

## 5. Agrarian reform: years of aspiration

The difficult situation of the national economy in the 90's is an non-doubtful argument for pondering on the essential trends of reforms in its key sector – agriculture.

During the recent years after the commence of the launching the last reforms serious changes occurred that deserve to be subjected to a retrospective analysis, that might profile the trend of the phenomena and essential positive processes, for encouraging them, and negative ones, for being hindered.

For all countries, agriculture constitutes the most important factor for equilibrium in harmonizing the economic development. Industrialization was possible only when the agriculture increased its productivity and freed labor force for other activities. The agriculture is the branch of material production that has as objective the provisioning of the population with food products and worthily considered the backbone of a nation.

In Moldova agriculture was and still continues to be the backbone of the national economy. It accounts for more than 40% of the GDP and engages half of the employees.

The importance of the agro-food sector imposes to find and promote a system of productive, efficient and competitive measures.

**Vision regarding the agrarian reform.** The social-economic changes that intensified in the former USSR and in the Republic of Moldova after 1985, produced great transformations in the national economy, including in the agro-food sector. One of them was transformation of the Republic of Moldova from a “flourishing garden” of the former USSR into an independent state, into an integral economic system which is objectively subjected to reformation. Reform is the notion used to define the change, the political, social, economic transformation, - recently has been used very frequently by all the people.

The evolution of the agriculture from the beginning to nowadays, in the period of formation and consolidation of the statehood of the Republic of Moldova, has been influenced by running those three big agrarian reforms: Cuza's reform from 1964, reform from 1917-1921 and the agrarian reform from 1945-1950.

Moldova, which served for provisioning the necessary agricultural products, obtained by way of purchasing or confiscation, as a result of the Russian-Turkish war from 1806-1812 and 1828-1829 got in a state of economical ruin.

According to the Convention from Paris, the Cogalniceanu Government re-submits to the Parliament the bill “Regarding the regulation of the rural ownership”, promulgated on Aug. 15, 1864 by the ruler Alexandru Ioan Cuza. This one was the most courageous and notorious reform, through which the liberty of the most population was reestablished. The peasants who received ownership started to farm industriously their land plots, whereas the land owners organized more rationally the production on the remained areas.

The agrarian reform from 1917-1921 continued the transformation of the country from state of great landowners into a state based on small peasant ownership.

## 5. Agrarian reform: years of aspiration

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Distribution of land to all peasants generated distribution of land to many weak economic elements and provoked extension of basically labor intensive crops. The reforms from 1964 and from 1917-1921 ran peacefully, without social tensions.

In the post-war period, after 1944, in the Moldovan agriculture commenced to be run the Soviet model of nationalization and collectivization, through expropriation of farmers and confiscation of land, agricultural equipment, and of everything that was in the ownership of the peasants. The life and labor of the peasants was intensely depersonalized, hence they becoming slaves of the imperial system. By 1950 the state and collective farms all together were operating an overall 1661 thousand ha which constituted about 89% of the sown areas. The private ownership shrunk considerably. This ratio continued until the collapse of the totalitarian regime.

Once with the transformations of the economic relations, was taking place the reform in the agriculture of the Republic of Moldova, launched through adoption by the Parliament, on February 15, 1991, of the concept of the agrarian reform and social-economic development of the state.

The principal orientation of changes in the economic relationships in the rural zone was demonopolization of state ownership and institution of economic mechanisms based on market relationships.

The agrarian reforms were launched as a system, comprising:

- Demonopolization of ownership, including nationalization of the agrarian lands;
- Reorganization of the agricultural exploitations;
- Dismantling the command economy system, considerable reduction of arbitrary intervention of the public bodies in the activity of the agrarian farms;
- Formation of premises for developing the market economy relationships;
- Adequate staffing of the agro-food sector;
- Creation and maintaining the social equilibrium in the rural localities, providing for social protection of the peasants.

The agrarian reform has been conceived as a fundamental change in this important sector of the national economy. So, which is the pace of reforms, where do the effectuated reforms lead after the launch of the agrarian reforms?

***Processes and tendencies in the evolution of the property structure.*** The property in essence expresses the relationships among people in relation with the goods and comprises the overall economic relations of ownership, possession, usage and disposal.

The opinions regarding the role of ownership in the economic life differs from negation of the impact of the ownership: “property is not any longer the general picture of the social relationships”<sup>1</sup>, up to considering the decisive factor of any economic system, up to the conviction, that the private ownership “constitutes, first of all, the premises of manifestation in its own sphere, and secondly, the premises of free coexistence of individuals...”.

Dismantling the state monopolistic centralized system and institution of market economy mechanisms in the agro-food sector is possible only through essential changing of ownership.

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<sup>1</sup> Car Grosland. The Future of the socialism. Jonathan Cape 1967, p.66.

Demonopolization of the state property on land, land reform, has been performed in two stages:

On the first stage, which is practically over, each family in the rural zone has been transmitted for free in private ownership at least 0.3 ha. If the family comprises more than three members, it was distributed additionally 0.1 ha per each member of the family, starting with the 4th one, provided the overall area for a family does not exceed 0.75 ha.

Now the area of adjacent lots, transmitted in private ownership to the citizens of the Republic of Moldova constitutes 344.5 ha.

On the second stage of the land reform, launched once with the adoption of the Land Code on January 1, 1992, in private ownership is distributed the equivalent land share from the outside-built over areas.

The process of land shares distribution is running very difficult. On January 1, 1995 the area of land areas distributed into private ownership constituted only 34.5 thousand ha.

The agro-communist Parliament majority, adopting on February 10, 1995 the Law on modification and amending the Land Code, obviously blocked the distribution of land shares in kind. Nevertheless, on January 1, 1996, 58 thousand ha of land were distributed to peasants. This process accelerated after the Resolution of the Constitutional Court of the Republic of Moldova was adopted, dated January 25, 1996, through which were recognized unconstitutional the stipulations of the paragraph 7 of the Article 12 and paragraph 5 of the Article 13 of the modified Land Code. Much contributed to the acceleration of land reform the "Land" Project, generously funded by the US Government.

On July 1, 1998 from outside-built over areas were transmitted into private ownership 298 thousand ha. The private sector constituted about 28% of the farm land. In the USA, for instance, more than 90% of the farm land is private<sup>1</sup>.

Considerable efforts have been made to impede, if not even stop, the process of distribution of land shares, either directly, or by devising obstacles.

For the beginning it is worthy to mention, that the Baltic States, as well as those from Eastern Europe, have returned to former land owners, and that's quite natural. In the Republic of Moldova the land is divided to everybody equally: both to industrious and lazy; to those who are good go-and-getters and those who prefer to expect someone else's initiative. Consequently, a good deal of land it is either not farmed or severe technological violations are admitted.

We also note, that the norms included in the Land Code are frequently neglected. For instance, those who are entitled to land share are distributed equal land plots and not the equivalent ones, as stipulated in the legislation, which will engender conflicts in the future.

The same owner is distributed the land share on three or more fields, with the intention to provide for fairness among the peasants of a locality. It is regrettable the fact, that the land shares are distributed like this also in the farms, where the "Land" Project is running. Consequently, the property of a peasant is crumbed too much, which provokes additional unjustified costs.

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<sup>1</sup> Land Ownership and Taxation. Westview Press, 1993.

In most cases those few plots are distributed to each member of the family. Thus, the husband holds land plots on 3-4 fields, the wife on other 3-4 fields, a fact which aggravates the situation even worse. It would be proper to distribute the overall equivalent land share for the whole family, on a sole place and on the same field.

The economic freedom of the peasants and stimulation of their entrepreneurial activities can be insured only by creating a material basis. For land-owner peasants, the main source of the material basis formation constitutes the property share deriving from the property of the state and collective farms. The lack of production means, and the dictate of the processing units of agricultural raw materials engenders a total disappointment and generates a hostile attitude towards the agrarian reform. Being aware of this fact, even if there is a good deal of Resolutions of the Parliament, even if there is the Decree of the President of the Republic of Moldova, even if there are a lot of claims from the peasants who obtained the equivalent land shares, the conservatory forces do not wish to deny the property that does not belong to them.

On December 1, 1997, according to the statistical bulletin, only 49% of citizens entitled to property shares of the agricultural enterprises received the property share certificates. About 357 thousand or 66% of the mentioned certificates have been authenticated. The property-owner peasants received about 64% of goods from what they are supposed to receive from the agricultural enterprise property.

At the same time, in 108 enterprises have not been determined the property shares, and, as a result 73 thousand peasants do not know yet the size of their due shares from the goods of the agricultural enterprises, that are diminishing year by year. For example, on January 1, 1991 in the agricultural enterprises there were about 48 thousand tractors, whereas nowadays their number slightly exceeds 45 thousand.

Possessing agricultural much smaller land areas than the public sector, almost without production means, the private sector produces from year to year more and more agricultural output. If in 1985 the households and peasant farms produced 17% of the agricultural output, then in 1990-21%, in 1995-45%, in 1996-50% and in 1997-52%.

This fact convincingly shows the priority of the private ownership and confirms the objectivity of the land reform, as well as the need to urge the privatization process.

The land privatization process is irreversible. It is strategically important to orient and really support the land owners, which will constitute the basic argument in promoting the agrarian reform.

**Alterations in organizing the agricultural units.** *For the beginning we shall make a statement on the number and structure of the economic agents in the agriculture of the Republic of Moldova.*

Table 1.

*Number of the agricultural economic agents*

Registered economic agents	1991	1994	1997
Total	1004	4161	42515
Including: state enterprises	400	358	157
Collective farms	534	535	262
Inter-farm enterprises	70	44	25
Joint-Stock Companies	-	36	210
Production cooperatives	-	65	383
Limited companies	-	58	4
Peasant farm associations	-	7	246
Peasant farms	-	3058	41228

The number of the economic agents in agriculture obviously increased. Their number rose due to vertiginous growth of the peasant farms number. It is worth mentioning the emergence of new forms of agricultural undertakings, such as limited companies, peasant farmer associations, and others.

At present one of the most disputable problems is that related to evolution of organizational structures. We shall not try to present an ample analysis of the doctrines. I should remind only, that the confrontations between the adepts of the large plantations prevalence and small ones has its roots centuries ago.

In agriculture the share of small farms from the overall accounts for over 70% in the Far East, over 55% in Africa and Latin America, over 55% in the Middle East. In the agriculture of all developed countries, whose national economy is oriented towards market economy, family farms prevail, constituted basically based on private ownership on land and production means.

The basis of production organization in the Republic of Moldova, both according to the concept of agrarian reform, and according to the realizations during the recent years, is the peasant farm, family farm based on a real economic independence. The family farm, according to many specialists, represents a form of organization which ensures political and social stability, as well as the economic justice for farmers. It is often mentioned that the insufficiency of the peasant farm for implementing the modern technologies. It is true, that the area of the arable land, distributed to one person in the Republic of Moldova, constitutes 0.4 ha. Yet, it is not less true also, that the land area per person in France is – 0.32 ha, in Austria – 0.16 ha, in Italy – 0.16 ha, in Germany – 0.12 ha of arable land, and the family farms are getting on very well. This demonstrates that the argument is not convincing. Even in the statistical bulletin of public information, it is stated, that: "On average a farm possesses about 1.8 ha, of which 1.36 ha – arable land, 0.19ha – orchards, 0.24 ha – vineyards", which does not comply to reality. These are dimensions of a land share. A family from the rural area comprises 3-4 holders of equivalent land shares, whereas the average dimensions of a peasant farm constitutes 5.4-7.2 ha. Of course, those farms are far less than those from the USA – about 190 ha, are less those from France – 27 ha, Germany – 16 ha, but exceed those from Italy – 5.1 ha and Greece – 4.3 ha. In the whole world, the family farms unavoidably join on the view to use more efficiently the production means, on the purpose to process the agricultural raw materials, transportation issues, sales, rendering consulting services and many other factors. Such associations are done based on private ownership and benevolently. It is imperious today to urge and encourage the formation of an efficient system of services in the agro-food sector. In the strategy of

## 5. Agrarian reform: years of aspiration

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agriculture formation it is necessary to specify clearly the institute for property on land and forms or agricultural organizations.

The fundamental process of constituting the private property on land causes the need to reorganize the agricultural units. Actually very frequently, the reorganization of agricultural units is carried out only through perfunctory change of name of collective or soviet farm, without changing the content. The share-holders of the joint-stock companies should use the arable lands only based on a lease contract, by preserving the right to ownership on that. The agricultural tools and some other materials and funds comprise the share capital which is totally divided into shares. The associates cannot redeem this capital in kind, can handle only with the shares that express the majority of the share capital. The public authorities insistently propagate the creation of limited companies lead by so-called “leaders”, many of whom being the former chairmen of collective farms, directors or brigade leaders. Unfortunately, this envious strive is promoted by the “Land” Project. The conflicts that are going to emerge consequently are beyond comparison with the intention to provide for sufficient space for modern technologies. This good intention can be realized otherwise, than the manner which contributes to undeserved and reasonless enrichment of some former leaders.

As form of agricultural organization, most efficient is the peasant farm based on the private ownership and family labor. The development of the peasant farms can be implemented through association based on market economy principles, as well as through “growth”, through accumulations of farming land and capital. The extension of the agrarian areas, concentration of plots, can be obtained through the lease of land shares. This model of extension has been known since the past century. In 1964, when the first agrarian reforms were launched, Ion Ionescu worked out the “Advices for owners who lease out their land areas”, advises that are still actual to nowadays. It is necessary to encourage this form of extension of the agrarian land. The extension can also be reached through sale of land plots.

Although the Constitutional Court through its resolution dated October 2, 1996 cancelled all the restrictions in realization of the right to land ownership, the land market has not been formed yet.

***Regulations and considerations of the market relationships mechanism.*** Starting from the consideration, that the market is the economic area where the overall relations and exchanges are taking place, formation of market relations means first of all creation of an efficient economic system, which assures the liberty of the activities oriented towards consumer. Production of food products was and continues to be the support of the human beings. The agricultural products are destined basically to internal consumption.

The consumption of the food items per capita in the Republic of Moldova has an obviously declining trend. For instance, meat and meat products consumption in 1996 accounted for 43% of the 1990 level, milk and dairy products – 53%, eggs – 57%, sugar – 40%, vegetal oil – 58%, vegetables – 58%, fruits, grapes and berries – 75, bakery products – 74%.

Expressing the human needs, the consumption is determined by the capacity of the people to buy products. According to the statistical bulletin, the amount of arrears for labor payment on June 1 constituted 455.9 million lei, the amount for pensions and indemnities as on July 1 amounted to 290 million lei.

The lack of solvable demand increases under-nutrition. The daily amount of calories due to a member of household, are reduced from 3281 in 1980 to 2969 in 1990 and 2353 in 1994.

The traditional agricultural products are an important item of the Moldovan exports. Normally are exported the food items which exceed the needs of the respective country, although the share of products for domestic consumption do not indicate obligatorily the share of respective country participation to formation of the external market of food items. The volume of exports can be considerable even when the domestic consumption is not assured.

Table 2

Indicators	1991	1992	1993	1994	1995	1996	1997
Total export	8.1	64.9	701.9	2318.6	3349.2	3662.1	4044.4
Including agro-food products	3.7	25.8	337.5	1605.9	2478.4	2747.0	3306.4
Total imports	8.4	92.9	909.1	2692.2	3784.8	4935.9	5417.9
Including agro-food products	1.1	13.3	155.9	219.6	327.7	673.9	719.5

The share of agro-food sector in the overall exports of the Republic of Moldova increased from 45.7% in 1991 to 81.7% in 1997. This growth is due to the disaster in the industrial sector, and not to additional efforts of the farmers. The export of the agricultural products rose even if their production volume considerably fell. Important for the producer is to insure the prevalence of exports upon exports of agro-products. In our republic in 1991 the import accounted for 29.7% of the exports of the food items, in 1997 – 23.5%.

The strategy of formation of the food market should encourage the export of traditional food items, like grapes and wine, fruits and juices, vegetables, tobacco. In rest, the agriculture should satisfy the needs of the domestic market.

The fundamental instrument of regulating the market relations continues to be the price. For supply, the price has as cornerstone the cost of products, whereas for demand – the utility of the commodity.

The prices of the products consumed in the agriculture have increased much more rapidly. For example, the general indicator of the agricultural products in 1992 as compared to 1991 increased by 1017%, of the energy products – by 2900%, thus forming a ratio of 1:2.85; in 1994 this ratio was 1:3.17. This trend is maintained. The price index of the agricultural products in 1997 on average increased as compared with 1996 by 1%, for industrial products – by 20%.

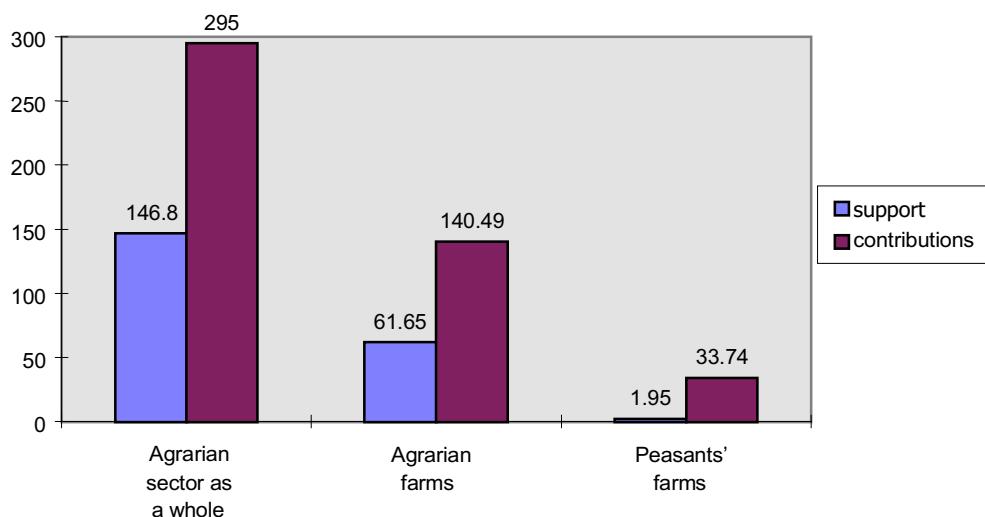
The prices of agricultural machines and equipment increased considerably, as well as those of the energy resources.

The cash incomes of the population have a much less rising rate. The share of labor payment in these incomes has declined from 73% in 1992 to 34% in 1997. The share of costs for food items rose in the overall costs from 38% in 1990 to 86% at present. Consequently the situation on the food market aggravated even more, which imposes the intervention of the public authorities through mechanisms adjusted to those conditions, by way of taxes and subsidies.

## 5. Agrarian reform: years of aspiration

According to a study of the taxation system and subventions to agriculture, carried out in 1998 by the ASA Institute on Analysis on Sectors and Policies Development, "On the one hand the share of this sector contribution to the state budget is lower than the share of agriculture in the GDP which speaks of a relatively low taxation. On the other hand the tax burden is not equally balanced, particularly between the peasant farms and other types of farms". The agricultural sector makes a net contribution of 118 million USD to the state, of which approximately 32 million derive from the peasant farms.

### ***Balance between the contributions to the budget and support from the state for agriculture.***



Obviously, the financial support granted by the state for prices protection in the agro-food sector is extremely reduced due to the fact, that the budget, to great extent, is formed from this particular branch of the national economy. The total contributions fixed for agriculture amount to 797 million lei. Yet, there are indirect collections through VAT and excise duties from tobacco products, wines and other alcoholic drinks, etc. In 1997 the overall VAT and excises to the budget accounted for more than 48%.

The public authorities might also resort to capital investments.

Table 3.  
**Capital investments in agriculture /in current prices/, million lei**

Indexes	1990	1994	1995	1996
Investments in fixed assets per productive objects	1.10	87.7	90.7	96.6
Including: state owned	0.53	31.5	25.5	23.8
Investments in fixed assets per non-productive objects	0.34	115.5	85.7	71.5

The investments in fixed assets for productive objects are growing. Yet, the state contribution is declining and in 1996 accounted for about a quarter, in 1990 – about 48%.

The capital investments in agriculture in 1996 reached the share of about 20% of those realized in the national economy as a whole.

Bank loans might contribute to improving the situation. Nowadays in the republic operate 22 commercial banks, which in January-November 1997 made loans. In the overall loans the share of long-term credits is decreasing, from 27% in 1990 to 8% in 1997. This impacts negatively upon agriculture, which is objectively depending on the biological factor.

Extremely dramatic is the situation of the newly land owner peasants, who practically have no access to credits.

The lack of resources contributed to reduction of chemicals usage, from 217.2 in 1992 to only 13.5 thousand of active substance in 1996, to renouncing to use other important factors for effective technologies.

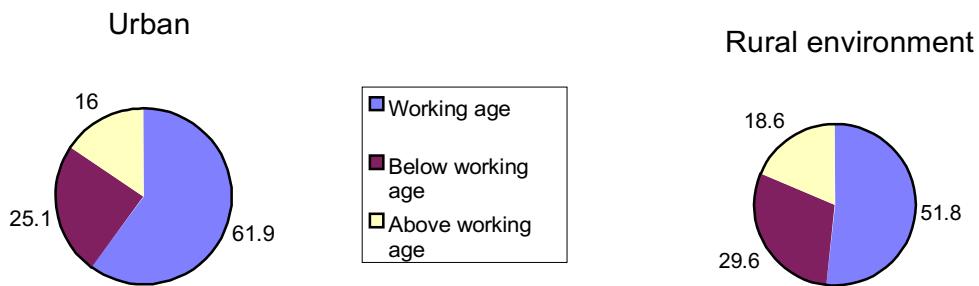
It is imperiously necessary the formation of an ample strategic program, oriented to the market economy requirements, for supporting the private sector and which might substantially contribute to acceleration of the agrarian reform.

***Social aspirations of the rural community.*** The rural world manifests its specific traits in the habitat, on cultural values, on cohabiting norms, on traditions.

The fundamental change of the structure on land ownership, liquidation of old organizational structures, creation of family farms and other forms based on the private ownership, dismantling of the command administrative system and formation of relationships adjusted to market economy justifies the adoption of the living standards to the evolution of the rural community values.

As of today, the rural population constitutes about 55% of the overall.

#### ***The structure of the stable population, as on 01.01.1997, %***



The economically active population from the rural localities accounts for 51.8%, in the urban ones – about 62%.

The crisis phenomena generated stoppage or liquidation of some economic units from rural localities, gave an impetus to the process of employees dismissal. In the raion Straseni, for example, of those 55 thousand able persons employed on the territory of the raion, remained only about 19 thousand individuals. Of course, the incomes condition the way of life, and contribute to the satisfaction of elementary physiological needs: feeding, clothes, housing, etc.

In 1996 the degree of insurance of the population from the urban localities with housing was on average of  $17\text{m}^2$  per inhabitant, in the rural localities –  $22.4\text{ m}^2$ . Yet, the degree

## 5. Agrarian reform: years of aspiration

of insurance in the urban localities increased in comparison with 1990 almost by 20%, whereas in the rural places – only by 6%.

### ***Distribution of households according to the size of average cash income available per individual, %***

Monthly average cash income per person, lei	Total Households		Including			
			Urban		Rural	
	1995	1996	1995	1996	1995	1996
Under 108	68.4	57.7	56.9	40.3	79.9	75.7
108-216	25.6	31.8	34.8	42.7	16.2	20.3
26-324	4.7	6.7	6.4	10.1	3.3	3.4
Over	1.3	3.8	1.9	6.9	0.6	0.6
<b>Total</b>	100	100	100	100	100	100

Formation and generation of the social equilibrium presumes creation of conditions necessary for any citizen. Is that equilibrium observed? Only the apartments supplied with natural gas in 1996 in the towns constituted 281.6 thou, in rural localities – 47.3 thou, or almost 6 times less. The situation is similar in terms of other indexes too.

Focusing the attention on the fundamental event – incomes, pondering on some needs' components is stirred by the their influence upon the birth rate, natural growth, migration, etc. In the urban localities the natural growth per 1000 inhabitants in 1980 constituted 11.3, in 1990 – 9.3, in 1996 – 0.6, whereas in the rural localities these numbers were respectively – 8.6; 6.6 and 0.4.

Being aware of the traditions from our country, there were no efforts made to develop the rural community, for realizing the measures specified in the concept of the agrarian reform, aimed at setting up a social protection system, for developing the economic and social infrastructure. The transformations in the rural economy impose the development of the social components of the villages.

***Professional education and investigation – extent of the reform.*** On July 1, 1998, according to the statistical bulletin, only 227 thousand persons, who constitute approximately a quarter of those entitled, received the land shares in private ownership.

Both promotion of agrarian reforms, as well as the activity in free competition environment, conditioned by the substitution of the centralized planning with market economy mechanisms, objectively requires people with proper thinking. The efficient activity of these people and of those who became peasant farmers, substantially depends the level of training, of the structure of accumulated knowledge.

In both the local and central public organs, including in the Ministry of Agriculture, there are occasional people, who have neither professional background in the field nor ever acted in the agro-food sector.

Unfortunately specialists with mentality formed in the command administrative system, with experience in the totalitarian regime, also got there. Important is that these people even do not want to give up their principles. Subsequently, they procrastinate even more the reforming processes and considerably contribute to diminishing the performances of the private sector.

Based on the analysis of the reforms regarding the knowledge, skills, professional level of those who obtained the land shares in kind, we notice a modest level in technologies and insufficient professional training in the fields of law, economy, banking, food market formation.

The training institutions, numerous projects and professional training cycles carry out their activities based on the poorly correlated programs and almost improperly adjusted to market relationships. The material and training conditions often are poor. The exposed materials are very general and very abstract for being applied in practice, which aggravates even more the employment of human resources and imposes perfecting the training system, as well as the formation of a human potential with sufficient training for activity in actual conditions.

Formation and perfecting the stuff of the agro-food sector became an imperative of the period we are going through. The experience of the highly developed countries confirm, that the professional growth is a profitable investment.

Modernization of agriculture, changing the relationship labor-land-capital, promotion and support of the reforms are possible by way of investigations. The existent system of agricultural researches leaves much to be desired. Multiple programs oriented towards the agro-food sector have a poor performance, because many of the invited experts do not take into account the economic force of the system in course of disappearance, of this hard reality which does not match with the western models.

In order to orient the behavior of the agro-food sector and agricultural processing industry, in order to justify the researches aimed at providing for scientific support of the agrarian reform, it is necessary to monitor all the components of this complicated process, such as the reform of the agro-food sector.

**Final considerations.** The main idea is that the agrarian reform which was launched as an imperative of the time and became irreversible. The fundamental strategic objective of the reform continues to be slowing down the decline, avoiding the misbalance between the demand and supply of food products, resolving the problem of the food security.

The agrarian reform has some more speeds. Each element of the reformation system has its own speed, which lead to discrepancies and contradictions. Speeding up the process of modification of property structure as factor of extending the responsibility and promoting competition. Formation and consolidation of the peasant farms, based on the family labor and their association for an efficient usage of the natural, human and material resources.

Development of market institutions in agriculture, adjusting the fiscal system, providing the access to loans, subsidizing agriculture, resolution of the social problems of the countryside. All of them comprise the imperative of the agrarian reform.

Finally, we consider the necessity to harmonize the elements of the agrarian reforms and large scale implementation of the general possibilities for interaction of the agro-food system components.