

## THE INFLUENCE OF LAND RELATIONS ON THE LEGAL FORMS OF ORGANIZATION

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**Abstract:** *The paper addresses a current issue related to the agricultural land relations of the Republic of Moldova. The analysis of the current stage of situation proves the priority of the private property in the agricultural land belonging to the legal forms of organization in comparison with the areas of the leased agricultural lands.*

*Land relations reform in agriculture aimed at the privatization of land and other agricultural goods and implementation of market land relations.*

*Agriculture in the Republic of Moldova is dominated by several legal forms of organization based on both associative and individual principles. Each of these forms requires a separate study. The paper is focused on the main legal forms of organization and namely: private limited companies (Ltd) and peasant (farmer type) farms.*

*Agriculture is an area in which the legal forms of organization have been most influenced by the process of land reform. The reform has changed the economic essence of the production process in agriculture - the property. International experience in this field has demonstrated the effectiveness and priority of the agricultural farms' potential based on individual principles, especially those of a family type.*

*The study proves the interaction between property rights and process of agriculture intensification through investments, especially those aimed at the development of vineyard and orchard plantations.*

**Keywords:** *land relations, cadastre, land reform, legal forms of organization, land ownership.*

### 1. Introduction

The land reform, especially in the agricultural sector, which took place in the Republic of Moldova, has highlighted an important issue - the rational use of agricultural land. In this context, selecting (choosing) a legal form of organization represents an alternative. They can be classified into two groups: agricultural enterprises based on associative principles and individual enterprises.

From the very beginning, these legal forms of organization have become an important agricultural potential. Most of the constructions (warehouses, etc.), technical machinery, leased land, etc. began to be used by the associative enterprises. The former specialists in agriculture (agronomists, mechanical engineers, economists, etc.) became the managers of the most private limited companies, agricultural production cooperatives and joint stock companies.

An important indicator in the development of various legal forms of organization of agricultural enterprises, including the associative ones, is the dynamics of the land areas used in the production process - the agricultural land. The area of agricultural land reveals the potential of the enterprise. This axiomatic conclusion is based on the priority role of „agricultural land” in the structure of the enterprise means of production as a whole.

The level of production process intensification also represents a very important piece of information related to the development of agricultural enterprises. [2] Thus, a high level of production process intensification in agriculture can be achieved through different ways:

- increasing the area under irrigation;
- establishing intensive plantations such as vegetables, vineyards and orchards;
- using fertilizer application systems, etc.

Regardless of the direction of the company’s specialization, the intensification of the production process highlights, first of all, the increase of investments in agriculture.

In this case, we will refer only to vineyards and orchards, an important sector for Moldova’s agriculture.

### **1.1 Importance and relevance of the research topic**

Agriculture in the Republic of Moldova is dominated by several legal forms of organization based on both associative and individual principles. [1] Each of these forms requires a separate study.

In the Republic of Moldova, the most common legal forms of organization are the individual enterprise and the private limited company.

In agriculture, individual entrepreneurial activity takes the form of a peasant (farmer type) farm. Peasant Farm (PF) is an individual enterprise, based on private ownership of agricultural land and other property, on the personal labour of family members (members of the peasant farm) with the aim of obtaining agricultural products, their primary processing and marketing of their own agricultural production mainly.

### **1.2 The subject and object of study**

The object of the present study is represented by the agricultural land belonging to the legal forms of organization. The paper will focus on the agricultural land examined in terms of its use as arable land and occupied by vineyards and orchards.

The subject of the study is the legal forms of property organization with the main focus on the private limited companies and peasant farms, the share of which is essential in Moldova’s agriculture.

According to the cadastral data for the year 2017, out of the total of 1303796 private landowners the largest share - 35942 - is recorded by the private limited companies, followed by 329240 peasant farms and 807332 individual owners who independently process their land.

In the paper, the agricultural land was analyzed through the prism of optimal land areas necessary for sector development and their division into owned land (private property) and leased land. This will allow us to make some conceptual conclusions of the prospective development of the property ownership forms.

### **1.3 Research goal, material and method**

The study is focused on the activity and role of agricultural enterprises established on associative and individual principles and on the development of agriculture in the Republic of Moldova (private limited companies and peasant farms). The future of agriculture

development and of the economy as a whole will depend on the harmonious development of all the enterprises both the associative as well as the individual ones.

It is proposed to identify the role and influence of land relations on the legal forms of organization of agricultural land. In this context, the largest share belongs to privately owned land as opposed to rented land.

As study material, the author used the information provided by the Agency for Land Relations and Cadastre about the entire land fund (annals), statistical information on the structure of the legal forms of organization, conclusions of various scientific papers on the given topic, etc.

The material (information) used in the study was analyzed by applying several methods: statistical method, graphic method, variance analysis, etc.

Obviously, both the information on the study object and the implemented study methods were selected in order to solve the main problem highlighted by the author – determining the role of the property in the development of the legal forms of organization established on the basis of associative and individual principles within Moldova's agriculture.

The basic legislative framework used as study material was as follows:

- Land Code Law no.828 of 25.12.91;
- The Law on Private Limited Companies no. 135 - XVI of 14.06.2007
- The Law on Agricultural Lease no. 198-XV of May 15, 2003;
- The Law on Peasant (Farmer Type) Farm No.1353-XIV of 03.11.2000.

## **2. Analysis of development of the private limited companies (Ltd)**

### **2.1 Land dynamics**

First of all, we will try to undertake a detailed analysis of the activity and role of the Private Limited Companies (Ltd) in Moldova's agriculture as a whole using the information presented in in Table 1.

**Table 1 Dynamics of agricultural land in the Ltd**

Analyzed period	Area, thousand ha			
	Total	Including		
		Arable land	Vineyards	Orchards
2002	620,1	551,1	28,7	37,3
2003	639,0	572,2	27,9	36,0
2004	643,7	575,5	28,8	34,9
2005	632,3	562,1	28,7	34,1
2006	620,3	551,1	26,8	32,3
2007	625,8	558,3	26,7	33,7
2008	648,8	577,1	26,6	35,2
2009	657,4	583,1	26,5	35,3
2010	683,2	606,1	24,7	35,4
2011	688,8	611,8	23,9	35,5
2012	705,5	628,1	21,7	36,2
2013	724,9	645,4	22,3	37,2
2014	739,3	658,5	22,4	37,0
2015	745,5	667,3	22,2	35,0
2016	754,2	677,4	21,3	35,4
2017	768,2	690,0	23,7	35,6

*Source: elaborated by the author based on the land cadastre data of the Republic of Moldova*

According to the table below, it could be mentioned that over the study period the total area of agricultural land recorded a continuous growth trend. Total area of agricultural land within Ltd increased by 148.1 thousand ha (24%) over the study period 2002-2017, which represents 768.2 thousand ha. The increase of land area was done from the share of arable land. As for the land occupied by vineyard and orchard plantations, its area is in a slight decrease.

At present, the share of agricultural land areas belonging to private limited companies constitutes 38% of the total agricultural land area in the country.

The aspect of continuous growth of agricultural land areas in the private limited companies is well reflected in Figure 1. Since 2006, the area of agricultural land in the Ltd has continuously increased.

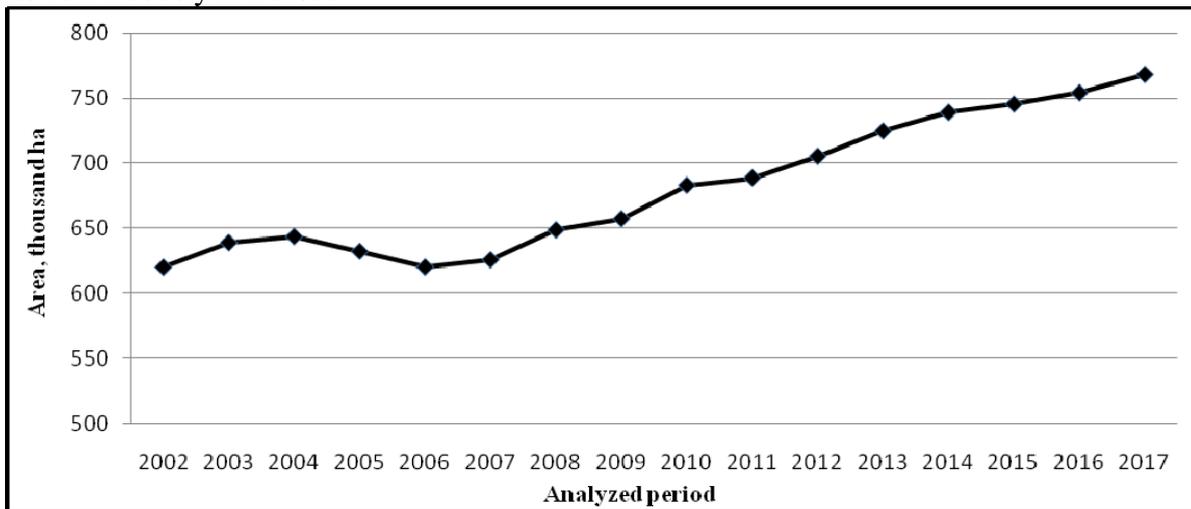


Figure 1 Dynamics of agricultural land in the Ltd

According to the data systematized in Figure 2, it is observed that both the area of private and rented land belonging to the Ltd is increasing. This increase is justified by the need to develop this legal form of organization.

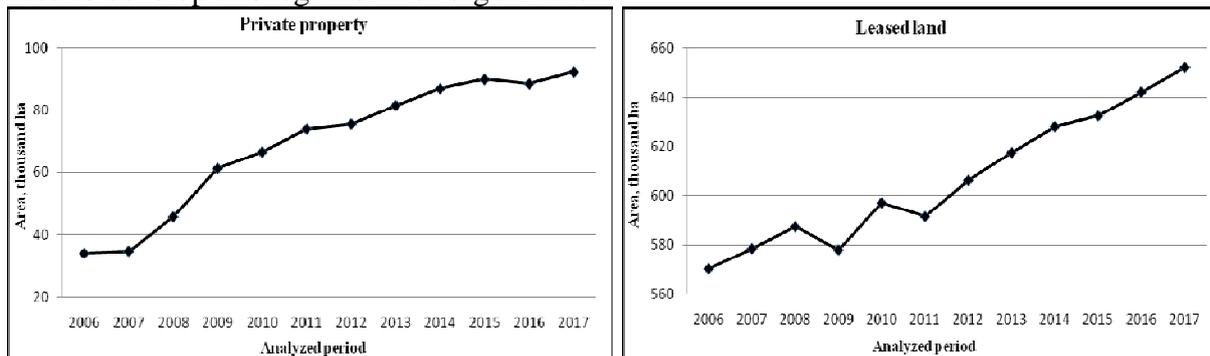


Figure 2 Dynamics of agricultural land in the Ltd according

In the private limited companies, the area of leased land and private land was 86.4% and 13.6% respectively. At the same time, the total area of leased land records a non-essential increase of 14% (by 82.1 ha) compared to the situation in 2006, while the total area of private land records a more marked increase of 171.5% (by 58.3 ha).

## 2.2 Dynamics of vineyard and orchard plantations

Moldova has great natural priorities regarding the development of vineyard and orchard plantations. For these reason, we will analyze this component of the intensification process - development of vineyard and orchard plantations. First of all, the study will be developed in terms of dynamics of land area by property type.

Dynamics of the private sector of vineyard and orchard plantations within this legal form of organization is of particular interest.

Over the past 12 years, the total area of vineyards and orchards has increased from 8.7 thousand/ha (in 2006) to 26.7 thousand/ha (in 2017) or about three times.

The increase of total areas of private land and by consequence increased share of vineyards and orchards proves the emergence of a stable and important trend both for the associative enterprises as a whole and for the development of respective areas of vineyards and orchards.

According to Figure 3, the area of vineyard and orchard plantations under private property belonging to the Ltd records an increasing trend, while the leased property (Figure 4) is decreasing. This situation clearly shows the role of ownership in the process of agricultural land use and investments made in this sector.

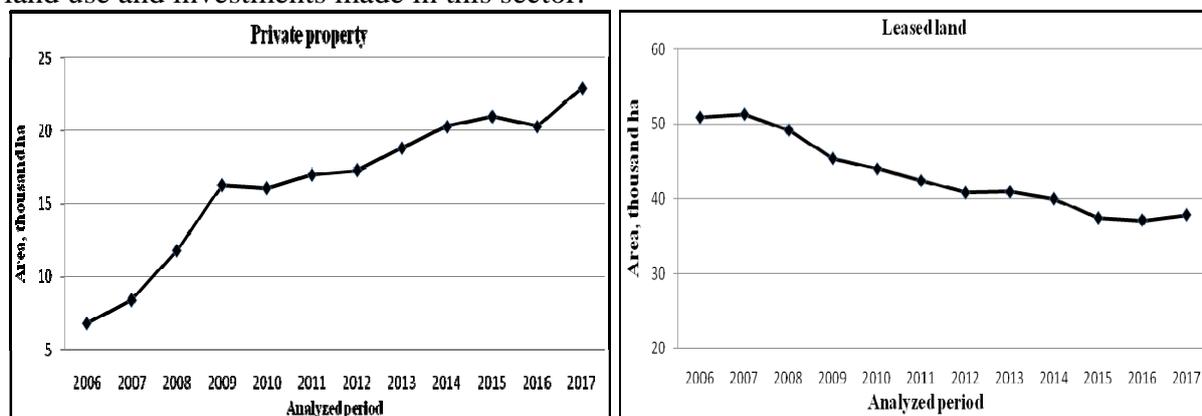


Figure 3. Dynamics of land planted with vineyards and orchards in the Ltd

The interest in private property becomes more prevalent and represents an important factor in developing investments in this sector.

As for the leased land, the land area of vineyard and orchard plantations is decreasing, while in the case of private property, the land area of vineyards and orchards is increasing recording a share of 4.4 times higher than compared to the leased land.

The volume of investments in private property (land) is higher than in leased land. The founders invest more in the land they own. It is expected that the role of the private sector in the associative enterprises will increase in the future by surpassing the leased one.

An economic interest is formed within the associative enterprises, based on the private property of the enterprise founders. Provided that the areas of private land have optimal sizes, qualitative changes can occur within these legal forms of organization.

## 3. Dynamics of development of the peasant (farmer type) farms

Peasant farms represent a form of entrepreneurial activity based on the use of land and private property, which is owned or leased by the farmer who produces agricultural production. This category of holders also includes the persons who have received sectors in the equivalent land quota but who have not registered the entity as required.

A correct analysis of the production potential of peasant farms and other agricultural enterprises, including the associative enterprises, can be made when their establishment and activity conditions under analysis are comparable.

At the initial stage of land reform, when the agricultural enterprises have been established, as comparison conditions can be considered the following indices: optimal land areas; the dimensions of technical-material base involved in the production process; financial support, subsidy policy, accessible to all enterprises; legal, organizational, methodological and methodical support, etc.

In fact, peasant farms (individual enterprises as a whole) have been established under more difficult conditions than other legal form of organization.

In the process of privatization of agricultural land, the average land area required for establishing a peasant farm constituted 1.0-3.0 ha divided into 5-7 plots with an average area of 0.2-0,3 ha, scattered at 3-5 km and more from each other.

In order to establish a peasant farm with a minimum land area of 10 ha it was necessary to purchase, from the very beginning, additional land from other owners.

In the process of privatization (reforming of collective farms - kolkhoz), the technical-material basis was distributed according to the principle of proportional contribution of each landowner to the accumulation of the enterprise property. This principle led to the fact that, in order to become a holder of a unit of privatized machinery, it was necessary to associate several owners.

For this reason, most of the peasant farms started the initial stage without having the necessary elementary machinery. Most of the peasant farms have not acquired the share of assets of the privatized enterprise until the present time.

One of the most important peculiarities of the initial stage in the development of peasant farms and individual enterprises as a whole was the very low level of theoretical knowledge and experience in this field, organizational, methodical-methodological, legal support, etc.

### 3.1 Dynamics of land

Table 2 provides extensive information on the structure of the peasant farms' land. According to the table data, we can conclude that the peasant farms and individual plots represent at present approximately 37% of the total land area destined for agriculture [6].

**Table 2 Dynamics of agricultural land in the peasant farms**

Analyzed period	Area, thousand ha			
	Total	Including		
		Arable land	Vineyards	Orchards
2002	733,6	613,4	61,5	54,0
2003	698,1	578,1	63,2	52,2
2004	682,5	561,8	64,4	50,6
2005	563,1	461,6	55,8	40,2
2006	572,0	462,4	56,8	42,7
2007	562,1	450,6	57,1	42,9
2008	558,3	446,5	56,7	43,2
2009	553,6	440,1	56,4	43,3
2010	555,1	440,2	55,4	43,5
2011	547,2	431,7	54,0	44,6
2012	544,0	430,1	52,7	44,4

2013	537,2	422,5	51,8	45,6
2014	540,2	424,6	50,2	45,6
2015	526,8	415,2	47,5	44,9
2016	515,6	408,8	44,8	45,2
2017	503,5	400,3	43,1	44,6

Source: elaborated by the author based on the land cadastre data of the Republic of Moldova

At the same time, the dynamics of peasant farms land areas is in decline (Figure 5). During the period of study (2002-2017), the land area of peasant farms decreased by 230.1 thousand ha.

The conditions under which the peasant farms activate, unsatisfactory financial support, implemented budgetary-fiscal policy, inadequate legislative framework at the initial stage of their establishment had a very negative impact. Many peasant farms were bankrupted. A part of the land was sold; other part is used as individual plots. The land owners of bankrupt farms have joined other areas of activity.

According to Table 3, the land fund of the peasant farms was divided into land areas with an average size of up to 10 hectares and at the same time another group including the peasant farms, which have 10 ha and more.

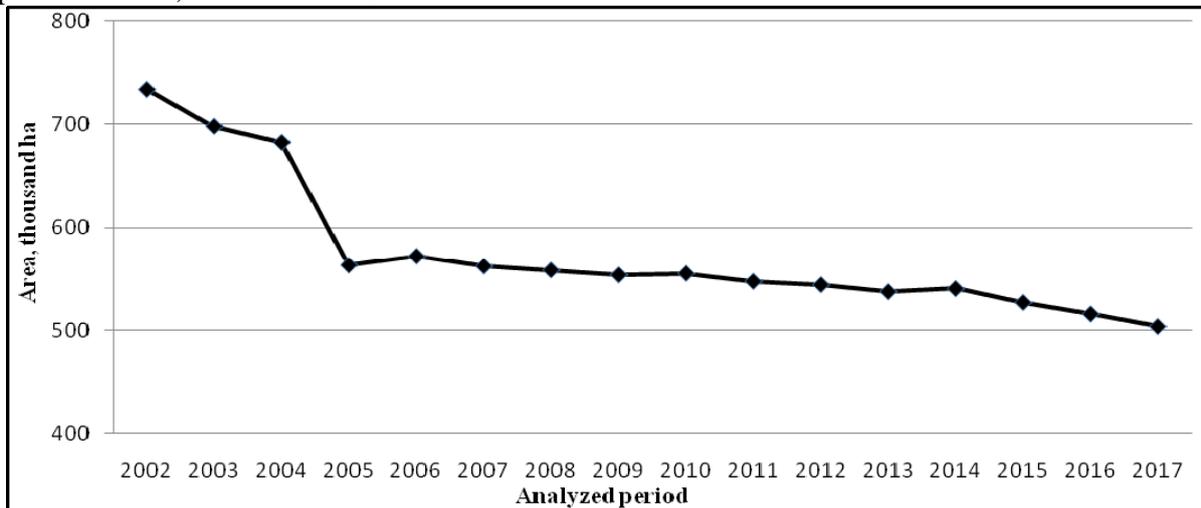


Figure 4. Dynamics of agricultural land in the PF

Over a period of 12 years, the number of peasant farms recording an average area of up to 10 hectares decreased by about 131.1 thousand hectares (Figure 5.a).

In turn, over the same period, the number of peasant farms with an average area of more than 10 hectares increased by about 62.7 thousand ha (Figure 5.b).

**Table 3. Dynamics of peasant farms' land, including the vineyards and orchards**

Period	Up to 10 ha			More than 10 ha		
	Total	Including		Total	Including	
		vineyards	orchards		vineyards	orchards
2006	484,1	51,9	36,4	87,7	4,7	6,3
2007	475,1	53,6	36,3	87,0	3,5	6,7
2008	465,0	53,8	35,2	93,3	3,0	8,1
2009	457,5	53,2	34,8	96,1	3,2	8,4
2010	451,3	52,0	34,8	103,6	3,3	8,7
2011	438,5	50,5	33,4	108,6	3,5	10,1
2012	426,7	49,2	33,9	117,2	3,6	10,4

2013	411,0	47,9	34,4	126,3	3,8	11,1
2014	408,7	45,3	34,3	131,4	3,9	11,3
2015	389,9	43,6	33,7	137,1	3,8	11,3
2016	357,3	39,6	32,8	158,3	5,2	12,5
2017	353,1	38,8	32,1	150,4	4,3	12,5

Source: elaborated by the author based on the land cadastre data of the Republic of Moldova

Thus, according to data presented in Table 3, we can conclude that the peasant farms with an average land area of up to 10 hectares are less resistant to negative factors in their activity. Dynamically, the total area of these peasant farms is in a slight but stable fall.

We are aware of the fact that the separation line between land areas increase and decrease established at the level of 10 ha can be specified depending on the farm specialization and as a result, it could be achieved a more accurate separation line and more reliable results. It is of great importance that, in terms of dimensions, there are optimal forms and content [5].

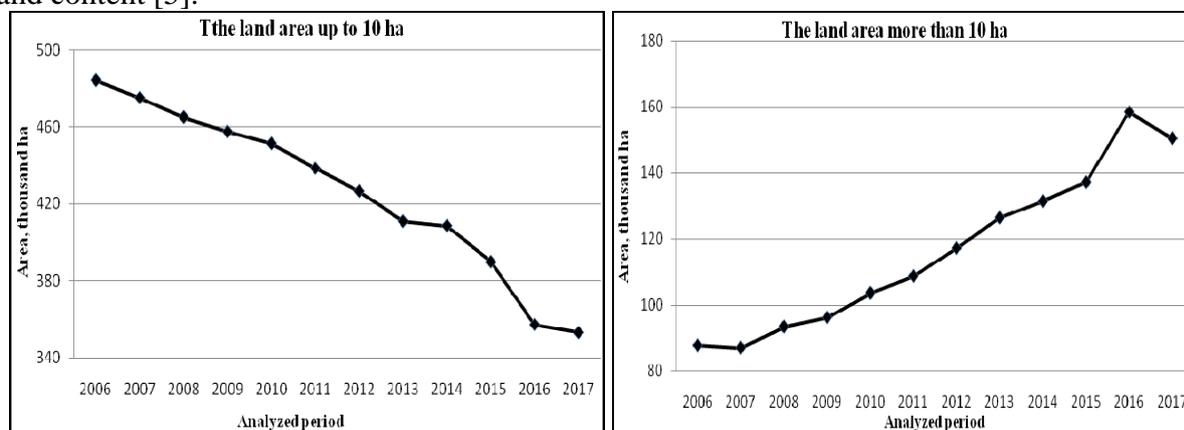


Figure 5. Dynamics of agricultural land in the PF

It is important to analyze these two groups of peasant farms through the intensification of the production process and investments made in agriculture. Land areas of vineyards and orchards, irrigation systems, etc. could be considered in this case as an indirect factor.

### 3.2 Dynamics of vineyard and orchard plantations

Table 3 presents some information about the land area of vineyards and orchards depending on the average land area of the peasant farms.

As a result of the analysis it was found that the tendency of decreasing the number of peasant farms with the average land area of less than 10 hectares is accompanied by the decrease of the vineyards and orchards land areas (Figure 6.a).

Also, the increasing number of peasant farms with an average area of more than 10 ha is accompanied by the increased land areas destined for vineyard and orchard plantations (Figure 6.b).

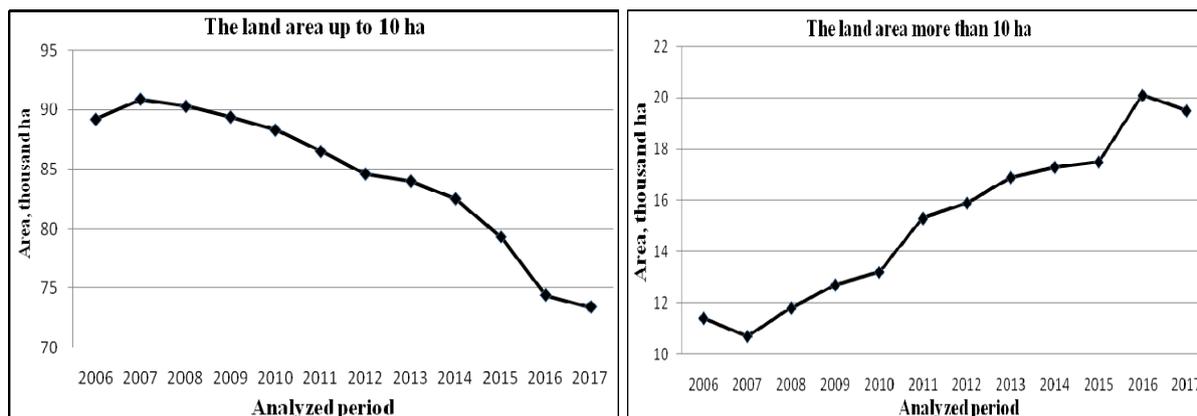


Figure 6. Dynamics of vineyard and orchard plantations in the PF

Thus, based on the obtained results, using a graphic analysis of the development trends of peasant farms and vineyard and orchard plantations, conclusions can be drawn about the positive influence of the optimal land areas on the intensification of the production process and as a final result on the efficiency of the whole sector.

#### 4. Conclusions

1. Over the past 12 years, the share of private property in land increases both in the peasant farms and in private limited companies. The intensification level of production process (modern vineyards and orchards, irrigation systems etc.) increases too as well as the number of enterprises with optimal land areas. All these mentioned trends will have a positive impact on the level of life, demographic situation and on the social economic situation as a whole.

2. In the private limited companies, the area of leased land, which is planted with vineyards and orchards is decreasing and the land area under private property increases essentially by 4.4 times.

3. The volume of investments in private land is higher than in the leased land. The founders invest more in the land they own. It is expected that the role of the private sector in the associative enterprises will grow in the future exceeding the role of the leased one.

4. An economic interest is formed in the associative enterprises, based on the private property of the enterprise founders. Provided that the areas of private land have optimal sizes, qualitative changes can occur in these legal forms of organization.

5. Peasant farms, starting with the initial stage of their establishment, have incurred less favorable conditions than other legal forms of organization from the point of view of fiscal and subsidy policy, organizational support, legal framework, etc.

6. Over the whole period of study, total area of peasant farms is in a slight but stable fall.

7. It was highlighted the existence of optimal land areas in the legal forms of organization. The increase in the total land area of farms with an average area of more than 10 hectares proves the existence of optimal parameters.

8. The share of vineyard and orchard plantations in the land areas of peasant farms is much higher than in other legal forms of organization. At the same time, the land areas occupied by vineyards and orchards grows in the peasant farms by more than 10 ha. This fact proves that:

- the increase of the land areas in peasant farms is made on the account of land without plantations, landscapes, etc.;

- the increase of the land areas occupied by vineyard and orchard plantations areas is made due to the investments made by owners.

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