

## UPDATED INDICATORS REGARDING THE LAND MARKET IN REPUBLIC OF MOLDOVA

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*Agricultural land is natural base of agriculture production process. With the restoration of market relations in the national economy have been revitalized the main functions of the land market, including the function of distribution and redistribution of agricultural land plots through the transactions of sale (and other kinds of transactions) which should be permanently owned by the most qualified farmers. For achieving this major objective land market are required to be materialized ongoing assessment of trends and pace of development of the local land market.*

*According to the survey, this market since year 2000 show relatively stable growth rates on market prices or annual surfaces as a subject of sale transactions, or general circuit volumes of agricultural land market.*

*Main methods of investigation are forming dynamic lines, qualitative and quantitative analysis, comparison, mathematical modeling etc.*

*As the results can be noted tangible successes of dynamic development of the land market in Moldova, as well as a whole series of drawbacks, whose elimination in time will essentially improve the final results of this fragment of general management mechanism market.*

**Key words:** *land market, market price, cost, number of deals, sales, supply, demand, economic value, the value of nature.*

*Terenurile agricole constituie baza naturală a procesului de producție în sectorul agrar. Odată cu restabilirea relațiilor de piață în cadrul economiei naționale au fost revitalizate și funcțiile principale ale pieței funciare, inclusiv funcția de distribuire și redistribuire a loturilor de teren agricol, care, prin tranzacții de vânzare-cumpărare (și alte feluri de tranzacții), ar trebui să fie permanent în proprietatea celor mai calificați agricoli. Pentru ca acest obiectiv major al pieței funciare să fie materializat, sunt necesare evaluări la fel de permanente a tendințelor și ritmurilor de dezvoltare a pieței funciare autohtone.*

*Conform analizei efectuate, începând cu a.2000, această piață manifestă ritmuri relativ stabile de creștere fie a prețurilor de piață, fie a suprafețelor anuale, supuse tranzacțiilor de vânzare-cumpărare, sau volumelor generale de circuit de piață a terenurilor agricole, exprimate în formă bănească.*

*Metodele principale ale investigațiilor le constituie formarea rândurilor dinamice, analiza calitativă și cantitativă, comparație, modelare matematică etc.*

*În calitate de rezultate obținute poate fi menționat faptul depistării atât a succeselor palpabile de dezvoltare dinamică a pieței funciare în Republica Moldova, cât și un șir întreg de neajunsuri, a căror eliminare la timp va îmbunătăți esențial rezultatele finale ale acestui fragment al mecanismului general de gospodărire de piață.*

**Cuvinte cheie:** *pieța funciară, preț de piață, valoare, număr de tranzacții, vânzare-cumpărare, ofertă, cerere, valoare economică, valoare naturală.*

*Земли сельскохозяйственного назначения составляют естественную основу процесса производства в аграрном секторе. С восстановлением рыночных отношений в рамках национальной экономики были восстановлены и основные функции рынка земли, в том числе функция распределения и перераспределения участков сельскохозяйственных угодий, которые, посредством сделок купли-продажи (и других видов сделки), должны постоянно находиться в собственности наиболее квалифицированных фермеров. Для реализации этой цели необходимо осуществлять постоянный мониторинг рынка земли, включая, в первую очередь, мониторинг цен купли-продажи земельных участков.*

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Согласно проведенного анализа, начиная с 2000 года, этот рынок сохраняет относительно стабильные темпы роста, как рыночных цен, так и среднегодовой площади сделок купли-продажи, а также общих объемов всех рыночных сделок с сельскохозяйственными угодьями, выраженными в денежной форме.

Основными методами исследования являются формирование динамических рядов, качественный и количественный анализ, метод сравнения, математического моделирования и др.

В качестве результатов следует отметить факт выявления относительно динамичного уровня развития рынка земельных ресурсов в Республике Молдова, сопряженного, однако, с целым рядом недостатков, выявление и устранение которых позволит существенно улучшить конечные результаты функционирования рынка земли, да и рыночного механизма хозяйствования в целом.

**Ключевые слова:** земельный рынок, рыночная цена, стоимость, количество сделок, продажа-покупка, предложение, спрос, экономическая ценность, натуральная стоимость.

**JEL Classification:** Q13; Q15; D53; P43

**Introduction.** With the restoration of private property rights on arable land, which was declared in the early 1990s, the Republic of Moldova had revitalized the land market. Trends and dynamic of this process are the most accurate reflected in market prices of arable land. If, at the beginning of sales transactions, the market price of a hectare of arable land in Moldova was 3687 lei (in 2000), the average price for 2015 reached 19,8 thousand lei / ha or 5.4 times more (current prices). In some regions (eg. Chisinau Municipality and suburbs), the market price of the arable land is 100 thousand lei / ha and more. More detailed and thorough analysis of the process and market trends seeks to inform land owners with present and future situation of the domestic land market as a base for making decisions on sale – buying farmland.

**Main contain.** Being the main and unique natural basis of agricultural production and living conditions in rural area, agricultural land has always been and still remains in the center of attention of domestic foreign investors. It should be noted that in the global scale land market is not a deficiency market.

We believe that this is largely determined by the excessive diversification of prices. For example, the market price of agricultural land varies in the global plan from 100 to 200,000 and more USA dollars for one hectare. In other words, through the variability of prices it is provided and supported a successful and sustainable land market function. It is obvious that the market price in this circumstance is an integrated indicator, the true purpose of which is to ensure and maintain the balance between demand and supply. In reality, however, the market price of the one lot or another of land for agricultural activity reflects many specific features (including soil composition and placement) of land respectively.

Given that on the land market in every transaction of sale and purchase plots are involved (area or surface) and money, it makes sense to show a direct link between these two dimensions. From an economic point of view, it is this connection that underlies the formation of the economic value of agricultural land. In the most simplified formula, the economic value of agricultural land ( $P_p$ ) is directly proportional to the net income ( $V_n$ ) received within a specific time period (usually a year), and indirectly proportional to the value of money reflected through percentage (payment rates) of bank credit ( $D$ ):

$$P_p = \frac{V_n}{D} \times 100 \text{ (lei)} \quad (1)$$

Based on the above mentioned algorithm of the calculation and taking into account the fact that at present the net income of the peasant farmers of the Republic of Moldova from agricultural activities is 2073,5 lei/ha (South Zone) [1], 2654,32 lei/ha (Zone Center) and 2267,34 lei/ha (North Zone), and the interest rate of the average annual payment for bank loans (2014) was equal to 10.53 per cent, we can state that the economic value of agricultural land in the relevant geographic areas should be at the level of:

$$\text{South} - 19691,36 \text{ lei/ha} \left( \frac{2073,5}{10,53} \times 100 \right); \quad (2)$$

$$\text{Center} - 25207,22 \text{ lei/ha} \left( \frac{2654,32}{10,53} \times 100 \right); \quad (3)$$

$$\text{North} - 21532,20 \text{ lei/ha} \left( \frac{2267,34}{10,53} \times 100 \right); \quad (4)$$

In the case where the calculated economic value of agricultural land is near the house (in a densely populated area), does mean land cultivated within households subsidiary, net income from agricultural activities is more higher, their economic value as the result should be:

$$\text{South} - 108670,85 \text{ lei/ha} \left( \frac{11443,84}{10,53} \times 100 \right); \quad (5)$$

$$\text{Center} - 114621,18 \text{ lei/ha} \left( \frac{12069,61}{10,53} \times 100 \right); \quad (6)$$

$$\text{North} - 100880,15 \text{ lei/ha} \left( \frac{10622,68}{10,53} \times 100 \right); \quad (7)$$

The fact that in reality the prices of agricultural land market (in both cases: inside and outside the locality), as a rule, are relatively lower than the calculations above manifested, provides, first of all, the correlation that exists today between supply and demand in the market of agricultural land. I mean that in a market economy, along with many other pricing factors, namely, the ratio of supply and demand plays a crucial role in terms of their end price of the market. What we think of the true causes of the fluctuations of market prices of agricultural land, it has to be analyzed the availability of potential sellers of agricultural land in the domestic market of the Republic of Moldova.

According to the land Cadastre (the situation at the date of January 1, 2014) the total number of land owners (both – inside and outside the locality) in the Republic of Moldova amounted to 2449,9 thousand units [2]. The average area of land by that date amounted to 1.38 hectares, of which 0,74 ha, or 53.6% it is amount of arable land. The proportion of intravilane squares, in Republic of Moldova, even if it is constantly increasing, until that date, was relatively small and occupied only 9.5% of the total area, contained in the report cadastral (3384638,92 ha). It should be noted that in the public property of the state it is only 782.1 th. ha or 23.1%. At the same time, yet 714,7 thousand hectares, or 21.1% of lands are in public ownership of administrative and territorial units, and the remaining 1887,9 thousand hectares are privately owned by citizens, of which more than 1551,4 thousand hectares are represented by the arable land.

It is obvious that in the conditions of market economy any method of calculating the market price of agricultural land has the purpose of decoding, in the first place, the value of land. In terms of its market price, it is formed on the basis of the value, but under the direct influence of the ratio between demand and supply.

Given that the prices, existing in the market, as usually are below the level of the economic value of agricultural land, not to mention below the value of its natural components, we can conclude that in the present the land market is dominated by domestic bidders of the agricultural land. The ratio of potential buyers and sellers de-facto exists as at 1:2.8 or even less.

As a consequence, given the tendency of clearly marked growth, the market prices of agricultural land in Republic of Moldova remain low not only in comparison with their economic and natural value, but in comparison with other countries in the region (Table 1, Figure 1; 2).

It is important to stress the excessive differentiation of market-based prices per units and geographic areas of the Republic of Moldova.

If for the whole period of 2014, the average market price of one hectare of agricultural land comprising Cadastral Territorial Office "Chisinau" was – 118060 lei, than in areas Taraclia, Cahul, Causeni, for example, this price was only 8136-9478 lei, or 12.5-14.5 times less.

Table 1

Market circulation of agricultural land in Republic of Moldova

Years	Area of agricultural land, sold, purchased, ha	The number of transactions of sale and purchase	Market price, lei/ha	The average surface of agricultural plot sold & bought, ha	The specific gravity of the surface, sold - purchased in total agricultural land %
2000	7338	9753	3687	0,75	0,35
2005	21825	47382	4778	0,46	1,05
2006	28096	51484	6965	0,55	1,42
2007	34101	62487	9539	0,55	1,73
2008	35949	73193	8511	0,49	1,82
2009	25214	67109	8911	0,38	1,28
2010	19021	69072	16502	0,28	0,96
2011	19930	71035	13444	0,28	1,01
2012	10159	52138	13719	0,20	0,52
2013*	12906	37710	16785	0,34	0,65
2014*	15653	23282	19851	0,67	0,79

\* - preliminary data

Source: Calculated by the author based on the data of the Agency Relations and Land Cadastre.

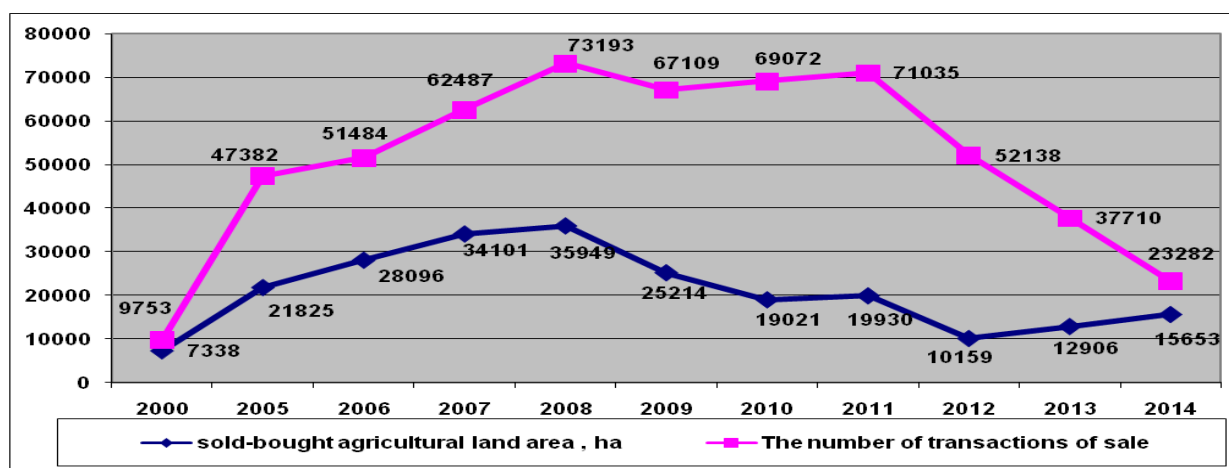


Fig. 1. The area and land transactions of sale and purchase

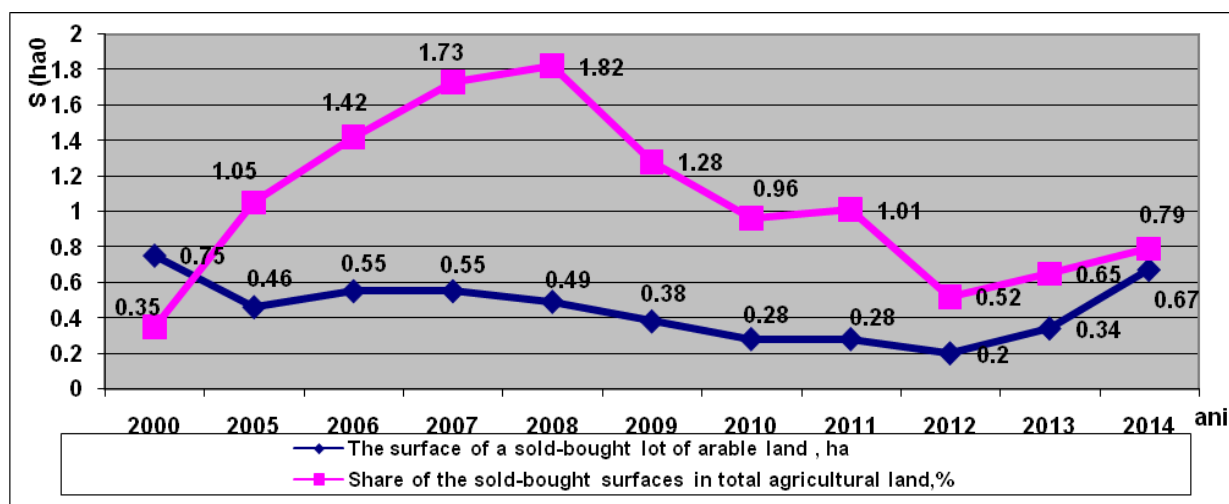


Fig. 2. The average area of a plot of land and the specific gravity of sold-purchased lands

There is to mention a radical differentiation in terms of market prices of agricultural land and other selected indicators at the level of geographic areas of the Republic of Moldova (Table 2).

Table 2

**The market price of agricultural land within the geographic areas of the Republic of Moldova, 2014**

	Geographical areas			
	North	Center	South	Gagauz Autonomous Territorial Unit
1. The area of the land plots sold-purchased, ha	6059,7	5006,8	3992,8	593,4
2. The number of transactions of purchase and sale.	8435	7770	6474	603
3. The market price of agricultural land, lei/ha	21884,1	20073,1	17113,7	16302,7

Basically, as the analysis of the domestic market of land, the total volume of transactions of sale and purchase of land plots for 2014 was more than 310,7 mln lei. Even if the share of the global sold-bought fields was not too large (0,79%, in 2014), the total share of sales amounted to 1.21% from the global agricultural products of the country.

According to the analysis, we can establish the fact of relatively proportional division of the number of transactions during the year. Also, there are relatively stable the prices on the land market, manifested in the form of transactions of purchase and sale throughout the year.

However, it should be noted that the largest share of these transactions are transactions, in which land market price coincides with the average market value of agricultural land. For example, the average price of sale between 13 and 28 thousand lei per hectare, pointed out, 22 from 38 Territorial Cadastral Offices, that is more than 57.9% of all Cadastral Offices. And more important is the number of transactions, carried out in these Offices, which amounted 14702 units, or 63.2% of the total.

In turn, the area of sold-purchased agricultural land within these 22 TCO amounted more than 10686,3 ha, or 68.3% of the total area of agricultural land sold – purchased on the land market of the Republic of Moldova in 2014.

**Conclusions and recommendations:** given that the main purpose of the land market is the efficient and sustainable use of main factor of agricultural production, namely land, we can conclude that the current state of functioning of the land market meets that objective.

However, the lack of stability on the land market, excessive variability and differentiation of prices, especially at the territorial level, as a result have been high proportion of unused areas of agricultural land, which, of course, must be either used or go to the land market for sale and purchase, inheritance, exchange, etc.

As a loophole specific for our domestic land market, may be noted the lack of transparency of this market, which causes, in turn, uncertainty and doubt for both sellers and buyers (investors). Because of the lack of free access and on-time updated information about land market prices, the share of agricultural land advanced for sales in recent years is in average of 0.65%, which means that any lot of agricultural land will change the owner using the procedure of sale and purchase, only once in 154 years.

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