**Trends of Agro-industry**

Moldova is a landlocked and lower middle income country with GNI per capita as of US$ 1,560 in 2009. Total number of population is 3.6 million inhabitants of which 59 percent live in rural area, and the annual population growth is -0.83 percent. Moldova experienced a stable economic growth with an average of the real GDP growth by 6.4 percent between 2000 and 2008. As a result of the global economic crisis, GDP growth sharply declined to -6.5 percent in 2009 and started gradually recovering from 2010. The economy was, and remains, heavily dependent upon remittances. The agricultural sector contributed with 10 percent of value added to GDP and employed around one-third of the total labour force in 2009. Agricultural productivity is still low and many farm plots are very small and inefficient. Manufacturing industry generated 12.5 percent of GDP with a sharp annual decline by -22.4% in 2009, employing 6.8% of labor force or 82% of industrial labors. The economy remains non-diversified with almost 40% of exports deriving from agriculture or agro-processing and more than one-third of exports directed towards Russia and the western CIS countries.

**Food and Beverages Demand**

Between 1999 and 2004, Moldova’s economic recovery moved 40 percent of the population out of poverty. Yet, there is 29% of population whose consumption is under US$ 4.3 per day per person (to PPP) and 4% is below the extreme poverty line in 2010. A share of total household expenditure for food has slightly decreased to 40.8% in 2009 compared with 44% in 2006. The share of foodstuffs and non-alcoholic beverages of total expenditures between urban and rural population was 38 and 44 percent, respectively, in 2009. Moldova is the biggest producer of organic agro-food products among CIS countries accounting 1.3% of total agricultural land at 168 farms. The main organic products cultivated are peaches, grapes, soy and walnuts with a trend in cultivating cereals (about 579 % in 2009) and oilseeds and protein (47.2%).

**Food and Agriculture Organization of the United Nations**

Regional Office for Europe and Central Asia

**Agro-industry Outlook**

The food and beverages industry forms a large part of the economy, generating MDL 9.3 billion (US$ 0.8 bln), that represents 51.2 percent of manufacturing output or 15% of GDP in 2009 declined by 21 percent to the 2008 level. It employs 31.7 thousand people (or about 37 percent of manufacturing labor force) working at 1,478 enterprises (or about 34 percent of total number of manufacturing enterprises), most of which are private enterprises. Labour productivity is unstable and has dropped down by 10% in average but grown sharply (+39%) in sectors of animal feeds and tobacco in 2009. Investments in fixed capital accounted 56% of GFCF in manufacturing with a sharp decline by 45% to 2008. The F&B industry performance is not stable over time in terms of output and investments but stable in employment share. Important subsectors include wine and cognacs production, canned fruit and vegetables and vegetable oil production. Moldova disposes of 15.1 thousand vine hectares and produces 14.7 million deciliters of wine and cognacs at 193 enterprises, 97% of which are privately owned. The wine-making production was exported to 55 countries of the world accounting about US$ 0.2 bln. The fund for supporting planting of grapes will be increased by 20% annually during 2010-2012. It is expected that wine production will be excise exempt from 2012. A production advantage is in high value fresh vegetable, fruits and walnuts production and packing and concentrated apple and grape juices. Domestic retail market is underdeveloped and fragmented. Retail trade of food products generated MDL11.3 bln (US$ 1bln) in 2009 sharing 35.3% of the total retail turnover.

**Chart 1: Food and Beverages Industry Performance**

**Chart 2: Products Output Share, 2007**

**REPUBLIC OF MOLDOVA**

<table>
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<tr>
<th>Key Economic Indicators</th>
<th>2009</th>
<th>Food and Beverages Industry</th>
<th>2009</th>
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<tr>
<td>GDP, US$ billion</td>
<td>5.4</td>
<td>Output, % of manufacturing</td>
<td>51.2</td>
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<td>Manufacturing VA, % of GDP</td>
<td>12.5</td>
<td>Value Added, % of manufacturing</td>
<td>37.8</td>
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<td>Agriculture VA, % of GDP</td>
<td>10.0</td>
<td>Enterprises, % of manufacturing</td>
<td>33.9</td>
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<td>Employment in Agric., % of total labor</td>
<td>28.2</td>
<td>Employ, % of manufacturing</td>
<td>36.6</td>
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<tr>
<td>Gross Fixed Capital F., % of GDP</td>
<td>25.8</td>
<td>Investments, % of manufacturing</td>
<td>56.0</td>
</tr>
<tr>
<td>FDI net inflows, % of GDP</td>
<td>2.4</td>
<td>FDI inflows, % of total FDI inflow</td>
<td>n/a</td>
</tr>
<tr>
<td>R&amp;D, % of GDP</td>
<td>0.55</td>
<td>R&amp;D, % of Output</td>
<td>n/a</td>
</tr>
<tr>
<td>Merchandise Trade, % of GDP</td>
<td>84.5</td>
<td>Net Trade, US$ million</td>
<td>80</td>
</tr>
<tr>
<td>Merchandise Exports, US$ billion</td>
<td>1.29</td>
<td>Exports, % of merchandise exp</td>
<td>24.5</td>
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<tr>
<td>Merchandise Imports, US$ billion</td>
<td>3.28</td>
<td>Imports, % of merchandise imp</td>
<td>7.2</td>
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<tr>
<td>Global Merchandise Exports rank</td>
<td>133</td>
<td>Exports annual growth, %</td>
<td>-11.9</td>
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</table>

**Agro-industry National Policy Framework**

**National Development Programme.** The key documents setting out the Government policies for the country, agriculture, rural and agro-industry development include: (i) National Strategy of Development and an Action Plan for 2008-2011; (ii) the National Strategy for Agro-industrial Complex Sustainable Development and an Action Plan for 2008-2015 with forecast overall budget around MDL 9.5 billion; (iii) the Concept on the subsidisation system of agricultural producers for 2008-2015; (iv) the Economic Stabilization and Recovery Program for 2009-2011; (v) the National Strategy for Regional Development; (vi) the Programme of Recovery and Development of Viticulture and Winemaking for 2001-2020; (vii) the Concept on the development of the sugar beet complex up to 2015; (viii) the National Programme for the development of walnut cultivation up to 2026; (ix) the National Programme on organic agri-food production; (x) the Strategy for Investments Attraction and Export Development; (xi) the National Strategy for Consumer Protection 2008-2013.

Moldova has with the EU a Partnership and Cooperation Agreement since 1998 with an ENP Action Plan from 2005. Together with the UN organisations the country elaborated UNDAF for 2007-2011.

In 2003 the National Federation of Employers in Agriculture and Food Industry of the Republic of Moldova was established. In 1997 the Central Agricultural Market Information Bureau was created. In 2009 the Government of Moldova decided on close-down of Moldavian Vin Agro-industrial Agency and delegating its functions to the Ministry of Agriculture and Food Industry.

Trade Liberalization, WTO Accession and Trade Performance

Trade Regulation. Moldova has a liberal trade regime. As of January 2010 the Customs Service of Moldova comes under the Ministry of Finance and its modernization is in line with the WTO and the EU standards. Exports have no taxes or any other restrictive measure. There are no quotas, prohibitions or other restrictions on export. Import taxes are settled by Law no. 3808 of 20.11.1997 on Custom Tariff and are applied within the limits of bound taxes negotiated within WTO. Tariffs with CEFTA parties and EC countries are 0%. Imports duties include import VAT of 20%, and products such as tobacco and alcoholic beverages are subject to excise tax.

There are 8 free economic zones operating in Moldova. Moldova has an extensive network of 42 Free Trade Agreements (FTA) with CIS countries and countries from South Eastern Europe and has been granted access to the EU GSP+ and trade preferences with USA and Japan. According to the Regulation of the EC on Granting Autonomous Trade Preferences Moldova benefits from free access on the EU market without customs duties and tariff quotas applied to all goods, except some agricultural products for which limited concessions in the form of tariff quotas or reduction of customs taxes.

WTO accession. Moldova has been a member of WTO since Jul 2001 and an observer to the Agreement of Government Procurement (GPA) accession with 0.018 percent of contribution to WTO budget in 2011. Simple average of imports duties for agricultural goods applied in 2009 were 10.7 percent.

Trade Performance. Moldova has been experiencing a trade deficit of merchandise products decreased from US$3.3 bn in 2008 to US$2.8 bn in 2009. Apparently, Moldova has been a net food and beverages exporter over time. Processed F&B products are the largest export groups that accounted 7.2 percent of total merchandise exports and 24.5 percent of total merchandise exports in 2009 with negative annual export growth about -12% in 2009. The main exported products are: petroleum oils and gas and motor cars. The main exports products are beverages, wine, cognac etc., walnuts, fruit&vegetables products and safflower oil. Moldova is the 4th largest exporter of shelled walnuts in the world and ranking 45th in alcoholic beverages. Approximately 95% of alcohol produced in Moldova is exported, 78% of which are exported to Russia, Belarus and Ukraine.

Top destinations for F&B products: Russia (32%), Belarus (17%), Ukraine (11%) and Romania (10%);

Top origins for F&B products: Ukraine (33%), Russia (22%), Romania (8%) and Belarus (4.6%) in 2009.

Foreign Direct Investments

Regulation. Law on the Law on Investments in the Entrepreneurship Activity (2004) provides the legal basis for foreign investment in Moldova. There are no legal distinctions between foreign and domestic companies, no screening process for foreign companies and no limitations on ownership of a domestic company or a joint venture.

In 1999 there was Moldovan Investment and Export Promotion Organisation under the Ministry of Economy established. Moldova has signed 38 Agreements on Promotion and Protection of Mutual Investments.

According to the WIR 2009 Moldova was considered as a country having middle relative importance in agriculture and low importance in manufacturing.

FDI inflows. In 2009 Moldavian FDI inflows accounted 2.4 percent of GDP in 2009 sharply declined by 82% to the 2008 level after experiencing 6.6% of average annual growth since 2000 and not reaching the level of 2005. The vast majority of FDI is directed to financial sector (22%), retail trade (19%) and manufacturing industry (18%) with major investors are: the Netherlands (18%), Cyprus (14%), Italy (11%) and Russia (8%). In F&B industry FDI is directed to sugar processing (Russia and Germany), oil production (USA), fruit&vegetables processing (USA and Germany) and walnuts (Greece and Austria).

Business Environment and Competitiveness

Business Environment. According to the Doing Business Report 2011 Moldova has through business reforms improved in starting business, paying taxes, getting access to financing, protecting investors – 109, getting credit – 99, and starting business – 106 (down by 16). The TR on “the Production, certification, control and marketing of viticulture products and processing material” (effective from 2009) is based on the EC regulations. Moldova has developed and implemented 90 technical Regulations out of which 50 are in line with the European normative acts. Moldova has registered 11 wines by their region of origin with the European Union.

Taxation Relieving. The tax burden on companies was eased by lowering the social taxes and the corporate income tax to 0% in 2011, but it is expected to be 10% from 2012 by imposing a fine of 15% for under-reporting taxable income. General 20% VAT is reduced to 8% on bakery and dairy products, sugar, certain pharmaceutical products, certain phyto-technology, horticultural and zootechnical products. Refunds of VAT are incurred on capital investments. Moldova is also a party to 44 double tax treaties.

Competitiveness. According to the Global Competitiveness Report 2010-2011 Moldova is at the first stage of development, it got 94 overall Global Competitiveness Index among 139 countries, having the most five problematic factors of doing business as follows: policy instability, access to financing, corruption, inefficient government bureaucracy and government instability/coups.

Food Safety, Certification & Quality Control


The Law on Accreditation and Conformity Assessment Activities has been drafted as well a number of TRs on products have been drafted. In 2010 rules on food of animal origin and on hygiene for food were adopted.

Moldova is aiming to bring safety standards to international level and elaborated an Action Plan with an estimated funding for SPS capacity building for 6 years is US$9.7 mn.

Certification. The National Standardization Body has approved the National Program for Adopting the International and European Standards as Moldavian Standard, where, in general, 882 national standards identical to ISO/CEI and 525 national standards identical to European standards EN have been already adopted. The TR on “the Production, certification, control and marketing of viticulture products and processing material” (effective from 2009) is based on the EC regulations. Moldova has developed and implemented 90 technical Regulations out of which 50 are in line with the European normative acts. Moldova has registered 11 wines by their region of origin with the European Union.

Chart 3: Food and Beverages Trade Performance over time

Chart 4: Share of Exported Product Groups of F&B in total exports, in 2009