

QUANTIFICATION OF FOOD PRODUCTION DIVERSIFICATION WITHIN AGRICULTURAL ENTERPRISES IN THE REPUBLIC OF MOLDOVA

*S. Zaharco, PhD, B. Corețchi, PhD student
State Agrarian University of Moldova*

INTRODUCTION

The diversification strategy was applied in the 60s in order to ensure the development of many enterprises. They started with the assumption that a good manager can run many businesses, even if they have nothing in common. In the 70s the diversification was viewed as the cash flow produced by each activity, aiming to ensure the financial stability of the company. The 80s were marked by the enterprise restructuring, giving up the activities that had nothing in common; they were focused on a more limited range of activities. The 90s were marked by a renewed interest in diversification, but this time to ensure the development of related activities [6].

Diversification implies the presence of two or more activities within an enterprise, each of them being a unique activity of some specialized enterprises. An enterprise is diversified when it gets engaged in the production of new products without renouncing its old production activities. The new products are differentiated enough thanks to the existence of some significant differences in production or distribution. Diversification involves participation in various markets. As businesses grow, they naturally tend to diversify.

The diversification strategy can be achieved in two ways: concentric and conglomerate diversification. The diversification that refers to the enterprise portfolio supplementation with products of the same type and similar managerial skills is called a concentric diversification. If the diversification completes the company's portfolio with unrelated activities to maximize the return on investment and profitability, then we deal with the conglomerate diversification [6].

1. WAYS TO QUANTIFY THE LEVEL OF FOOD PRODUCT DIVERSIFICATION

Food consumption is determined by the structure of the agro-industrial complex and vice

versa. Modernization and improvement of production technologies, enlargement of the product, and increase of the new products share in the total production is one of the main directions for update, multiplication of the demand at both domestic and foreign markets.

Moldova's economic development is conditioned by the transformation of the current economic structure to another one that corresponds to the country's demand and potential possibilities. Modernization and diversification of food products implies [3, p. 14]:

1. enhanced participation of the Republic of Moldova in the world economy circuit;
2. increased share of original products that are fundamentally new in GNP;
3. aspiration of some branches development, propulsion of some ideas, technologies, a technique in productivity growth of food products (x_1);
4. employment and priority use of human and natural-material resources in sectors with the highest productivity (x_2);
5. harmonization of socio-economic development of all communes and districts of the country, improvement of working conditions (x_3);
6. increasing technical equipment work, each job (x_4);
7. stimulation and motivation of creative activities, those that design new products and technologies (x_5);
8. study of domestic and foreign markets regarding the demand of food products (x_6);
9. training specialists in the processes of current structure analysis of food production (x_7);
10. development of a standard structure (x_8);
11. creation of mechanisms to motivate in convergence processes of these two structures (x_9);

The complexity of the listed problems leads to the idea to systematically treat diversification processes of agricultural products.

So, modernization and diversification of food products can be considered as a function F which depends on variables x_1, x_2, \dots, x_9 . In its turn, each of the listed variables evaluates in time. Formally speaking $F(x_1(t), x_2(t), \dots, x_9(t))$ is a

diversification function of agricultural products. Elements, variables $(x_1(t), x_2(t), \dots, x_9(t))$ are constantly interacting. The change of some factors over time generates the modification of other factors and, therefore, of the structural diversification:

$$\Delta F(x_1(t), x_2(t), \dots, x_9(t)) = \frac{\partial F}{\partial x_1} \times \frac{dx_1}{dt} \Delta t + \frac{\partial F}{\partial x_2} \times \frac{dx_2}{dt} \Delta t + \dots + \frac{\partial F}{\partial x_9} \times \frac{dx_9}{dt} \Delta t \quad (1)$$

The evolution of the current structure in relation to the standard may be either divergent or convergent. The problem is formally about creating the diversification function F^* and motivation systems in the processes to which asymptotically tends the current function $F(x_1(t), \dots, x_9(t))$. The economic development of the Republic of Moldova actually means the diversification of the economic structure, appearance and removal of some branches, products and technologies.

Structural changes of food products are determined by: the pace of economic growth, the development level of productive forces, economic policies of the state, the labour productivity, natural and geographical conditions, the creativity level of research institutions and scientific analysis, technical possibilities of the production, possibilities for improvement, adaptation of agricultural products manufacturing technologies, the efficient use of natural, human and capital resources, the division of labour, the increasing volume and efficiency of foreign economic exchanges, effects of natural economic circumstances, the division of labour at the national level, the level of labour qualification, the work organization. Each of the listed factors, in its turn, is subject to structural changes. The Republic of Moldova has the economy characterized by a small number of branches, preponderance of agriculture, weak ties between branches, thus, this is an underdeveloped country. Labour productivity in agriculture in the Republic of Moldova is lower than that of the European Union countries. The share of energy resources in the structure of productive expenditures is great; the share of labour is reduced. Consequently, agriculture producers usually cannot make any profit. There are also monopolistic policies of external business partners: a Moldavian farmer is disappointed with both selling and buying. Thus, the Republic of Moldova is forced to restructure its final products and foreign economic relations, to expand exports to Arab countries, to start stock exchange with

Turkmenistan and other energy exporting countries [3, p. 15].

Hence it is necessary to practice some oligopolistic policies in relatively sophisticated industries such as the wine industry, the industry of fresh and dried fruit production for export, the sugar production industry, the tobacco industry, the production of organic products (ecologically pure) at the government level in order to ensure a national competitive advantage in the context of international economic relations [5, p. 267-268].

The system of agricultural production has a complex structure. It (complexity) makes people use some systematic methods in the process analysis. The diversification of agricultural products is identical to the substitution of a vector with another one; it starts with the identification of parties and structural units. There appears a problem in the process of agricultural products diversification: the measurement (quantification) of the diversification. There may be various methods of diversification analysis. Further we will use vector methods to analyze the structure of the final process. The diversification of agricultural products is equivalent to the increase of the coordinate number of the vector that consists of final products. Starting from the assumption that the final product in the agro-industrial complex is $Y = (Y_1, Y_2, \dots, Y_9)$, then the module of this vector will be $(Y) \sqrt{\sum_{i=1}^n Y_i^2}$.

To be more convincing about the contents of this economic indicator, let us analyze its variation domain. Suppose that the number of the vector Y coordinates is n . Accordingly, for example, if $n = 2$, the length (module) of the vector Y is $|Y| = \sqrt{Y_1^2 + Y_2^2}$.

The final product $Y = Y_1 + Y_2$. We solve the problem:

$$|Y| = \sqrt{Y_1^2 + Y_2^2} \rightarrow \min \quad (2)$$

If $Y_1 + Y_2 = Y$, we develop the Lagrange function:

$$L = \sqrt{Y_1^2 + Y_2^2} + \Lambda(Y - Y_1 - Y_2) \quad (3)$$

$$\begin{cases} \frac{\partial L}{\partial Y_1} = \frac{1}{2\sqrt{Y_1^2 + Y_2^2}} \times 2Y_1 - \Lambda = 0 \\ \frac{\partial L}{\partial Y_2} = \frac{1}{2\sqrt{Y_1^2 + Y_2^2}} \times 2Y_2 - \Lambda = 0 \end{cases} \quad (4)$$

from which we learn that $Y_1 = Y_2$.

The module of the vector Y is minimal when $Y_1 = Y_2 = \frac{Y}{2}$, the final product diversification is maximum, the length of the vector Y is maximum

when Y_1 or Y_2 is zero, when the whole mass of the final product is concentrated in a single coordinate $Y_2 = Y$ or $Y_1 = Y$, the final product diversification is minimal. So one of the possible indicators that can be used to quantify the level of food products diversification is the module (length) of the final product vector $Y = Y_1 + Y_2 + \dots + Y_n$. In reality the number of the vector Y components is very big (there can be hundreds of thousands of final products). Therefore, there is a need for aggregation and disaggregation of the structure of the final product vector. Operations of aggregation and disaggregation logically change the vector module. The statement can be illustrated if the final product is aggregated into a single group ($Y_1 + Y_2 + \dots + Y_n$), then the module of the vector Y will be $|Y| = \sqrt{(Y_1 + Y_2 + \dots + Y_n)^2} = Y_1 + Y_2 + \dots + Y_n$; if each component of the final product Y will be a coordinate of the vector Y of equal size $Y_i = Y_{i+1} = \frac{Y}{n}, i = 1, 2, \dots, (n - 1)$, then the vector length will be:

$$|Y| = \sqrt{\left(\frac{Y}{n}\right)^2 + \left(\frac{Y}{n}\right)^2 + \dots + \left(\frac{Y}{n}\right)^2} = \frac{Y}{\sqrt{n}} = \frac{Y_1 + Y_2 + \dots + Y_n}{\sqrt{n}}$$

the final product structure is much more diversified, with no concentration, i.e. for each product the volume will be $\frac{Y}{\sqrt{n}} = \frac{Y_1 + Y_2 + \dots + Y_n}{\sqrt{n}}$ (arithmetic average) [3, p. 16-17].

The diversification of food products will be limited when $\frac{Y}{n} = 1$, the module $|Y| = \sqrt{1^2 + 1^2 + \dots + 1^2} = \sqrt{n}$. So, one of the possible criteria that would allow assessing the level of agricultural products diversification is the module of the food products vector.

2. QUANTIFICATION OF THE DIVERSIFICATION LEVEL OF FINAL PRODUCTS: DIVERSIFICATION INDECES

Success and failures of an agricultural enterprise are determined by the diversification level of potential productive activities. Strategic management is efficient only if it is based on the principle of potential activities diversification in a company.

The diversification of activities can be treated according to different criteria. Generally speaking, diversification is acceptable to evade some risks, grabbing of some new markets, insurance of financial stability, increase of the company's competitiveness at internal and external

markets. The use of resources available to the firm in only one direction (specialty) can provide significant profits to the company, especially when the company's activities are diversified. But more likely, the company may go bankrupt [2, p. 224].

The process of activity diversification is accepted by practitioners not because it is better, more successful and profitable from the economic point of view, but because it is safer. The diversification can be either international or national. Further we will orient the estimates towards the diversification of agricultural products from the Republic of Moldova. Thus, it is necessary to make some remarks: What is diversification? How can diversification be measured? What is the diversification methodology? How can the effectiveness of diversification be studied and investigated? Different authors differently state the notions of the economic activities diversification. Some authors [4, p. 111], reduce the diversification of activities to the diversification of markets. In other words, the economic agent schedules his activities, based on the demand of markets rather than production capacity, markets should be more diversified. Other authors identify diversification as the number of industries in which the economic subject works [1, p. 268]. We consider that this point of view is questionable.

The branch is an aggregate of activities, diversification can exist within a single branch; it may be missing in a few branches. Diversification here means the diversification of final products demanded by the market; the diversification of ways used to produce final products; the increased number of final products and production technologies [2, p. 225].

Therefore, we state the final product volume i by $V_i, i = 1, 2, \dots, m$. The total capacity is $\sum_{i=1}^m V_i$.

The total share of the product i is $P_i = \frac{V_i}{\sum_{i=1}^m V_i}$; the share of the volume of potential capacities after the product i has been produced is $(1 - P_i), i = 1, 2, \dots, m$. The potential $(1 - P_i)$ is involved with the share P_i , the average share, therefore, is $P_i(1 - P_i)$; the entire potential of the company's activities diversification is:

$$\sum_{i=1}^m P_i (1 - P_i) \quad (5)$$

We determine:

$$\max \sum_{i=1}^m P_i (1 - P_i) \text{ unde } \sum_{i=1}^m P_i = 1.$$

We develop the Lagrange function

$$L = \sum_{i=1}^m P_i (1 - P_i) + \Lambda (1 - \sum_{i=1}^m P_i) \quad (6)$$

Under the necessary conditions:

$$\frac{\partial L}{\partial P_i} = 0, i = 1, 2, \dots, m; \quad \frac{\partial L}{\partial P_i} = 1 - 2P_i - \Lambda = 0;$$

$$P_i = \frac{\Lambda - 1}{2}, i = 1, 2, \dots, m \quad (7)$$

$$\sum_{i=1}^m P_i(1 - P_i) = \sum_{i=1}^m \frac{1}{m} \left(1 - \frac{1}{m}\right) = m \times \frac{1}{m} - m \times \frac{1}{m^2} = 1 - \frac{1}{m} \quad (8)$$

Thus, the diversification is maximum when all the company's products have the same share in the total production capacity, $P_i = P_{i+1} = P = \frac{1}{m}$.

The diversification evolution depending on the potential number of activities can be graphically interpreted in Figure 1.

Diversification indices are:

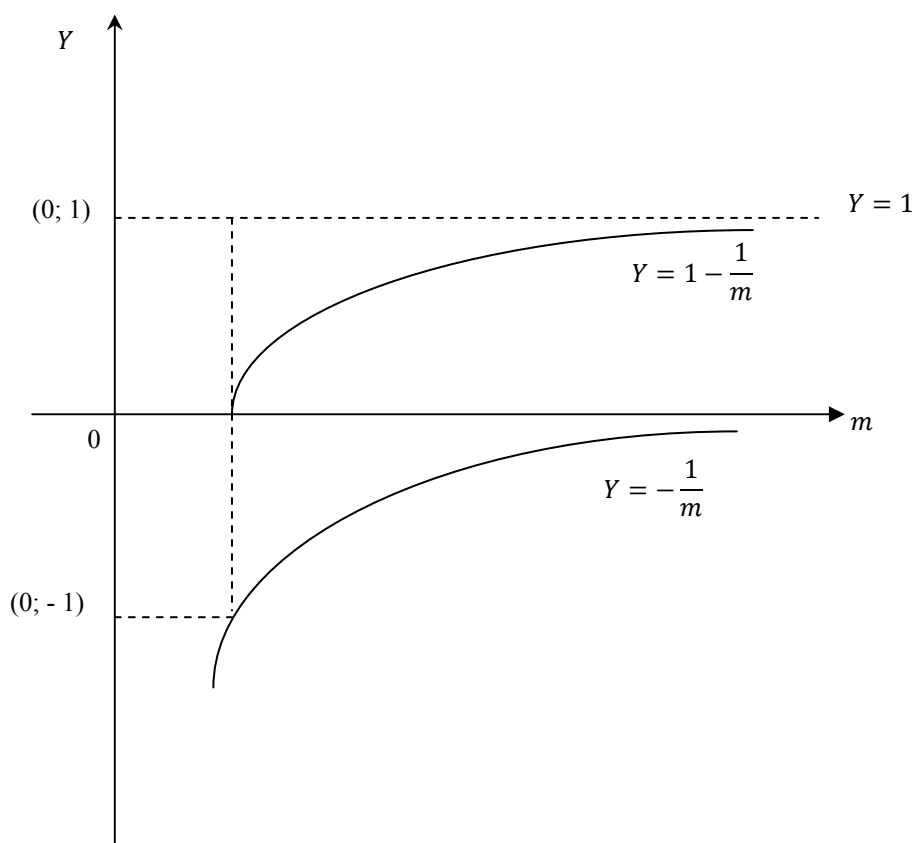


Figure 1. The diversification evolution.

The Source: developed by the authors

For example, we assume that the firm can potentially produce four products in the volume of

- a) $V_1 = 1; V_2 = 2; V_3 = 3; V_4 = 4.$
- b) $V_1 = 0; V_2 = 2; V_3 = 3; V_4 = 0.5.$
- c) $V_1 = 0; V_2 = 0; V_3 = 3; V_4 = 7.$
- d) $V_1 = V_2 = V_3 = V_4 = 2.5.$

Then diversification indices will be:

$$Y_a = 0.1(1 - 0.1) + 0.2(1 - 0.2) + 0.3(1 - 0.3) + 0.4(1 - 0.4) = 1 - 0.3 = 0.7$$

$$Y_b = 0(1 - 0) + 0.2(1 - 0.2) + 0.3(1 - 0.3) + 0.5(1 - 0.5) = 1 - 0.38 = 0.62$$

$$Y_c = 0(1 - 0) + 0(1 - 0) + 0.3(1 - 0.3) + 0.4(1 - 0.7) = 1 - 0.58 = 0.42$$

$$Y_d = 0.25(1 - 0.25) \times 4 = 1 - \frac{1}{4} = 0.75.$$

Starting from $m = \min\{m_1 + m_2\}$ where: m_1 is a market demand; m_2 is the potential number of final products that can be created by an enterprise, it is easy to determine the maximum level of diversification $Y_{max} = 1 - \frac{1}{m}$. If a company, for certain reasons, excludes a product from its activities, then the diversification is reduced from $(1 - \frac{1}{m})$ to $(1 - \frac{1}{m-1})$, i.e. by $1 - \frac{1}{m(m+1)} \times 100\%$; if we exclude k products, the diversification is reduced by $\frac{k}{m(m-k)} \times 100\%$. Depending on the current production structure of a company, various final products differently influence the diversification evolution (Table 1).

For the volume V_i with the share P_i in the total $\sum_{i=1}^m V_i$ the current diversification is $P_i(1 -$

P_i); the maximum diversification (for $P_i = \frac{1}{m}$) is $\frac{1}{m}(1 - \frac{1}{m})$; the gap is $\frac{1}{m}(1 - \frac{1}{m}) - P_i(1 - P_i) = (\frac{1}{m} - P_i)(1 - \frac{1}{m} - P_i)$ [2, p. 26].

The diversification of economic activities can generate some positive and negative effects. In the short run, diversification is not apparently justified. The company's specialization in one activity helps to increase labour productivity. In the long run, the company may go bankrupt, being

Table 1. The quantification of the product diversification level within an enterprise.

Nr.	The volume of the product i	The total share of the volume of the product i	The share of the volume of potential capacities after the product i has been produced	The share of the volume of potential capacities after the product i has been produced with the share P_i	The total of identical shares of products i , $P_i = \frac{1}{m}$	Potential shares of a company's products diversification
1	V_1	$\frac{V_1}{\sum_{i=1}^m V_i} = P_1$	$1 - P_1$	$P_1(1 - P_1)$	$\frac{P_1(1 - P_1)}{1m}$	$\frac{1}{m}(1 - \frac{1}{m}) - P_1(1 - P_1) = (\frac{1}{m} - P_1)(1 - \frac{1}{m} - P_1)$
2	V_2	$\frac{V_2}{\sum_{i=1}^m V_i} = P_2$	$1 - P_2$	$P_2(1 - P_2)$	$\frac{P_2(1 - P_2)}{1m}$	$\frac{1}{m}(1 - \frac{1}{m}) - P_2(1 - P_2) = (\frac{1}{m} - P_2)(1 - \frac{1}{m} - P_2)$
⋮	⋮	⋮	⋮	⋮	⋮	⋮
i	V_i	$\frac{V_i}{\sum_{i=1}^m V_i} = P_i$	$1 - P_i$	$P_i(1 - P_i)$	$\frac{P_i(1 - P_i)}{m}$	$\frac{1}{m}(1 - \frac{1}{m}) - P_i(1 - P_i) = (\frac{1}{m} - P_i)(1 - \frac{1}{m} - P_i)$
⋮	⋮	⋮	⋮	⋮	⋮	⋮
m	V_m	$\frac{V_m}{\sum_{i=1}^m V_i} = P_m$	$1 - P_m$	$P_m(1 - P_m)$	$\frac{P_m(1 - P_m)}{1m}$	$\frac{1}{m}(1 - \frac{1}{m}) - P_m(1 - P_m) = (\frac{1}{m} - P_m)(1 - \frac{1}{m} - P_m)$
The total	$\sum_{i=1}^m V_i$	1	$\sum_{i=1}^m (1 - P_i)$	$\sum_{i=1}^m P_i(1 - P_i)$	$1 - \frac{m1}{m^2} = 1 - \frac{1}{m}$	$\sum_{i=1}^m P_i^2 \frac{1}{m}$

The Source: developed by the authors

negatively influenced by the market. When activities are varied, then some final products generate losses, others - profits. The algebraic sum is positive. Diversification is not necessary to increase profits, diversification is necessary to enhance financial stability. The quantification of the diversification level of agricultural products was based on the statistical data from "Nistru-Olanesti" JSC, district Stefan Voda, the obtained results are shown in Table 2.

Having analyzed the data, we can mention that the company "Nistru-Olanesti" JSC has a range of vegetation products that are diversified enough, taking into account the total number of collected products. Moreover, we should note that the

potential share of the enterprise's business diversification, in the plant products profile of the analyzed company, only 6 out of 8 product categories register the potential diversification share as "positive".

It should be also mentioned that the analyzed company's basic activity is directed towards achieving the lowest costs of production and distribution, so that the prices of products are lower than by its competitors and ensure getting a bigger market share. This strategy is based on the experience curve. The company "Nistru-Olanesti" applies such a strategy because it has a potentially technological, production, supply and logistics environment. To improve the situation in the

company it is necessary to attract investments for modern production equipment, an aggressive sales policy, which ensures a larger share both at the national and international market.

In this context, “Nistru-Olanesti” will focus on getting the superior performance that will guarantee the leading position in the sector, in terms

of one of the following attributes: the quality of the offered products, after-sale services and facilities proposed to customers, the used technology, product originality, delivery time compliance, ability to adapt to environmental changes and customer requirements, etc.

Table 2. The quantification of the agricultural product diversification level within the company “Nistru-Olanesti”, the village of Olanesti, district Stefan Voda.

Nr	The name of the product	The volume of the product i, q	The total share of the volume of the product i	The share of the volume of potential capacities after the product i has been produced	The share of the volume of potential capacities after the product i has been produced with the share P_i	The total of identical shares of products $i, P_i = \frac{1}{m}$	Potential shares of a company's products diversification
1.	Vegetation products						
2.	Cereals and leguminous plants – the total	56536	0.732977234	0.267022766	0.195721609	FALSE	TRUE
3.	Wheat	32405	0.420123943	0.579876057	0.243619816	FALSE	FALSE
4.	Leguminous plants	1019	0.013211119	0.986788881	0.013036585	FALSE	TRUE
5.	Corn, from which:	23112	0.299642172	0.700357828	0.209856741	FALSE	TRUE
6.	Corn for seeds	10876	0.14100503	0.85899497	0.121122612	FALSE	TRUE
7.	Sunflower, from which:	6208	0.080485402	0.919514598	0.074007502	FALSE	TRUE
8.	Sunflower for seeds	82	0.001063113	0.998936887	0.001061982	FALSE	FALSE
9.	Colza	967	0.01253695	0.98746305	0.012379775	FALSE	FALSE
10.	Field vegetables	4969	0.06442203	0.93557797	0.060271832	FALSE	TRUE
11.	Total fruit and berries, including:	8452	0.109578385	0.890421615	0.097570963	FALSE	TRUE
12.	Seed-bearing fruits	2381	0.030869159	0.969130841	0.029916254	FALSE	FALSE
13.	Stone fruits	6071	0.078709226	0.921290774	0.072514084	FALSE	TRUE
14.	Total vegetation products	77132	1	0	0	TRUE	TRUE

The source: the authors' calculations based on the data from a special form on the activity of the agricultural enterprise “Nistru-Olanesti” JSC, 2012

The trend to diversify economic activities in various countries is different. Highly developed industrial countries (the USA, Germany, Japan) prefer the strategy of economic activities that are specialized in various ways. Their products do not have equivalents in most cases in the world, they are unique and cannot be interchanged, they are necessary and, therefore, cannot cause instability in the country. The complementary diversification of core activities is specific to all the countries.

The diversification of activities means additional forms of work organization; additional investment, technological knowledge in each

activity; systematic study of the market, homologous technologies in the country and from abroad; potential success of the scientific and technological progress and innovators in the domain of corresponding economic activities; economic mechanisms of labour motivation; economic contribution of every final product in the financial system of the company or enterprise. [2, p. 227].

Diversification can generate financial stability and reduce economic efficiency; it correlates with the number of risks in the marketing of final products. Mono-product activities in the short run are superior to multi-product activities. In

the long run mono businesses are at risk of bankruptcy, operating under the impact of the economic crises, scientific and technical progress, geostrategic policies, etc. Metaphorically speaking, the area of economic support in mono businesses is small, such enterprises usually decay [2, p. 227].

Mono-activities are usually carried out by highly developed industrial countries in the countries where labour is cheap. Technological changes may exclude certain segments from the production "chain", including mono-activities in the countries with cheap labour force. Agricultural activities, their final products, the level of agricultural raw materials processing, final product diversification generates a variety of problems.

3. CHARACTERISTICS OF THE DIVERSIFICATION LEVEL WITHIN AGRICULTURAL ENTERPRISES FROM THE REPUBLIC OF MOLDOVA

Reduced costs of energy resources can generate the following: the diversification of agricultural raw materials and final products; changes at the level of pay-offs, creating conditions for productive accumulations, development of agricultural processing technologies, changing workforce needs; demand for the skilled labour force, improving unproductive consumption in rural areas and, thus, increasing the demand for agricultural products, creating favourable conditions for the development of agriculture and production industries. The current structure of the Moldavian economy cannot be considered as a modern, industry-oriented, with a high economic potential, strong technological capabilities and intense participation in the world economic circuit, the current structure of the Republic of Moldova is an agricultural disjointed structure with an underutilized economic potential, with little participation in the international economic circuit. The economical, social and cultural life in rural areas of the Republic of Moldova increasingly degrades in the last 20 years.

The diversification of agricultural products turns into a demand-multiplier mechanism, reducing Moldova's dependence on some countries that export energy and import agricultural products from the Republic of Moldova. The diversification of the Republic of Moldova is a process that develops in time, latently and can only be achieved by a sustained program that is coordinated and guided by

the country's authorities. Unregulated market economy will certainly further contribute to the abandonment of the countryside, inefficiency of agriculture and export of agricultural raw materials, to the increased unemployment, reduced GDP, increased import and state debts. In other words, to the country's transformation into a poorer country.

In the last 20 years agriculture of the Republic of Moldova has been passing through organizational and institutional transformations, of relations to property, significant changes in the productive specialization and cooperation, of the change of production and trade partners. The instability of productive relationships, inflation processes, monopolists' impact on farmers, higher prices for bank loans, low prices for agricultural products and agricultural raw materials, reduction of state subsidies, uncertainty and risks in the processes of final products sale, labour flow from rural areas, imperfect new forms of organization, "invasion" of the agricultural products import, etc. have created problems that require urgent, complex, scientifically and practically rationalized solutions. Moreover, records on productive expenditures in agriculture do not reflect the real cost of final products, prices of agricultural products do not cover all manufacturer's expenses. Financial stability, covering of all production costs, making a profit, the farmer in the Republic of Moldova can only achieve through the diversification of activities, final products, by improving the record of expenditures. The diversification of activities is not primary for a farmer, it is the "power" of markets that matters; prices, their structure, dictates the diversification structure. The market power in its turn may set prices above or below the producer's marginal price (cost) of food products. This can happen under the impact of foreign trade. Exports of agricultural products can generate increased domestic prices, imports can restore the price below the minimum level for the country's producer. The market is of great interest to the farmer for two reasons:

1. at what price, how much, when and how one can market agricultural products;
2. what is the evolution of the price structure.

The first aspect contributes to the solution of the existing problem, the second one – to the solution of future problems.

The diversification of the final product structure is one of the country's strategic issues for the Republic of Moldova with trading partners who have various economic policies. The Republic of Moldova can ensure its financial stability only by means of diversification, standing economic

"attacks" from some external business partners and exploiting the productive potential of rural areas. The diversification involves achieving the economic stability principle, ensuring rural population with jobs, systematic development of conditions to restructure the current diversification, starting from the evolution of prices on both domestic and foreign markets, motivating labour forces in the domain of new technologies development, new final product; the study of the consumption structure at foreign markets, creating a structure to coordinate diversification processes in space and time in the country, using the potential of mathematical programming methods to select variants of economic activities and final products.

Diversification is performed taking into account the maximum profit, financial stability and creation of new jobs.

Therefore, it is necessary to create an information system by means of which a farmer can learn the following:

1. the analysis of the current structure of final products;
2. prospects for restructuring the current structure;
3. the evolution of the price for final products at both domestic and foreign markets;
4. possibilities of innovation implementation in order to improve production technologies, development of new final products;
5. possibilities to drive foreign investment in diversification processes of economic activities in rural areas.

CONCLUSIONS

The Republic of Moldova's economic progress is subject to a current economic structure change into another structure that corresponds to the demand, country's potential opportunities related to the development and adaptation of agriculture to international requirements. Thus, the diversification of production takes place when we produce new products, improve existing ones, create new production branches and sub-branches, determined by free market requirements in terms of the technological and scientific progress.

Diversification as a side of the production intensification is one of the ways to increase the profitability of agricultural products. The intensification promotion and diversification of agricultural products can be achieved by improving the level of farmers' training as well as by consistent measures on trade actions or public interventions to stimulate the expansion of these

goals (stipulations of the sector strategy), which will pay more attention to the economic multi-functionality of rural areas and preservation and enhancement of their core business activity.

The economical, social and cultural life in rural areas of the Republic of Moldova increasingly degrades in the last 20 years. In this context the diversification of agricultural products as well as the diversification of economic partners that export oil, energy resources, etc. becomes a serious problem in the Republic of Moldova.

The strategy of the competitive economic development based on the diversification of agricultural products is the main vector for the Republic of Moldova to achieve sustainable economic development and to transform the Republic of Moldova from a poor country into a prosperous country.

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