

# Not For Sale: Private Farmland in Post-Soviet Ukraine

For those Americans who think about Ukraine at all, it is no secret that the country has faced two wars since 2014. The first, most conspicuous war, exists in Ukraine's South and East, against Russia. The second, much less visible but far more important, exists throughout every city and village in Ukraine. This is the war to reform Ukraine's government and society.

Many of the reforms one hears discussed as priority items for Ukraine are useful, necessary preconditions to making it more European (which is to say, a better country). Judicial reforms to clean federal and oblast courts of corrupt, compromised judges is obviously a good idea. Transparency mechanisms that require journalists, non-profit workers and politicians to declare all income and assets is also good, and unquestionably useful in an aspiring western-style democracy.

One proposed change to Ukraine's legal or social system that gets an extraordinary deal of attention (as these things go) is reforms to permit the sale of agricultural farmland. Take [this piece](#) published by the World Bank, by the country director for Belarus, Moldova, and Ukraine. It begins: "Land reform—lifting the moratorium on agriculture land sales—is the most powerful measure the government can take to boost economic growth and job creation, particularly in rural areas." Pieces in the [Atlantic Council](#) and other western publications make similar claims.

But what is Ukraine's law about land ownership? Where does it come from, and why does it exist? What are its goals? More importantly, what about land ownership in Ukraine needs

reforming—why are the IMF, EU and World Bank so fixated on this specific issue?

## **The History of Land Ownership in Ukraine**

To understand the law as it exists now, one must first understand the history that led into it. To do so, one could go back to the fall of the USSR and the distribution of collective, state-owned land to newly-enfranchised Ukrainian citizens. Or one could go back further, to the policies of collectivization that required citizens to live on land that they themselves did not own.

To really get a feeling for what land ownership means to Ukrainians, though, it's important to consider the traumatic rending that took place when they were forcibly separated from their land in the first place. This process occurred primarily in the 1920s and 1930s, culminating with the events around what Ukraine calls the Holodomor—an engineered famine in which millions perished. Holodomor, much like the Holocaust, is perceived as a special type of outrage perpetrated specifically against the Ukrainian people. It was very much rooted in the land, and many Ukrainian people's connection to the land, and the consequence of it was that afterwards, almost no Ukrainian owned his or her own farm. This event, or series of events, has been baked deep into the collective psyche of Ukrainians.



Ukrainians have specific and intensely negative memories of the last time individual farmers lost their land in the name of collective livelihood and national prosperity

Many Russians counter that the famine was accidental and that the millions who died in Ukraine and across the USSR did so as the result of well-intentioned tragedy.

In order to assuage that historical trauma, one of the first actions taken by Ukraine's second President, Leonid Kuchma was to privatize agricultural land held by the state. The way he did this was riddled with imperfection and the potential for corruption, but he made good on his promise to give the land back to the people. Any Ukrainian citizen could lay claim to parcels of agricultural land sufficient for their subsistence, and many did so (some others gamed the system and were able to seize or acquire good agricultural land far less expensively than would otherwise have been possible).

The extent to which Kuchma is remembered positively in Ukraine

is due in large part to these reforms (overall, his legacy is very mixed owing to charges of murder and corruption). Only Ukrainian citizens can own agricultural land, and it cannot be sold to corporations, or foreigners.

Whether one believes the Russian account of the 1930s or the account of Ukrainians, the fact remains that the famines of the 20<sup>th</sup> century and the connected process of collectivization (which involved forcibly parting people from their land) left a major, lasting impact on them. Any discussion of land ownership is guaranteed to bring up old and bad memories.

### **The Case for Land Sale**





There are three primary reasons that one could support opening the sale of agricultural land to non-Ukrainians. First, it doesn't make economic sense to close markets off to foreign investment. Conservative estimates suggest that Ukraine could increase its GDP substantially ([from 5-10%](#)) simply by allowing foreigners and corporations to buy and sell these tens of millions of hectares.

Also, it's important to acknowledge that limiting the agricultural land market doesn't actually prevent foreign companies from using the land—it just means they have to “rent” it from villagers. The price for renting the land is not advantageous to the villagers—it can be less than \$80 per year. In other words, the land laws as they exist have led to a busy, unregulated black market on what amounts to land sale. This serves to enrich some individuals or areas, but it does nothing for the government of Ukraine.

Third, land sale to foreigners would be a good move from a security standpoint, in the sense that encouraging foreign investment—specifically, *European* investment from places like the US, Britain, Poland and Germany—will go great lengths toward tying foreign interests to Ukraine. These countries will have a stake in Ukraine's survival, because they'll have “skin in the game” beyond an ethical desire to see weak protected against strong (or strong-er).

To summarize: the case for agricultural land sale is that Ukraine will get richer and less corrupt, and foreign companies will care more about the country and thus be further incentivized to care about its protection.

### **The Case Against Land Sale**

There are logical and illogical reasons to view farmland reforms with skepticism. The logical reasons first: as things

currently stand, people are merely being exploited for their land. They still *have* land, which is better than not having it, because things can be grown on land and worst case scenario it is possible to feed a family with 2 hectares of good, fertile earth. A small family, yes, and not well-fed (but sufficiently well-fed), but human history is proof that people have been able to scrape by with less than one might think. So long as one has land, life is possible. Once it goes away—once the land has been sold—there is no going back to freedom.

Furthermore, the very things that are bad about a bunch of people owning two-to-four-hectare plots of farmland—inefficiency, less money—also make Ukrainian society more resilient than most of its western, European neighbors. It's difficult to imagine what would happen to the USA if it were to go two weeks without food being delivered to supermarkets. In Ukraine, people know—they'd just call up their friends and families who live on farms, or buy food from local markets. There is a thriving "cottage industry" of individual and collective, non-corporate farmers who would keep people fed.





For some, farmland is more than just a business—it's a way of living that goes back generations.

The Ukrainian agricultural holdings have a stake in this, too—the domestic corporations that struck the original rental agreements do not have the means to compete with foreign agricultural corporations. As things exist now they have good agreements with local villagers—and are uninterested in negotiating at terms that are disadvantageous to them.

Illogical reasons to oppose land sale both relate to history. One is the immediate history of Ukraine—the famines and/or Holodomor—which saw private land stripped from individuals wholesale, and created a large well of bitterness toward the idea of any large organization (cooperative, Kyiv, Moscow) having direct and absolute say over land use.

Another is the broader history in Ukraine of foreign exploitation, which feels worse than domestic exploitation.

Selling agricultural land to foreigners, for better or for worse, sends a very strong and negative message to Ukrainians. Populists and domestic agricultural concerns have done a great deal to stoke fears over Chinese or Russian corporations buying up Ukrainian land and then oppressing Ukrainian villagers and destabilizing its economy and security—fears that have some basis in reality, in both cases (China is still ostensibly communist, and Russia occupies large swaths of Ukrainian territory).

### **Who Stands to Lose What**

Investors stand to lose access to markets. The nation of Ukraine stands to lose—hypothetically—increased profits generated from a more efficient agricultural sector and a less corrupt land black market. Ukraine also stands to lose the interest of European countries.

The people who have land in Ukraine stand to lose their livelihoods and freedom, irrevocably. Ukrainian society stands to lose basic food security.

### **In Conclusion**

It's difficult to say which idea is better. Pros and cons exist on both sides. There are good reasons to privatize the land, which would help Ukraine. There are also reasons to keep the land as it is—private, privately held. Ultimately, it comes down to whether one believes that a country is best served by collectivizing its interests and selling them to corporations for the biggest profit, or whether it's best served by a poor but enfranchised citizenry, which tends to be exploited by domestic (rather than foreign) agribusinesses.