

PUBLIC SUPPORT TO AGRICULTURAL PRODUCERS IN THE REPUBLIC OF MOLDOVA – TRENDS AND RECOMMENDATIONS

*Eugenia LUCASENCO¹, scientific researcher,
National Institute for Economic Research*

Agricultural sector of the Republic of Moldova represents an important generator of working places, having an about 10% share in GDP, while the exports of agri-food products have a share of over 40% of the total exported goods of the country. Therefore, the public support to agricultural producers engaged in the production and marketing of agri-food products is of particular importance for the development and enhancement of competitiveness of the sector. The paper aims to provide an analysis of the main post-investment measures subsidized during the period 2010 – 2019. The research methods used for this purpose is the analytical, comparative and descriptive, being focused on study and compilation of reports of the Agency of Intervention and Payments in Agriculture. The use of these methods allowed to develop an analysis on the recent trends in public support in relation to post-investment subsidies and provide a series of recommendations.

Key words: *subsidies, public, support, Republic of Moldova*

JEL classification: *Q18*

Introduction

During the period of 2010 – 2019, the total value of the National Fund for the development of agriculture and rural environment has increased from 400 mil. MDL to 950 mil. MDL. At the same time, the number of received applications for accessing subsidies increased from 1906 in 2010 to 7505 in 2019, with a figure of 4477 unique agricultural producers, beneficiaries of subsidies in 2019.

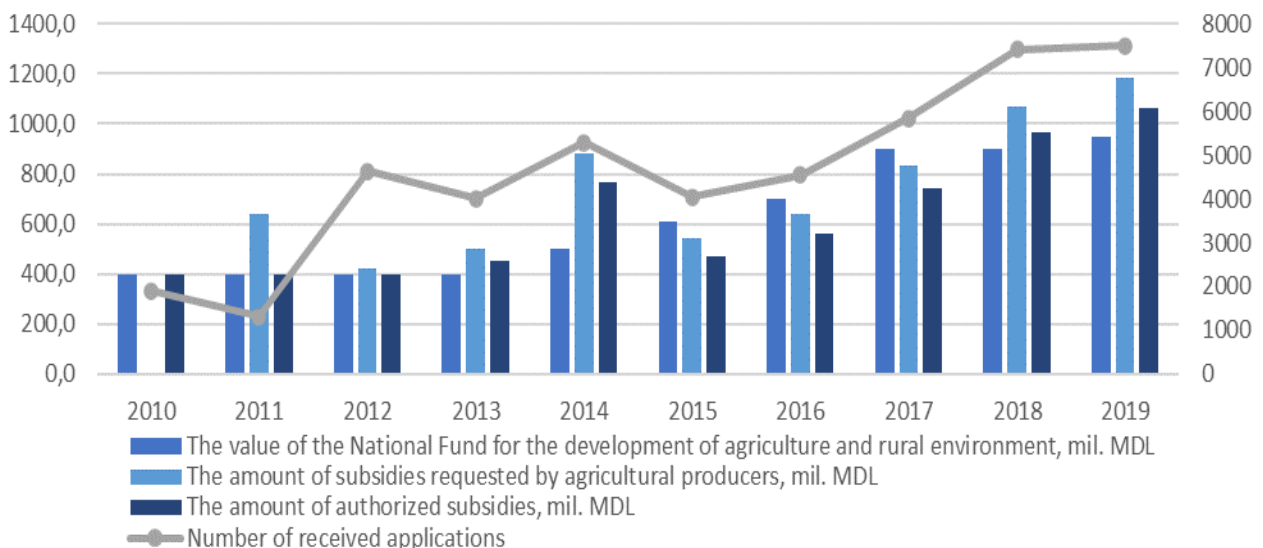


Figure 1. Main results on the subsidies allocated to the agricultural sector

Source: AIPA reports, 2010 – 2019

¹ © Eugenia LUCASENCO, eugenia_lucasenco@yahoo.com

The current subsidy program is based on three priorities, which are in turn composed of measures and sub-measures. Over the analyzed period, the highest shares of authorized subsidies belong to reimbursements for quite expensive investments carried out in procurement of conventional agricultural machinery and equipment (sub-measure 1.3), development of post-harvest and processing infrastructure (sub-measure 1.6) and investments for the establishment, modernization and deforestation of multiannual plantations, including vineyards and fruit plantations (sub-measure 1.2).

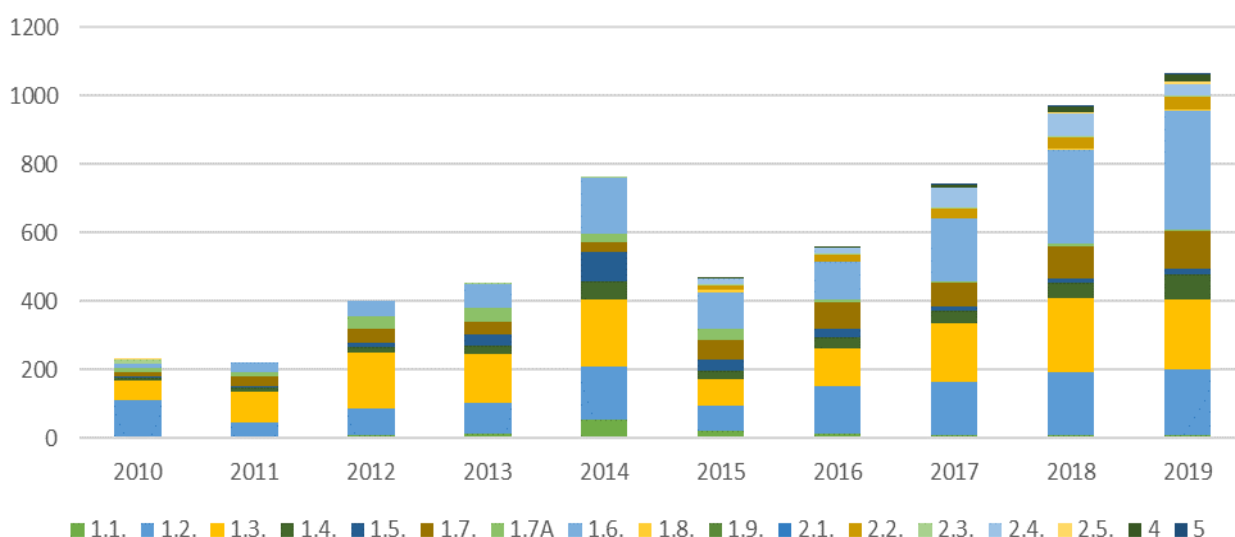


Figure 2. Amount of authorized subsidies, mil. MDL

Source: AIPA reports, 2010 – 2019

Therefore, the paper aims to provide an analysis of the main post-investment measures (sub-measures) subsidized during the period 2010 – 2019.

The primary data used for carrying out the assessment are the annual reports of the Agency for Intervention and Payments in Agriculture, supported by the regulatory acts and laws.

The paper has been developed in the framework of the National Scholarship Program supported by the World Federation of Scientists.

Results and discussions.

The crop production sector is more favored by the current subsidy program rather than the livestock sector, the last one being directly emphasized within 3 sub-measures: 1.4. Stimulating investments for the equipment and technological renovation of livestock farms; 1.5. Stimulating the procurement of breeding animals and maintaining their genetic background, and 1.6.4 Primary processing, packaging, refrigeration, freezing and storage of meat, processing, packaging and storage of milk, and analysis of honey.

Within the most popular sub-measure 1.3. Stimulating investments for the procurement of conventional agricultural machinery and equipment, the subsidy is granted for the purchase of tractors, combines, other agricultural machinery and equipment with a production year of not less than two years prior to the subsidy year (GD 455, 2017). It records one of the highest shares in the total allocated subsidies, registering an increase of allocated sums by 3.5 times during 2010 – 2019. The number of applications is also increasing within this period, thus, in 2019, about 98.2% of submitted applications have been authorized for receiving subsidies. The number of subsidized

agricultural equipment has increased from 482 units in 2010 to 2787 units in 2019, while of subsidized agricultural machinery – from 576 units in 2010 to 841 in 2019.

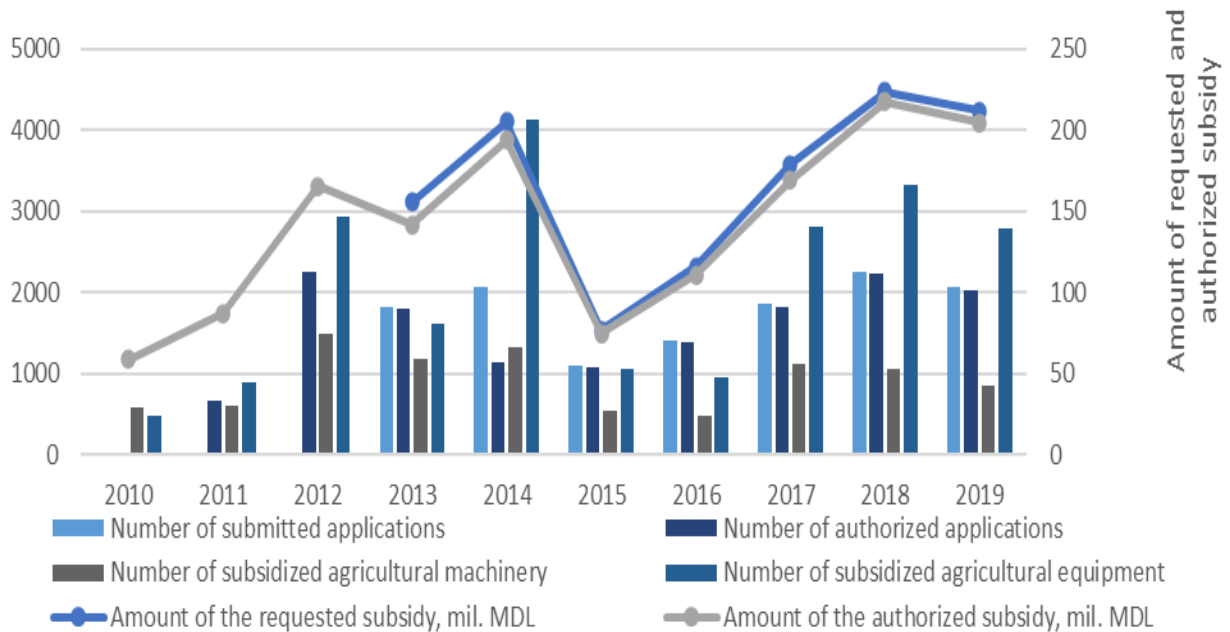


Figure 3. General data on sub-measure 1.3 - Stimulating investments for the procurement of conventional agricultural machinery and equipment

Source: AIPA reports, 2010 – 2019

The next most popular measure in terms of received applications and request for subsidies is sub-measure 1.2 Stimulating investments for the establishment, modernization and deforestation of multiannual plantations, including vineyards and fruit plantations. Within sub-measure 1.2., support is provided for establishment of fruit plantations, including nut crops, vineyards, berries and strawberry plantations, aromatic crop plantations. Other directions of support are focused on deforestation of multi-annual plantations, installation of anti-hail and anti-rain equipment in plantations, installation of modern support systems in multiannual plantations. During 2010 – 2019, within the sub-measure 1.2. P Stimulating investments for the establishment of orchards and fruit plantations, the amount of authorized subsidies has experienced some fluctuations (58.6 mil. MDL in 2010 and 69.3 mil. MDL in 2019). The maximum value was reached in 2014 (94.3 mil. USD), while the minimum – in 2011 (24.85 mil. MDL). The total area of established orchards and fruit plantations has increased from 2603 ha in 2009 to 3493.1 ha in 2019. The highest shares in orchard varieties were held by seed orchards (during 2011 - 2014), while in the recent years there is noticed a change in the trend in the favor of walnuts and stone fruits orchards. In the last years, even if the established areas of orchards are less than during the period of 2012 – 2014, they are more intensive and product oriented.

The sub-measure 1.2. D Deforestation of unproductive perennial plantations was introduced in the subsidy program in 2014 in order to stimulate producers to pass from low productive orchards and vineyards to new or intensive ones. Thus, during 2014 – 2019 there is noticed a considerable increase in the amount of authorized subsidies (by 6.3 times), as well as in the number of applicants. Beneficiaries of subsidies have deforested more vineyards than orchards in the last 3 years, both of number of hectares increasing in the analyzed period.

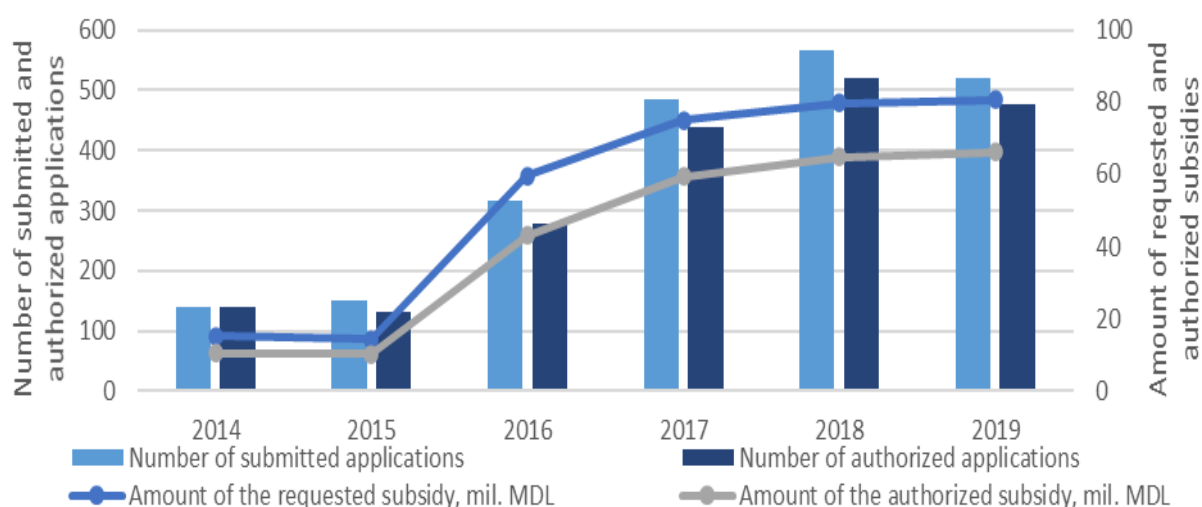


Figure 4. General data on sub-measure 1.2. D - Deforestation of unproductive perennial plantations

Source: AIPA reports, 2010 – 2019

On an upward trend is the sector dedicated to processing and post-harvest infrastructure, as a part of increasing the competitiveness of the agricultural sector by focusing on high added value products. Within the sub-measure 1.6. Stimulating investments for the development of post-harvest and processing infrastructure, support is granted for partial compensation for the purchase, with full payment, of new technological equipment and machinery, including construction materials. This subsidy direction is in the top 3 sub-measures with the highest amounts of allocated subsidies. During 2010 – 2019, the amount of authorized subsidies increased by 22.4 times, from 15.6 mil. MDL to 349 mil. MDL. In 2019, about 93% of submitted applications have been authorized for receiving subsidies.

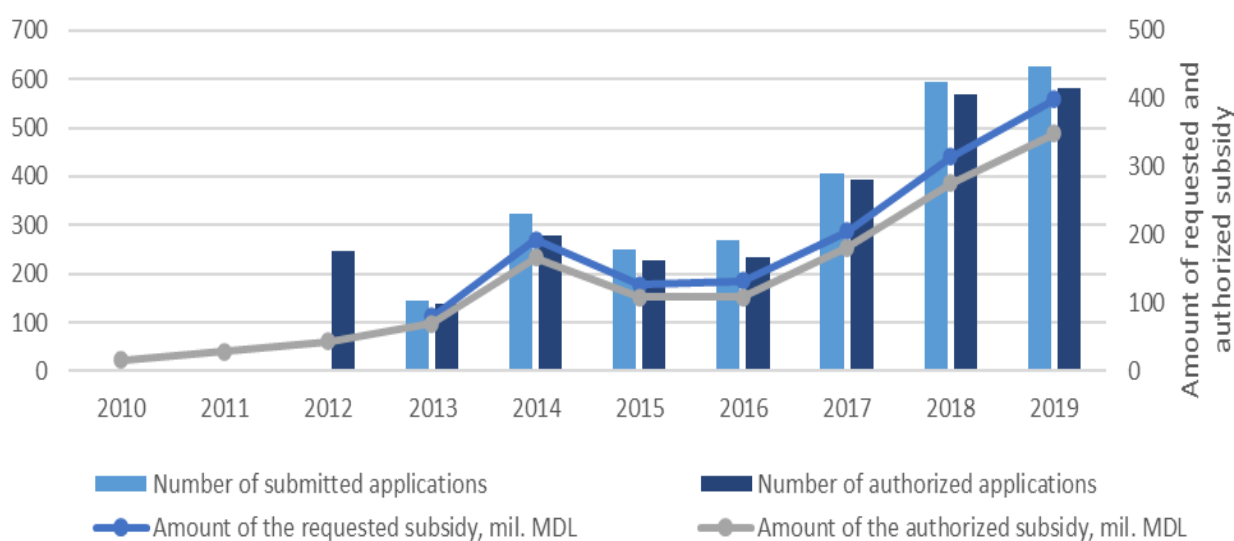


Figure 5. General data on sub-measure 1.6. Stimulating investments for the development of post-harvest and processing infrastructure

Source: AIPA reports, 2010 – 2019

At the same time, when analyzing the purpose of investment, one can note the significant share intended for equipment for processing vegetable productions and refrigerators and packing houses. An insignificant number is noticed for equipment for processing animal production.

For the crop production sector, sub-measure 1.1 is intended for stimulation of investments for the production of vegetables and fruits on protected land (winter greenhouses, solariums, tunnels). The support is provided for the partial compensation of the cost of new greenhouse, solar, tunnel, equipment, machinery, construction and roofing materials for greenhouses, solariums and tunnels purchased from two previous subsidy years and put into operation in the subsidy year (GD 455, 2017). During 2010 – 2019, the amount of authorized subsidies varied from 2 mil. MDL in 2010, to 7.2 mil. MDL in 2019, reaching the maximum values of 54.5 mil. MDL in 2014.

On the other hand, the livestock sector has two main sub-measures intended for enhancing its competitiveness. Sub-measure 1.4. Stimulating investments for the equipment and technological renovation of livestock farms aims to support endowment and modernization of the livestock farms, including the construction / reconstruction of the livestock farms of cattle, pigs, sheep and goats. During 2010 – 2019, the amount of approved subsidies has registered a considerable increase by 12.3 times. At the same time, the number of applications is also increasing, thus, in 2019, about 93.6% of submitted applications being authorized for receiving subsidies. The increase in authorized sums has materialized in increasing number of renovated / modernized farms (from 20 in 2010 to 251 in 2019). Till 2017, the number of modernized or renovated cattle farms prevailed over the other types of farms, while since 2017, there is noticed a boost in the number of bee farms.

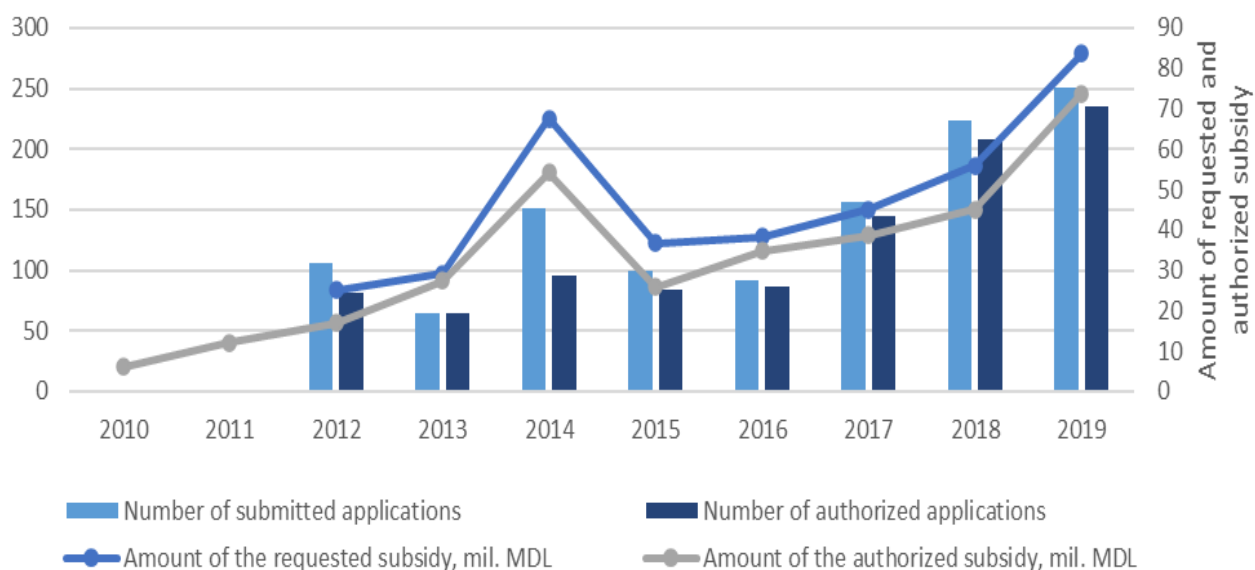


Figure 6. General data on sub-measure 1.4. Stimulating investments for the equipment and technological renovation of livestock farms

Source: AIPA reports, 2010 – 2019

Within the sub-measure 1.5. Stimulating the procurement of breeding animals and maintaining their genetic background, the support is granted for the partial compensation of the investment in the procurement of breeding animals from breeding farms included in the Nomenclature of breeds, types and crossbreeds of animals, approved in the Republic of Moldova (GD 455, 2017). Therefore, the year of 2014 recorded the highest values of authorized subsidies - 86 mil. MDL, being followed by a declining trend till 2017. If till 2015 the most subsidized animals

were pigs and sheep and goats, then, starting with 2016 their shares in the total number of subsidized animals in slowly diminishing leaving place for bee families.

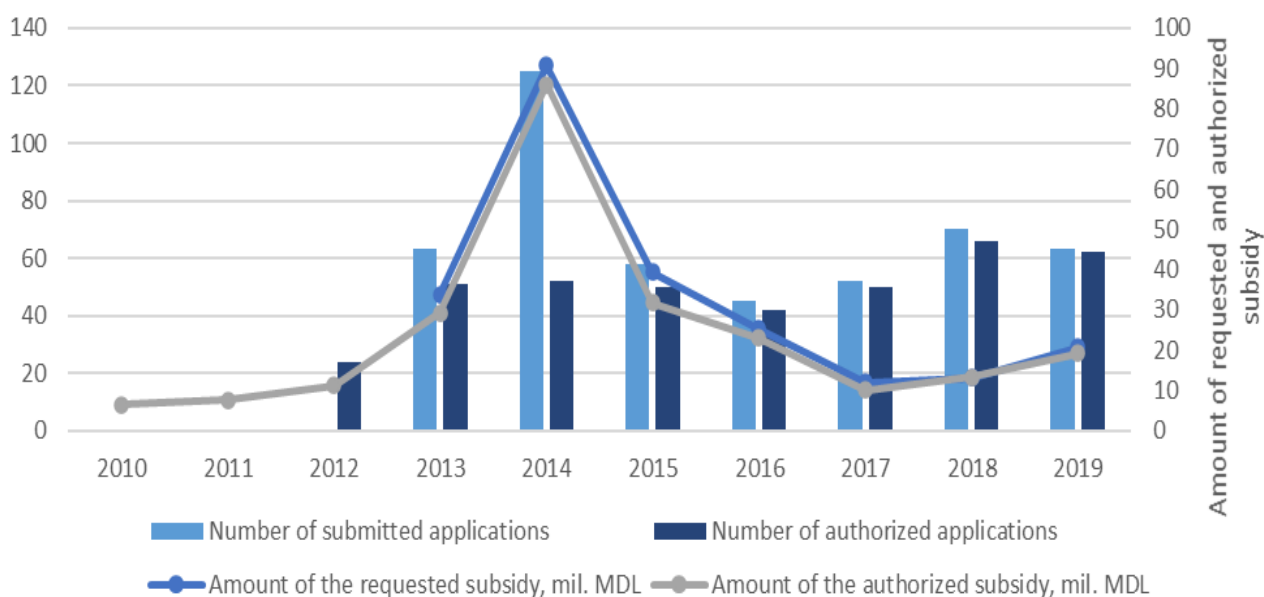


Figure 7. General data on sub-measure 1.5. Stimulating the procurement of breeding animals and maintaining their genetic background

Source: AIPA reports, 2010 – 2019

Post-investment subsidies are more likely to be access by large and medium-sized entrepreneurs, who have available significant financial capital or can access important loans in order to make the investment. With respect to smallholders, they are less favored by the model of post-investment subsidies, as they are often lacking in primary capital needed for investment.

In this regard, of particular importance is the sub-measure 1.7. Stimulating the lending of agricultural producers by commercial banks and non-banking financial institutions, according to which, the support is granted to agricultural producers who obtained loans in previous years and in the current year of subsidy from commercial banks and non-banking financial institutions registered on the territory of the Republic of Moldova for the purchase of the following goods and services: 1) seeds, planting material and support system; 2) fuel and lubricants; 3) fertilizers (mineral and organic), including plant and animals protection products; 4) fodder; 5) greenhouse modules, film and other materials for the construction / reconstruction of greenhouses, solariums and tunnels; 6) agricultural machinery and equipment, equipment that forms irrigation systems; 7) technological equipment, construction materials for physical infrastructure, as well as for equipment and renovation of the agricultural holding; 8) breeding animals; 9) construction and technological endowment of agritourism pensions; 10) technological equipment and machinery for the development of post - harvest infrastructure and primary processing in rural localities; 11) machinery and technological equipment for the endowment of livestock farms (GD 455, 2017).

The given sub-measure has been gaining popularity in the recent years, registering a raising trend both, in terms of requests for subsidies and allocations, as well. The amount of authorized subsidies increased by 9.8 times, from 10.91 mil. MDL in 2010 to 107 mil. MDL in 2019.

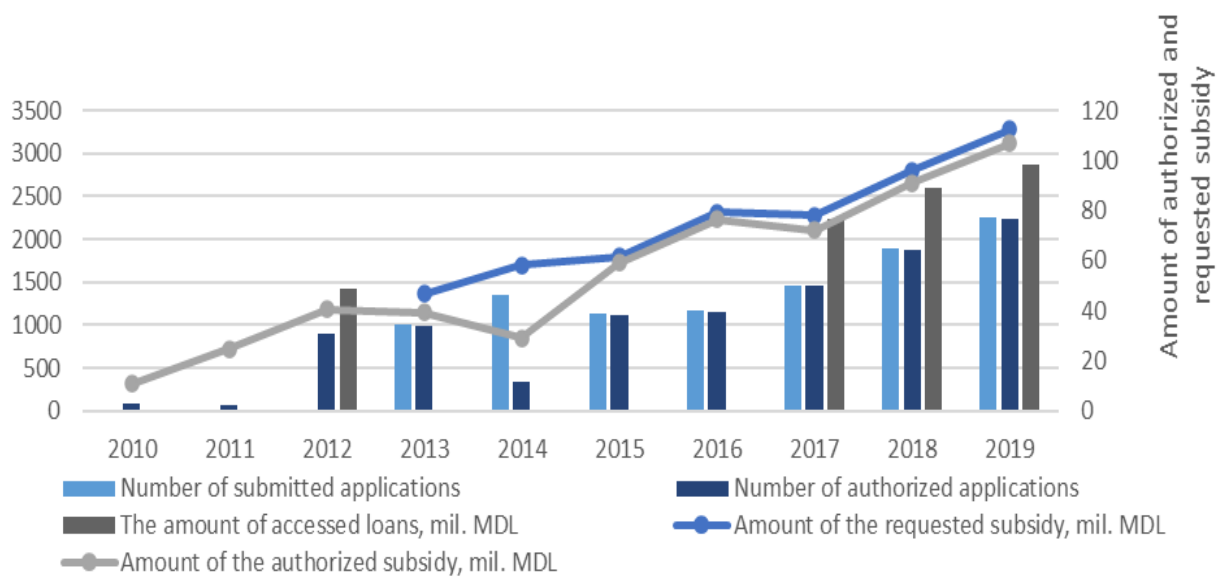


Figure 8. General data on sub-measure 1.7. Stimulating the lending of agricultural producers by commercial banks and non-banking financial institutions

Source: AIPA reports, 2010 – 2019

Conclusions.

Base on the analysis of post-investment subsidies data for the period 2010 – 2019, one can note that the crop production sector is more favored by the current subsidy program rather than the animal husbandry, with higher shares of support, but also of applications.

The subsidy program of the agricultural sector is important and plays a significant role in the development of the agricultural sector and the rural environment in the Republic of Moldova, but it does not correspond to the current realities and indirectly favors large and medium producers. Therefore, it needs to be revised, so as to meet the needs of all categories of farmers, with an emphasis on rural development. It must contain measures aimed at increasing the competitiveness of small farmers and ensuring their access to financial sources and instruments.

References

1. AIPA reports, 2010 – 2019, www.aipa.gov.md
2. Government Decision No. 455 from 21.06.2017 on the distribution of means of the National Fund for the Development of Agriculture and Rural Environment, Published: 23-06-2017 in the Official Gazette no. 201-213 art. 537