

## AGRICULTURAL MARKET IN THE REPUBLIC OF MOLDOVA. CHALLENGES AND DEVELOPMENT PERSPECTIVES

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### Abstract

The paper presents the results and advantages regarding the development of farming output in the Republic of Moldova, based on regulations of the state, of the internal cereal market, as well as issues related to the extension of inter-farm relations and to the opportune strategies. It has been established that cereals are the most important strategic product that determines the stable operation of the food market and the economic security of the country. The economy of the Republic of Moldova is agro-industrial, due to the favourable climatic conditions in the Republic of Moldova, and they can cultivate attractive surfaces there, but funds are needed for both production and market entry. The performance indicators of the economic entities in the farming field (cereal crops) include a wide range of organisational, economic, technical, technological and other types of factors which, acting in combination, determine the reaching of certain positive results, representing an essential element on the cereal market – the country’s development factor.

### Keywords

agriculture, farming, crops, development, opportunity.

### JEL Classification

Q13, Q 18

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### Introduction

The Republic of Moldova has always been and still is a country recognised for its fertile land and agriculture, the backbone of the national economy. The chernozems in the Republic of Moldova are among the most fertile soils in the world. The arable land constitutes about 74% of the total area of farming land of the country, with an area of 3,384.6 thousand ha, the highest percentage in the European countries.

The cereal crops constitute the basis of all agricultural output. The development of all other branches of agriculture largely depends on the level of agricultural development. Growing cereals is the basis of all agricultural output. Which is determined by the different links of

cereal production with the adjacent ones. Thousands of years of practice show that without the output developed by cereals, it is impossible to specialise the economic regions for the production of animal products, the development of the production of industrial crops and other farming sectors. Cereals are an important source of raw materials for animal feed, for the beer and spirits production, and for the future biofuels industry. The cereals exhibit, from an economic point of view, a series of advantages: they can be kept in good conditions in dry form and are easily transported over long distances, grace to their high degree of fluidity. Cereals are important in terms of food and energy value, it should be noted that today the world population is rapidly growing, which leads to a significant increase in food consumption. Cereals and processed products are the main food products worldwide, being a constant and ubiquitous source of protein needed for human life. At the same time, due to various factors around the world, there is a reduction of land suitable for crop cultivation, which triggers a lack of food for both humans and animals. Given the vastness and complexity of the economic relations elements, the cereal market can serve as a unique development model for other markets of agricultural products, raw materials and food.

### **Short literature review**

Determining the role in the world economic system, as well as the development prospects, is impossible without an analysis of the problems related to the development of the world market, as well as of its development trends. Nowadays, the global cereal market is changing significantly, for instance, in 2011–2012, the USA, Russia and Australia became the largest cereal exporters on the world market, while a few years ago, the market was completely controlled by five exporting countries: the USA, Canada, Australia, Argentina and the EU (Nazarova , 2013). Between 2000–2011, the GDP of the Republic of Moldova increased on the average by 6% per year. In 2011, as a result of the real appreciation of the national currency, (the Moldovan leu), the GDP per capita increased from US \$ 354 to US \$ 3400. In 2011, agriculture and the agri-food industry accounted for about 36% of the GDP, and provided about 41% of the country's exports. In 2011, the farming output amounted to about 1.4 billion euros (in current prices) - a 4.6% increase compared to 2010 (FAO, 2012). The natural advantages, including the aquatic resources, can be successful factors for the food production of the Republic of Moldova (Munteanu Pila and Stanciu, 2018).

Therefore, in order to maintain agricultural stability, one should create the conditions for the formation of efficient and complex mechanisms, the development of restructuring methods and models for cereal growth, factor necessary for the development of agricultural enterprises, improvement of production technology, organization of workforce and management, increase of logistical level (Koşelov and Cervonâh, 2016). Munteanu Pila and Stanciu (2019) made a comparative analysis of Romania and the Republic of Moldova from the perspective of the main food security indicators. Specific data, as food production and consumption, natural resources, demographic changes, consumer habits, dependence of the domestic import market in the two neighbouring countries were considered. Although there are important differences between the two countries in providing food for the population, there are also common issues specific to food security. Florea, Munteanu Pila, Stanciu et al. (2019), showed that the association of agricultural producers can be a solution to increase yields in agriculture. Romanian agricultural cooperatives can be a business model for Moldovan farmers.

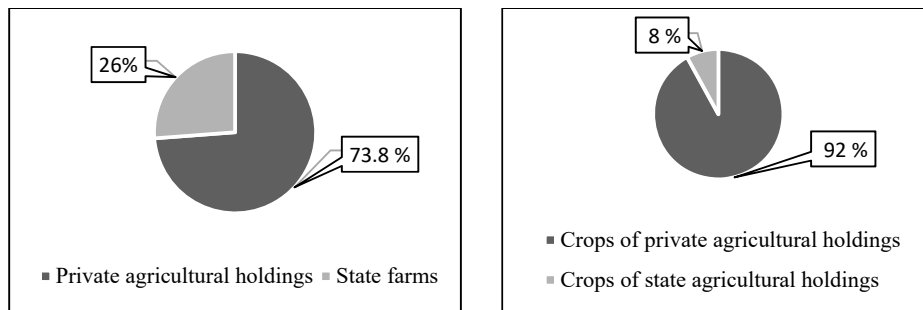
### **Material and method**

The information about the farming crops in the Republic of Moldova and the prospects for the development of the sector were obtained from the official sources of the National Bureau of Statistics of the Republic of Moldova. The data on the world market, as well as its development trends, were collected from specialised publications. The data regarding the legal regulations of the cereal market in the Republic of Moldova were collected from the

relevant decrees ruled by the Government of the Republic of Moldova, (Law no. 455 of 21.06.2017). The data collected were sorted and statistically processed. The results obtained were compared to other literature data for a proper interpretation.

**Results and discussions**

The cereal market in the Republic of Moldova compared to other countries is still in the developing stage due to its economic characteristics and differs significantly from the characteristics of the cereal markets in the countries with developed market economies. The cereal market in the Republic of Moldova is still unstable in terms of its capacity to meet the wheat demand for the region on the national level; at the same time, it is a complex multifunctional and dynamic system, which includes a wide range of national economic functions, as cereal growing requires from the state the utmost attention when it comes to development, in order to conquer with internal products both the domestic market and the international markets through export, but it is necessary to solve a series of internal problems that impede the stable development of the economic sector. The main producers of cereal crops in the Republic of Moldova are farming enterprises with different forms of management, of which 73.8% are private farming holdings and 26.2% are state farms. The private agricultural holdings produce almost 92% of the country's total gross cereal crops and the state-owned ones grow about 8% of the cereal crops. A diagram comprising the composition of the cereal producers' market in the Republic of Moldova is shown in (fig. no. 1).



**Fig. no. 1 Structure of cereal market in the Republic of Moldova**

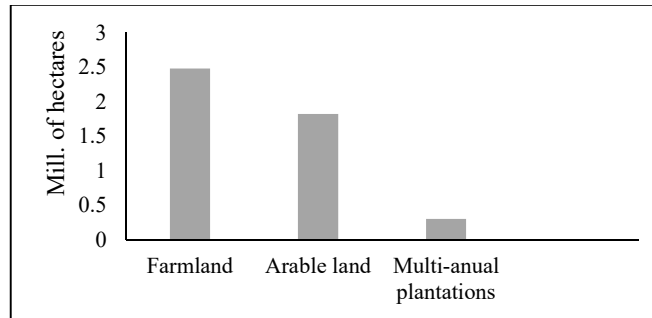
*Source: Author, by using FAO, 2012*

Among the producers of cereals, privately-owned enterprises are predominant (partnerships, joint stock companies, agricultural cooperatives, farms with collective shares). In the Republic of Moldova there are about 73.8% of such enterprises. Small good-producing enterprises based on private property are represented on the cereal market by peasants' farms. The choice of various forms of ownership and management is largely due to regional conditions. Whereas in the 1990s (in state-owned farms) more attention was paid to farms' development, today the process of organising farms has slowed down due to the poor financial support and material and technical base, and some farmers have abandoned the plots of land allotted.

The condition of agricultural farms is characterised by the size of the sown areas, the gross harvest of cereals and the structural changes in the production of certain types of products. The Republic of Moldova has 3.38 million hectares, of which 2.48 million ha of farmlands, 1.82 million ha of arable lands and 0.3 million ha of multiannual plantations (fig. no. 2).

The decrease of the gross crop of cereals in the Republic of Moldova and the insufficiency of the supply of basic food products for the population, in the context of transition to market

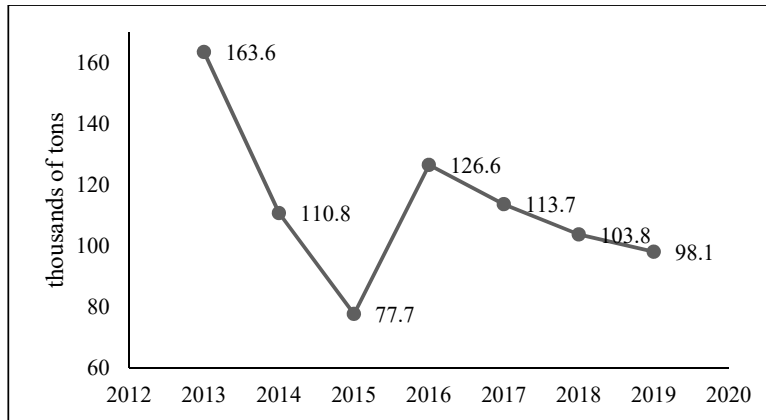
relations, have led to significant purchases of food and cereals (for humans as well as for livestock) from abroad, in the form of imports.



**Fig. no. 2 Agricultural areas in Moldova (ha)**

Source: Author, by using FAO, 2012

According to the statistical data of the National Bureau of Statistics, the agricultural production in 2019 showed a slight decrease being 98.1% compared to 2018 (103.8). Figure 3 shows that the gross cereal crops have significantly varied over the years, which is to some extent related to the natural and climatic conditions of cereal output, as well as the deficiencies in the organisation of the supply of material and technical resources to farms, especially of mineral fertilizers (fig. no. 3).



**Fig. no. 3 Farming crops in the Republic of Moldova**

Source: Author, by using National Bureau of Statistics, 2019

Thus, the average gross crops of cereals and vegetables in the period 2013-2019 exhibited upward and downward fluctuations of the agricultural output (in tons), in 2015 it decreased to 85.9 thousand tons, in 2016 the crop increased by 48.9 tons, and then it dropped again, so that in 2019 the farming output represented only 98.1%. The lowest cereal crops in the last 5 years due to the drought were harvested in 2015, and the richest year for crops was 2013. All the plantations of cereals and vegetables in the Republic of Moldova are classified into plantations for food and for fodder. In the composition of food crops, we speak of wheat and rye (for bread) and cereals (buckwheat, millet, rice). In the structure of sown areas in cereal crops, the largest surface is occupied by corn, winter and spring wheat. They represent almost

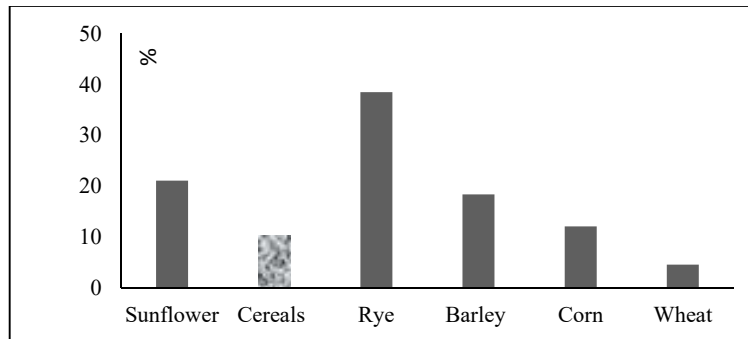
half of all cereal crops. The wheat-growing surface in 2019 compared to 2017 increased by 0.2% (table. no. 1).

**Table. no. 1 Farming crops by categories**

Farming crops	2017	2018	2019
Cereals (grains)	35.9	35.8	37.4
Wheat	37.3	31.3	37.5
Corn	37.0	42.4	43.1

Source: Author, by using National Bureau of Statistics, 2019

This is due to the fact that this crop is characterised by high nutritional properties, good digestibility and is widely used in the preparation of bread products. Among fodder crops, the largest areas are reserved to corn. The cereal crops occupy significant areas in the Moldovan farms. A very important factor for the economy of the Republic of Moldova is the reduction of cereals' prices by the producers, which determines a sufficient output for the whole country. In 2018, the price of grain cereals decreased by an average of 10.7%. Essentially, prices decreased for sunflower (excluding soybeans) by 21.1%, for cereals and grain vegetables by 10.3% (of which the price of rye by 38.5%, of vegetables by 24, 4%, of barley by 18.4%, of corn by 12.1%, of wheat by 4.6%. At the same time, the sale prices for fruits and berries increased by 54.5%, for vegetables by 41, 7%, for potatoes by 6.7% (fig.no.4).



**Fig. no. 4 Falling prices for agricultural products in Moldova – averages values (%)**

Source: Author, by using National Bureau of Statistics, 2019

A feature of the legislative regulation for the cereal market in the Republic of Moldova is the presence of state procurement institutions and commodity interventions, and the afferent procedures are set in the relevant decrees of the Government of the Republic of Moldova, as well as the legislative consolidation of the state support for cereal production and processing under the form of compensations for cereal producers, and for the expenses incurred by them. The most significant conditions regarding the state's influence on the market in question are represented by the support for agricultural producers, the purchase of cereals for the needs of the state, the formation of market relations *in situ*.

### Conclusions

The climatic conditions and the high soil fertility in the Republic of Moldova are suitable for growing most farming plantations (fruits, vegetables, cereals and oilseeds). The cereal market in the Republic of Moldova has several problems, but they are all solvable. One of the most

important tasks should be to solve the issue of marketing and risk insurance for the participants on the domestic cereal market. This is of paramount importance, given that the very problems of sale and insurance risks are extremely acute for the country's farmers. The dynamics of prices for agricultural products is usually formed under the influence of changes in balances at the end of the farming year (irrespective if it was a rich year or not). The Republic of Moldova has favourable conditions for growing a wide range of cereals. The geographical proximity to the EU market can provide opportunities in this sector. During the development period, the producers of cereals from all regions of the Republic of Moldova must be protected against the rise of prices for material and technical resources; services of industries and service-providing organisations; increase of quarterly taxation level for loans, and price growth, granting them a guaranteed profitability level for their cereal crops.

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