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# REFORMING THE AGRICULTURAL SECTOR OF THE REPUBLIC OF MOLDOVA – A VITAL IMPERATIVE IN THE CONTEXT OF THE AMPLIFICATION OF GEOPOLITICAL AND CLIMATIC CRISES IN THE REGION

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**Abstract:** *The negative impact of climatic order (critical insufficiency of atmospheric precipitation) from 2022, as well as the military conflict in Ukraine, continue to exert extraordinary pressure on the economic efficiency of the agricultural sector of the Republic of Moldova. At the same time, the massive reorientation of agricultural products from Ukraine to the markets of the European Union, executed also through the transit of the territory of our country, created favorable conditions for domestic economic agents to re-export agricultural products of Ukrainian origin. Consequently, this fact further reduced the export capacity of Moldovan agricultural production. Adding to these factors the traditional low level of productivity but obtained at quite high costs, we have reached a situation where the given sector requires a radical reformation, a change to face the current challenges as well as those of the future.*

**Keywords.** *Agricultural sector, economic efficiency, reformation.*

**JEL classification:** R23, Q15, Q18.

## INTRODUCTION

The economic reforms, implemented in the agrarian sector of the Republic of Moldova during the last three decades, did not fully fulfill the initial objectives. This fact was fueled by a number of factors, such as: the long duration of the transition period from collective enterprises to private ownership (12-14 years); building new market relationships; economic and political pressures from the main importer of Moldovan agricultural products - the Russian Federation.

At the same time, the negative impact of climate change further reduced the effectiveness of the respective reforms. The accumulation of these elements exerted and still have a major influence on the evolution of the national agricultural field, imposing, in turn, a major degree of economic vulnerability on agricultural entrepreneurial activity.

The gravity of the given situation is fueled by factors related to the managerial capacity of local agricultural entrepreneurs. The low level of agricultural and economic knowledge, the lack of capacities to develop medium-term and long-term strategic development plans, favored the development of an economic sector with insufficient diversification represented by a limited variety of cultivated agricultural crops. As a result, the structure of sown agricultural land is dominated by cereal and technical crops.

The obtained production exceeds two to three times the domestic demand, the surplus being exported as raw material. In the context of the crisis in Ukraine, the avalanche of grain in this country practically amplified even more the economic vulnerability of local farmers.

## MATERIAL AND METHOD

When preparing the given report, general research methods (empirical and theoretical methods) were used, the analysis of statistical data reflecting economic indicators from the agrarian field of the Republic of Moldova was applied. Primary documents represented by specialized

literature, as well as secondary documents (statistics by field) were used as sources for the research. The information provided by the National Bureau of Statistics of the Republic of Moldova and relevant international organizations was used.

## **RESULTS AND DISCUSSION**

Initially, the reform of the agricultural sector of the Republic of Moldova, started in the mid-90s of the last century, aimed to redistribute agricultural land and patrimony from the possession of the state to the members of the collective agricultural enterprises. The given action resulted in the appearance of more than 600 thousand owners of arable land quotas. The respective quotas were small in size, within the limits of 1-1.5 ha.

The next stage of the reform envisaged the consolidation of these lands and the formation of new production associations based on private property. However, due to the administration or sharing and faulty administration of the patrimony of the former collective households, the massive migration of the rural population to the cities or abroad, the given reform started to train harder and harder. In the end, however, the consolidation of these households succeeded, only that these economic entities had to form their technical-material base from scratch.

The insufficiency of financial resources and limited investments did not allow obtaining a high level of mechanization and automation of agriculture, a fact that led most domestic agricultural producers to opt for the cultivation of a restricted group of agricultural species, especially cereal and technical crops.

Currently, cereal and technical crops are cultivated on 80% of the total agricultural area of the Republic of Moldova. Compared to the period when the reforms were started, the current areas cultivated with autumn and spring wheat have increased by 30%, corn - by 90%, sunflower - by 190%. The given structure favors obtaining a global production that exceeds 2 times the domestic demand for cereals, 1.5 times – for corn and 3 times – sunflower seeds. The production surplus is exported as raw material, Romania being the main importer [1].

Thus, in 2022, 45% of the total volume of cereal and oilseed products of Moldovan origin were exported to the Romanian market. Romania is followed by Turkey, with a share of approximately 25%. At a long distance with shares of about 5% are Bulgaria and Switzerland, followed by Great Britain - with 4%, and Italy, Cyprus and Greece each have about 3%.

The main destination of sunflower seeds are the markets of: Romania - with a 46% share, Turkey - with 21.5% and Bulgaria - with 21%. Maize reached the market of Romania - 38.9%, Turkey - 26.8%, Switzerland - 6.8%, Great Britain - 5.6% and Italy - 5.5%.

In the case of wheat, over 62% of exports were to Romania, 18.7% to Turkey and 10.8% to Greece. At the same time, 76% of barley exports and 86% of rapeseed exports went to Romania [2].

From a quantitative point of view, these results are excellent, but the marketing of these products as raw material significantly reduces their economic value. This fact, together with the low productivity, severe droughts and the low diversification of the cultivated agricultural crops risk totally compromising the domestic agricultural business, but also the agricultural sector as a whole.

The gravity of the situation is also fueled by the geopolitical crisis in Ukraine. The disruption of export logistics forced the Ukrainian authorities to redirect the export of cereals by land routes, the Republic of Moldova being one of the transit countries of the respective production. This action created serious dissensions between farmers' associations and the authorities, including in Romania. The colors allowed, on the one hand, the transit of products on the territory of Romania for intra-

community trade, as well as the import from Ukraine to Moldova. Later, this cargo originating from Ukraine and appearing in documents originating from Moldova, arrives in Romania [3].

Ukraine is one of the main exporters of agri-food products in the Republic of Moldova. According to statistical data, in 2022 the main category of goods exported by the Ukrainian state to Moldova were seeds and oleaginous fruits - about 76 million dollars, increasing 21 times compared to 2021. Among the agricultural products exported from Ukraine to our country are vegetable oil and other fats - 57 million dollars (2.4 times increase), milk and dairy products - 48 million dollars (+26%), preparations based on of grain – 28 million dollars (-9%), grain – 20.6 million dollars (5.2 times increase). We mention that, in the case of some products, such as dairy products, Moldova imports up to 50% of its needs, while we produce enough vegetable oil and sunflower seeds.

The large volume of cereals and oilseeds exported without a rigorous record from this country, further reduced the selling price of domestic products. As a result, Moldovan agricultural producers were put in a position to sell their harvest at a price lower than the cost of production, thus recording considerable financial losses.

The given situation required the Government of the Republic of Moldova to take certain measures to protect the internal market. Thus, according to the new regulation, the right to import will belong exclusively to processors in the field of oil production, milling, animal feed or those who own farms. The regulation only covers wheat, corn and sunflower and can only be done under a permit issued by a licensing board [4].

In the given context, the respective actions, as well as the increase in the volume of subsidies granted to local agricultural producers, aim to overcome the current crisis. But in the long term, measures are needed to increase the degree of resistance of the national agricultural field to political, economic and climatic shocks. The fulfillment of this imperative depends both on the efficiency of the relevant bodies' intervention on the processes in the agricultural field, but also on the ability of each entrepreneur to comply with the new economic realities. Therefore, it is necessary to carry out a series of actions aimed at the efficiency of production processes and the transition to sustainable and sustainable agriculture.

A first factor that needs to be addressed is the diversification of agriculture, a measure that includes both the production of agricultural production with a high added value and the implementation of innovative production technologies, a qualitative and flexible management approach, the development of genuine supply and production logistics chains, the transfer from traditional to sustainable agriculture, based on the conservation of ecological systems.

A rational use of mechanized machinery and equipment is necessary, because the purchase by domestic agricultural producers of high-performing but expensive agricultural machinery, as well as not using it to its maximum capacity, contributes to increasing the costs of producing final products.

The development of the horticultural sector simultaneously with the development of the processing industry will increase the diversification of products of agricultural origin that can be exported. The varied range of fruits, vegetables and berries that can be grown in our country and exported both fresh and in the form of various processed products, with a much higher economic value compared to the raw material from the cereal group.

The increase in the volume of subsidies awarded by the state to entrepreneurs who will expand the areas of agricultural land cultivated with fodder crops will have economic effects, but will also contribute to improving the quality of the soil, which, due to the practice of monoculture, is subject to an advanced process of degradation. The given action needs to be coordinated with the

simultaneous creation of modern livestock farms. The livestock sector is an important consumer of grain, this product, as previously stated, is found in abundance on the local market

An essential factor is increasing the productivity and quality of agricultural products to become competitive in foreign markets. This fact will allow potential buyers to be assured of the quantity of agricultural goods requested.

The application of digital solutions that increase the productivity, competitiveness and sustainability of agricultural enterprises. According to the most recent survey carried out by the central authorities, 65% of farmers in the Republic of Moldova do not consider themselves well informed about new digital technologies, and over 40% consider the lack of attractive financing programs, including grants, as major constraints on the way to adopting technologies digital. At the same time, over 73% of farmers want to participate in agricultural modernization programs, such as automation, drones, weather stations, traceability and digital solutions for traceability and resource management [5].

The efficient use of financial resources intended for the development of the national agricultural sector depends on the development and implementation of the relevant subsidy policies. Currently, the financial resources offered to local entrepreneurs only allow them to survive as economic agents, without offering a clear development perspective. It is necessary to give priority to agricultural sectors that produce agricultural goods with the highest economic value, such as viticulture, fruit growing and vegetable growing. The Republic of Moldova imports large quantities of vegetables, although it is considered an agrarian country, and you can hardly find local products on the supermarket shelves, especially in the cold period of the year. Tomato imports, for example, were in 2022 90 times higher than exports [6].

## CONCLUSIONS

The geopolitical situation in the region, the evolution of the economic situation at the local and external level, as well as the obligations of the central authorities to connect the technological processes in the given sector to European standards, require a radical reformation of the given field. And with the support of external partners, the probability of implementing a qualitative and relevant change is much higher, which makes us optimistic about the expected results.

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