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## **The Agricultural Policy of F.Y.R. Macedonia**

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## The Agricultural Policy in F.Y.R. Macedonia

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The Former Yugoslav Republic of Macedonia (FYROM) aspires to approach the EU, and is currently preparing for the application procedure. Agriculture is traditionally an important industry in the country, with the agriculture and food sector accounting for some 15 per cent of the economy. Since FYROM's independence in 1991, its agricultural sector has experienced many difficulties following trade blockades, regional conflicts, and refugees. In recent years, the restructuring of the economy has continued to pose new challenges for the sector.

The process of becoming a member of EU includes approaching the union's policies in different areas. Consequently, FYROM has, since its signing in 2001 of the Stabilisation and Association Agreement (SAA) with the EU, initiated reforms in the agricultural and food sector to approach the CAP and EU's rules and regulations; the approximation process is planned to take about ten years. However, there are many issues to address, *e.g.* FYROM struggles with a depopulation of the rural areas as many other countries in Europe, coupled with a decline in the interest to work in the agricultural sector, leaving productive land unused. The challenge of the government is to reform the agricultural policy to meet the changing conditions while approaching the CAP and fulfilling its WTO commitments. The agricultural and food sector's important share of the economy should assure a significant attention in the membership negotiations.

In 1997 the National Strategy for Economic Development of the Republic of Macedonia was presented. It includes the long-term objectives for the agricultural sector's development until 2020, but also summarises the intermediate strategic aims for 2005. These intermediate aims were further developed in the *Agricultural Development Strategy in the Republic of Macedonia to 2005* (Galev & Murarcaliev, 2001), which will be summarised to give an overview of the objectives as well as the means utilised in the current agricultural policy. Special emphasise will be placed on areas which are explicitly modelled on the rapprochement to the CAP.

For illustrative purposes, welfare theory will be used to compare the current policy to that of a complete introduction of a CAP-like policy and to a free trade-scenario. The hypothesis is that the chosen policy strategy will have a significant impact on the agricultural sector, as well as on consumption and the government budget.

To facilitate an evaluation of the different agricultural policy scenarios a base scenario is established as free trade in Macedonian agricultural products. The base scenario is then compared to two formulations of the CAP called Agenda 2000 and New Reform and a separate alternative denoted National Policy, which in effect is the present Macedonian policy. The analysis is focused on two time periods; the first starts with the introduction of the policy in 2003 and stretches to 2016, when the second period begins that continues for all time. In the second period Macedonia either accedes to the EU or chooses to remain outside. Macedonia's alternatives in the first period are either of the policies while in the second the choice stands between an EU-policy and free trade. To evaluate the benefits for consumers, producers, and the government from eight scenario paths, welfare analysis is used in association with a discount formula to estimate the net present value of the future outcomes. The year 2016 has been chosen as reasonable accession year, based on the SAA and a possible delay due to unforeseen problems.

The three policy scenarios bring about an increase in all prices with only two exceptions: maize and oilseeds with the National Policy. The discounted net welfare outcomes for the policy paths are not surprising when looking at the prices representing them. As a consequence of the much higher prices for the National Policy the outcomes is more than twice that of Agenda 2000 and eight times the New Reform when the second period is characterised by free trade; and the relationship is similar, though with less magnitude, for the other paths.

It may be concluded that a reformed CAP scenario path without an EU accession creates the undoubtedly lowest welfare loss to the society compared to free trade, whereas the existing policy followed by an accession to the present CAP causes the by far largest loss. The majority of paths have ?GS/?CS – quotas of less than 30 per cent, the lowest is merely 14 per cent, implying that consumers have to carry the main burden of the agricultural policy.

## References

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