IDENTIFICATION OF RESTRUCTURING MAIN DIRECTIONS OF AGRARIAN SECTOR

IDENTIFICAREA DIRECȚIILOR PRINCIPALE DE RESTRUCTURARE A SECTORULUI AGRAR

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Abstract: *Although it is situated in the geographical center of the richest world continent, Europe, the Republic of Moldova could be classified as an agrarian country with a preponderantly rural population and with extremely low revenue per inhabitant. Unfortunately, it is a sad but an objective fact because it totally reflects the reality. 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.*

Key words: *Reform, Investments, Agriculture, Integration, Restructuration*

INTRODUCTION

Restructuring the economic system involves the design and practical realization of a set of measures, the capacity to radically change the structural composition of the system. Given the simple reason that the agricultural sector consists of several parts, all of which are reflected by using different valuation methods, we found the presence of quite varied directions of restructuring of agriculture.

Some of these areas can be considered as a priority, other, of course, is secondary or minor importance. Identifying the avenues of restructuring the agricultural sector must be based on prior evidence of the most important problems, solving them is the ultimate goal of restructuring.

MATERIALS AND METHODS

Research has been conducted on agricultural enterprises in Moldova. An important place it occupies in the paper generalization of the experience of developed and developing countries in the domain of promoting the economic reforms in agriculture. In theoretical and scientific aspects the article was conducted in the context of complex and systemic approach to contemporary economic concepts. Given the complexity of research, its completion was applied expanded arsenal of scientific methods based on the principles of dialectical determinism. In this respect, using scientific abstraction, to take into account that the driving force for development is the internal contradictions of the phenomena and processes.

RESULTS AND DISCUSSION

It is to be mentioned the fact that being at present the post-privatization development, the local agriculture is quite heterogeneous. Exaggeratedly emphasized differentiation can be found both on organizational forms of farming, and in the effectiveness of this activity, technical equipment of farmers, labor productivity, level of profitability, specialization, marketing of goods produced, etc. The main causes of this diversity are well known.

If at the beginning of the reform period (1990 yr) the total number of enterprises and organizations of the agro industrial complex of the Republic of Moldova constituted 2615 units, of which the agricultural sector - 1092 units, then at the beginning of the 2011 year, according to preliminary data of the Census General Agricultural (RGA), number of exploited farms (without the territory of the left bank of Dniester river and the city (Bender) constituted 903,000 units. Much greater is the number of plots, in which the land was divided, being cultivated by these exploitation farms. Also from the source mentioned above we can take the conclusion that their economic activity of 903 000 agricultural holdings is carried on 2.7 million parcels, i.e. on average about 3.0 plots per exploited farm, a parcel area is on a level of only at 0, 83 ha.

Besides the low efficiency of farming activity on plots of small agricultural land so much of super-plotted surfaces (after data RGA - 247 000 ha or 11.0%) in general remain unused in the production process, being set-aside land. It is found that about 50.0 percent of farmland, according to the National Bureau of Statistics in 2010 yr were used in large agricultural

enterprises (corporated), the total number of which in early 2011 was 1580 units the average area of 709.2 hectares. Total volume of corporate farming enterprises constituted in the 2010 year (current prices) - 6.36 billion or 5675.5 lei into account per 1 ha. According to this analysis made we conclude that about one third of corporate farms in recent years are operating on losses, the total amount of debt accumulated in their accounts last reached the amount of 7194.7 million lei (as on 01.01.2011), far exceeding the annual volume of agricultural production and prices of stock of fixed assets of mentioned enterprises. As a result, debt restructuring, in our assessment, is one of the main restructuring of agricultural enterprises, which have accumulated these debts.

Different scenarios can be applied to solve the debt problem of agricultural enterprises. Given the fact that private creditors with a role (even majority) during play fighting state debt (which actually is the main creditor of such company), can be used following the restructuring scenarios corporate enterprises: - State does not participate in a scenario of fighting corporate debts of agricultural enterprises; - State settles down the debts of agricultural enterprises by obtaining a share in the assets of these enterprises, which can then be sold on the securities market and the issuer or such securities at market prices; - State creates favorable conditions and legal framework for the debts of agricultural enterprises to be taken by commercial structures, industrial, etc. In the form of quotas - property in the newly created organizational structures (holding companies).

Obviously, the first version of the debt restructuring scenario is nothing but bankruptcy. Consequently these farms (about 430 in number) will be destroyed, increasing the share of manufacturing sector small, number of super-plotted lots of agricultural land, the level of unemployment in rural areas etc.

A second option essentially changes nothing from the point of view of organization, and in the further pursuit of the production process in these companies. As a simple way to cancel the debt, this option will be applied if that will cause an increase in debt, including the other agricultural enterprises, which previously were paying honest taxes, deductions and social security fund mandatory health etc.

It is undisputed that none of these two options can be accepted. Both full scrapping huge amounts of debt, as well as vice versa, absolute ignorance of the problem of state debt from all hierarchical levels can be

considered as part of a management imperfect, lacking any scientific argument, therefore, lacks prospects. Rapid growth from year to year, about a third of the debts of agricultural enterprises, they do not allow stable operation be rhythmic and operational plan (current spending, according to technological requirements) or investment plan, which can be provided new jobs, salary acceptable and timely paid, taxes etc.

Alternatively the successful restructuring of agricultural enterprises, therefore, remains the third option presented by a scenario based on vertical integration of agricultural enterprises problematic industrial and commercial enterprises in the value chain properly. The essence of this scenario is that debts to the state agricultural enterprises (including state budget, budgets of local, state social insurance budget and mandatory health insurance funds) necessarily, and to private businesses - willingly, are transformed into economic interest in the State (private businesses) in the capital of the newly created organizational structures (holding companies). It is expected also that the share of state with time can be sold movable.

As a result, the share of assets can be boiled holdings, becoming the last private organizational structures without state participation. The second direction of restructuring the agricultural sector is the consolidation of small farms by the procedure of association and vertical integration with industrial and commercial building structures as cluster.

The main purpose of this direction of restructuring the association and integration of agri-food sector is the unification of efforts of all producers (service providers) of the respective value chains while maintaining the maximum possible independence and autonomy of each separate undertaking. As a consequence of association (in a territory and as fields) and integration with other links in that value chain, cluster members start a joint activity, scale, form parties are capable of high production quality, standardization as required modern market, keeping also the status of small and medium agricultural enterprises.

In holding both economically as well as clusters are independent organizational structures established at the mutual agreement of its members in order to raise competitiveness of food production in most cases processed and marketed industrial technology implementation through its own network of stores company directly to the final consumer.

Besides increasing the competitiveness of agriculture restructuring and integration procedures Association aims to: - Implementation of modern

technologies of plant (animal care), by shifting investment flows to the best agricultural machinery, plant varieties (animal races) etc.; - Organization (joint efforts) an effective system to combat natural hazards; - Creating new jobs, intensification of production both in agriculture and in similar areas of economic activity (industry processing agricultural raw materials, transportation, storage, etc. commercialization.); - Increasing labor productivity, level of fertility of agricultural land and livestock and poultry productivity as a result of the efficient and highly productive technologies in the complex field of food; - Increase the export potential of integrated structures, expanding their capacity of penetration in the national and international wholesale type, forming stable relations of cooperation with transnational networks of supermarkets etc.; - Raising the living standards of farmers and rural residents of all, improving social and economic infrastructure of this area, environmental protection, harmonization of relations between people and nature.

The main task, submitted for resolution in the associative and integrated organizational structures, obviously, is the cash flows of all links of redistribution value chains according to their contribution in shaping the final product. As will be shown in chapters that are currently major share of profit from realization of a final consumer food enters into trade. Given that an essential share in the final trading volumes dealing import food, local agriculture supports negative twice: first because they were almost symbolic that is forced to sell agricultural raw materials either industrialists or traders , the second time due to massive food imports from industrialized countries where agricultural production is heavily subsidized by the state.

Although food imports serves as a strong foundation and a stable food security of the country, most of these products can be and must be produced in our country. Just cannot have a scientific argument that with 247 000 hectares of agricultural land, not used in the production process, Moldova imported a.2010: live animals and animal products amounted to $94.7 million USA, vegetable products - $168.9 mln. USA, animal or vegetable fats and oils - $19.3 mln USA food and non alcoholic beverages, tobacco products - $308.6 mln.USA a total of only these four groups of food and agricultural products - $591.5 mln.USA.

Although the trade balance in terms of food is positive for Moldova, the massive import of these products, estimated at 6.8 billion lei in 2010, constitutes a clear threat to the local farmers because they are so well

organized (compared with their competitors abroad) receive no subsidies at comparable technologies, etc. do not apply. Restructuring the agricultural sector by applying the above scenarios of association and integration will ensure gradual overcoming weaknesses and shortcomings of small and medium business in the food industry. It is envisaged, primarily debts amounted to one hundred million lei, accumulated over the past 10 years agricultural enterprises corporate accounts.

Second, the holding companies, as well as clusters become viable and competitive structure in the event that farmers with debts will be supported in the investment plan. Unlike financial assistance from the state, which currently is done mainly for financial help local farmers, usually in cash, investments require integrated structures to be targeted directly to: - Purchase of modern agricultural techniques; - Supply of cluster members and holding of seeds and seedlings (breeds of animals and birds) highly productive and resistant to unfavorable growing conditions (drought, ice, infectious diseases, pests, etc.) - Farm supply companies and mineral fertilizers with pesticides, veterinary drugs, etc.

Being taken as an integral, all components of the investment process is the application of new technologies, efficient and highly productive. Besides farmers have responsibility for the results of such technologies and integrated companies bears. Only undertake work that is the structure managers, specialists in those areas (agronomists, engineers, economists, accountants, machine operators, drivers, builders, etc.)

Generally, business associative structures - integration is proceeding according to statutes and other documents, rules (instructions), developed by specialists of these companies under relevant laws.

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