

Republic of Moldova – Impact and Implications of the 2007 Drought

Summary of Preliminary Findings and Recommendations by the FAO/WFP
Crop and Food Security Assessment Mission
Chisinau, 22 August 2007

1. As reported by the Ministry of Agriculture, drought and other climatic events have severely affected Fall 2006 and Spring 2007 crop production and other aspects of the agricultural sector. Latest production estimates are presented below:

Crop	Total area 2006	Total production 2006	Total Area 2007	Estimated production 2007	2007 as % of 2006
	(000) ha	(000) tons	(000) ha	(000) tons	
Winter wheat	290.2	968	305	431.2	44.5
Winter barley	39.4	73.4	54	71.03	96.8
Spring barley	69.3	126.7	72.3	63.6	50.2
Peas	17.8	33.8	17.5	12.1	35.8
Corn	459.3	1322.2	481.3	364.6	27.6
Sunflower	287.4	379.9	231.6	108.5	28.6
Sugarbeet	42.4	1173	34.6	566	48.3
Soya	55.7	79.8	50.5	37.2	46.6
Tobacco	3.5	4.9	3.1	1.6	32.7

2. This has been an extreme, but not isolated situation; it may recur, even if on a smaller scale.
3. The reduced yields in Fall and Spring crops have affected farming on a larger scale, and drastically reduced the returns to land leased by the majority of small holders, in terms of wheat, corn, oil. The drought and reduced availability of water have also sharply reduced household production from home gardens, a mainstay of food source for virtually all rural families.
4. The lack of pasture and fodder, and the need to purchase increasingly expensive food (no longer produced in home gardens) has forced a large number of people to sell part of their livestock, especially cattle, but also pigs, and sheep.
5. For small holders, the financial impact of the drought has been felt mostly through a reduction in food available from home garden production, having to pay higher prices for food, and the loss of savings, food and income source from livestock. The forced sales of a cow, for example, amounts to losing the net present value of milk and offspring over several years.
6. Sharply reduced yields in winter cereals and in summer crops (with a nearly total loss of corn, significant losses in sunflower and sugarbeet) have severe financial implications.
7. Many of the small farmer associations and limited liability companies had borrowed from banks, Savings and Loans Associations, and from input suppliers, to finance purchases of

seeds, fertilizer, pesticides and plowing services. There is a significant amount of debt outstanding.

8. Loans must be re-scheduled, otherwise a failed cropping season may be followed by a delayed or sharply curtailed one.

9. In addition, many smallholders financed production from their own resources, or with funds provided by relatives working abroad. These people have no access to the financial and insurance sectors and the burden of risk from crop failure rests largely on them.

10. The reduction in domestic cereal production has been significant. Total requirements can be met through commercial imports from the region, but this implies that people must have access to this total supply of wheat and corn.

11. The fate of the grape and wine sector remains unclear; wine companies have had difficulty selling their output, and the purchases of grapes from last year are yet unpaid; it is not clear whether they will be able to purchase this year's lower production, even if it is of good quality.

12. A number of measures must be taken to ensure the success of the upcoming agricultural season, and the food security of the population over the next year. In the short term:

13. National requirements for winter season cereal seeds (mostly wheat, barley, rye) must be met, and be made available to farmers. Any requirements in seed for Winter forage crops must also be provided for.

14. Other essential inputs must be provided, through the financial sector for LLCs and associations which have repaid/rescheduled their loans, and on a grant basis for smaller associations and small holders which are not integrated into the formal financial markets.

15. The Government should also take action to relieve the tax burden on most vulnerable groups, through tax holidays on land taxes, taxes on economic activity in rural areas, and remove import duties on all imported essential food items.

16. Livestock feed, concentrate and other essential feed items must be provided on a subsidized basis to smallholder households, to avoid further destocking of the national herd.

17. The current system of social protection must be expanded to include the people who will be falling into the vulnerable category, because of a combination of reduced agricultural incomes, loss of household savings and higher prices for food and other essentials.

18. This system includes allowances to vulnerable families; these allowances should be raised. In addition, school lunches for school children in grades 1-4 should be provided without financial contribution from the population. Resources allowing, school lunches could also be provided to school children in higher grades.

19. Iron deficiency is prevalent. Importing fortified cereals, or fortifying cereals in local processing plants would help address this problem.

20. Depending on the severity of the crisis, local governments should also provide free meals, using the same school canteen facilities, to the most vulnerable families.

21. Public work opportunities for casual labourers who have lost income must be provided.

22. In the medium term:

23. The national herd must be rebuilt by providing smallholders with highly subsidized breeding stock, especially cattle and pigs. Animal husbandry for other species, currently raised by a minority of farmers, should be promoted (e.g. rabbits).

24. Improved seed production and multiplication will have to be expanded; at the same time, a mix of suitable, economic and risk-minimizing crops must be defined. For example, due consideration given to crops which perform well in both normal and dry years (e.g. red sorghum, for livestock feed).

25. The crop mix for home gardens must also be diversified, and upgraded. Smallholders (for home gardens) must have access to information and genetic material to reduce their risk of loss from unfavourable weather.

26. In areas where there are sufficient groundwater resources, home garden production should benefit from greater and more efficient access to water resources (e.g. hand pumps).
27. At the same time, rainwater harvesting at the household level must be developed further, especially in areas with relatively scarce groundwater resources.
28. To reduce risk from weather events, better food security monitoring and early warning tools and systems must be established.
29. In the longer term:
30. The sustainable strategy for the agricultural sector, including proper farming practices, crop mixes, and efficient use of the natural resource base, including water, must be prepared and implemented. Technical assistance will be available from FAO and can also be expected from other interested donor agencies.
31. The financial sector remains poorly developed; the agricultural insurance sector is even more basic (see, for example, World Bank Report 2006). Efficiency in agriculture will require that more LLCs, farmers' associations and individuals have easier and less expensive access to credit.
32. As far as smallholders are concerned, the capitalization of the credit fund managed by the National federation of farmers, with ACSA technical assistance, could be increased by donor contributions. In any case, the credit fund should be insured (at least partially) against losses from weather-related disasters.
33. Better and more widespread agricultural insurance, including weather-indexed insurance, must be developed. It will reduce the risk of lending and therefore, lower the cost of borrowing. Properly combined with the financial sector, it will also provide the means to compensate people for losses due to disasters, and lower the burden on all segments of the economy.