LAND MATRIX

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AS PRESSURE BUILDS ON AVAILABLE AGRICULTURAL LAND IN UKRAINE, CAN THE COUNTRY BALANCE ENVIRONMENTAL PROTECTION WITH ECONOMIC NEEDS?

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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.

Deal narratives are investigations of specific LSLAs by our regional and global partners that provide an in-depth and detailed analysis of single deals in addition to our global database. This deal narrative focuses on Land Matrix deals #10161 and #6651.

By making this information available, the Land Matrix aims to support broad engagement and information exchange, facilitating the continuous improvement of the data. The information on the deals is based on both secondary research and in-depth field research in the region involving the relevant stakeholders.

Find out more at www.landmatrix.org.

With the full-scale invasion in Ukraine by Russia in 2022, in addition to taking a heavy toll on human lives, significant negative impact from the military action on soil health and productivity has been observed[1], with more than 30% of Ukrainian land now unsuitable for agriculture. In the meantime, ongoing eruptions from aerial bombs, artillery shelling, mined areas, destroyed heavy military equipment, leakage of oil products, burned areas from fires, and landslides continue to drastically degrade the country's agricultural land – and with it, Ukraine's rural economy and export market. For instance, in 2021, 41% of Ukrainian exports came from the agro-industrial sector, and while the statistics have subsequently been distorted by the Russian invasion, agricultural exports are widely recognised as an important part of Ukraine's economic stabilisation.

Indeed, to counter dwindling land resources and maintain agriculture as one of the country's major economic pillars, the government has begun to promote the increased use of agricultural land in suitable and safe territories, which are mainly concentrated in the central and western regions of the country. Yet, this approach is not without problems, as this report argues, since the need for more agricultural land is deeply intertwined with the continuous rollout of land governance reforms in the last two decades – with far-reaching implications for environmental protection.

Dating back to the early 2000s, despite land reform measures ostensibly being implemented to protect ownership of agricultural lands, such as the 2001 moratorium on the sale of agricultural land, this policy framework has, on the contrary, been detrimental to the majority of Ukraine's farming and rural population and in fact resulted in widespread land degradation and land concentration. The moratorium was intended to prevent land ownership being dominated by a select few following the collapse of the Soviet Union and subsequent privatisation of land. In reality, however, it encouraged the emergence of large-scale companies that leased land from rural households, who were often forced to rent out their land, usually for trifling sums, because of a lack of capital and agricultural expertise and the fact that the plots were too fragmented for these households to cultivate themselves. Ultimately, this led to most of the 41 million ha of agricultural land becoming concentrated under the control of investors, especially in the form of agroholdings.[2]

In March 2020, the moratorium was finally lifted, giving Ukrainians the right to buy and sell land from 2021. In addition, with the second stage of the opening of the land market in 2024, Ukrainian legal entities such as companies were also allowed to buy agricultural land. Although theoretically this shift could culminate in positive results, it could equally lead to even higher land concentration due to the lack of proper control by the state. Moreover, there is now a threat that valuable natural ecosystems, such as steppes, riverbanks, and forests, could be converted into agricultural lands. This is because companies, now no longer restricted to just leasing existing agricultural plots, have strong incentives to purchase more land in the still relatively safe regions of Ukraine to offset the loss of agricultural land in the border regions with Russia, where the ongoing war is disturbing any economic activity.

As much as the need to support the economy is obvious to respond to the Russian invasion, limited compliance with environmental legislation by agricultural companies cannot be ignored. To allow for Ukraine's sustainable recovery, the state must strike a careful balance between the immediate need to keep the economy running and long-term goals such as healthy ecosystems and equitable land distribution. To showcase the issues at stake, we analyse two land deals from the Land Matrix database.

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1 *https://ecoaction.org.ua/zabrudnennia-zemel-vnaslidok-rosii.html*

2 *Land Matrix (2021). Taking stock of the global land rush: Few development benefits, many human and environmental risks. Analytical Report III.*

Figure 1. Location of the research regions in Ukraine

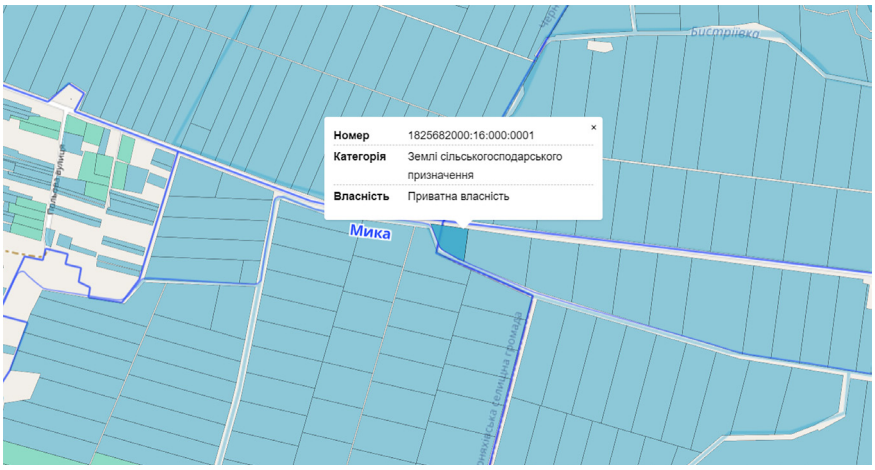

Figure 2. Ploughed plots of land within the coastal protection strip of the Myka River

> **In total, 1,003 plots that are being developed for agricultural purposes by large-scale companies with foreign investments were identified.**

ENVIRONMENTAL LAW VIOLATIONS AMIDST UKRAINE'S AGRICULTURAL EXPANSION

To investigate and track the environmental violations occurring as a result of intensive farming, and exacerbated by government's plans to drive agriculture as a vehicle for economic recovery, we conducted research in four regions of Ukraine (see Figure 1). The starting point for this research was the analysis of satellite images to detect areas with visible violations of environmental legislation. In total, 1,003 plots that are being developed for agricultural purposes by large-scale companies with foreign investments were identified, including companies such as Agrain Group of Companies, Agroprosperis Group, Continental Farmers Group LLC, Kernel JSC, and SP Advisors. Of these plots, 730 are within nature reserves, 99 are in coastal protective strips, and 174 are on slopes of more than seven degrees that are threatened by soil erosion and protected by national law.

Based on this analysis, the areas near the Myka River's left tributary of the Teteriv River and right tributary of the Bystriivka River (called the small Myka River) within the coastal protection strip in Zhytomyr region were selected for an in-depth study to assess compliance with national legislation, specifically Article 88 of the Water Code of Ukraine. This article stipulates that coastal protective strips should be established along the riverbanks and around reservoirs with a width of 25 meters for small rivers, streams, and creeks, and an area of less than 3 ha for ponds. The plots in this area are leased by two main agricultural companies growing grain and oil seed crops such as corn, wheat, sunflower, rape, and soy, namely Kolos Polissya LLC (deal #10161) and Korostyshivzeminvest LLC (deal #6651). Unsurprisingly, a field visit to these plots revealed that environmental law is already no longer stringently applied.

Ploughing of the coastal protective strip of the small Myka River by Kolos Polissya LLC (cadastral number of the land plot: 1825682000:16:000:0028)

ARE ENVIRONMENTAL CONCERNS A PRIORITY FOR AUTHORITIES AND COMMUNITIES?

Although environmental issues have not been a priority in Ukraine since the invasion in 2022, they should nevertheless be an integrated part of the green reconstruction process and the alignment of Ukraine's agricultural sector with the sustainability goals of the European Green Deal for a potential EU accession. Achieving long-term change in Ukraine's agricultural sector will require the active engagement of various stakeholders. To understand the awareness of environmental degradation and its perceived implications, we interviewed several key stakeholders, including local communities, farmers, and government officials.

Worryingly, discussions with local communities revealed a disturbing trend: in general, awareness is limited. One community, for example, believed that a large coastal protective strip existed based on satellite images from 2020, when in fact companies had already begun encroaching on areas near the river in 2020 – breaching the coastal protective strip regulations. Another community was not even aware of the presence of the small Myka River on its territory, only recognising it as an unnamed irrigation canal as this is how it was marked on the map, which not been revised since the Soviet era. As such, the community applied different rules and requirements for ploughing on the slope.

These examples demonstrate how critical awareness of the distinction between a river and an irrigation canal is in view of the fact that different (and more stringent) environmental standards apply to rivers. These issues are compounded by the privatisation of land plots along the river, a process that has been ongoing since the 2000s. It was encouraging to note, however, that following discussions with the research team, the community from the first example showed an interest in addressing issues with companies to ensure compliance with the Water Code. Even so, the community from the second

Ploughing of the coastal protective strip of the Myka River by Korostyshivzeminvest LLC (cadastral number of the land plots: 1822586700:02:000:0406, 1822586700:02:000:0407)

example pointed out the difficulty in imposing restrictions on companies and landowners due to potential financial repercussions.

Local farmers are likewise hesitant to blame the companies. In fact, feedback from a local farmer suggests that the activities of agricultural companies in the district brings predominantly positive outcomes. These include clearing bushes and uncultivated areas as well as supplying mineral fertilisers to the region. Indeed, overall, the farmers report little negative impacts, with the exception that the conversion of grazing areas into ploughed fields prevents them from grazing their cows and harvesting grass.

Another concerning finding was that important government bodies cannot or do not take any immediate action. For instance, although the Basin Administration of Water Resources of the Prypiat River confirmed that the Myka River falls under the regulation of the Water Code, it does not have the power to enforce environmental law. As such, any infringements would have to be reported to the State Geocadastre or the State Environmental Inspectorate to deal with.

Similarly, the study found that land documentation, which is essential for managing land relations, seldom stipulated restrictions on land use, such as agricultural activities, even though specific restriction codes and defined areas are meant to be explicitly stated and then incorporated into planning and cartographic materials outlined in the list of land use. Considerations for slope and environmental protection should also be integrated into land management projects during the ecological and economic justification of crop rotation and land management practices, but are often not. That being said, restrictions on land use are a relatively recent development in Ukraine, which may explain their absence in some cases.

However, even before these developments, the example of the community being unaware of the presence of the small Myka River on its territory demonstrates that environmental protection has not historically been prioritised. This also illustrates how various and multiple stakeholders are responsible for not considering the ecological component of agricultural expansion, from land managers when prescribing restrictions and community representatives when allocating land plots, to landowners when leasing out a plot of land and agricultural holdings leasing or buying the land.

NAVIGATING TRADE-OFFS: CAN UKRAINE RECONCILE ECONOMIC, SOCIAL, AND ENVIRONMENTAL NEEDS?

Although the ongoing land reform in Ukraine is making progress, specifically in terms of fostering economic growth and agricultural output, it is becoming increasingly evident that the ecological and social dimensions are being sidelined. For example, with the commencement of the second stage of the opening of the land market in 2024, demand in the still relatively safe territories of western Ukraine has started to increase, with many ecologically valuable areas owned by large-scale companies being converted into agricultural land, violating environmental protection legislation, such as the Water Code.

Improving the monitoring of compliance with Ukraine's environmental legislation is thus a critical issue. Importantly, this control should be effectively organised both at the state and community levels. Moreover, to better balance environmental and agricultural issues, high quality extension services for communities, landowners, and lessees needs to be established. Pushing for reform will be, however, challenging due to the influential agrarian lobby in Ukraine, which wields significant power at both local and state levels and prioritises economic returns. The ongoing war economy further bolsters their perspective. This influence is concerning, particularly given the increased control large enterprises now have, as they can purchase land rather than just lease it.

Overall, while the imperative to bolster the economy amidst a full-scale invasion is undeniable, it is essential for the state to acknowledge the challenges stemming from inadequate adherence to environmental regulations by agricultural enterprises and the repercussions of land concentration on both the environment and communities. For Ukraine's sustainable resurgence, the state must delicately navigate between the immediate necessity to sustain economic activity and the long-term objectives of fostering healthy ecosystems and ensuring equitable land distribution.

LM deal ID	10161	6651
Size under contract (ha)	3,725	6,692
Number of leased plots	2034	2266
Operational since	2015	2008
Operating company	Kolos Polissya LLC	Korostyshivzeminvest LLC
Parent company	↟UKR-AGRO RT LLC (Ukraine)	↟Ray Agro LLC (Ukraine)
Main parent company	↟Expertus Invest Ltd. (Estonia)	↟NCH Capital Inc. (United States of America)
Production	Corn, wheat, sunflower, rapeseed, soya beans	Corn, sunflower, rapeseed, soya beans

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Ecoaction hosts the Regional Focal Point for the Land Matrix in Eastern Europe. Its mission is to protect the environment by influencing decision-makers and stakeholders and developing an active Ukrainian community.

UNCG is a group of Ukrainian biologists united to preserve the wild nature of Ukraine. The main goal of the UNCG is to conserve biodiversity, establish protected areas, identify cases of illegal destruction of nature and improve environmental legislation in Ukraine.

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