

## **DEVELOPMENT OF GRAIN SECTOR – A WAY TO OVERCOME POPULATION POVERTY IN RURAL AREAS OF THE REPUBLIC OF MOLDOVA**

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### **Abstract**

*The purpose of this research consists in study the grain sector development seen as a solution to overcome the poverty of the population in rural areas of Republic of Moldova. At the basis of this research were used a series of working methods and procedures such as analysis and synthesis, deduction, as the statistic method and research the scientific literature, etc. The research revealed that in the long and difficult transition period to Republic of Moldova to a market economy, the grain sector continues to be one of the main sub – agricultural sectors in the country. As a conclusion we highlight the following: the food security represents one of the highest priorities of government, most debates from Moldova concerning food security have focused on aspects of production and ensuring with bread at low prices.*

**Keywords:** grain sector, rural areas, food security, poverty

### **INTRODUCTION**

During the long and difficult transition period to a market economy, the grain sector continues to be one of the main sub - agricultural sectors in the country, providing a basis for overcoming the constraints which is still facing the agricultural sector, namely the access to credit and international markets. After a decade of areas expansion and obtaining of some variable production per hectare, cereals (wheat, barley, corn and sunflower) hold an annual area of 1 to 1,300,000 ha and record a harvest of 2 to 3, 4 million metric tons in normal years. On average, only one third of production is sold on the market, the rest being used in the household for food, feed and seed [3].

### **MATERIAL AND METHOD**

At the basis of this research were used a series of working methods and procedures such as analysis and synthesis, deduction, as the statistic method and research the scientific literature. The article is written by descriptive and analyze methods.

### **RESULTS AND DISCUSSIONS**

During the long and difficult transition period to a market economy, the grain sector continues to be one of the main sub - agricultural sectors in the country, providing a basis for overcoming the constraints which is still facing the agricultural sector, namely the access to credit and international markets. After a decade of areas expansion and obtaining of some variable production per hectare, cereals (wheat, barley, corn and sunflower) hold an annual area of 1 to 1,300,000 ha and record a harvest of 2 to 3, 4 million metric tons in normal years. On average, only one third of production is sold on the market, the rest being used in the household for food, feed and seed [3].

However, in the last 5 years, it has seen significant volatility in grain production due to a combination of government intervention, severe droughts, and soil fertility decrease. The drought was exceptional in the agricultural year 2007, a similar phenomenon was last registered in 1947. Grain production had a downward trajectory more than a decade, which was associated with cereal quality decrease, especially for wheat.

Taking into account the importance of the grain sector as a growth and overcoming poverty way for poor population from rural area, a foreign currency generator and a way to ensure national food security, the Government continues to set implicit policy objectives to ensure:

- The production of enough grain to ensure national food self-sufficiency;
- The availability of bread at a low price affordable by urban consumers;
- The increase of value-added to exports of cereals [3].

Thus, even if the agricultural sector has gradually moved towards a market economy, taking into account its strategic importance, the Government of the Republic of Moldova continued to treat differently the grain sub-sector, with frequent interventions in the attempt to influence the production, trade and prices.

Though food security is one of the highest priorities of the government, in Moldova most debates on food security have focused on aspects of producing and providing low-cost bread. The food insecurity occurs when people do not always have physical and economic access to sufficient food, safe and nutritious. Thus, internationally recognized definitions of achieving food security are based on income levels and economic independence, and not on national self-supply. This approach recognizes the local production and international trade complementarity. Therefore, for food security, it is necessary to ensure the development of a robust rural economy and enough incomes to rural households. Measures that contribute to distortions in rural markets and subsequently to an ineffective rural economy, lead to the increase of food insecurity at the household level.

At national level, Moldova is provided by food. The Republic produces the main food, it exports food surplus and imports what is needed to supply the food needs of the population.

Food security indicators show that in the Republic of Moldova the level of product consumption per capita has stabilized in

recent years. However the current level of consumption is much lower than in neighboring countries or other countries in the region.

If we consider only neighboring countries - Romania and Ukraine, than it can be observed that in Ukraine in average per capita it is consumed 60% more meat, 40% more milk, 90% more eggs, 30% more vegetables and cucurbits and 50% more potatoes than in our country. Only in the bakery section in the neighboring country is consumed 10% less than in Moldova. Referring to Romania, the situation is largely similar. Thus, Romania is consumed per capita in average 2.1 times more meat, 60% more milk, 90% more eggs, 30% more bakery products, 10% more potatoes and 70% more vegetables and cucurbits. Compared with other European countries the difference is even greater (see Figure 1).

The reduced consumption level of the main food compared with other major neighboring European countries and more distant once, in part, can be explained by reducing production and its instability. Thus, taking as a reference point the year of 1995, meat production decreased by 42%, milk by 9%, potatoes by 31%, vegetables and cucurbits by 7%. During this period there were registered increases in egg production volumes by 10 percent and wheat by about 54 percent. But, despite some increases, the agricultural production is unstable and subjected to the influence of several natural factors, and in particular those of droughts.

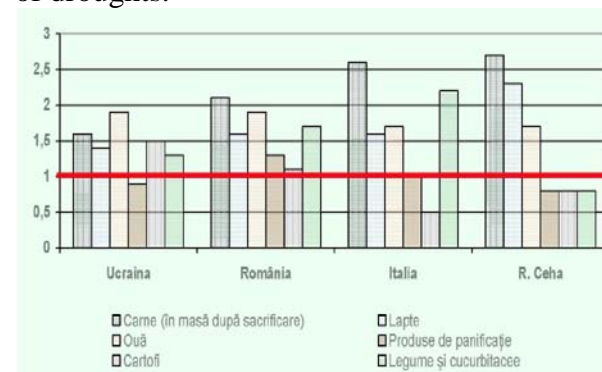


Fig.1. The comparative consumption of the main food, Moldova, 2008

Thus, the most significant reductions in cereal production are related to the negative impact

of droughts, most recently those of 2003 and 2007 (see Figure 2) [4]. As a rule, the years after the drought, there are significant reductions or stagnations of output of animal origin.

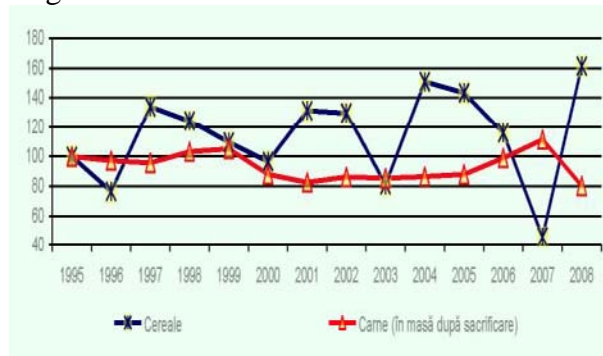


Fig.2. Production index of the main food in the Republic of Moldova, 1995-2008, 1995 = 100% [4].

Given the trends in consumption of main agricultural products per capita and the main food production per capita in the Republic of Moldova, it can be calculated the country's food sufficiency indicator, too, as the ratio between production and consumption of main agricultural products per capita.

The analysis of available data presents a significant reduction of this ratio in 2008 compared to 1995, almost at all food groups considered except wheat and eggs. But if we exclude the exceptional level of wheat harvest in the next year after the drought from 2007, which can be explained by the reserves of unused fertilizer in the soil from the previous drought year, when we observe a decrease of this index in all groups of analyzed foods except eggs.

Also it can be noticed that at the "Meat" chapter the local production does not cover the demand for population consumption starting from 2000-2001, and the level of this indicator shows a steady decline. Worrying trends are observed in the production of milk, which barely covers the consumer needs, but also in the production of wheat, that in dry years reaches a dangerous height, which can affect food security of the country (see Figure 3).

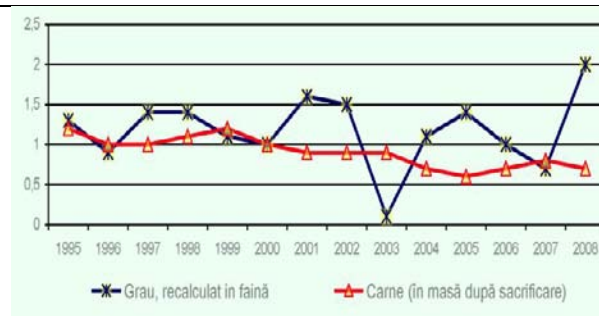


Fig.3. Production / consumption ratio of main agricultural products per capita, 1995-2008 [4]

Globally there are a number of risks that could have a particularly severe impact on food security of vulnerable groups, which have a tendency to increase in recent years. These include:

- The risk of high and volatile prices, which limits food consumption of population, the quality of diet, health and welfare spending in general.

- Financial and economic shocks, leading to job losses, higher prices and reduced accessibility to credit and lower demand for agricultural products.

- Climate change impacts, including increased incidence of adverse events such as droughts and floods, on harvest decrease in developing countries which will increase food insecurity.

- The risks of epidemic, epizootic and epiphytic outbreaks likely will increase and will expand along with urbanization, globalization and climate change.

Instability in world food security is reflected in the negative way also on supplying the needs of the population of the Republic of Moldova in the local food of corresponding energy value and in the traditional assortment of food intake.

**Recent events on international cereal markets** create real concern especially for developing countries. Thus according to the magazine *Europe - Grains - Agribusiness - Jan 12 2011*, prices for wheat at grain stock exchange in Paris **have increased about 7 times between November 2009 - January 2011**. World prices for wheat in the same period increased about 4 times. This increase was largely caused mainly by the devastating effects of drought that hits large areas of Russia, but also by the **restrictions** imposed

by the governments of Russia and Ukraine to the grain exports to ensure food security of these countries [2].

Under these conditions, it is reasonable to protect internal grain market from price volatility on international markets, but also from massive grain exports in neighboring countries. Administrative methods of management of the grain market were practiced in Moldova in the years 2004 and 2008. Grain export restrictions imposed in these years to economic agents from the Republic of Moldova allowed to stabilize internal grain market and to assure the country's food security.

The current situation meets many similarities to that of the mentioned years, which confirmed the opportunity of the similar measures.

Simultaneously, such administrative measures would include some shortcomings. Arguments against these measures can be the followings:

- Reduction of farmers' income, which took place in 2004 and 2008.
- Resiliation of grain supply contracts and imposed penalties may affect the credibility of economic agents and the general image of the country.

The situation in the Republic of Moldova is characterized by continuous increase in energy, utilities and food prices. The price rising in neighboring countries has as consequence the increase of cross-border illegal trade in these products. The circumstances require emergency measures to stabilize the internal market in general and cereal products market in particular.

## CONCLUSIONS

Taking into account the importance of the grain sector as a growth and overcoming poverty way for poor population from rural area, a foreign currency generator and a way to ensure national food security, the Government continues to set implicit policy objectives to ensure:

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