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***Research paper***

# Management Aspects of Land Leasing: Foreign and Domestic Experience

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**Abstract**

The article describes domestic and foreign experience in land management practices, in particular, aspects of land lease. The authors conducted a study of the effectiveness of land management, depending on the terms of land lease, as well as possible conflicts among the main stakeholders. It is determined that the main factors for ensuring the effectiveness of land management are as follows: an effective management and an institutional regulation of integrated activities aimed at the realization of environmental and economic interests. The method of dynamic programming and game theory method was applied, which made it possible to determine the respective strategic positions of the landlord and tenant.

***Keywords***: *game theory, land leasing, landlord, management, tenant.*

## 1. Introduction

Society development is expressed by the manifestation of special socio-economic processes and phenomena that defines content of public relations. Context of this complex was changing for centuries, however, land relations remains to be the constant element.

From ancient times to nowadays stimulating effect on solving land issues is the main task of state policy and subtraction of important socio-economic transformations in the country. It becomes obvious, that any ownership is the synonym to authority, and land ownership is synonym to absolute power, control becomes necessary condition of poverty. Every historical period has its own land relations, appropriate economic rules for realization of the land reforms.

## 2. Main Body

Modern private property on land in developed countries greatly varies from the one, that was in times of classical capitalism, the end of XX century, when it was in the absolute form, and didn`t foresee state intervention in the rights of landowners and land users. Gradually, ownership turned to be an object of more considerable state regulation that limits rights of owners and users of land in favor of society interests.

Invaluable contribution to solving a number of problems, mentioned above, have made such scientists as P. Bottazzi [1], O. Chaikin [2], E. Dankevych [2], V. Dankevych [2], S. Mann [1], K. Marx [3], K. Nolte [4], M. Ostermeier [4], W. Petty [3], S. Rist [1], G. Sharyi [5], V. Shypulin [6], A. Smith [7], Stephen B. Butler [8], Peter H. Verburg [9] and others. A. Smith noticed the contradictions between the interests in relations concerning the lease of land. It should be mentioned, that A. Smith suggested to classify participants of land relations into three classes. The first class was land owners, the second class was represented by hired workers, which had no land to own, and the third class was demonstrated by the tenant-entrepreneurs [7].

At the same time, A.Smith paid more attention to the last group. He believed that interests of the tenant entrepreneurs contradict the most to the social interests, not only to the land owners. He emphasized, that as their intentions are absorbed faster by the interests of own business, not by the social interests, in this way, their sincere thoughts response more to the first group. Their advantage over the land owners, consist in better understanding of the own interests, not only of the social interests [7].

There is an interesting research of the founder of English political economy W. Petty. Not only his theoretical considerations are interesting, but the practical basics, which pushed him to theoretical substantiation of questions, concerning the land relations, as he was a rich landowner. In 1661, at the age of 38, he was introduced to the knight's rank of pen. In his work "Treatise on taxes and fees" (1662 p.) the price on land in England was equal to the sum of the annual rent by maturity, which made up 21 years. The last notion he counted from the natural life expectancy of three people (three generations of son, father and grandfather) At the same time, he realized, that such a number of annual rents would be there, where the confidence in the real estate is present [3].

World experience shows that, countries, which have reinforced state influence on land market (USA, Japan, Canada, EU countries etc.), achieves essential progress in the field of land usage, compared to those, which decreased state influence in regulation of land relations (Bulgaria, Romania, Moldova etc.)

Every country has its own system of land relations. They express

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functioning principles of public and state system, as well as political organization of their regulation.

Moreover, world experience testifies to increase of the state influence on the development of market land relations, which is shown in the usage of economic decisions concerning promotion of land concentration, formation of constant land ownerships and usages. That is why, institutional development of land relations in the agrarian sphere must identify not only the main element and the object of legal relationship – ground sections, providing their rational and effective usage, but to count the public interests of the peasants and social consequences of any transformations, as soon as, main state purpose – improvement of living standard and welfare of the population.

There isn't any country in the world with the absolutely free land market and unlimited private property rights on the land. In countries of eastern Europe, where land reforms were held in the end of XX century, and market of land is in the formation stage, there are some special conditions of land turnover, system of sustainable agro usage is created. Today, the greatest achievements in the field of agricultural production have countries, where there are no private land ownership, among them – China and Israel. Ukrainian third part of agricultural land is used by the owners for entrepreneurship.

It should be mentioned, that during the events concerning effective and rational land usage and security measures important value has term of the lease.

In the countries of Western Europe 90 % of rant contracts are concluded on the term of more than nine years, they include full rotation of crop rotations, payback of fixed assets. This is achieved by the harmonization of subjects' interests concerning lease relations, due to the high rent. In the Netherlands the term of the lease is 6-12 years, in Luxembourg – 6-9, in France – 9, in Sweden – 10, in Belgium – 9-18, in Italy – 15 years. In Portugal for tenants, which use hired labour, minimum rental period is 10 years. Average rental period in the USA is 5-15, in China- 30-50 years.

**Table 1:** Terms of the agricultural purposed lands lease in some countries (legally and actually)

| Country | Term of the lease (on the legislative level), years | | At average (actually), years |
|---|---|---|---|
| | minimal | at most | |
| Belgium | 9 | 50 | 9 |
| Germany | - | - | 6-11,5 |
| Italy | 1 | - | 2-5 |
| Netherlands | 6 yeas till 2007 (actually it is less) | - | 10 |
| Poland | - | 30 | 10 |
| Slovakia | 5 | - | 10-15 |
| Hungary | - | 20 | For individual usage 5-9 years, in the case of large production - 10 years |
| Finland | - | 15 | 5-6 |
| France | 9 | 25 | 9 |

In Belgium wide usage of lease relations is the main factor of the agrarian development and effective exploitation of the land fund. There, a part of land, that is used by farmers on lease terms, annually makes up to 67,7 %, in France – 52,7 %, England – 37,4 %, USA – 41 %, Holland – 38 %, Germany – 36 %, Italy – 18,8 %, Denmark – 18,5 %. Rent charge is the key aspect of lease relations. In agriculture of the developed countries this notion is compared with rent. In this way, in Sweden rent is 5-8 % from the cost of the land, or 7-9 % from the cost of sold products.

In the USA rent is paid at the level of 0,6 to 10,5 % for the arable land and from 0,9 to 10,9 % for pastures, it depends on their market price [5].

For today, in the agriculture of Ukraine rent relations has the central place for realization of economic activity not only for small and middle commodity producers, but they play the main role in activities of large manufacturers, such as agroholdings.

It should be noticed, that almost 86 % of agricultural land in Ukraine is under the lease relations, average term of lease makes up to 3 years, this points out the absence of stability in rental production structures and massive land owner`s alienation from means of production.

The key aspect in lease relations is the term for which the land, as a physical quantity, will be leased. Term of the lease in some cases, becomes a barrier on the way for satisfaction of the participants' interests. Inability to settle interests of the parties leads to the conflict situation and refusal for conclusion of the contract.

Owners' dissatisfaction with the rental time may become a cause for termination of the contract. Actions from the side of the land owners leads to increase in transaction costs for tenants, considering competition conditions on the field of agriculture

Everything mentioned above, has a negative impact on the institutional component of lease relations and on agriculture in general. It is showed in the distortion of branch structure, in the reduction of the competitive degree even at the country level.

If the tenants believe that terms of the lease give rise to conflicts from the side of landlords, it doesn't mean that this assessment is objective. Because the advantage of the tenant may be very conditional and short-lived, it could lead to the additional losses, even more than transaction costs.

This variant is possible in case of the high competitive level on the land market; otherwise, tenants won't be affected by the conflict degree from the owner side, which is contained in the contract. Tenant can neglect interests of the land owner; as a result monopoly conditions on the land market would be created.

Significant negative consequence of the term decreasement, in which owners are interested in, is lack of development stimulation in the sphere of agriculture and gradual lag of agriculture from the industries and other branches of the economy. The contradictions of rent relations are intensifying at the same time with the increase of farming production [2].

The important benchmark in the installation of the optimal lease terms is combination of this indicator with the term of capitalization of land. Land lease, in this case, comes from the land market itself, determining the circulation, payment and prevailing terms of lease. Significant terms, which substantially exceed the term of capitalization, deprive the tenant-entrepreneurs of real incentives to carry out operations on the market; moreover, sellers of land plots are not able to implement them with desirable norms of capitalization. In the short lease terms, participants in market relations have the opposite situation.

However, land lease on the term more than 20 years, according to the Art. 19 clause 1 of the Law of Ukraine "On land lease" it's maximum term should be not more than 50 years [10]. Limitation of the maximum lease term is more economically expedient for the land owners, because this norm is protecting their interests. As Karl Marx has mentioned in 16th century, lease contracts were concluded on the long terms, frequently on 99 years, which allowed farmers to be enriched at the expense of employees and landlords. There is nothing strange about the fact that at the end of 16th century in England, class of wealthy farmers was formed [3].

Long terms of land lease leads to the bigger economic benefits for the tenants-entrepreneurs, as well as, less benefits contribute to obtaining the additional benefits for the land owners. Taking this into account, change of the lease term, affects on the distribution of additional income between the participants, that is why an appropriate term should be set according to the effective usage.

For this we need to use the researches, concerning the organization of the crop rotation, additional needs in their lengthening, special role and influence of rotation in the economic process.

In the EU, questions about the development and implementation of the crop rotation are conducted by the General Directorate on agriculture and rural development, according to their data almost 100 % of the land cultivation is used in crop rotation, in the USA – 85 %. Exactly part of the crop rotation makes up to 1-1,4 ha with wheat grain growth and more than 1 ha – corn. Influence of the

crop rotation factor has an important meaning on the yield of crops and on the productivity of land. On condition of full development of zonal crop rotation in combination with other technological measures, productivity of land could be raised on 40-50 %, including the full reproduction of soil fertility and preservation of the environment. There is no unambiguous idea concerning the factor in crop rotation that affects land productivity. It is worth remembering, that the system of crop rotation is the factor that costs nothing to the businessmen (owners and tenants), but in the end it returns for them as an economic profit.

More complicated situation with the lease of land on a longer term, due to the low social security and the lack of real economic opportunities for landlords. Owners of land are not willing to conclude lease contracts for more than 10 years. This once again confirms the rationality of the owner of the land parcel, when he decides to choose one or the other term for which he will have to transfer the land for use. In Ukraine, in general, the short-term lease prevails, in 01.01.2012 the number of lease agreements for a term up to 5 years in total was 57 %, and over 10 years only 14,8 %.

In the foreground, there are ways to protect against unjustified and economically inappropriate land transfers on the long terms, which is clearly observed by the owners of the land. But the main become the motives of such behavior. Short-term lease is a negative phenomenon that indicates a consumer approach to the usage of land resources, created to generate profits without additional costs on the protection of land and the preservation of soil fertility. Short-term lease does not correspond to the interests of landlords, as conditions for rational use, protection of soils and compliance with the crop rotation are not provided, and no additional investments are made for improving the quality of land [6].

Let`s consider a practical example of rental relations using the conditional output data (Table 2). We used scientific bases in changes in productivity of crop rotation between rotations to calculate various income options from 1 ha of arable land.

**Table 2:** The initial matrix of the participants' games for a term, depending on two basic economic indicators, years

| i \ j | | Possible profit from 1 hectare of arable land, UAH | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 673 | 916 | 1106 | 1404 | 1442 | 1502 | 1532 |
| Possible rent for 1 ha of agricultural land, UAH | 535 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| | 745 | 0 | 5 | 5 | 5 | 5 | 5 | 5 |
| | 885 | 0 | 0 | 8 | 8 | 8 | 8 | 8 |
| | 1140 | 0 | 0 | 0 | 10 | 10 | 10 | 10 |
| | 1172 | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| | 1223 | 0 | 0 | 0 | 0 | 0 | 18 | 18 |
| | 1248 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |

Another significant indicator is the amount of rent. Its actual size of 535 UAH / ha was adopted for the base, following changes took into account the ten-year crop rotation, and changed according to the profit trends, as can be seen from the Table 2. After certain transformations of the data (Table 2), the reduced form of the record was received (1):

$$F_{ij}^{1\ 0} = \begin{array}{c} \\ 535 \\ 1140 \\ 1248 \end{array} \begin{array}{c} \begin{array}{ccc} j & 673 & 1404 & 1532 \end{array} \\ \begin{pmatrix} 4 & 5 & 5 \\ 0 & 10 & 10 \\ 0 & 0 & 20 \end{pmatrix} \end{array} \quad (1)$$

Initial data for calculation the optimal terms of land shares leasement, were selected the situations, which is based on the behavioral reaction of participants in this game model. At the same time, three versions of the participants' behavior were considered. The first is based on compromise actions of the tenant, and is created on the provisions of a limited number of land shares, which are necessary for the completeness and continuity of the economic process. The matrix of game provides three strategies for each participant. The landlord's strategy (A) is written in the form of $A_1$, $A_2$ end $A_3$. A separate landlord's strategy shows the willingness to transfer the land parcel for use, provided the minimum term for the most profitable rent, but at the same time, we take into account that the landlord is not in equal terms with the tenant. Lack of information concerning the tenant's potential opportunities in the formation of the rent, problem of restriction of the competition for shares became the reasons for the emergence of the huge economic entities, such as agroholdings, which are quite typical in the agriculture of Ukraine, in contrast to developed economics.

The tenant's strategy (B) includes three types of $B_1$, $B_2$ and $B_3$, which depends on the magnitude of the business profitability and at the same time, takes into account the possibility of rent rising. The last one involves the distribution of profit, which increases with the tendency of economic development. The basis of the calculations consists in the profit distribution, depending on the increasement of the payback, which is generally represented in the algorithm (1). In the first option, the tenant's strategy is based not only on a compromise in favor of the lessor, but also in readiness to have some losses, because the behavior is considered in the limited capacity to attract the land for economic circulation. Softening of the initial conditions is extremely important for reaching an agreement with the owners of land shares. Matrix of the game ($F_{ij}$) for the first variant according to the 1st rents per 1 hectare of arable land, UAH and j-th farm income, calculated on I ha of arable land, UAH has a dimension X*3 and reflects the possible (admissible) dates for the transfer of land shares for lease (2).

$$F_{ij}^{1\ 1} = \begin{array}{c} \\ 535 \\ 1140 \\ 1248 \end{array} \begin{array}{c} \begin{array}{ccc} j & 673 & 1404 & 1532 \end{array} \\ \begin{pmatrix} 4 & 1 & 0 \\ 1 & 10 & 5 \\ 0 & 1 & 20 \end{pmatrix} \end{array} \quad (2)$$

Each element of the matrix forms a certain "strategy pair" of the participants. According to the first variant, the level of rent that meets the requirements of the landlord ($A_1$) 535 UAH, within the profit of 673 UAH per 1 hectare of arable land for the tenant ($B_1$) created a strategy of AB (1:1), which corresponds to the term of 4 years. The landlord's strategy ($A_1$), within the existing level of rent, is to give a share for the shortest period in order to place it more profitably later. The tenant's behavior corresponds to the strategy ($B_1$), which, at the actual level of profitability, maximizes the conditions for using the land parcel, ensuring in the continuity of economic activity.

Considering that the landlord's ($A_1$) behavior strategy provides the possible and justified economic criteria for the variation, which are displayed as $A_i$ = (535; 1140; 1248) and especially the tenant's behavior strategy ($B_j$) takes into account important economic preconditions, which in practice can act as a driving force, and in this case, form the next numerical series $B_j$ = (673; 1404; 1532), in this case, the matrix of payments, depending on the specific strategic priorities of the participants in this game, will look like the next price of the game, which is given in Table 3.

**Table 3:** Matrix of payments in the context of the appropriate strategic positions (strategies) of the lessor and the lessee with the price determination of the game, years

| $B_j$ / $A_i$ | $B_1$ | $B_2$ | $B_3$ | $\alpha_1$ |
|---|---|---|---|---|
| $A_1$ | 4 | 1 | 0 | 0 |
| $A_2$ | 1 | 10 | 5 | 1 |
| $A_3$ | 0 | 1 | 20 | 0 |
| $\beta_j$ | 4 | 10 | 20 | 1 / 4 |

Source: Formed by the author

Since $\alpha$ $\beta$, then the main point is absent, and therefore the optimal solution for this matrix of payments (2) should be found through a combination of relevant strategies. Consider this not in the absolute form, but as mixed strategies. The possible set of game strategies for the landlord (L*A) and the tenant (L*B) will look like this (3):

$L^*_A = (p_1, p_2, p_3)$ and $L^*_H = (q_1, q_2, q_3)$, (3)

where $p_i$ – the likelihood of choose by the landlord of the strategy $A_i$,

$q_j$ – the likelihood of a choosment by the landlord of the strategy $B_j$.
The optimal mixed strategies are determined by the simplex method.
The landlord's ($L^*_A$) optimal position (strategy) is the combination (4):

$$p_1^* = 2{,}97 * \frac{22}{95} = 0{,}687, \quad p_2^* = 2{,}97 * \frac{7}{95} = 0{,}219, \quad p_3^* = 2{,}97 * \frac{3}{95} = 0{,}094 \qquad (4)$$

For the lessor, the optimal position (mixed strategy) is $L^*_A$ = (0,687; 0,219; 0,094), which emphasizes his efforts, which are aimed at the lease of shares for the shortest term, almost not taking into account the significant difference in rent, which varies from 535 to 1248 UAH per 1 hectare of agricultural land.
The optimal tenan's strategy is demonstrated as ($L^*_B$) (5):

$$q_1^* = 2{,}97 * \frac{9}{38} = 0{,}703, \quad q_2^* = 2{,}97 * \frac{1}{19} = 0{,}156, \quad q_3^* = 2{,}97 * \frac{9}{190} = 0{,}141 \qquad (5)$$

Thus, the optimal position (strategy) of the tenant can be showed as follows: L*B = (0,703; 0,156; 0,141). This makes possible to make certain conclusions. For the tenant of a land parcel in a normal antagonistic game, it is important to use a mixed strategy, which minimizes the potential losses associated with leasing for a specified period. The tenant also wants to take a share for longer terms, reflecting the minimization of costs, related to this object of lease and it makes up to 2,97 or about 3 years. The formation of a common mixed strategy, which he uses in this case, reinforces the third strategy, and reduces the usage of the second one. The use of the third strategy reflects the tenant's desire to bring land into economic circulation for longer periods, which, contrary to the owner, reveals his struggle for a resource.
The landlord entering an antagonistic, non-coalition race, without clearly taking into account bilateral awareness and having an initial inconvenience compared to the counter-attacker is able to maximize the gain by, firstly, using a mixed strategy, and secondly, from the beginning, we can consider that the probability of renting land for more than 10 years is negligible, amounting about 9,4%, and vice versa to 10 years, the value can reach up to 90,6%.

**Table 4:** Results of the calculations of strategies set used by the lessor (owner) in the game for the term from the transfer of land (share) to lease by the criteria of optimality, years

| The optimum criterion Ai | | by criteria of optimality: | | | | | | | in a mixed strategy L*A |
|---|---|---|---|---|---|---|---|---|---|
| | | $m_{bi}$ (Bayes) | $m_{ri}$ (Bayes) | $m_{li}$ (Laplace) | $\alpha_i$ (Wald) | Si (Savage) | Hi (Hurwitz) | Li (Hodges-Leman) | |
| Landlord's | A1 | 1,9 | 8,7 | 1,7 | 0 | 20 | 2 | 1,0 | - |
| | A2 | 4,9 | 5,7 | 3,9 | 1 | 15 | 5,5 | 3,0 | - |
| | A3 | 0,9 | 4,3 | 7,0 | 0 | 9 | 10 | 0,5 | - |
| Optimally: - years | | 4,9 | 4,3 | 7,0 | 1 | 9 | 10 | 3,0 | 2,97 |
| - strategy (Ai) | | A2 | A3 | A3 | A2 | A3 | A3 | A2 | L*A |

From these optimization results according to the relevant criterias given in the Table 4, we can see that there are two strategies of the landlord, within which he can achieve the greatest gain in contradistinction to the tenant. Pure $A_1$ strategy is not optimal for any of the following rating criterias. This demonstrates the need to maximize the terms of lease of a land parcel by the lessor (owner) in order to increase the income.
According to the Bayes optimization criteria for maximizing the average winning ($m_{bi}$), Wald's ($\alpha_i$) and Hodges-Leman ($L_i$) – the second strategy is the best strategy, which is leading the game from 1 (Wald criterion) to 4,9 years (Bayes criterion).
In calculating Bayes criterion of optimality ($m_{bi}$) it is necessary to take into account the magnitude of the probability of occurrence of some event, so the probability of distribution by terms of the lease of land was taken as follows: $k_1$ = 0,4; $k_2$ = 0,3; $k_3$ = 0,3. The most prevalent is the probability of renting for shorter periods, where the terms up to 10 years make up more than 80 %. Long-term lease of land (shares) over 10 years has a small share that is why the $k_3$ parameter was accepted by the value of 0,3, what allows putting into more equal conditions the probability of a strategy $A_3$, than $A_2$.
Strategy of renting land (share) for a long term $A_3$ was found to be optimal according to the criterias: Bayes in accordance with minimization of risk $m_{ri}$, Laplace ($m_{li}$), Savage ($S_i$) and Hurwitz ($h_i$), with the optimal terms ranging from 4,3 (by Bayes criterion) to 10 (Hurwitz criterion). It is interesting that in this case, minimization of the risk of lease of land (shares) according to the Bayes criterion determines the optimal term of 4,3 years, which is less than the strategy of longer terms compared to smaller ones. We can consider the medium- and long-term lease of land (shares) expedient in the case of land lease risk assessment, which forms one of the important thesis in seeking further optimization decisions.
Close to the optimal terms of the land lease were the landlord's strategies according to the Hurwitz criterion ($h_i$) it reaches 10 years and according to the criterion of Savage ($S_i$) – 9 years. In general, the Savage criterion supposes the lowest degree of risk when leasing land (shares) under the landlord's strategy, which exists on his side in choosing positions on long-term land lease. According to Savage criterion, the strategy of the landlord (owner) of the land (share) reflects the least possible risks, based on the conditions of this game, and when it is the long-term land transfer (share), limit can be up to 9 years of lease.
The longest term of lease (share) was reached with the usage of the Hurwitz criterion ($h_i$) – 10 years. This is determined by the specificity of the evaluation criterion. Therefore, if the Wald criterion is a criterion for extreme pessimism and it partially reflects the condition by the Hurwitz criterion, when the index of optimism is zero, then in this case we used an indicator of optimism 0,5.
The use of the indicator with a numerical value of 0,5 pursued the goal of balancing the state in the model of the game for renting the land, according to the choice of the lessor, which would be the same, and would not have the right to choose one of the strategies, but had the same degree of optimism, admitting the same level of possible pessimism in making of the final decision [11]. The hypothesis exists in the uncertainty of the landlord, which takes into account a large number of different factors, and in practice it has the appearance of doubt rather than of the confidence in making decisions with the help of the defined strategy. With the increase of the terms of land lease (share), such uncertainty may increase, what forms more pessimistic intentions, so he may be more prone to use risk minimization approaches, or under condition of risk-free option he will chose the position of extreme pessimism (Wald criterion). Less optimal lease term is a mid-term lease of land that was discovered by Laplace criterion ($m_{li}$), which makes up to 7 years. In this case, the probability of events occurrence related to the selection of one of the possible strategies is the same. Rental of land by the lessor is limited to 10 years, which is optimal for taking into account the optimism for an equal magnitude (Hurwitz criterion). The results obtained during the evaluation of lease terms, using the third strategy of the landlord (owner), confirm the possibility of transfer when changing the existing conditions in which the landlord (owner) is located.
From all evaluation criterias (Table 4), the closest result for the term of land lease in accordance with the mixed strategy was obtained by the Hodges-Leman criterion ($L_i$), Of all the evaluation criteria (Table 4), the closest result for the term of land lease in accordance with the mixed strategy was obtained by the Hodges-Leman criterion, the term was 3 years. Taking into account the close distribution of the terms of the transfer to the land lease and the equal choice of the lessor's behavior strategy, the situation reflects quite well the modern model of the timing of the transfer of land lease, and this is one of the important factors explaining

the essence of rent relations in the country's agriculture.
In general, the above mentioned problems can be solved only through an effective management and an institutional regulation, as a comprehensive, versatile activity aimed at the realization of ecological and economic interests. Management is of particular importance because it is a major socio-economic institution, that increasingly accumulating human intellectual capital provides a solution to the essential problems of both the individual and society as a whole.
Despite the fact that economics has a lot of research on this topic, in modern Ukrainian reality there is an urgent need, in fact, in the development of agricultural land management, which would unite the theory and practice of decision making process in justifying land use strategies and tactics, as well as property relations development, the improvement of small and medium business development processes and encouragement of the domestic and foreign investors to long-term financing and lending of investment projects. At the same time, the development of land use management would allow to combine the insurance of investments aimed at the development of agricultural land use, the search for alternative options for environmentally safe land use and continuous monitoring of the state of the land and viewing new land use development opportunities depending on market conditions and so on.
The main goal of the application of agricultural land management in Ukraine is that it ensures the stability of the land management system and increases the likelihood of increasing the social, environmental and economic efficiency of land use.

## 3. Conclusions

Historical experience of the market relations development in Ukraine has showed, in spite of the gained traditions, adoption of unweighted norms and laws will have negative social consequences.
Considering the risks presented, countries of Europe have formed developed institutional conditions of the land ownership. Generally accepted institutional norms regulate not only the norms of land purchase and sale, lease relations, they also provide land protection and it's rational usage. The countries regulate level of rent, it's terms, set bans concerning areas division, misusage, impose sanctions for the deterioration of fertility, moreover, they stimulate constant development of the land relations.
World experience confirms that land relations and resources as an object of management are much more complex system, than any enterprise management. Combine them, considering priority of state interests, social and economic expedience is impossible, however, it is essential condition of the land governance. Especially important in the land issues and protection not to get under the influence of the environment and of the such external forces as political parties, public associations and organizations, because management decisions in the field of land relations must be more rational and to take into account all the versatility of their influence on the society.
Regulation by the state land purchase, lease, exchange, mortgage, donation, etc. become an important factor in rational land use, a source of growth for small and medium-sized businesses on the ground.
But the basic basis of Ukraine's economic policy, in terms of uncertainty in the reform of the Ukrainian economy and land relations, should be not the purchase and sale, but the lease of agricultural land, able to provide economic conditions for the domestic economy to reach the level of social world development, restoration of soil fertility, prevent degradation of rural areas and profound deformation of the living conditions of the peasants. This is evidenced by the experience of Eastern European countries, Israel, Holland and other Western countries. It can be argued that under the Ukrainian conditions the nature of land ownership does not create a priority for economic goods. Priority is labor, capital, information technology and innovation.
The lease term is an important indicator, which significantly influences the nature of both lease relations, and on lease relations in general. The lease term is derived from rent and pricing economic, environmental and social effects depend on the term of the lease within the triad: landlord – tenant – society. Therefore, this question should be paid the special attention, and the factor itself must be taken into account when solving problems of improving the system of land use, land tenure, the formation of a dynamic model of national land relations, the development of a civilized land market, etc.

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