

THE FUTURE OF SMALL FARMS IN THE REPUBLIC OF MOLDOVA: CHALLENGES AND OPPORTUNITIES

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Role of small farms in the socio-economic life of the Republic of Moldova

- contribute significantly to ensuring food security;
- have a considerable social impact, as are presented as a safety net for the rural inhabitants;
- are more likely to preserve the natural environment and biodiversity;
- produce valuable public goods;
- have a significant role in ensuring economic growth, at least at the local level.

Brief insights in the evolution of small farms

Agricultural land by categories of landowners, thous. ha				
	2017	2018	2019	2020
Total	2 235,6	2 232,4	2 232,1	2 227,9
of which, by landowners:				
Enterprises and organizations	886,9	900,1	908,5	912,8
Peasant farms (gospodarii taranesti)	637,5	619,8	609,7	601,8
of which, with an average land area of less than 50 ha	524,6	521,2	503,7	487,5
of them, with an average land area of less than 10 ha	479,7	470,0	448,3	428,1
households (lots near the house and gardens)	329,1	331,2	335,9	335,8
members of fruit growing associations and holders of vegetable plots	5,1	5,1	5,2	5,2
Other owners of land	377,0	376,2	372,8	372,3

Number of peasant farms and other owners who received agricultural land on account of equivalent land shares, units				
	2017	2018	2019	2020
Peasant farms (gospodarii taranesti) - total	242 324	219 791	192 881	171 365
including:				
Peasant farms with an area of 10 ha and over	2 971	3 060	3 348	3 265
Peasant farms with less than 10 ha	239 353	216 731	189 533	168 100
Persons, who have received sectors in kind on account of equivalent land shares, process individually and have not established the household in a stable manner	203 984	208 896	220 476	219 906
Persons who received in kind sectors according to art. II of Law no. 173-XIV of 22.10.98	43 773	46 307	44 919	41 369

Challenges and opportunities for the development of small farms

Main challenges

- Lack of a general accepted definition of “small farm” in the Republic of Moldova hinders their development;
- Disadvantaged in accessing public support and lack of capacities to attract it;
- Difficult market access and integration due to low production capacity;
- Low bargaining power in price establishing;
- Depopulation of the rural area may contribute to the decrease of involvement in agricultural activities and diminish of the number of small farms.

Opportunities

- Growing agricultural products with added value;
- More flexible to demands of consumers;
- Possibility to create cooperatives or associations of producers;
- More likely to benefit from public support intended for environmental protection;
- Potential generators of public goods.

Definitions of small farms

Law no. 276 from 16.12.2016 on the subsidy principles in the development of agriculture and the rural environment

- **small agricultural producer** - agricultural producer who owns with the right of ownership or possession and use up to 20 hectares of arable agricultural land and / or up to 10 hectares of land occupied by perennial crops bearing fruit or from 21 to 40 cattle or from 51 to 100 heads of pigs, sheep / goats, and, in any case, does not exceed the criteria established for the small enterprise by Law no. 179 of July 21, 2016 on small and medium enterprises.

Law no. 179 of July 21, 2016 on small and medium enterprises:

- **Micro - enterprise** - has at most 9 employees, achieves an annual turnover of up to 9 million lei or has total assets of up to 9 million lei;
- **Small enterprise** - an enterprise that has from 10 to 49 employees, achieves an annual turnover of up to 25 million lei or holds total assets of up to 25 million lei.

National Bureau of Statistics
(Agricultural activity of small agricultural producers in the Republic of Moldova publication)

- **Small agricultural producers** - peasant farm with agricultural land up to 10 ha, registered in the established manner, persons who received sectors on account of land shares equivalent, but did not register the household in the established manner and households.

Public support for small farms

- **Current state:** Although confirmative figures are not provided by the Agency of Intervention and Payments in Agriculture, related to subsidization of small farms, we state that smallholders are disadvantaged in accessing public support and are lacking capacities to attract it.
- **Solution:** Improving access of smallholders to public support through targeted programs.

Taking into account that the lion's share of funds allocated as public support are intended for post-investment subsidies (16 measures and sub-measures) small farmers need for targeted interventions as a result of their low financial capacity to invest in the agricultural sector. Subsidies in advance directed specifically to smallholders may boost their efficient involvement in agricultural activities.

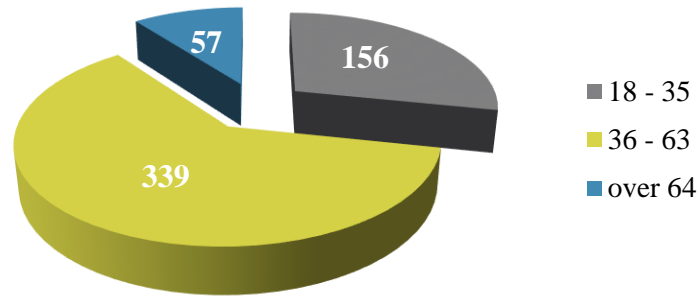
At the same time, based on limited labor force capacities and other factors, smallholders may require additional information support, advisory services and training.

Insights in survey methodology

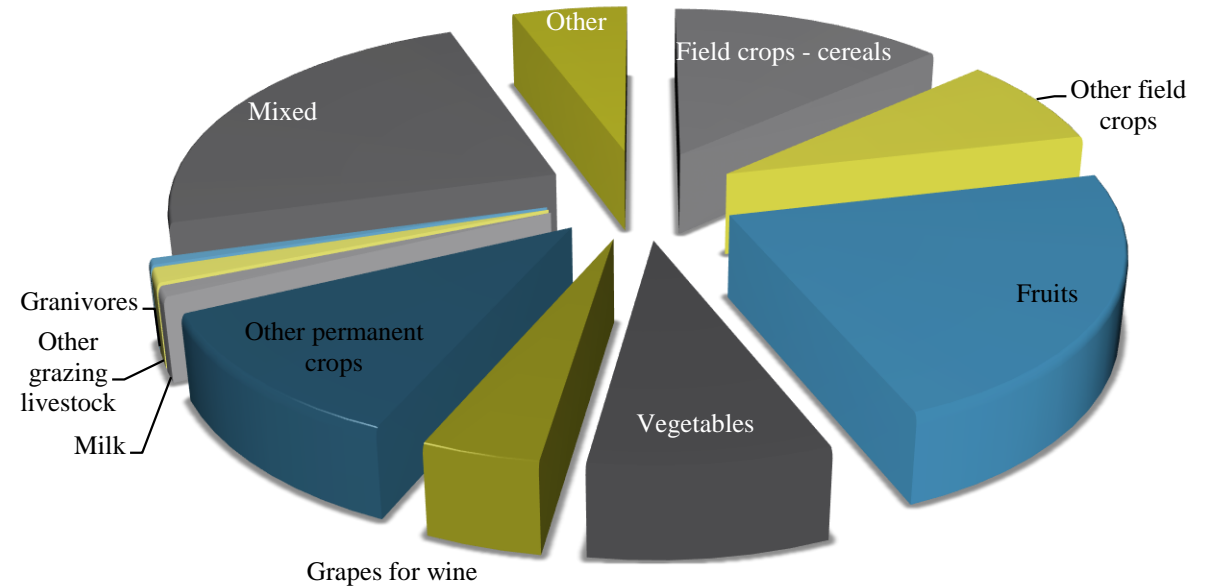
- The analysis is based on data obtained from a survey of small farmers from the Republic of Moldova.
- Lack of an unanimously accepted definition of small farm in the Republic of Moldova
- Acceptance of the size criteria for small farms (less than 10 ha), which better fits the particularities of the agricultural sector of the Republic of Moldova.
- Survey based on a sample of 552 small farmers from three geographical regions of the country (North, Centre and South) that was carried out in 2019
- Data does not include Transnistria and Gagauzia regions of the country

Overview of respondents' profile

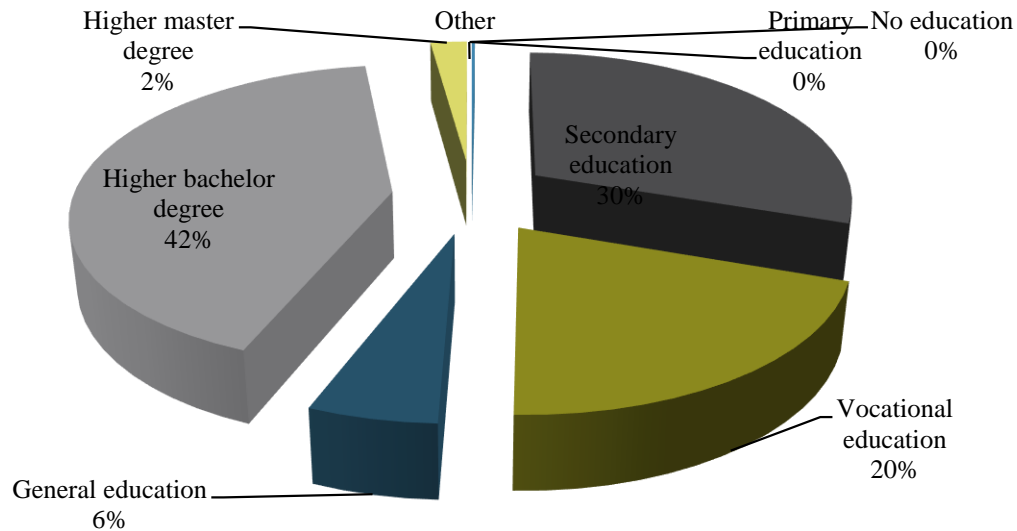
Age of surveyed farmers, years old



Farm specialization, number of surveyed farms

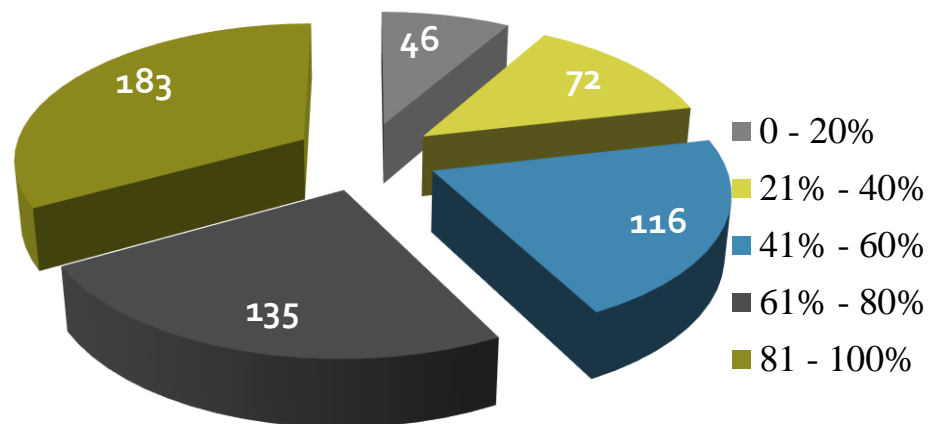


Level of education of surveyed farmers, %



Small farms – generators of income

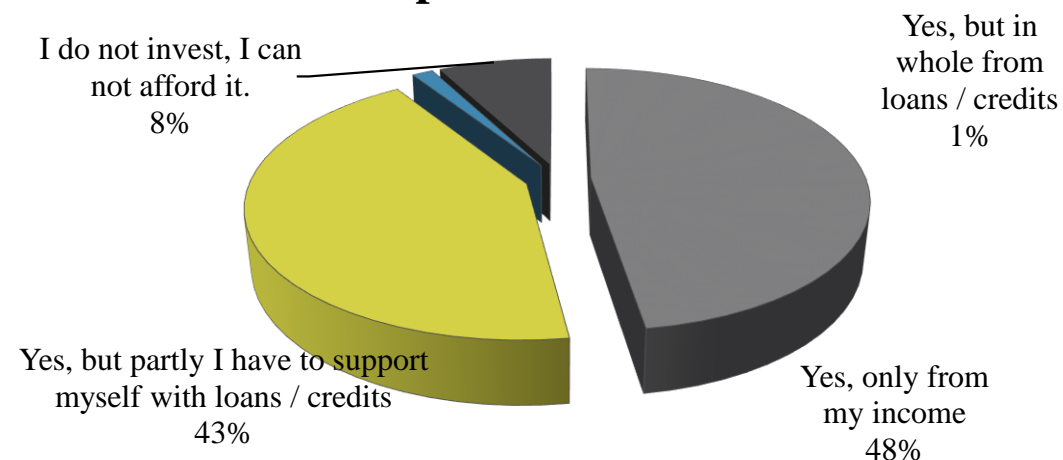
Share of income from agriculture in relation to the total income



Besides offering the necessary products for own consumption, small farms in the Republic of Moldova ensure the owners and their families with a certain degree of income.

For a significant share of respondents, agricultural activity is the main generator of household income, being followed by employment in other sectors, self-employment, remittances, etc.

Farmers' opinion on the question "Do you invest money in the maintenance or development



Investment of funds in the maintenance or development of their farms expressed by 91% of interviewed farmers indicates on the willingness to continue to activate in this sector, which should be supported by specific targeted programs that would enhance the access of smallholders to financial services.

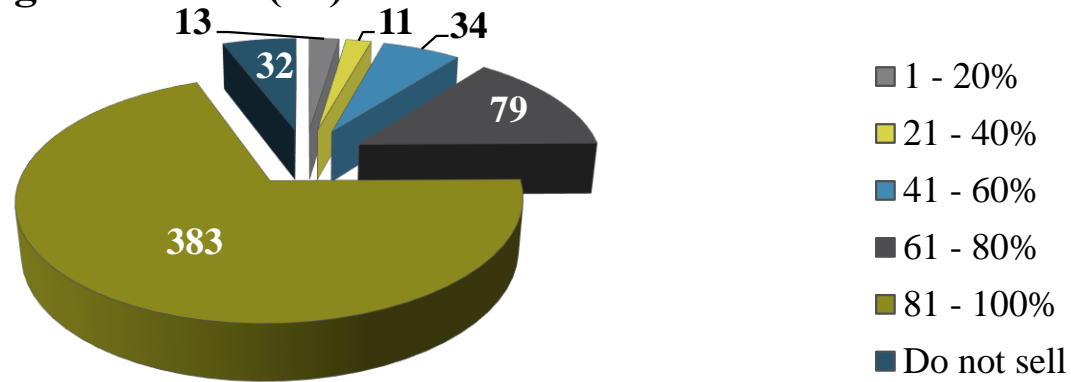
Small farms – labor oriented

	No. of persons	Average daily working time
Farm manager - work on farm	551	6,9
Farm manager - work outside the farm	288	5,1
Spouse/ partner - work on farm	401	5,8
Spouse/ partner - work outside the farm	201	4,0
Other members altogether - work on farm	80	8,0
Other members - work outside the farm	8	4,5

- Not only farm managers are involved in agricultural activities in their farms, but also their spouses (partners).
- In average, a farm manager works about 6.9 hours daily at his / her farm, while spouse (partner) is involved for about 5.8 hours
- 288 respondents mentioned they also work outside the farm, due to low level of income from agricultural work, impossibility to ensure the family with the necessary needs only based on income from agriculture, seasonality of income from agricultural activity, as well as increased risk due to climate conditions, etc.

Access to market of small farms

Farmers' opinion on the question "What part of agricultural production goes on sale (%)"



When accessing the markets, small farms encounter more difficulties compared to larger ones:

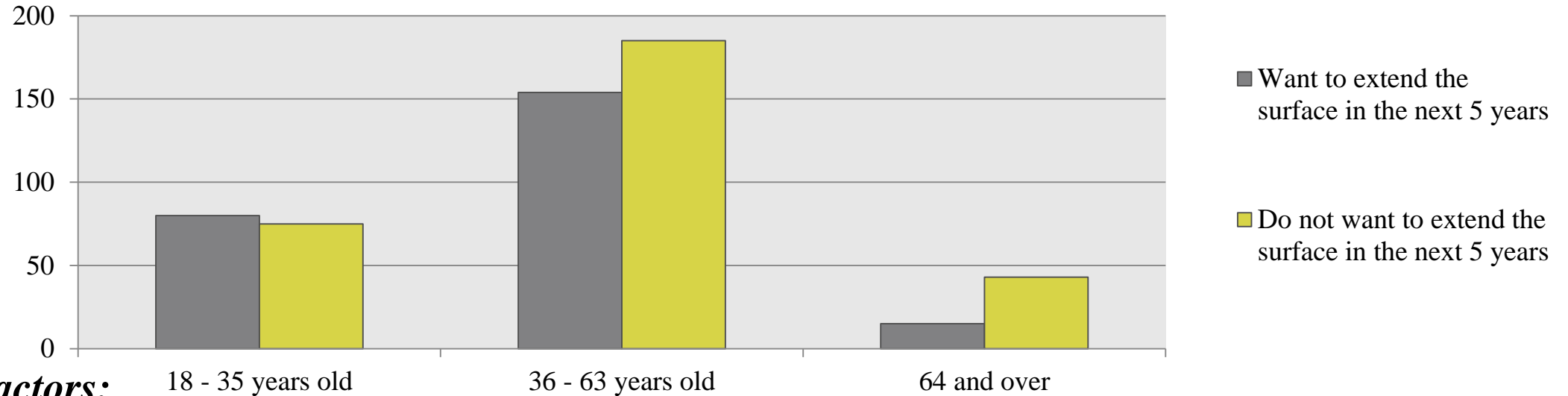
- Production capacity is quite limited due to small areas and limited amount of harvest.
- No much diversified options for selling their products.
- Usually sell via long value chains which include intermediates that usually set the price due to the low bargaining power of smallholders.
- Are lacking in capacities to certify their production.

If the farm sells agricultural products to the market, through which distribution channels

	Local warehouse, local store, intermediary	Street markets, marketplace, bazaar	Retail chains	Processing plants	Directly from the farm	Trade fairs	Via websites
Number of persons	396	184	10	97	27	11	0

Establishment of associations of producers may represent a solution to the described problems, as there will be possible to ensure large quantities of production, to diversify marketing channels and joint investments can be made in order to develop post-harvest infrastructure.

Future intentions of smallholders



Driving factors:

- intensive labour work and dedication of most of their time to farming activities;
- low level of mechanization in small farms require additional human capital which due to poverty and excessive migration is difficult to find in rural areas;
- every enlargement requires additional investments and funds which are not accessible for smallholders due to limited financial capacities and lack of targeted programs.

Conclusions

- Small farms from the Republic of Moldova contribute considerably to the sustainable development of the entire agricultural sector, being a safety net for rural inhabitants and providing households with products both, for own consumption and for selling purposes.
- Specialization in high value added production represents an important indicator in terms of future development, but additional factors are needed to be taken into account for increasing their sustainability, like age of farmers, level of education and specialized studies in the field, modernization of farming activities and rationalization or the working time.
- In terms of market penetration, establishment of associations of producers may represent a solution to boosting direct access to market and shorten the value chain
- Desire to invest in maintenance or development of their farms expressed by 91% of interviewed farmers and the will to increase the surface in the next 5 years mentioned by 45.1% indicates on the motivation to carry on activating in this segment.

Recommendations:

- need for specific public support programs that will target small farmers as their main beneficiaries;
- enhancing smallholders' access to financial services and instruments through subsidies in advance;
- more programs dedicated to rural development and improved infrastructure in countryside areas.

Thank you for your attention!