

Moldova's export potential for crops to the EU

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Background

- The goal of this Policy Briefing is to analyse the Moldovan export potential for crops and processed crops to Germany and the EU
 - Note: We estimate the technical potential - price competitiveness and conformity assessments are not considered at this stage
 - Export potential for live animals, meat and processed livestock products is not analysed because Germany and the EU are net exporter of nearly all products in those categories

Methodology

Moldovan export potential is only possible for products for which ...

- Moldova is net exporter
- Germany and the EU are net importer

Step 1: Identification of crops and processed crops for potential exports to Germany (based on most recent FAO statistics from 2013)

- Significant harvested area in Moldova (min. of about 100 hectare)
- Export quantity higher than import quantity (= net exporter)

Step 2: For those identified products analyses of the trade position of Germany and the whole EU, especially direct trade between Moldova and EU countries

Data

Data sources:

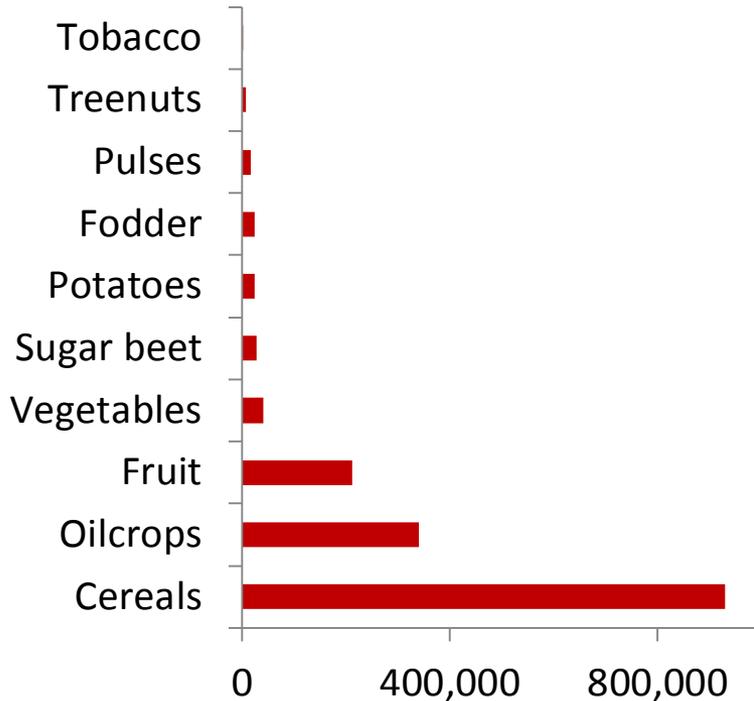
- FAO production and trade statistics
(<http://faostat3.fao.org>)
- EUROSTAT trade database COMEXT
(<http://epp.eurostat.ec.europa.eu/newxtweb/>)

Limitations:

- So far only one year analysed, one-off effects could bias results
- FAO statistics based on collected official data and estimates
- FAO data are from 2013, more recent data are still not available

Moldovan crop harvested area in 2013

Harvested area, 2013, hectare



Source: FAOSTAT

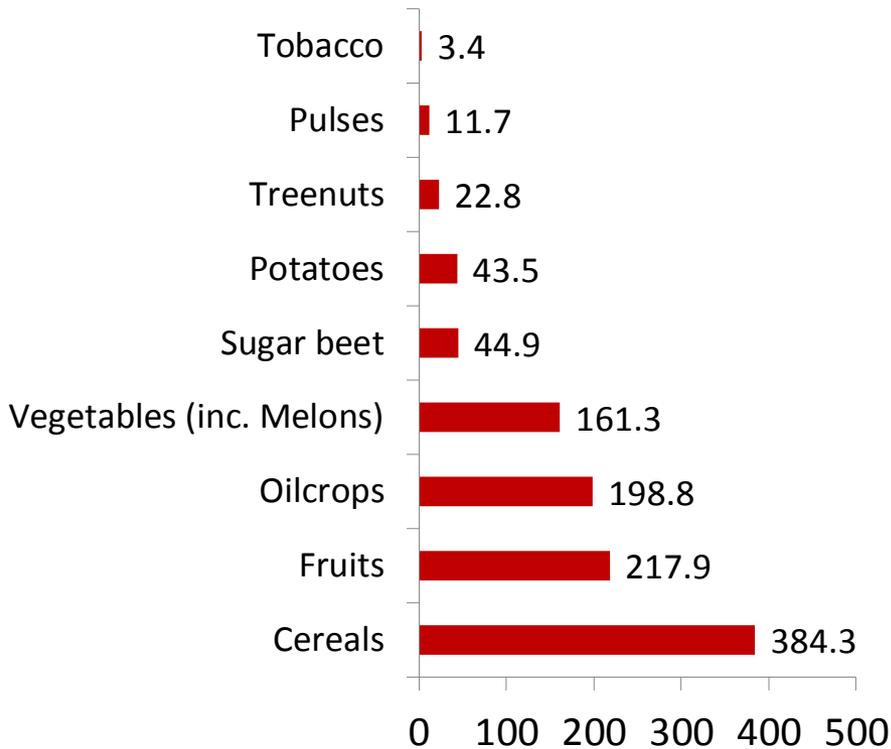
- We analysed 40 agricultural products with significant output
- More than 50% of Moldovan arable land is cultivated with cereals (mainly maize, wheat and barley)
- Oil crop production (20% of Moldovan arable land) is dominated by sunflowers
- Fruits accounts for 13% of Moldovan arable land. Grapes and apples dominate

However:

As production value per hectare differs from product to product, share in production value better indicator for assessment of export potential

Moldovan gross production value of crops in 2013

Production value, 2013, USD m



Source: FAOSTAT

- In terms of gross production value cereals have a smaller share (35%), followed by fruits (20%) and oil crops (18%)
- So the gross production value per hectare arable land is relatively low for cereals and oil crops
- But it is relatively high for vegetables, tree nuts, tobacco and fruits (labour intensive crops)

Result:

As a general rule Moldova should concentrate on labour intensive high value crops given Moldova's labour cost advantage

Five product categories analysed closer

Detailed analyses of export potential for these categories:

1. **Cereals** (wheat, maize, barley, rye, oats, millet, sorghum and buckwheat)
2. **Oil crops** (soybeans, sunflower seed and rapeseed)
3. **Fruits** (apples, pears, apricots, cherries, peaches, plums and grapes)
4. **Tree nuts** (almonds, walnuts and hazelnuts)
5. **Processed products** (wine, sunflower oil and cake, soybean oil, honey)

No detailed analysis of export potential for the following categories

- Potatoes (EU is net exporter, even for potato starch)
- Sugar beets (EU will increase production after the sugar quota era)
- Vegetables (Germany imports from other EU countries, e.g. Spain)
- Pulses (only small export quantity so far)
- Tobacco (only small export quantity so far)

Moldovan export potential for cereals (1)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Wheat	1,009	31%	312	4,388	21,778	No
Barley	219	57%	125	1,722	7,644	No
Maize	1,419	9%	132	-1,269	-7,510	Yes
Rye	2	0%	0	-93	194	No
Oats	3	0%	0	-270	194	No

Source: FAOSTAT

- Moldovan exports of cereals to Germany are only plausible if Moldova is net exporter and Germany/EU is net importer
 - No potential for wheat, barley, rye and oats
 - But potential for maize (30% of exports go to the EU, mainly to Italy and Poland, but actually no direct trade between Moldova and Germany)
 - 50% of Moldovan maize exports are traded with Switzerland, then it should not be any problem to export maize also to Germany

Moldovan export potential for cereals (2)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Millet	0.05	0%	0	-13	-49	Small
Sorghum	0.37	0%	0	-34	-320	Small
Buckwheat	0.04	0%	0	-1	-18	Small

Source: FAOSTAT

- Potential for exports of millet, sorghum and buckwheat, but only for small quantities
 - However production of millet, sorghum and buckwheat so far very low
 - Only sorghum is exported in small quantities
 - Germany and the EU are net importer of all three cereals, millet, sorghum and buckwheat, the highest import demand exist for sorghum
 - Roughly 40% of EU's imports of millet and sorghum come from Ukraine, buckwheat is imported mainly from Russia and China
 - Therefore potential for Moldova to increase production and exports to the EU

Moldovan export potential for oil crops

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Soybeans	65	19%	13	-3,596	-13,057	Yes
Sunflower seed	504	54%	274	-467	791	No
Rapeseed	43	100%	43	-4,476	-3,411	Yes

Source: FAOSTAT

- Moldova should focus more on the production of soybeans and rapeseed instead of sunflower seed
 - Soybeans are nearly only exported to Romania; especially for GMO-free soybeans could exist export potential to Germany
 - Nearly 75% of Moldovan rapeseed exports go to EU countries; already 2,000 tonnes are exported directly to Germany
 - Main destinations for almost 50% of Moldovan sunflower seed exports are Ukraine and Turkey; but also 94,000 tonnes are exported to EU countries although the EU is net exporter of sunflower seeds

Moldovan export potential for fruits (1)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Apples	307	63%	193	-563	669	Small

Source: FAOSTAT

- Almost 93% of Moldovan apple exports go to Russia and only few exports to the EU, especially to Romania (and also to Greece in 2015)
 - Although the EU is net exporter of apples, significant import demand occur during the months April to July, when apples are imported from New Zealand and South Africa (countries of the southern hemisphere with different production seasons)
 - During the rest of the year the EU is net exporter of apples, and Germany as large net importer within this net export region consumes apples from Spain and Italy
 - So significantly increasing export quantities might be only possible for Moldova during the period between April and July when apples are short in the EU but then apples are also not available in Moldova due to the same geographic location
 - Nevertheless potential for limited increase of exports to EU neighbouring countries

Moldovan export potential for fruits (2)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Pears	5	1%	0	-134	-16	Small
Apricots	10	28%	3	-53	0	Small
Cherries	9	36%	3	-64	-10	Small
Peaches & nectarines	17	26%	4	-272	262	No
Plums & sloes	56	50%	28	-48	-57	Small
Grapes	613	6%	34	-281	-425	Small

Source: FAOSTAT

- For grapes similar situation as for apples
 - Most of Moldovan exports go to Russia and Belarus, but since 2014 sharp increase of exports to Romania, other EU countries are still not important trading partners
 - EU imports grapes mainly from South Africa between December and April, but grapes in short supply during that time period in Moldova
- All other fruits are exported mainly to Russia, Belarus and Ukraine; exports to EU countries (especially Romania) are small

Moldovan export potential for tree nuts (1)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Almonds	0.7	0%	0.0	-77.0	-200.3	Yes
Walnuts	12.7	79%	10.0	-22.4	-67.7	Yes
Hazelnuts	0.4	0%	0.0	-61.4	-133.7	Yes

Source: FAOSTAT

- Production of walnuts by far exceeds the production of almonds and hazelnuts in Moldova, only walnuts are exported
- Nearly 80% of Moldovan exports already go to EU countries (e.g. 4,000 tonnes to France and 1,250 tonnes to Germany)
- Moldova is the third most important import country for Germany after Following the US and Chile (import share 5-7%)
- Potential to increase this share, if production increased

Moldovan export potential for tree nuts (2)

- Potential for exports of almonds to Germany
 - 58% of German imports of almonds are produced in the USA, but these are sweet almonds while bitter almonds are usually grown in Europe
 - Sweet and bitter almonds are not substitutes, so Germany needs to import both varieties
- Potential for exports of hazelnuts to Germany
 - 90% of German imports of hazelnuts are produced in Turkey, imports from Georgia and Azerbaijan are also relevant for the EU
 - Only few countries in the world produce almonds and hazelnuts at all so that another exporter could have potential for exports

Moldovan export potential for processed products (1)

Net trade balance (export quantity – import quantity in 1,000 tonnes), 2013

Product	Moldova production	Share net trade / production	Moldova net trade	Germany net trade	EU net trade	Export potential MD->GER
Wine	120	100%	120	-1,100	852	Small
Sunflower oil	33	100%	33	-133	-487	Yes
Sunflower cake	n.a.	n.a.	31	-146	-2,737	Yes
Soybean oil	2	100%	2	217	842	No
Honey	3	38%	1	-67	-145	Yes

Source: FAOSTAT

- 75% of Moldovan wine exports go to Belarus, Russia, Georgia and Ukraine
 - But also exports of small quantities to Germany (600 tonnes/year)
 - Germany net importer of wine, but export potential limited as EU is net exporter
 - German consumers currently prefer wine from Italy, France and Spain (about 75% of all German wine imports), as well as South Africa, the USA, Chile and Australia
 - Introducing wine from new origins difficult, requires sophisticated marketing strategy

Moldovan export potential for processed products (2)

- Exporting sunflower oil and cake instead of sunflower seeds could have more potential because the EU is net exporter of seed but net importer of oil
 - Moldovan sunflower oil is mainly exported to Italy and Greece, while most of the sunflower cake goes to Belarus and the Ukraine
 - Furthermore better transportability of oil due to its higher volume weight
- For Moldovan honey exports, Germany is the most important destination, potential for increasing exports if honey production can be increased in Moldova

Conclusions

- Moldovan export potential to Germany for following products:
 - Cereals: maize, limited potential for millet, sorghum, buckwheat
 - Oil crops: soybeans (GMO-free) and rapeseed
 - Fruits: rather limited potential for some various fruits, but some potential for the increasing exports of apples and grapes to Romania
 - Tree nuts: walnuts, but also for almonds and hazelnuts if production is possible
 - Processed products: honey and sunflower oil, sunflower cake also possible

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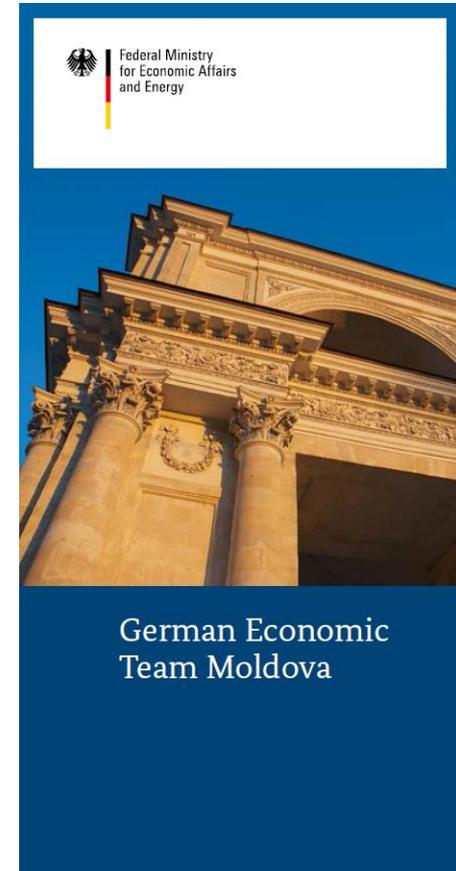
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