

## Export potential for agricultural products to the EU

Currently, the Moldovan agricultural sector produces ca. 40 different goods in significant quantities. If these products are exported at all, they are mostly exported to Russia and other CIS countries. However, trade statistics reveal that there is significant demand for agricultural imports in the EU and particularly in Germany. Therefore, a shift in the allocation of cultivation areas - also within product groups - would enable Moldova to realise significant export potential to the EU. Import demand for wheat and barley is weak in the EU. Thus, a shift towards maize, for which there is a strong import demand in the EU, could contribute to higher exports to the EU. Similarly, the export potential of soybeans and rapeseed is much greater than of sunflower seeds, which currently dominate oil crops cultivation in Moldova. An increase in vegetable exports remains fairly unlikely since EU import demand is seasonal. However, there is considerable medium run potential to expand nuts and honey exports to the EU.

### Background

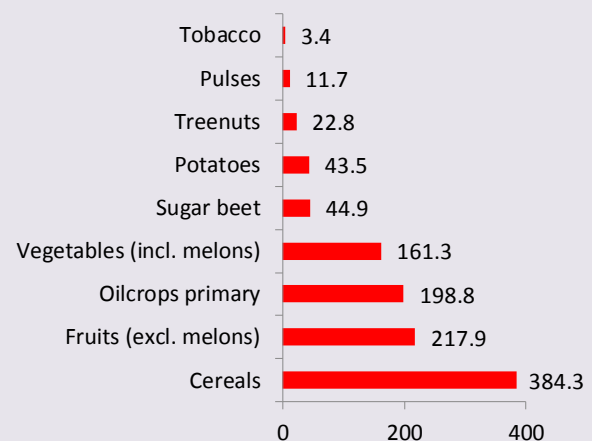
About 30% of the Moldovan labour force are currently working in the agricultural sector and thereby contributing 16% of the Moldovan GDP. Agricultural products amount to ca. 30% of total exports and therefore constitute the most important export sector. However, trade statistics indicate that these agricultural goods are – if at all – being exported almost exclusively to Russia and other CIS countries. Against the backdrop of uneasy trade relationships with some partners in the CIS, this unilateral dependence appears to be quite critical. Hence, we conducted a study to identify agricultural product categories with a potential for increased exports to the EU and to Germany. First, those product categories with a significant and sufficient production volume had to be identified. The analysis revealed ca. 40 different products. In the following we analyse for which of those goods there is import demand in the EU and in Germany. Of course the export potential assumes that the Moldovan goods remain competitive under given prices and are able to meet EU food quality and safety standards. Thus, products of animal origin are not considered here since the EU is a net exporter of these products and its imports are subject to strict standards.

### Cultivation structure

Currently, 57% of Moldova's arable land are used for cereal production (primarily maize and wheat), another 21% are used for oil crops cultivation (primarily sunflowers), and 13% are used for cultivation of fruits (primarily grapes and apples). The remaining arable

land serves the cultivation of vegetables, potatoes, sugar beet, pulses and nuts. However, the relative production value of these goods does not match the allocation of the entire cultivation area. Thus, labour-intensive crops such as vegetables, fruits and nuts have higher production values per cultivation area than cereals or oil crops. But in total, the Moldovan agricultural sector produces around 40 different goods in volumes that are either sufficient for future exports or already contribute to existing exports.

Production values in 2013, USD m



Source: FAOSTAT

### Export potential for cereals

At the moment, maize and wheat dominate cereal cultivation in Moldova, of which 9% and 31% were exported in 2013, respectively. Since the EU is a net exporter of wheat but a net importer of maize, there is export potential for maize to the EU which Moldova could utilise if some of the cultivation area could be re-allocated in favour of maize. In fact, already 30% of Moldovan maize exports are destined to Italy and Poland. Anyhow, Switzerland is currently the most important trading partner for maize, and a sufficient production volume would allow Moldova to diversify exports to Germany as well.

Although limited in terms of volume, there is import demand for millet, sorghum and buckwheat in the EU and in Germany. Currently, this import demand is covered by imports mainly from Russia, China and Ukraine. Moldova also cultivates these three crops, but the production volumes are currently too small to allow for exports. An increase in the cultivation of buckwheat, especially if it was ecologically certified, would most certainly bear export potential to Germany.

### Export potential for oil crops

The cultivation of sunflowers occupies almost 80% of the cultivation area allocated to oil crops. Although Germany imports sunflowers from Moldova, the EU is a net exporter of sunflowers. Still, Moldova exports a certain amount to the EU (primarily to Romania and the UK), but the major share of sunflower exports is destined to Ukraine and Turkey. Thus, it appears that there is only limited export potential to the EU and Germany. However, increased domestic processing of sunflowers in order to export sunflower oil would have much greater export potential since the EU imports large amounts of sunflower oil, which is also more transportable. However, Moldova already exports sunflower oil to Italy and to Greece. Also, the EU, in particular the animal feed industry, has a strong import demand for the press cake that remains after the cold-pressing of the oil, so that this by-product could not only be exported to Belarus and to Ukraine but also to the EU.

Alternatively, sunflower cultivation could be reduced to allow for increased cultivation of rapeseed and soybeans. For both goods significant export potential to the EU and to Germany has been identified. Cultivating GMO-free soybeans would even allow for substantial price mark-ups.

### Export potential for apples and grapes

As with vegetables and other fruits (i.e. cherries, plums and peaches), 90% of Moldova's apples and grapes are exported only to Russia and other CIS countries. Romania is the only EU country that imports apples and grapes from Moldova. But export potential for these two goods to the EU and to Germany remains rather limited as the EU generally holds a net export position with apples and there is only seasonal import demand between April and July. This seasonal import demand is covered by southern hemisphere countries such as South Africa and New Zealand. Of course, due to its geographical location in the northern hemisphere, Moldova is not able to utilise this (seasonal) large-scale export potential. Hence, there would at most be some export potential to nearby EU countries if there is a comparative advantage regarding transportation cost relative to the EU countries Spain and Italy, which have an apple production surplus.

Regarding grapes, the situation appears to be quite similar. Again, when there is seasonal import demand in the EU, which is generally supplied by South Africa, Moldova would not be able to contribute due to the climate restrictions mentioned above. However, grape exports to Romania have been increasing since 2014.

### Export potential for nuts and honey

For walnuts the situation is comparatively promising. Following the US and Chile, Moldova is the third most important source of walnut imports in Germany and covers 5-7% of German walnut import demand. Although hazelnuts and almonds are also produced in Moldova, they are not being exported. But for all three goods significant export potential to the EU could be identified. The picture is also similar for honey, which is already being exported to Germany quite successfully.

### Policy recommendations

A targeted shift in production volumes through re-allocation of cultivation areas would allow for a significant increase in agricultural exports to the EU and to Germany. The cultivation of wheat should be reduced in favour of maize. Rapeseeds and soybeans bear greater export potential than the currently dominant sunflower seeds, which in particular should be considered for domestic processing in order to export sunflower oil and sunflower cake, as these products are likely to have greater export potential than unprocessed sunflower seeds. Nuts and honey also have substantial export potential, but the utilisation of this potential is limited as production capacities cannot be significantly increased in the short run. In addition to exploiting the export potential of agricultural commodities, economic policy should explicitly target the increase of domestic processing capacities for Moldovan agricultural commodities.

### Author

Carsten Holst, cholst@uni-goettingen.de

Note: A more comprehensive analysis of the topic is provided by the Policy Briefing PB/03/2016 "Moldova's export potential for crops and processed crops to Germany and the EU"

Available at: [www.get-moldova.de](http://www.get-moldova.de)

### German Economic Team Moldova (GET Moldova)

GET Moldova maintains a dialogue on economic policy with decision-makers of the Moldovan government since 2010. It is funded by the Federal Ministry of Economic Affairs and Energy within the framework of the successor of the TRANSFORM programme of the German government.

### Editors

Dr Ricardo Gucci, Jörg Radeke

### Contact

German Economic Team Moldova  
c/o Berlin Economics  
Schillerstraße 59  
D-10627 Berlin  
Tel: +49 30 / 20 61 34 64 0  
Fax: +49 30 / 20 61 34 64 9  
info@get-moldau.de  
[www.get-moldau.de](http://www.get-moldau.de)