

War and Theft

Frequently Asked Questions

February 2023

- **Who controls agricultural land in Ukraine?**

With 33 million hectares of arable land, Ukraine has large swaths of the most fertile farmland in the world. Misguided privatization and corrupt governance since the early 1990s have concentrated land in the hands of a new oligarchic class. Over 4.3 million hectares are under large-scale agriculture – with the bulk, three million hectares – in the hands of just a dozen large agribusiness firms. In addition, according to the government, about five million hectares – the size of two Crimea – have been “stolen” by private interests from the state of Ukraine. The total amount of land controlled by oligarchs, corrupt individuals, and large agribusinesses is thus over nine million hectares, exceeding 28 percent of the country’s arable land. The rest is used by over eight million Ukrainian farmers.

The largest landholders are a mix of oligarchs and a variety of foreign interests – mostly European and North American, including a US-based private equity fund and the sovereign fund of Saudi Arabia. All but one of the ten largest landholding firms are registered overseas, mainly in tax havens such as Cyprus or Luxembourg. Even when run and controlled by oligarchs, a number of firms have gone public with Western banks and investment funds now controlling part of their shares.

The report identifies many prominent investors, including Vanguard Group, Kopernik Global Investors, BNP Asset Management Holding, Goldman Sachs-owned NN Investment Partners Holdings, and Norges Bank Investment Management, which manages Norway’s sovereign wealth fund. Several large US pension funds, foundations, and university endowments are also invested in Ukrainian land through NCH Capital – a US-based private equity fund, which is the fifth largest landholder in the country.

- **How is the takeover of agricultural land happening?**

Whereas at least 4.3 million hectares are already controlled by agribusinesses in Ukraine, recent dynamics are leading to a further takeover of agricultural land in the country. A law passed in March 2020 lifted the country’s 19-year moratorium on sales of agricultural land, allowing such transactions since July 2021.

Rejected by a vast majority of Ukrainians who massively protested against it in 2019 and 2020, the law was a measure imposed by Western financial institutions that have become major lenders to the country since 2014. It was passed at a time when mandatory COVID-19 stay-at-home orders were in place across the country, effectively quelling further protests or demonstrations. The objective of this law is to ensure the exit of “less productive farmers” from agriculture and promote further

concentration of land. Thousands of transactions have been recorded in the first year of application. Some of the largest agribusinesses are in the process of using it to expand the land under their control. This process of concentration is also driven by massive financing that large agribusinesses are receiving from Western financial institutions whereas Ukrainian farmers, though they are key to ensuring Ukraine's domestic food supply, receive virtually no support. With the land market in place, this difference of treatment in the context of high economic stress and war will likely lead to more land consolidation by large agribusinesses.

The above points to Ukraine's agricultural land being a major stake in the war. The report details instances where land changed hands because of the war, including surfaces reportedly seized by Russian agribusinesses to be farmed in the Eastern part of the country.

- **Why is the takeover of Ukrainian land a cause for concern?**

Concentration of land in the hands of agribusinesses, oligarchs, and powerful financial interests raises questions of equity and economic justice in a country where resources have been accumulated by a few, often through corrupt practices. Fair and equitable access to land and financing would ensure the economic sustainability and well-being of the country's eight million farmers.

Furthermore, the takeover of land by large agribusinesses generates the expansion of industrial agriculture based on the intensive use of synthetic inputs, fossil fuels, and large-scale monocropping – long shown to be environmentally and socially destructive. They are primarily geared towards export markets whereas it is Ukraine's small and medium-sized farmers who guarantee domestic food production. The takeover of Ukrainian land therefore raises important questions about the country's food security and sovereignty.

- **How are international financial institutions involved in the takeover of land in Ukraine?**

Since the installation of a pro-EU government following the Maidan Revolution in 2014, a key condition of financing from international financial institutions like the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), and the World Bank has been for Ukraine to lift the moratorium on the sale of agricultural land in order to create a land market. This push has largely succeeded, with the IMF leveraging the economic fallout from the COVID-19 pandemic to coerce Ukraine into passing the March 2020 land law despite overwhelming opposition in the country. Another way in which the international financial institutions have been involved is through the provision of substantial loans to Ukrainian agribusinesses, allowing the latter to sustain and expand their operations. Together, the EBRD, the European Investment Bank (EIB), and the International Finance Corporation (IFC) – the private sector arm of the World Bank – have lent US\$1.7 billion to just six of Ukraine's largest landholding firms in recent years.

- **Why was there a moratorium on land sales and how was it lifted?**

Before the breakup of the Soviet Union in 1991, all land was the property of the state, with farmers working on state and collective farms. In the 1990s, guided and supported by the IMF and other international institutions, the government privatized much of Ukraine's farmland which resulted in the growing concentration of land in the hands of a new oligarchic class. To stop this process, the government instituted a moratorium in 2001, which halted further privatization and prevented almost all transfers of private land. 96 percent of agricultural land in Ukraine, or about 40 million hectares, was subjected to the moratorium. While the moratorium prevented further purchases of land, farmland could still be leased. Many small landowners leased their land to both domestic and foreign corporations. Although the moratorium was meant to be temporary, it was extended multiple times until it was lifted in July 2021.

The law legalizing the sale of farmland and lifting the country's 19-year moratorium on land transactions was passed on March 31, 2020. Ending the moratorium was a key condition for aid from Western institutions – part of a series of policy reforms that the IMF conditioned a US\$8 billion loan package upon. Faced with a deep economic crisis, an ongoing civil war, and the rapidly escalating COVID-19 pandemic, Ukraine risked plunging into default without the loan package. The timing of the bill's passage coincided with mandatory COVID-19 stay-at-home orders in place across the country, effectively quelling any further protests or demonstrations.

- **What does the new land law change?**

The law "On Amendments to Certain Laws of Ukraine on the Conditions of Turnover of Agricultural Land" (Law 552-IX) is a crucial plank of the liberalizing agenda championed by President Volodymyr Zelenskyy. It establishes a land market in several stages. Starting in July 2021, the law makes it possible for individual Ukrainian citizens to purchase up to 100 hectares. The second stage begins in January 2024 and will raise the limit to 10,000 hectares and permit sales to legal entities. Banks will be able to seize land for nonpayment of a loan, but will have to auction off the land for agricultural use within two years. Individuals or entities that currently lease a piece of land are supposed to receive priority ("pre-emption rights") when the land is up for purchase. A longstanding prohibition on foreign individuals and companies buying land in Ukraine will continue, although they retain the ability to lease land.

- **Are Ukrainians supportive of the land reform?**

The law was passed while over 64 percent of the population was against it, seeing the creation of a land market as detrimental to farmers and citizens while catering to the oligarchs and corrupt officials. While proponents of the land reform like the World Bank have argued it will bring about economic growth, they have explicitly stated that this growth is expected to come from pushing poorer, smaller farmers out of agriculture, and helping larger landholdings grow, as the price of land rises.

Moreover, as most private agricultural land remains under lease agreements with large-scale farms in coming years, the land may not even be available for individual farmers to purchase before 2024, when they start facing competition from big businesses that will always be able to outbid them. Due to the country's rampant corruption and weak rule of law, small farmers will likely have few avenues to assert their rights in the face of this increasing competition from agribusinesses.

Finally, the few concessions included in the law are inadequate. For instance, the ban on foreign owners from acquiring land would require tracing and enforcement, which are highly unlikely to materialize within the current global economic system where companies and subsidiaries constantly change hands and are financed and owned without transparency. The creation of a land market is therefore likely to expand the amount of agricultural land in the hands of oligarchs and large agribusiness firms. In December 2022, a coalition of farmers, academics, and NGOs called on the Ukrainian government to suspend the land reform law and all market transactions of land during the war and post-war period. Ukrainians are advocating for “legal, organizational, and financial mechanisms that protect the public interests and guarantee the rural residents, farmers, small-scale agricultural producers, and youth *real* opportunities for agricultural land purchase.”

- **What has been the impact of the war on agriculture in Ukraine?**

The war is seen by many as a threat to global food security given the importance of both Ukraine and Russia as major exporters of food and fertilizers. Though the rise in global food prices in 2022 was to a large extent due to speculation in world markets, concerns revolved around the fact that both countries are major food exporters, especially to a number of food deficit countries in the Global South. This led to the Black Sea Grain Initiative, an agreement signed in July 2022 under the auspices of the United Nations, which has enabled substantial food exports from the region to continue. In November 2022, the agreement was extended by 120 days and is up for renewal in March 2023.

The Russian invasion has had numerous other repercussions on Ukrainian agriculture, including shortages of fertilizers, seeds, and fuel. In addition to blockading Black Sea ports, destroying infrastructure, and seizing Ukrainian grain, the Russian military has also targeted agricultural facilities. It is estimated that land mines are present on around 10 percent of Ukrainian farmland. Some agribusinesses report having lost access to their land, including agribusiness firms UkrLandFarming and HarvEast. Some of this land has been seized by other agribusinesses, who are taking advantage of the conflict to accumulate more land. However, by breaking down supply chains, the war has severely disrupted the activities of agribusinesses, causing certain large firms to cease functioning, operate at a loss, or go bankrupt.

In the face of this, it is small farmers that have been “left to pick up the pieces.” As they do not rely as heavily on industrial supply chains, they have proven to be more resilient, flexible, and mobile. However, small farmers have had to operate with a very limited amount of land and financing, while agribusinesses have continued to receive the bulk of the Ukrainian government and international financial institutions’ support. With the land market in place, amidst high economic stress and war, this difference in treatment will likely lead to more land consolidation by large agribusinesses and an increase in poverty for Ukraine’s rural population.

- **How will the post-war reconstruction plans proposed by international financial institutions affect the agricultural sector?**

Ukraine’s staggering and growing foreign debt – estimated at US\$132 billion in 2020 – makes it likely that reconstruction will be dictated by international financial institutions and foreign interests, which have already indicated that they will use their leverage to further privatize numerous sectors, including

agriculture. For instance, the World Bank has asserted that Ukraine's reconstruction must be accompanied by "further liberalization of the agricultural land market," while the Ukraine Reform Tracker, presented at the Ukraine Recovery Conference in July 2022, states that the post-war moment presents the opportunity to "[extend] the right to purchase agricultural land to legal entities, including foreign ones." The post-war reconstruction plans proposed by international financial institutions are therefore laying the groundwork for further concentration of land in the hands of oligarchs, foreign interests, and large agribusinesses.

- **Doesn't Ukraine need private foreign investments in order to develop and recover from the war?**

While international financial institutions claim that attracting private investment for the expansion of industrial agriculture is the way for Ukraine to "develop" and recover from the war, these investments have so far been almost exclusively channeled to large agribusinesses run by oligarchs. This has resulted in increasing land concentration and the expansion of industrial, monocrop agriculture destined for export, which does not benefit the local population and Ukrainian small farmers.

Financial support should be redirected to small farmers, which play a crucial role in guaranteeing the country's food security but currently lack access to financing. As called for by Ukrainian civil society, academics, and farmer organizations, the government should create financing and institutional mechanisms that could effectively support Ukrainian farmers but Western donors appear focused on supporting large agribusinesses and oligarchs rather than farmers.

- **What can be done to support Ukrainian farmers against the takeover of their land?**

While Ukrainians are dying to defend their land, financial institutions are supporting the consolidation of farmland by oligarchs and Western financial interests. At a time when the country faces the horrors of the war, the government and Western institutions must listen to the calls made by the Ukrainian civil society, academics, and farmers to suspend the land law and all land transactions.

After a long history of marginalization under previous regimes, small farmers are calling for a post-war agrarian policy centered around farmers, environmental responsibility, and economic justice. They also demand the inclusion of small farmers in the Plan for the Reconstruction of Ukraine – in a way that recognizes them as equal players in the country's food system – and the creation of a national institution dedicated to protecting the rights of peasants, family farming, and the rural environment. Finally, they are also asking for the development of a national program for transitioning to agroecology and the formation of state programs that promote local food systems, shorter supply chains, and food self-sufficiency.

These demands can form the basis for the transformation of the agricultural sector in Ukraine to make it more democratic and environmentally and socially sustainable, in a way that benefits the majority of Ukrainians instead of oligarchs and foreign financial interests. International policy and financial support should be geared towards this transformation.