

## AGRARIAN RESTRUCTURING – ACHIEVEMENTS AND PERSPECTIVES

### RESTRUCTURAREA AGRICULTURII - REALIZĂRI ȘI PERSPECTIVE

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**Abstract:** *Property reform means the tonality of economic, politic, social and other kinds of measures meant, on the one hand, to ensure the diversity of property forms and to improve their structure, and on the other hand, to from premises of the efficient exercise of property rights on the economic potential elements, the corporate governmental mechanisms being included. In Republic of Moldova, according to the Law nr. 459-XII from 22.01.91 concerning property, there are three types of property: private, collective, including “kolkhoz” and state property.*

**Rezumat:** *Proprietatea reformei inseamna totalitatea mijloacelor economice, politice, sociale si alte tipuri de masuri importante, pe de-o parte, sa asigure diversitatea formelor de proprietate si imbunatatirea structurii lor, iar pe de alta parte sa creeze premisele unor exercitii eficiente ale dreptului de proprietate in elementele potential economice si inclusiv mecanismele guvernamentale. In Republica Moldova conform cu Legea nr. 459-XII/22.01 privind proprietatea, trei tipuri de proprietati: private, colective incluzand “kolkhoz” si proprietati de stat.*

**Key words:** *reform, investments, financial mechanism*

**Cuvinte cheie:** *reformă, investiții, mecanisme financiare*

#### INTRODUCTION

Along with contribution of the state that shows as various economic and administrative mechanisms, another factor for acceleration of rural area development is believed to be the initiative and self-organization actions by local business community. It should be mentioned that organizational factor is viewed as a basic factor in particular during radical reforms in production and ownership relations. Rural sector of the national economy has passed through such reforming process during the last decade of the past century. But, not even until now, that is by the end of the first decade after reforms, there are still no appreciable results of organizational activity. The worst fact is that there are no results at the level of almost every village (commune), that is, those who are responsible for agricultural products, as well as economic development of rural areas as a whole.

#### MATERIALS AND METHODS

Methods of research consisted in systemic, compared analysis and complex approach of the issue subject to established goals and objectives. This paper employed mathematical and statistical methods, such as: classification, synthesis, static and dynamic compared analysis, correlation analysis, methods of induction and deduction, graphic representation of researched events and phenomena.

#### OBTAINED RESULTS

A true basis of organizational activity within a private economy consists of two practically identical processes, namely:

- horizontal cooperation of agricultural producers and other manufacturers;

- vertical integration of agricultural producers with their counterparts according to upstream or downstream hierarchy of appropriate value chains.

The notion of 'value chain' in economic materials is understood as a more or less formal association of entities regarding a commodity (or a group of commodities, services) from the start of technological process until the final stage, often called – 'consumer mass'. More stable parameters of value chains, that is, beginning and the end of technological process are not that important. For this reason we intend to establish exact points (either from technical perspective, or technological perspective) from where the value chain starts and to where it ends. Most importantly is that in each of these chains the so-called – 'clusters' must contain as many as possible steps in consecutive promotion of appropriate commodity. It is well-known that each step (stage) in promotion, the value of commodities is "enriched" by another share of added value. It's a pity that redistribution of profits from sale of products among above-mentioned stages does not occur in accordance with the amount of added value, but after other criteria.

Therefore the main goal of creating (formalization) of value chains (hereafter – clusters) that constitute a method for redistribution of money flows in accordance with contribution of each step (each stage), measured by a specifically developed method.

The expected effect of formalization of cooperation relations in the form of clusters is relatively equal interest for all elements in dynamic development of each step, that form the basis for successful operation of the entire cluster.

Arguments in favour of the need to "cluster" economic activity are determined by the fact that due to lack of cluster structure many commodities and in some cases groups of commodities, gradually will be eliminated from the domestic circulation of commodities – money, and replaced by similar imported products. At the level of national economy, in the first place it will occur in livestock sector, as the main producer of meat and milk, a porcine, sheep and goats sector (zootechnical), as well as production of feed of all kinds, production of vegetables, oleaginous plants and other plant in phytotechnic sector.

Due to absence of a developed animal husbandries sector, production of phytotechnical cultures becomes less attractive, primarily – grains that account for (together with sunflower) up to 85-86 % of seeded area.

An unprecedented cheapening of the feed group in the second half of year 2008, along with other causes (the important one is a world-wide financial crisis exactly in the middle of year 2008) is also determined by structural distortions that occurred as a result of unfinished reforms in agrarian sector. Generally speaking, from the perspective of a high performance structure, reforms in agrarian sector have not even been started.

That what happened in the last two decades in domestic agriculture is nothing by change in the form of ownership for production means, including the land. Along with privatization process, lease relations boosted practically in the entire corporate production sector.

As for formation of an optimal structure of agrarian sector based on private property and oriented towards market demands of the domestic agricultural food market, as well as for export of most demanded products, throughout the whole period after privatization, was not even discussed. As a result, being significantly compromised by occurrence and alarming growth of disproportions, Moldovan agriculture gradually fades away as a certain national priority. The most eloquent evidence of such statement is the dynamics of absolute and relative indicators of sales of agricultural products and services (table 1).

From table 1 one may draw a conclusions that income growth rate at the post-privatization stage in agrarian sector, practically, has been twice lower that average rate for the country. As a result share of such income in the general total amount has dropped from 6.3 % in 2000 down to 2.8 % in 2007.

Table 1.

Income from sales for economic entities for the most important types of activities

Indicators	2000	2005	2006	2007	2007 in % to 2006
Sales income for economic entities, total, million lei	35265.3	97668.3	117372.4	148512.7	421.1
of which: agriculture, hunting economy and forestry: - million lei	2239.3	4405.0	4145.3	4184.2	186.9
- % from total sales	6.3	4.5	3.5	2.8	-3.5 p.p.

During this period, for example, share of income from sales for commercial enterprises (both wholesale and retail sale) has increased from 40.1 % in 2000 up to 42.5% in 2007, and constituted 63045.1 million lei. It is well known that agricultural food products account for more than half of such sales. That is from the quantitative perspective share of agricultural sector in the whole amount of agricultural food product sales constitutes barely 1/10, the rest comes from sales of domestic and imported industrial products. It is not a secret that a large share of domestic industrial enterprises are (primarily meat processors) operate on the basis of processing imported raw materials. Annual dynamics of income from sales is shown in figure1.

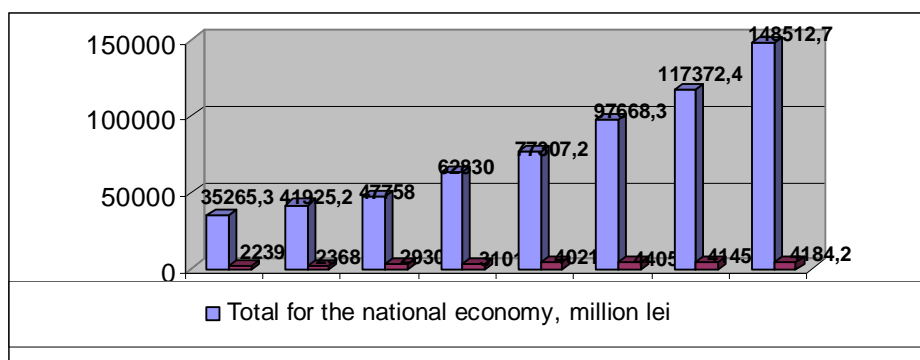


Figure 1. Dynamics of income from sales

It should be mentioned that being a producer of approximately 10 % of the national GDP (2007), agrarian sector receives from its circulation of products only 2.8 % of total income from sales. It is impossible to explain how such an important industry of the national economy can operate, such as agriculture, on a permanent basis (that is years in a row) without being able to cover at least current expenses (material) from received come.

Considering the fact that only a small share of people released from agrarian sector during post-privatization years have been employed in other areas of economic activities in rural area, where such massive release of workers from agriculture would cause an enormous unemployment rate in rural area. It did not happen, however, due to massive migration of agricultural workers searching for work places – both in cities and municipalities of the country, and abroad.

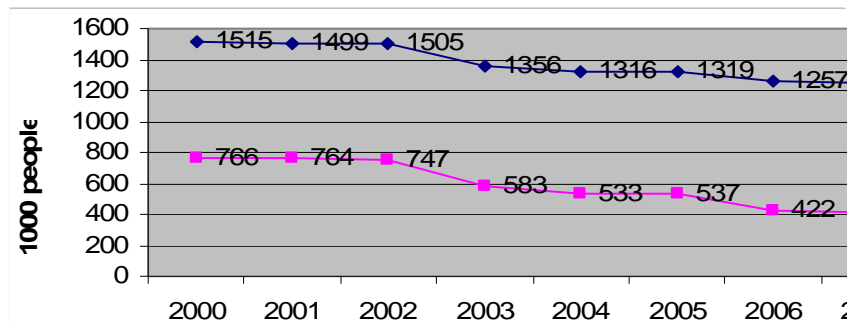


Figure 2. Level of salaries in the agrarian sector in average for the national economy

Investigations specialized in demography and labour force movement research show that practically all 350 thousand people released for various reasons in recent years from agrarian sector, have formed the nucleus of labour force. “According to information from the National Statistics Bureau for year 2007, number of persons declared as departed from the country for work or seeking employment abroad has been about 335`600 people, of which 69.3 % are people from rural areas. In practice, migration flow is characterized by a massive departure of reproductive age and economically active”.

#### CONCLUSIONS AND PROPOSALS

As a result, presently the major problem for both domestic agriculture and other industries of the national economy that have good perspectives of development in rural area is shortage of labour force. In the first place such statement refers to restructuring process, which can be based only on young people, who can launch various economic activities (new or forgotten ones) in rural area. Almost all of them are now abroad; some of them are likely not to return home, because they have already found employment and place of living in foreign countries.

A small change of recovery in their birth villages is possibly the present economic and financial crisis in the world, which, in spite of being negative nature, may cause some Moldovan “guest workers” to go home. Apparently this opportunity must be used as much as possible, and create most favourable conditions for setting up own businesses for former emigrants, by employing economic, financial, social, etc. leverages.

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