops produced but to a lesser extent include barley, sugar beet, peas, fodder plants, cereals, alfalfa, vegetables, buckwheat, and mustard. Livestock is the next largest category of production (13%), although this is negligible in comparison to food crops.

FIND OUT MORE ABOUT LAND DEALS IN EASTERN EUROPE

We are continuously updating our data about land investments in Eastern Europe. To find out more about which countries we cover, our data collection and verification process, and how you can add your contributions, please visit our regional page at www.landmatrix.org/region/europe/ and browse our frequently asked questions at www.landmatrix.org/faq.

This country profile was prepared by the Eastern Europe Regional Focal Point, hosted by the Centre for Environmental Initiatives 'Ecoaction' based in Kyiv, Ukraine.



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