NIER
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Agricultural Policy Monitoring in the Republic of Moldova

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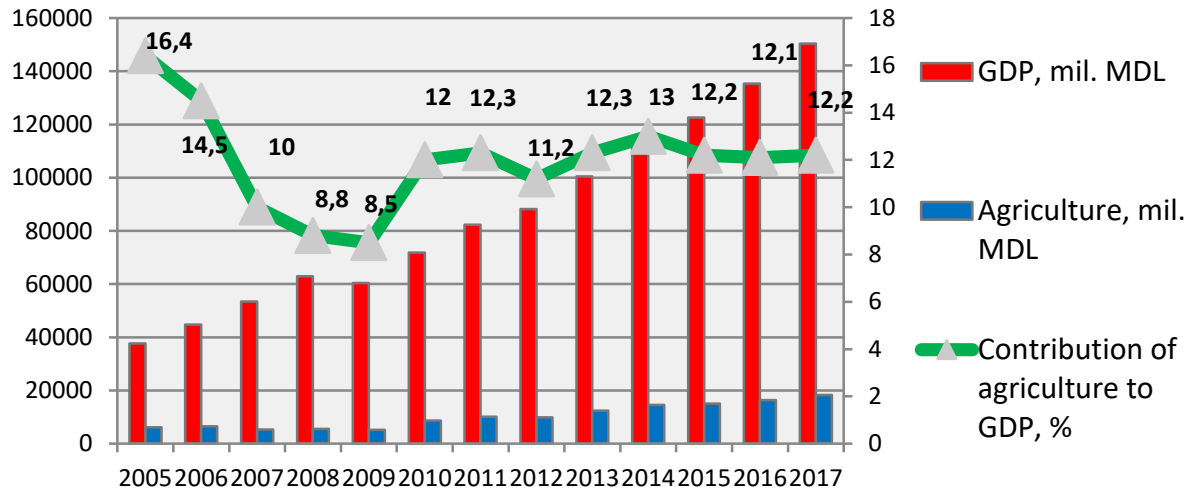
National Institute for Economic Research

Final Workshop of the Pilot Study on Agricultural Policy Monitoring in six post-Soviet Countries

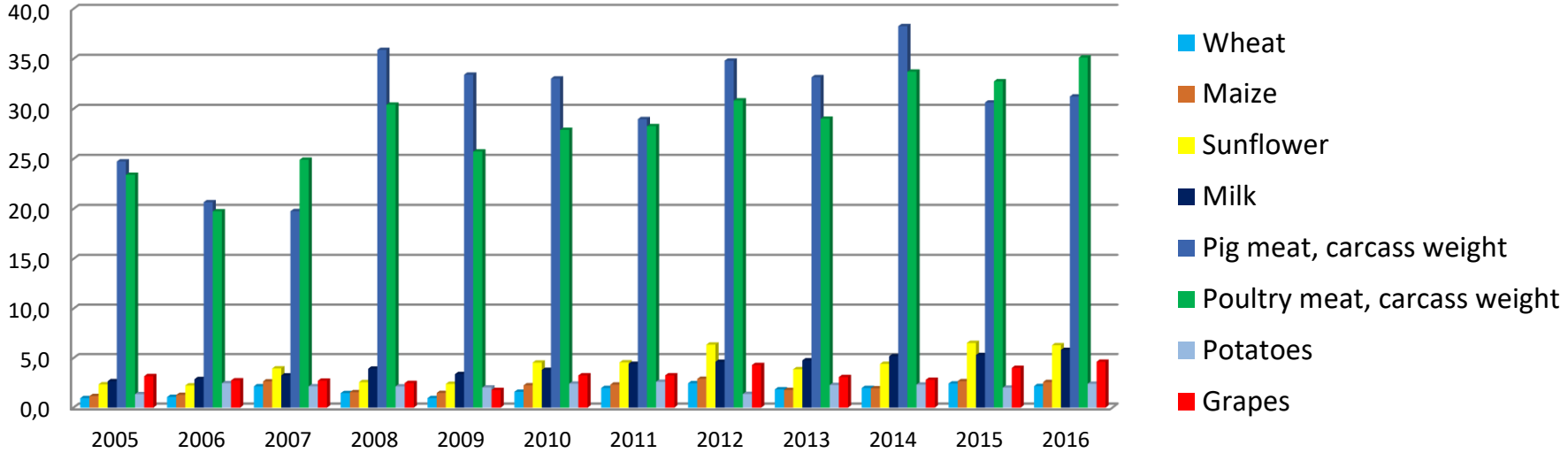
2-3 October 2019
Minsk, Republic of Belarus

Overview of the agricultural sector



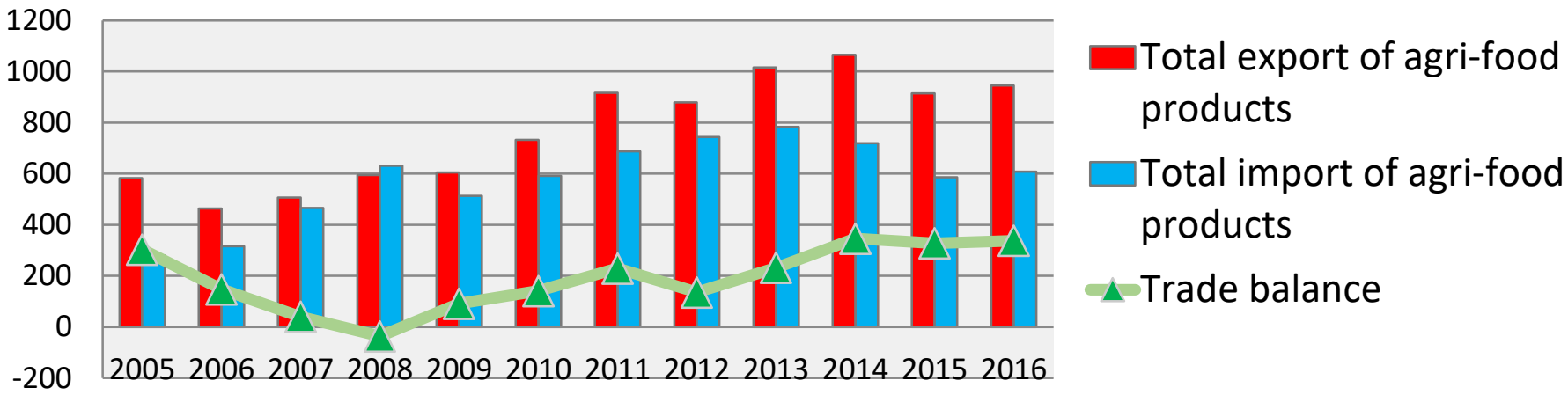
	2005	2016
Agricultural output, mil. MDL	12.300,7	29.865,7
- Crop output, %	68.9	72.2
- Animal output, %	31.1	27.8

Producer prices, thous. MDL / t



Trade with agri-food products

Import, export and trade balance, mil. USD



2016

Most exported products:
-Sunflower seeds - 178.7 mil. USD
-Wine of fresh grapes - 107.9 mil. USD
-Wheat and meslin - 96.5 mil. USD

Most imported products:
-Tobacco (cigars) – 54.3 mil. USD
-Frozen fish – 27.2 mil. USD
-Other food preparations – 23.8 mil. USD

2005 - 2016

Importer of: potatoes, pork, poultry, milk
Exporter of: wheat, maize, sunflower, grapes

Key market development and main trading partners

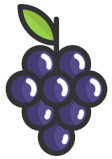
2012 – 2016

Republic of Moldova - net exporter of:

to Switzerland 15%; Romania 13%.

to Greece 15%; Romania -13%.

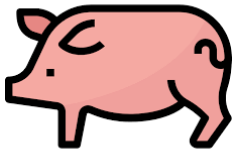
to Romania 23%; UK 22%.



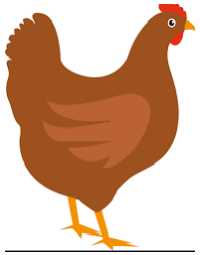
to RF 51%; Romania 24%.

Republic of Moldova - net importer of:

from Belarus 44%; Poland 25%.



from Germany 27%; Ukraine 23%.



from Ukraine 62%; USA 13%.

from Ukraine 31%; Romania 23%.

Trade agreements

2001 – member of WTO;

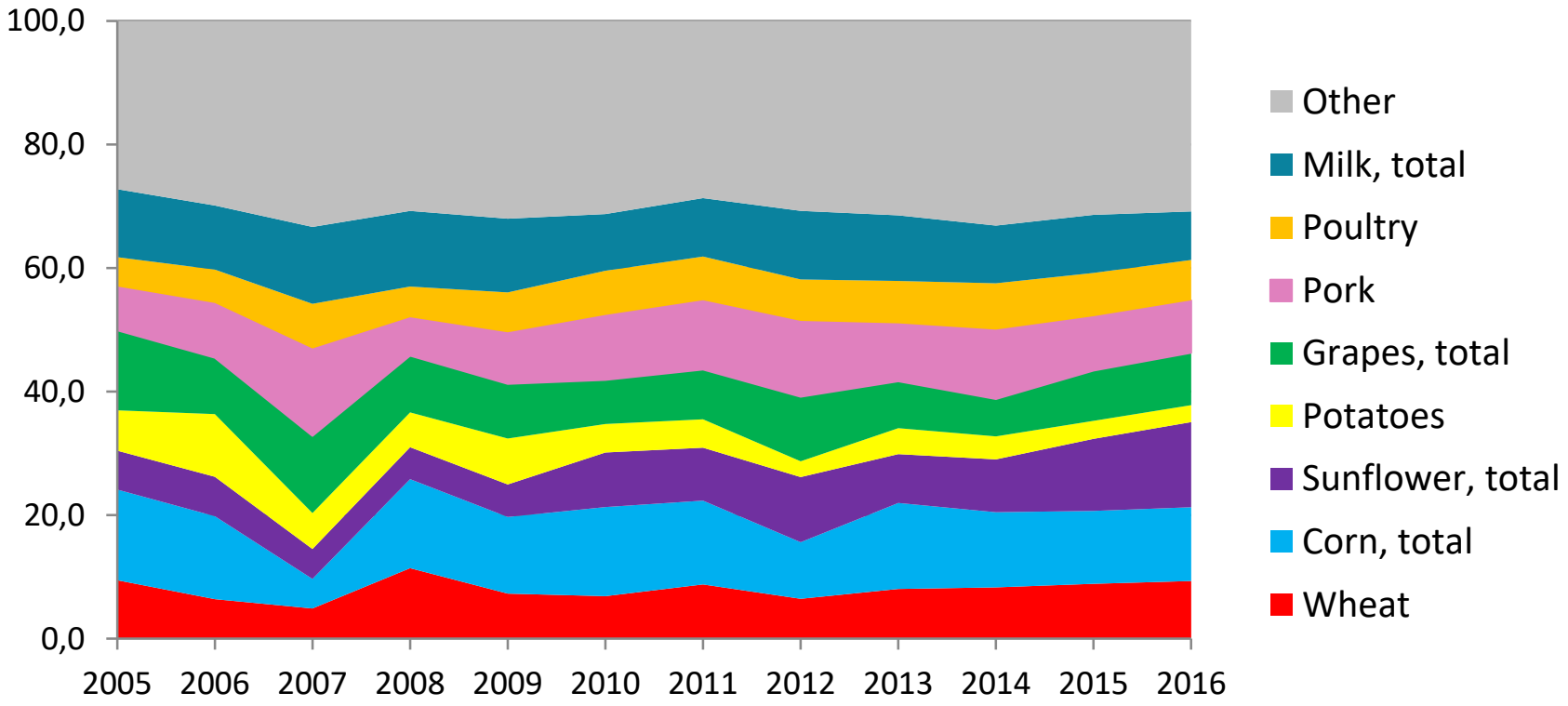
2012 - member of the Commonwealth of Independent States Free Trade Area;

2014 – Association Agreement with EU – the Deep and Comprehensive Free Trade Areas DCFTA;

2016 – Free Trade Agreement between Moldova and Turkey.

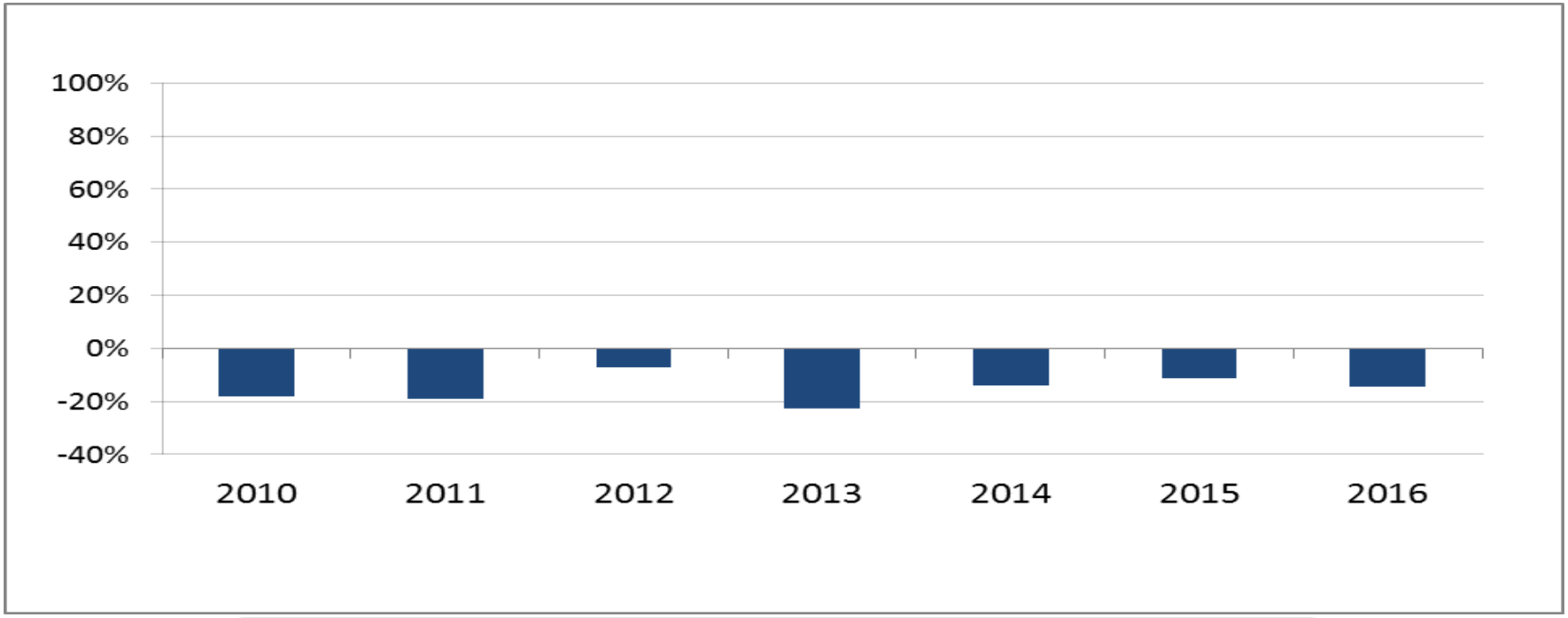
Indicator coverage

- Period covered: 2005 - 2016
- Commodities covered: wheat, maize, sunflower, potatoes, grapes, pork, poultry, cow milk
- Sources of data: National Bureau of Statistics database



Nominal Rate of Protection

Average aggregate nominal rate of protection (%) at farm gate, percent, 2010-2016



INTERPRETATION/COMMENTS

- Negative price distortions for Moldovan agricultural producers;
- The aggregate NRPs are ranging from -7% to -23% in the period 2010-2016;
- Agricultural producers received in general lower prices than the comparable reference prices in international markets.

Nominal Rate of Protection: driving factors

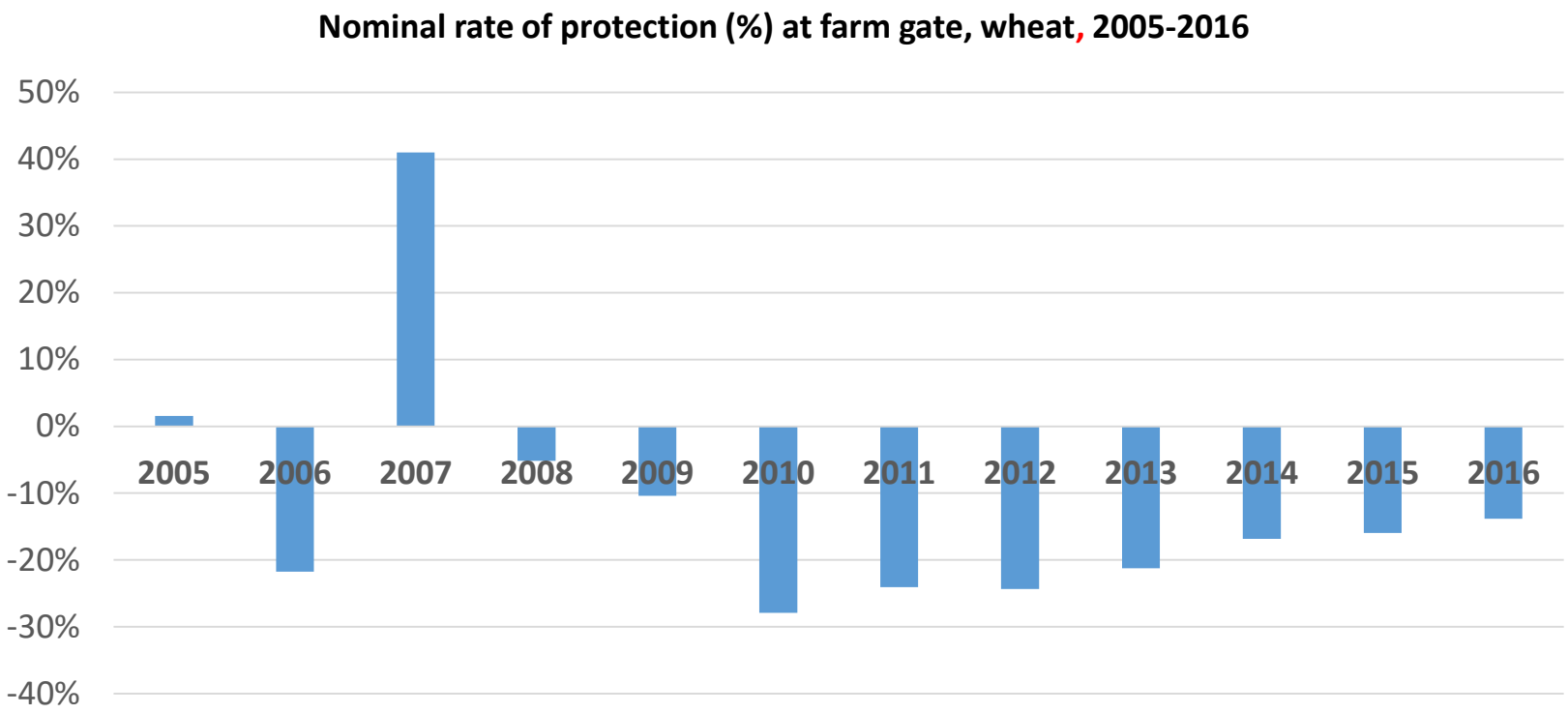
- There are no apparent policy-induced distortions in place that would explain the negative NRPs.
- Factors of price distortions:

✓ severe market inefficiencies such as an asymmetrical distribution of market power;

✓ climate conditions (droughts from 2007 and 2012);

✓ depreciation of the national currency.

Nominal Rate of Protection by key commodities



INTERPRETATION/COMMENTS

- Low production concentration: farmers receive lower prices and middlemen receive the higher share of market margin;
- Situation favourable for the consumers of agricultural products with a potential for value adding activities.

DRIVING FACTORS

- Surplus of production in most of years
- No direct intervention by domestic market price policy instruments.

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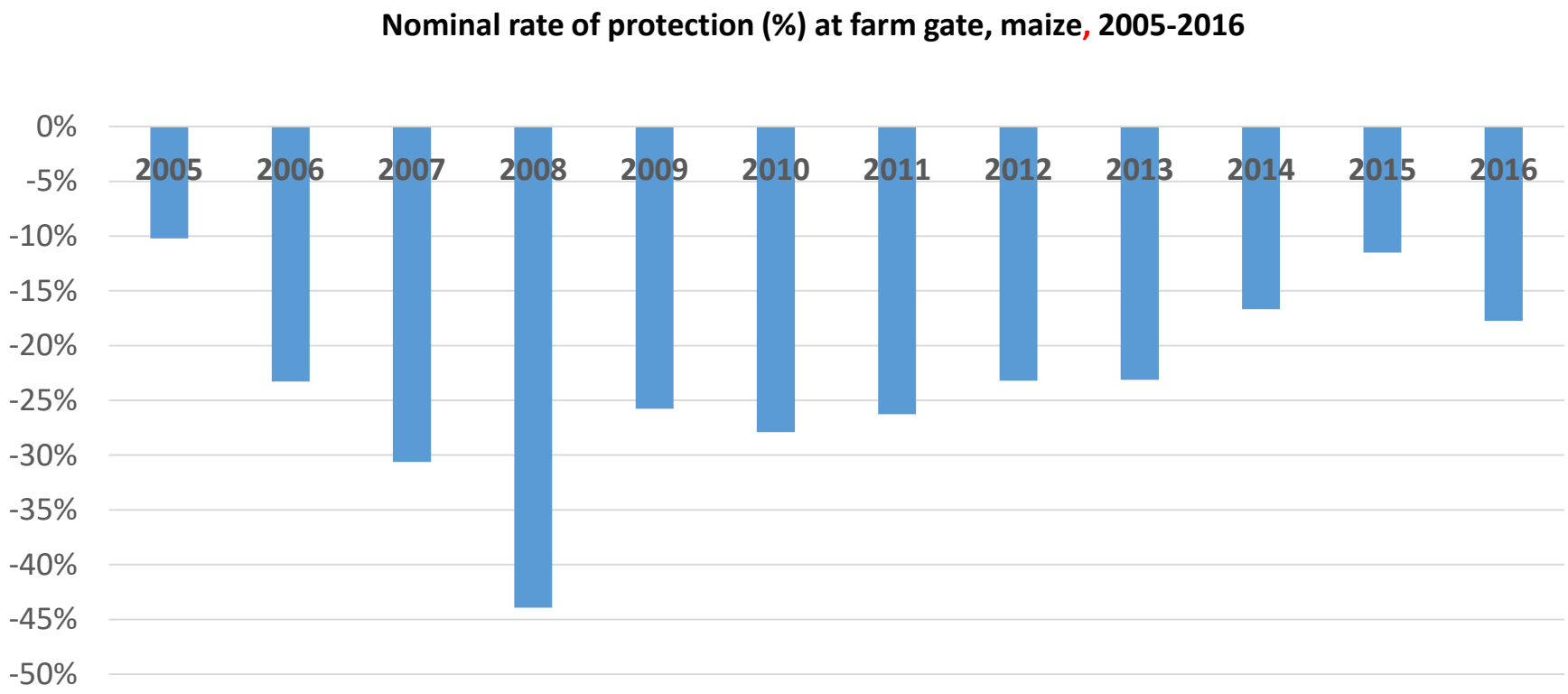

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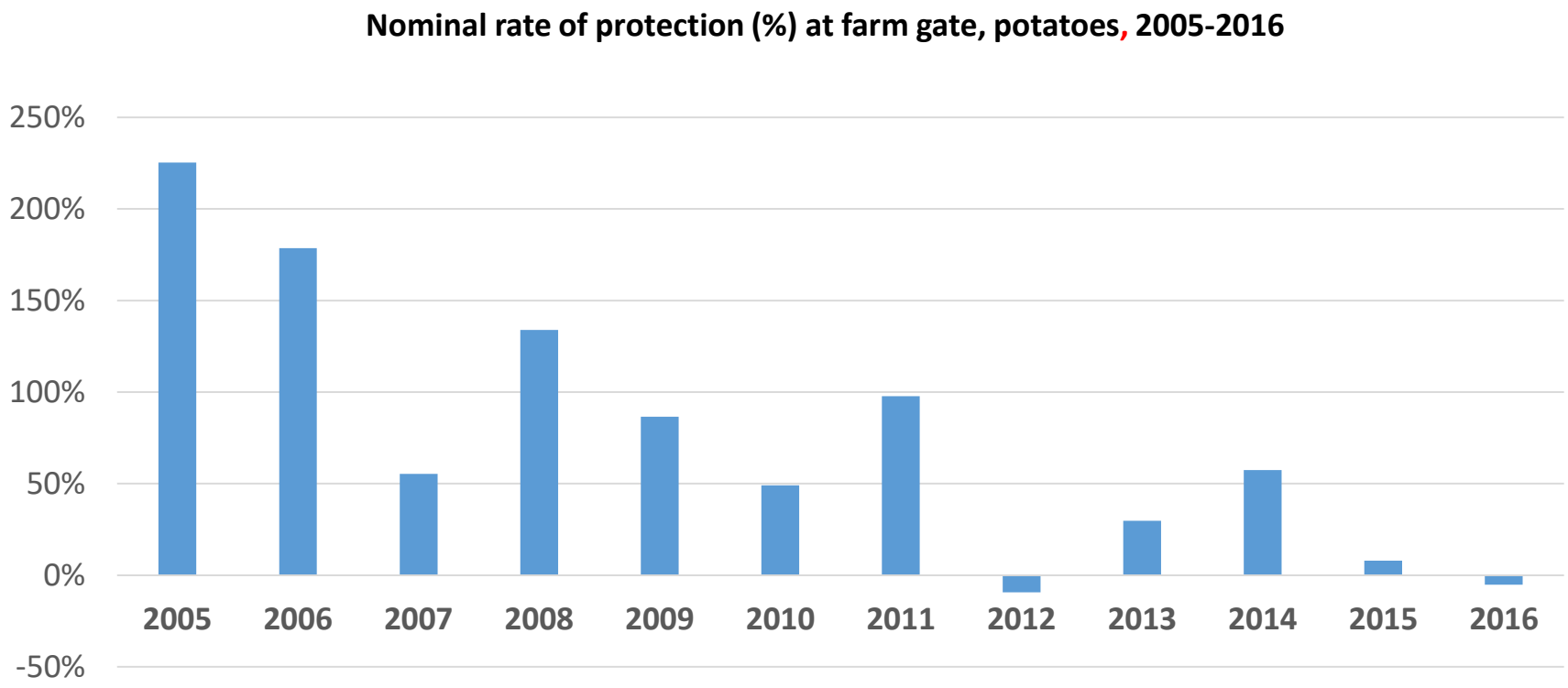


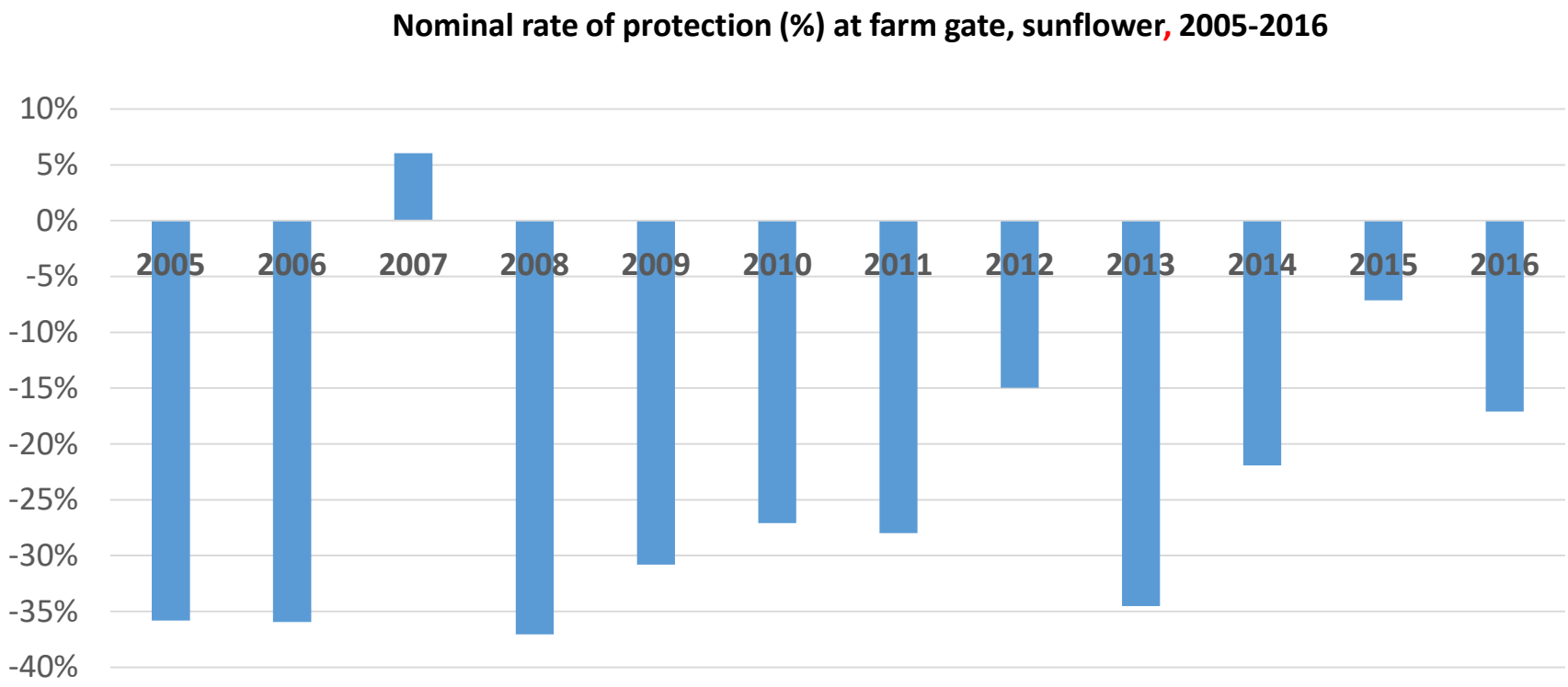
INTERPRETATION/COMMENTS

- Positive NRP for most of years;

DRIVING FACTORS

- High imports of potatoes with lower prices;
- «Bad years» in terms of internal production (quality, quantity).

Nominal Rate of Protection by key commodities



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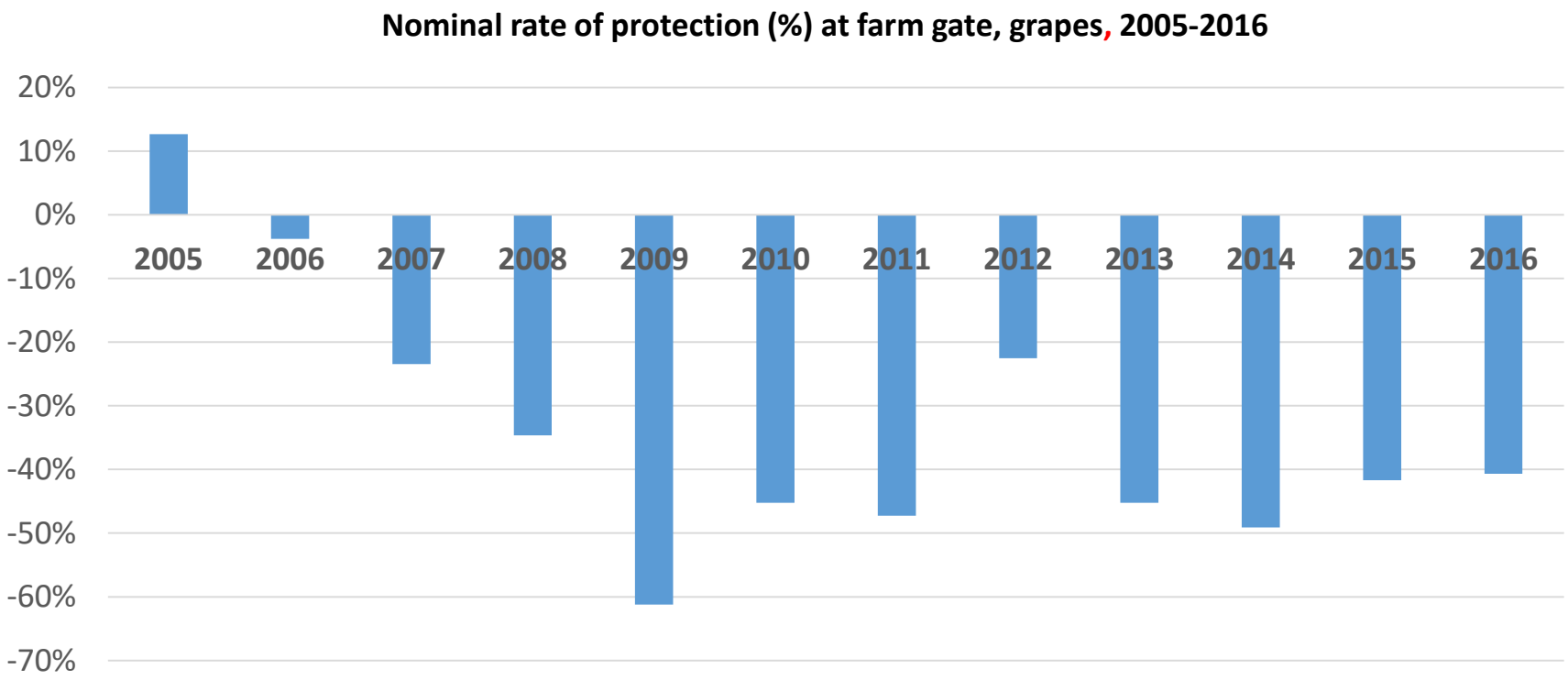

INTERPRETATION/COMMENTS

Most of grapes are intended for private consumption and production.

DRIVING FACTORS

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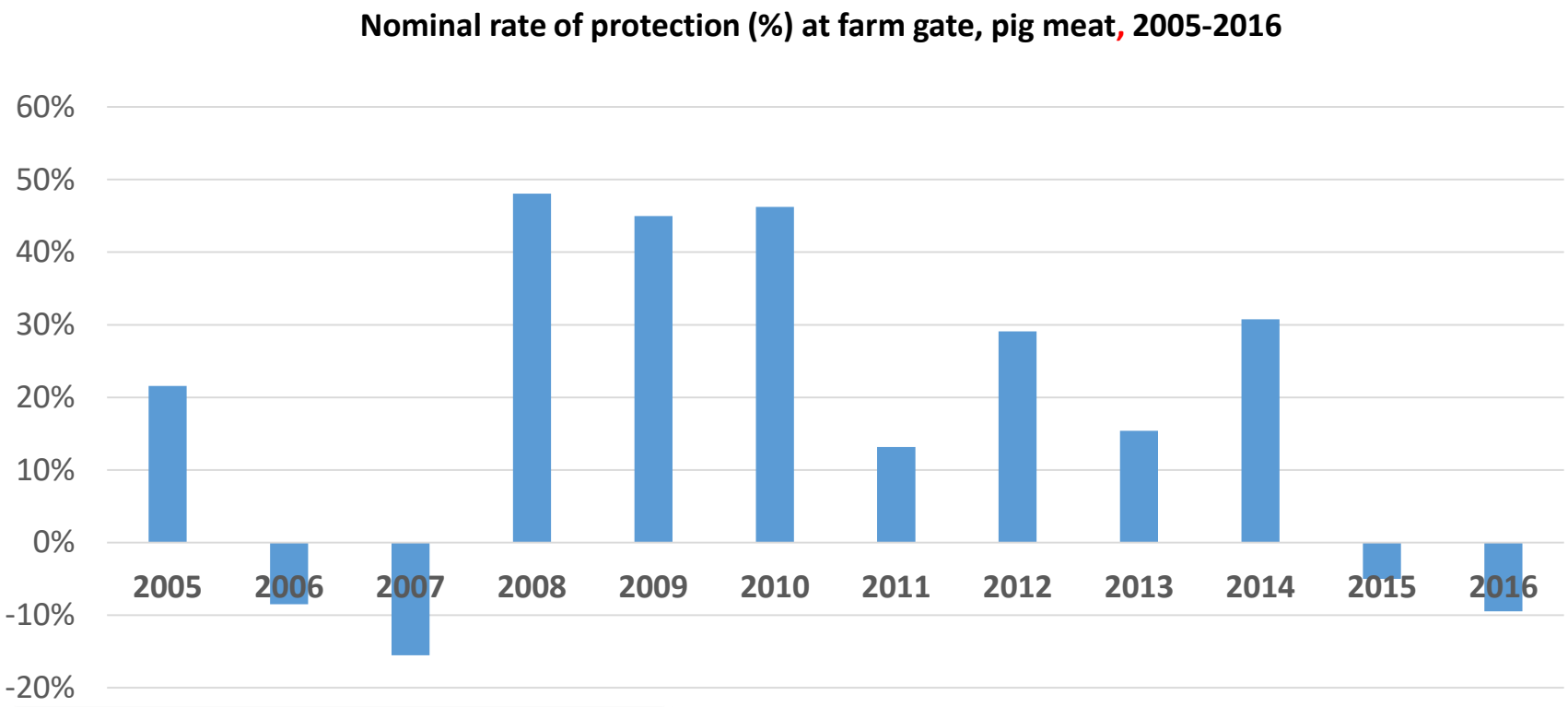

INTERPRETATION/COMMENTS

- High level of can be partially explained by artificial protection of the market created by underdeveloped infrastructure
- Major obstacle to entering European markets is a necessity to comply with strict food safety requirements. Such compliance requires efforts along the whole value chain.

DRIVING FACTORS

- High costs of production
- Fluctuation exchange rate
- Mainly for internal consumption

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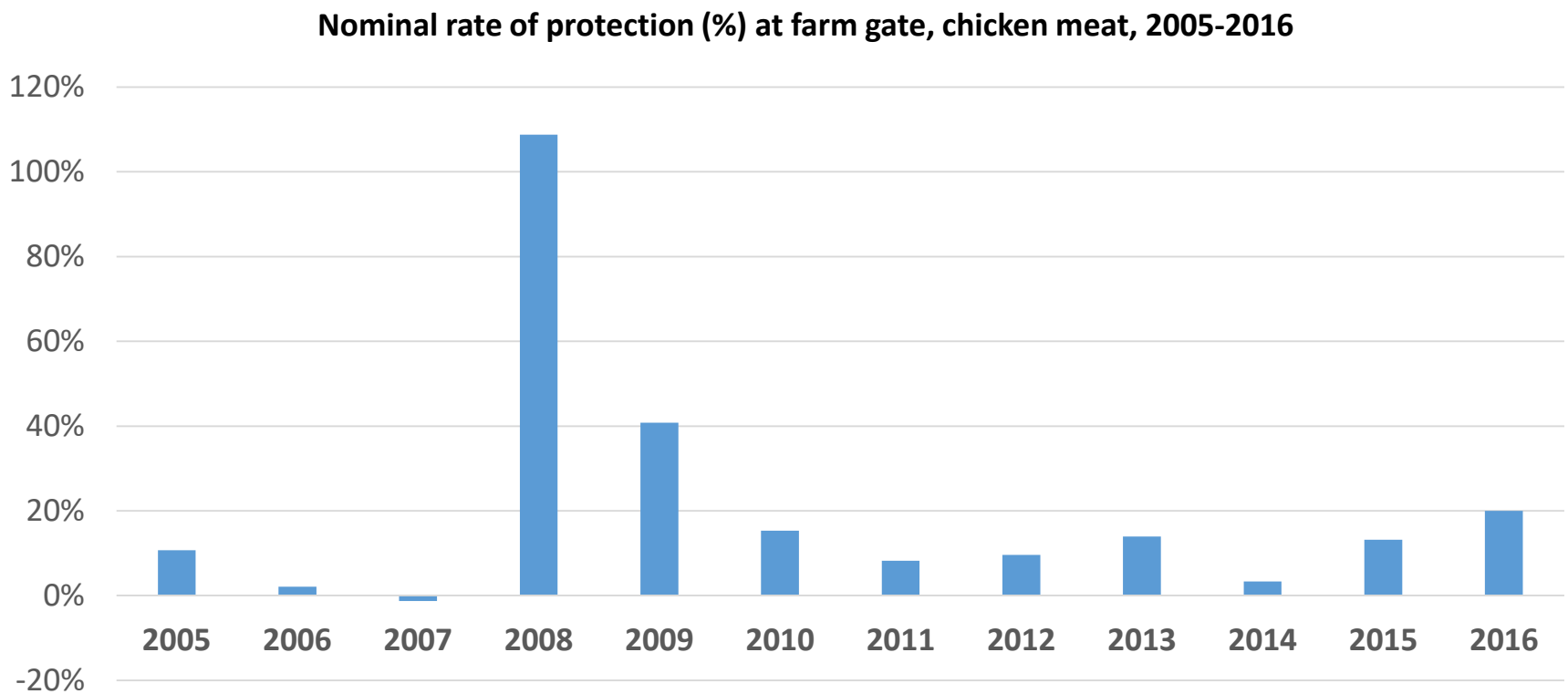

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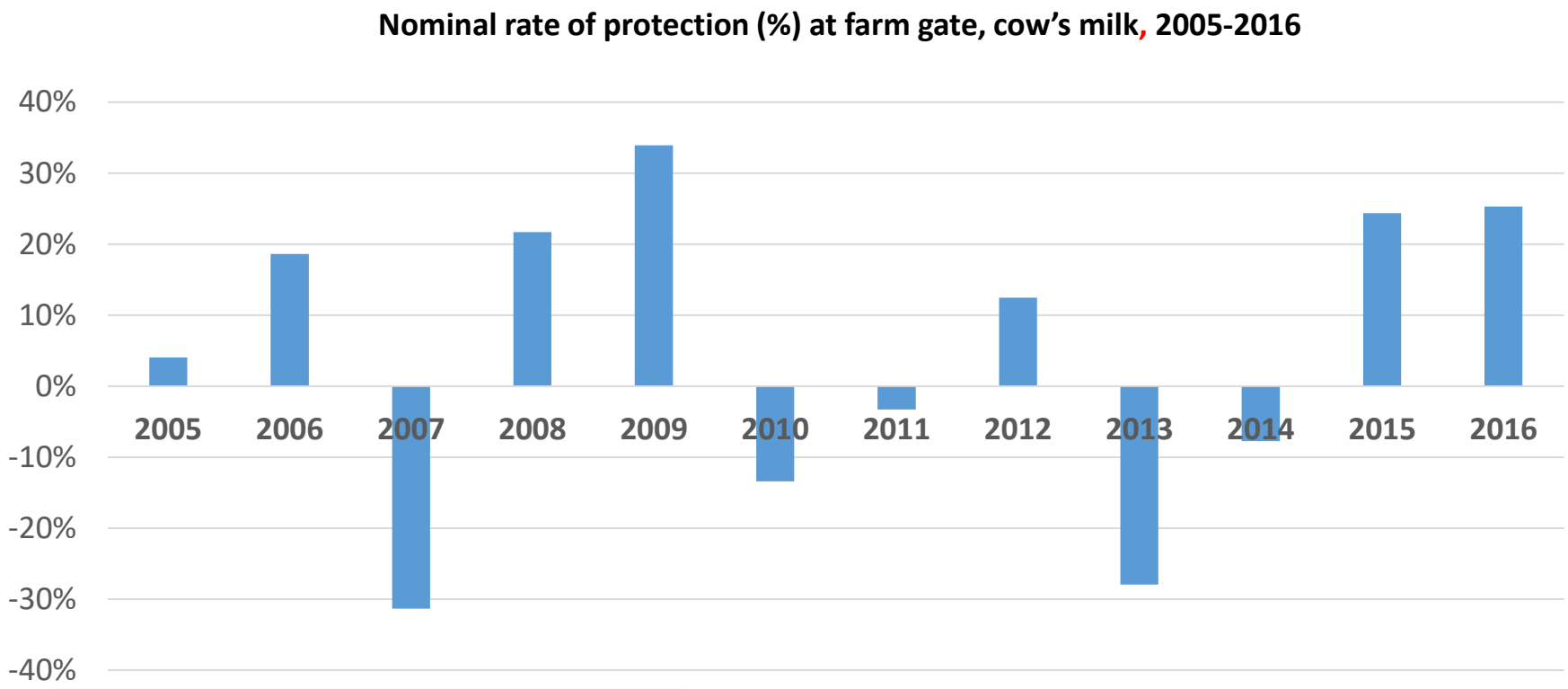

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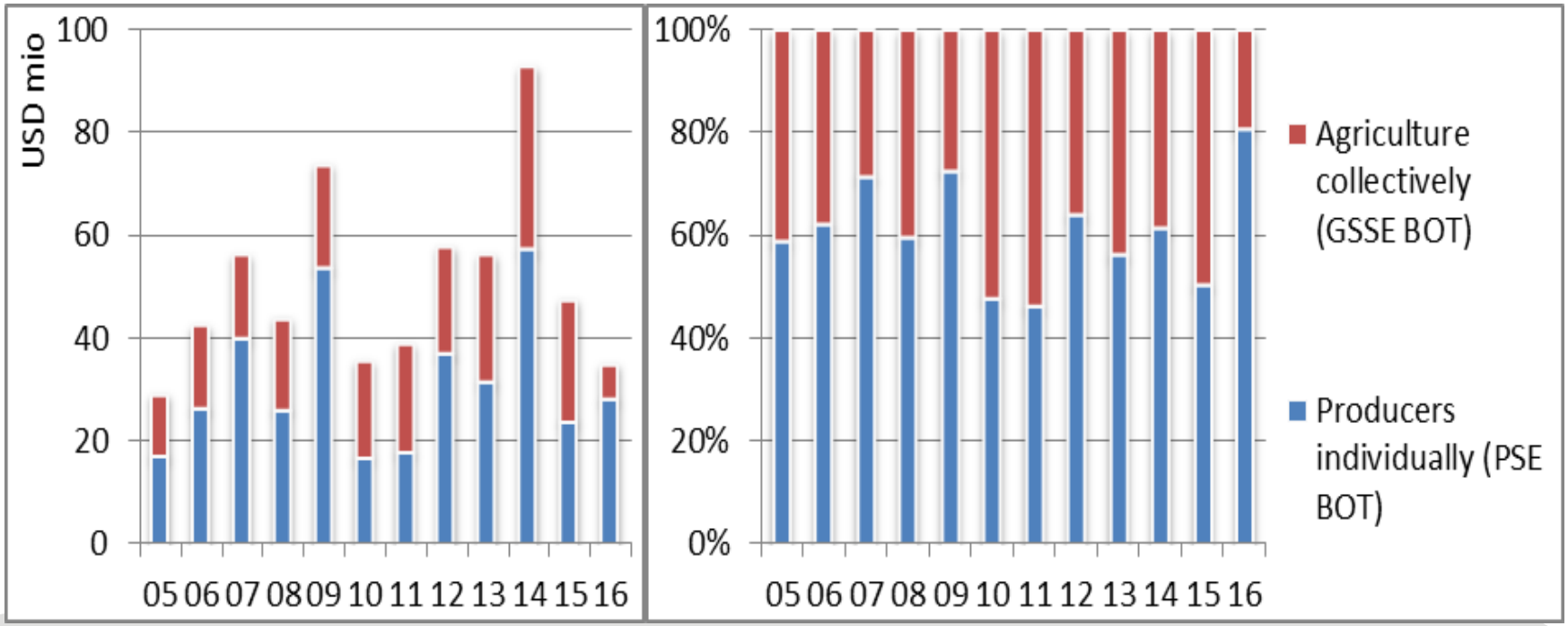
Budgetary transfers to agriculture

Budgetary transfers to agriculture by economic group to which the transfer is provided, 2005-2016



INTERPRETATION/COMMENTS

- Budgetary support to Moldova's agriculture varies considerably between years, reaching its peak of around USD 93 million in 2014.
- In 2016, total budgetary expenditures for agriculture amounted to USD 35 million, 80 percent of which was provided in the form of support to producers and the remaining 20 percent as general agricultural support.
- The majority of support to general services is transfers to inspection and control.
- The vast majority of budgetary support to producers (96%) were disbursed for the co-financing of on-farm investments, mostly for the purchase of machinery and equipment, establishment of orchards and vineyards and construction of greenhouses and to a lesser extent for the purchase of pedigree livestock and other investment aids.

Conclusions

- Agriculture is a key sector for economic development in the Republic of Moldova, however, financial resources for its support are rather limited.
- The aggregated level of NRP is low or negative during the whole period of study, especially for cereal crops
- Low farm-gate prices open opportunities for adding value activities, on condition of improved value chains and continued investment in hard and soft infrastructure.
- *Recommendations for crop sector:*

- Strengthening the value chain infrastructure, such as efficient storage and transportation facilities, improved export procedures and other means of facilitating exports and reducing costs.
- Continuous improvement of crop cultivation technologies in order to achieve a higher sustainability of the agricultural production.

- *Recommendations for livestock sector:*

- Infrastructure development support
- Strengthening the technology transfer for new farm models, according to EU standards.

Thanks for your attention!

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