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RECENT DEVELOPMENT IN AGRI-FOOD POLICY AND TRADE: CASE OF MOLDOVA

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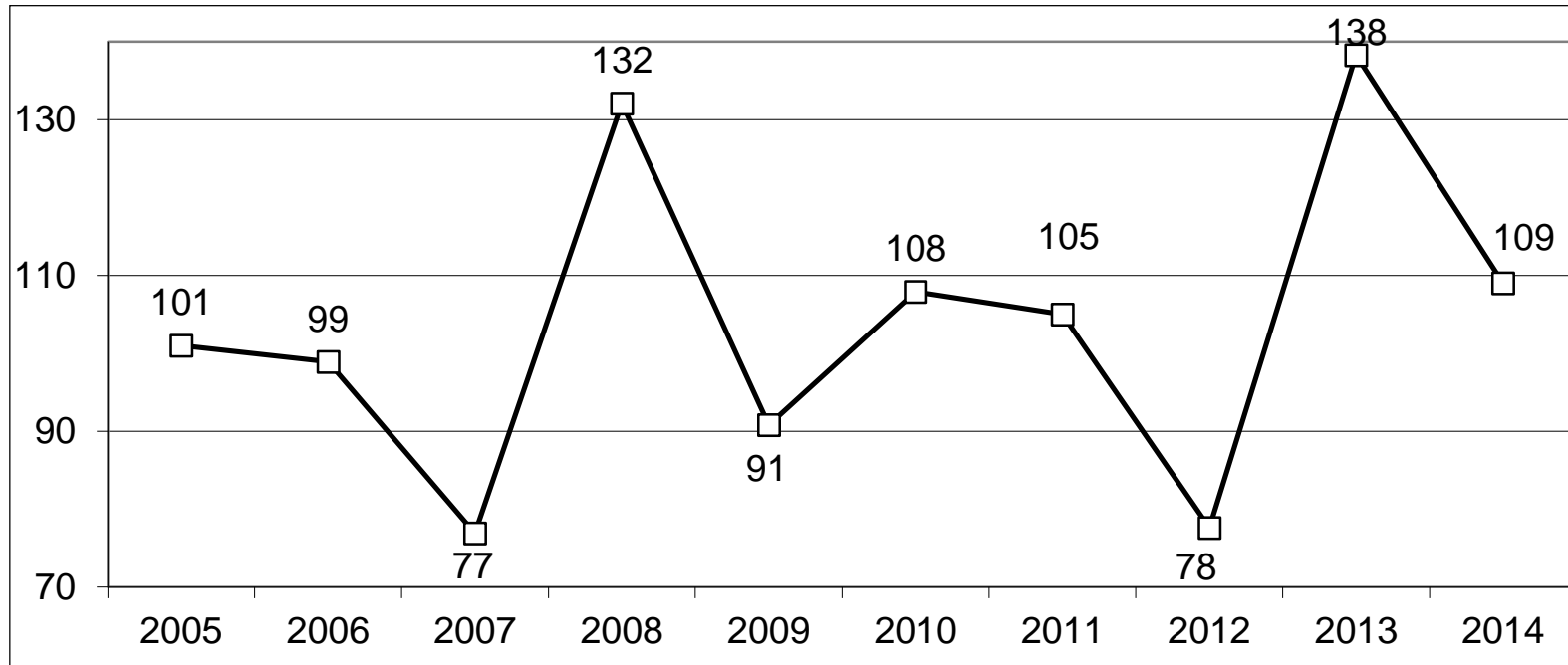
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OVERVIEW OF THE MOLDOVAN AGRICULTURAL SECTOR

- ◉ Moldova's recent macroeconomic performance - volatile, reflecting exposure to global economic and climatic conditions
- ◉ Agricultural production is strongly dependent on imported agrochemicals products, seeds and fuel, making Moldovan agriculture subject to international price volatility
- ◉ Agriculture and industry as a share of GDP have been on a steady decline, falling from 56 percent in 1995 to about 29 percent in 2014
- ◉ The same trend is observed for the agriculture share in GDP declining to about 13% in 2014
- ◉ The share of active population engaged in agriculture is decreasing to about 31% in 2014
- ◉ The agricultural sector benefited with only 11% of capital investments, and the foreign investments in the Moldovan agriculture are even more modest, with only 0.5% of total investments in agriculture in 2014

INDEX OF THE GLOBAL AGRICULTURAL PRODUCT 2005-2014 (PREVIOUS YEAR=100)



- Yearly fluctuations of the GAP depend strongly on the specific climate hazards, especially droughts

AGRICULTURAL SECTOR STRUCTURE

❑ Corporate sector:

- ❖ large companies specialized in the production of low value-added crops (cereals, oilseeds, sugar beet)
- ❖ employs limited labor force due to the high level of mechanized agricultural operations

❑ Individual sector:

- ❖ peasant farms and household land in private property
- ❖ generate a limited surplus of high value-added crops (fruits, nuts, grapes, vegetables, potatoes) that are mostly sold in open air agricultural markets

- About two thirds of agricultural lands are cultivated within small and medium enterprises belonging to a small number of owners
- Approximately one third of the area is owned by individual small farmers that provide food products, mainly on the domestic market
- Most of the farmers work within the small and medium agricultural enterprises

CROP PRODUCTION AND LIVESTOCK

- Crop production has a share of about two-thirds in the total agricultural production
- The share of livestock production has declined in the 90s as a reaction to the appreciation of energy resources, liberalization of the market and disruption of the trade links with former Soviet Union Republics
- The vast majority of livestock has been moved from large farms to small scale peasant farms, where the practice of extensive technologies of livestock production has led to a sharp decline in the production volumes

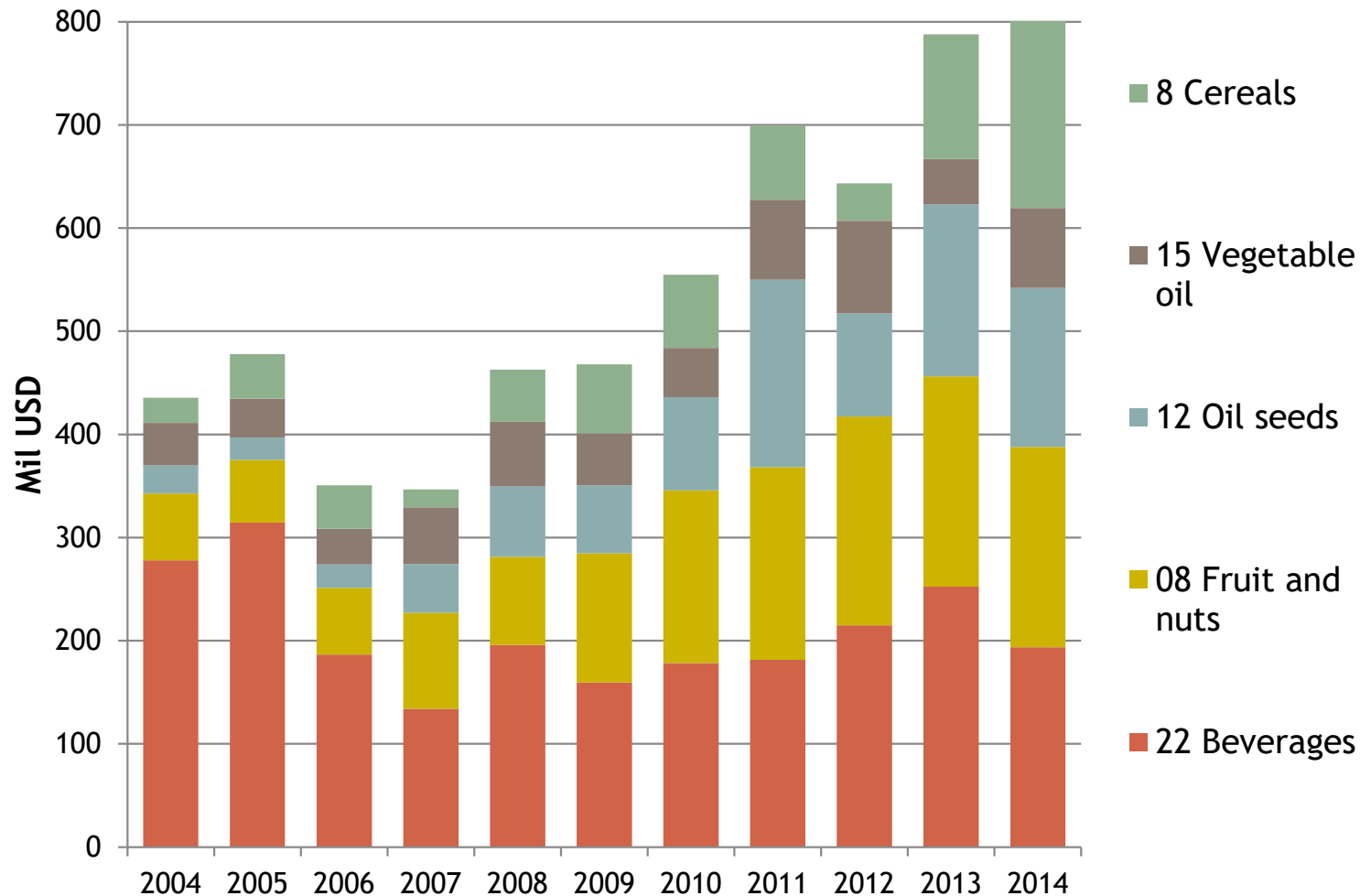
TOTAL AGRICULTURAL TRADE IN THE REPUBLIC OF MOLDOVA, 2004-2012, MIL. USD



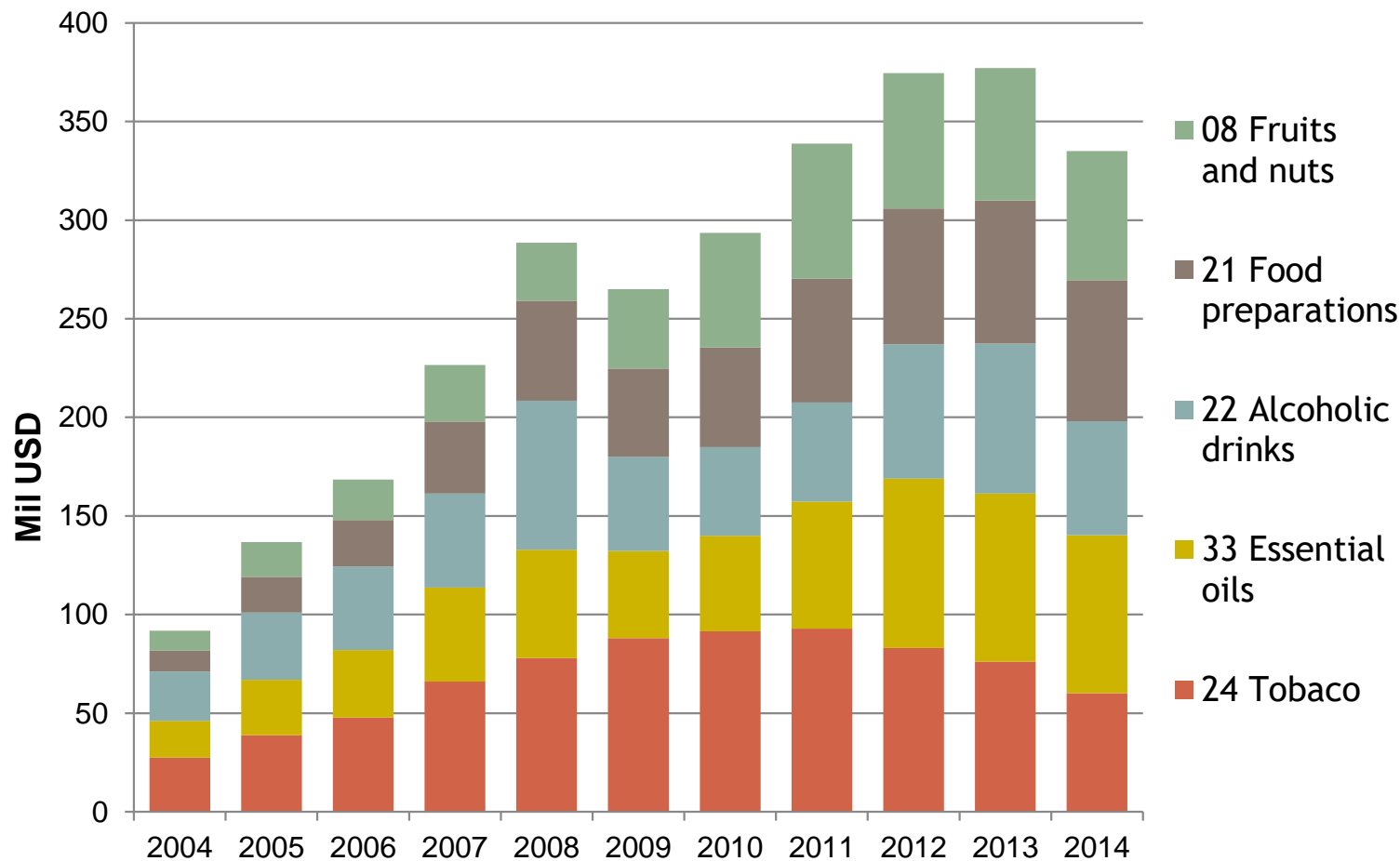
DEVELOPMENT OF THE AGRI-FOOD EXPORTS TO TOP 10 MAJOR DESTINATION COUNTRIES AND TOTAL WORLD, 2010-2014, MILLIONS US\$, %

| Nr | Country | 2010 | 2011 | 2012 | 2013 | 2014 | 2014/2010, (%) |
|----|---------------------|--------------|--------------|--------------|---------------|---------------|-------------------|
| 1 | Russian Federation | 242,1 | 243,8 | 235,0 | 197,1 | 131,1 | 54,1 |
| 2 | Romania | 61,5 | 101,0 | 79,4 | 86,4 | 97,4 | 158,4 |
| 3 | Belarus | 69,2 | 62,6 | 69,0 | 75,9 | 121,8 | 176,0 |
| 4 | Ukraine | 52,9 | 92,2 | 68,7 | 88,9 | 72,5 | 137,0 |
| 5 | Italy | 13,6 | 45,7 | 57,2 | 41,0 | 81,0 | 594,6 |
| 6 | United Kingdom | 24,3 | 49,1 | 22,7 | 42,0 | 43,2 | 177,7 |
| 7 | Poland | 20,3 | 41,8 | 35,4 | 36,0 | 34,3 | 169,1 |
| 8 | Germany | 23,0 | 36,1 | 19,6 | 44,8 | 42,0 | 183,0 |
| 9 | Turkey | 27,0 | 22,2 | 16,1 | 45,1 | 52,4 | 194,1 |
| 10 | Kazakhstan | 23,7 | 26,9 | 29,0 | 29,9 | 37,7 | 159,5 |
| | Other 103 countries | 174,6 | 195,7 | 246,7 | 328,5 | 351,8 | 201,5 |
| | Total World | 732,2 | 917,1 | 878,9 | 1015,5 | 1065,4 | 145,5 |

FIVE MOST IMPORTANT EXPORT PRODUCTS IN THE REPUBLIC OF MOLDOVA, 2004-2014, MIL. USD



MOST IMPORTANT IMPORTED PRODUCTS IN THE REPUBLIC OF MOLDOVA, 2004-2014, MIL. USD



COMPARATIVE ANALYSIS OF EXPORT FOR MAIN GROUPS OF AGRI-FOOD PRODUCTS TO RUSSIA, 2013-2015, THOUSAND USD, %

| 2-digit of HS | Group of agri-food product | 2014 | 2015 | Share in total agri-food exports to Russia, average 2013-2014, % | 2015 vs 2014 |
|---------------|--------------------------------------------|-------|-------|------------------------------------------------------------------|--------------|
| 8 | Edible fruit and nuts | 38357 | 13627 | 34,7 | 35,5 |
| 22 | Beverages, spirits and vinegar | 11107 | 9685 | 15,5 | 87,2 |
| 33 | Essential oils | 16259 | 8579 | 10,7 | 52,8 |
| 17 | Sugars and sugar confectionery | 35742 | 925 | 10,4 | 2,6 |
| 2 | Meat and edible meat offal | 11348 | 4690 | 7,8 | 41,3 |
| 20 | Preparations of vegetables, fruit and nuts | 8363 | 3651 | 6,7 | 43,7 |
| 7 | Edible vegetables | 9329 | 1678 | 5,5 | 18,0 |
| 12 | Oil seeds | 10757 | 2080 | 3,8 | 19,3 |
| 24 | Tobacco | 1705 | 1530 | 1,8 | 89,7 |
| 4 | Dairy produce; birds' eggs; natural honey; | 1927 | 1105 | 1,2 | 57,4 |
| | Other agri-food products | 2794 | 2468 | 1,8 | 88,3 |

TRADE POLICIES

- ◉ ***Autonomous Trade Preferences (ATP)***

ATP offer free access to the EU market without quantitative restrictions and customs fees, the only exception being a small number of goods which are sensitive for the EU and subject to annual duty free tariff quotas

- ◉ ***Deep and Comprehensive Free Trade Area (DCFTA)***

DCFTA agreement assumes the abolition of duties and quotas in mutual trade in goods and services, as well as the elimination of non-tariff barriers

- ◉ ***CIS***

Free Trade Area Agreement establishes conditions for a free transfer of goods and services, provides mutual trade balance, stabilizes domestic economic conditions and promotes growth of the economic potential of the member states on the basis of mutual cooperation.

- ◉ ***Central European Free Trade Agreement (CEFTA)***

Preferential trade arrangements provided by CEFTA require almost total liberalization of imports of industrial and agricultural products from CEFTA countries, except for imports of wine from the Republic of Macedonia, which carry a 1,000 hl. duty free tariff quota.

- ◉ ***Double Tax Treaties and Mutual Protection of Investments Treaties***

Moldova has signed comprehensive double taxation agreements with 48 countries, of which 45 are in force

CONCLUSIONS

- ◉ There are positive trends in the development of the agri-food exports of the Republic of Moldova during the last years. However the vulnerability of this sector to natural, economic and commercial risks remains to be very high.
- ◉ The current situation in the international trade with agri-food products placed the Republic of Moldova in a difficult position. Exchange of sanctions between a number of Western countries and the Russian Federation provides multiple restrictions on the conduct of economic activities, including international trade that makes it necessary to review existing economic policies, forcing the government to urgently diversify export markets and to take measures to strengthen the economic security of the country.

RECOMMENDATIONS

- The food sector of the Republic of Moldova needs specific actions in order to:
 - stimulate development of the high value agriculture through creation of product sales centres
 - strengthening quality control
 - organizing regional wholesale markets
 - assisting producers to sell their products
 - development of market infrastructure at central level
 - development of the post harvest and market infrastructure

**Thank you for your
attention!**

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