

Agricultural land consolidation issues in the Republic of Moldova

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1. Current situation

Over 1.1 million landowners own approximately 1.5 million hectares divided into more than 3 million parcels, with an average area of 0.3-0,5 hectares, which are located at 3-5 or even 10 kilometers from the village and from each other, thus creating the need for the consolidation of agricultural land in Moldova. How is this land fund currently used?

As of 1.01.2006 agricultural land in Moldova is processed by:

- 1,292 limited liability companies farming a total area of 128,2 thousand hectares;
- 378,070 peasant farms with an area of 500,1 thousand hectares;
- 147 agricultural production cooperatives with an area of 132,2 thousand hectares;
- other organizational and legal forms that own 74,9 thousand hectares;
- 119,792 undetermined owners (landowners) who own an area of 132 thousand hectares;
- the area of land leased by all types of landowners is 567,1 thousand hectares.

a) Limited liabilities companies

These companies process both their own land (land that belongs to founders) and leased land. During the last year, the area of land owned by the founders of LLCs increased twofold, from 4,7% (70,8 thousand hectares) to 8.4% (128 thousand hectares). In terms of agricultural land consolidation this modest growth is essential. The area of land leased in by LLCs makes up 504,1 thousand hectares, which accounts for 89% from the total area of land leased in Moldova (567.1 thousand hectares). LLCs use and own 632,3 thousand hectares of agricultural land (41.2% from the total area of private agricultural land).

For various reasons, during the last year, (e.g. the cost of fuel etc.) lease agreements have been suspended with over 120 thousand landowners (an area of 132 thousand hectares, accounting for 8.6% from the total area of private agricultural land). When this category of landowners has no machinery to work the land and is physically unable to practice agriculture (age, etc.,) it becomes the source of unprocessed land, without mentioning other consequences (lack of income, tax liabilities etc.,). Since most of the leased land (89%) is farmed by LLCs we will briefly analyze this important issue.

Most of lease agreements do not exceed 3 years. What does this mean in terms of agricultural land consolidation? If a lessee leases in land for up to three years, he/she will not plant vineyards, orchards, will not build irrigation systems and use adequate fertilizers etc. Therefore, short term lease does not stimulate but impedes investments in agriculture. We know very well the reasons that lead to a predominance of short term lease. One of the reasons is linked with not always compliance to the legislation related to lease relations. However, this subject is only related to land consolidation.

b) Peasant farms

These farms decreased during the last year both in number and area of land in their ownership. As of 1.01.2006, the total number of peasant farms makes up approximately 378

thousand or by 124 thousand less than during the same period of the last year. Peasant farms are the target group of land consolidation.

Concurrently, as already ascertained by the world practice, time is necessary in order for peasant farms to reach optimum areas so that they could be considered consolidated and operationally efficient.

In the absence of a banking mortgage system (e.g. a mortgage bank) that could facilitate this process, more time could be needed to consolidate the land of this structure. From the point of view of agricultural land consolidation this is one of the most important problems faced by peasant farms.

During the last year, land consolidation process was carried out within peasant farms. The average area of a peasant farm increased by 0,3 hectares during one year. The increase for this category of landowners is essential (by 25%).

If we selected peasant farms in Moldova according to the criteria of area owned, we would have the following structure:

- there are 377,518 peasant farms with individual areas of up to 5 hectares that farm 497 thousand hectares or 88% of all peasant farms in Moldova
- there are 165 peasants farms with individual areas of 5-10 hectares that farm a total area of 8460 hectares, which accounts 0,3% of all peasant farms in Moldova
- there are 151 peasant farms with individual areas larger than 100 hectares that farm a total area of 56.686 ha, accounting for 10.1% of all peasant farms in Moldova.

We therefore conclude that the number of peasant farms with areas exceeding 5 hectares and that may be considered as being in the process of consolidation make up 552 (which is 12% from the total area of peasant farms). This category of peasant farms lacks agricultural equipment. They also represent a source of unprocessed land. Many of them are in the process of being liquidated etc.

The decline in the number of peasant farms is a natural process and it will last for a long time, including their liquidation (self-liquidation). It is important to keep this process under control in order not to allow negative aspects.

c) *Cooperatives (production and business types):*

The number of agricultural cooperatives (marketing and production) during the last year increased by 7 and by 16,1 hectares in terms of area.

This organizational form is a method of consolidation through the method of voluntary association of landowners. Currently, agricultural cooperatives account for 8,6% of the total area of agricultural land in Moldova.

d) *Processing enterprises.*

To be competitive, they purchase and lease in large areas of agricultural land for a long term that are later planted with vineyards, orchards, and build irrigations systems for vegetable plantations etc.

2. Measures to be taken

As mentioned, the success of agricultural land consolidation in Moldova depends on many factors of which the most important are organizational and financial. Agricultural Land Consolidation Program thus plays an important role.

Implementation of pilot projects. Firstly, we envisage the development and implementation of six agricultural land consolidation pilot-projects with the technical assistance of the World Bank in Moldova.

To implement these pilot-projects, localities will be selected in order to cover a large spectrum of conditions and peculiarities: North, Center and South.

a) Development of the legal framework

Concurrently with the process of pilot-projects implementation, the legal and normative basis will be reviewed. It is obvious that such a complicated process like agricultural land consolidation cannot take place without the creation of an adequate legal and normative environment. At the same time, the development of the legal and normative framework should be verified with the reality of implementing experimental projects, otherwise we could fail. Therefore, the second most important measure of the program will be the creation of the legal and normative framework.

b) Providing tools and research support

Following the development of the legal and normative framework, attention will be given to provide tools and research support for the process of land consolidation.

Providing the agricultural land consolidation with tools and research support will be broad and will provide for studying and implementing both international experience in this area and local experience collected in the country, climate zone, rayon, locality, field (landscape).

c) Establishment of the institutional framework

According to the findings of World Bank experts, the current institutional framework in Moldova does not satisfy totally the requirements of agricultural land consolidation. The Ministry of Agriculture and Food Industry is the central public authority in the field of agricultural land consolidation that formulates and promotes the Government policy in this area. In order to coordinate interdepartmental activities in the field of land consolidation, it is necessary to establish a corresponding coordination council composed of the representatives of ministries, agencies, civil societies etc.

d) Establishment of the financial base

From the very beginning, it is necessary to acknowledge that the process of agricultural land consolidation involves large costs. Without a fund that will finance consolidation activities, it is impossible to plan future activities. Sources to fund the Program are aimed at channeling and rational use of financial means to solve issues related to the consolidation of agricultural land.

e) Establishment of a mortgage crediting system

An important financial issue is the mortgage crediting system of land consolidation. Without solving this issue a lot of what was planned will remain unsolved.

3. Final conclusions

During the period of developing and implementing the Program of Agricultural Land Consolidation, public awareness will be important among the rural population and landowners. The success of Program accomplishment will depend on many factors but first of all on the support and confidence of the population. Awareness, advertisement and transparency will bring us the confidence and support from villagers and ensure the success of this undertaking.

Acknowledging the cohesion and unity in the actions of all central and local public administration bodies at all stages of Program implementation is key.

Another important moment is the cooperation, collaboration with international structures and countries that were successful in this area and learn from the best practice with regard to land consolidation and adjust it to Moldova's situation.