

ANALYSIS OF THE AGRI-FOOD EXTERNAL TRADE OF THE REPUBLIC OF MOLDOVA BY REGIONAL COUNTRY GROUPS

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Abstract

The aim of the paper is to analyze the recent changes in the agri-food trade of the Republic of Moldova, with an emphasis on the regional country groups: EU, CIS and other countries. With the purpose to carry out the analysis, the comparative, analysis and synthesis research methods have been used, with the main data source related to national statistics on trade provided by the National Bureau of Statistics of the Republic of Moldova. As a result, changes in the trade patterns have been observed, with a re-orientation of Moldovan agri-food exports from CIS countries to EU ones, as a result of the implementation of DCFTA in the Republic of Moldova.

Key words: *agri-food trade, EU, CIS, other countries, regional trade*

JEL Classification: *Q17, Q10*

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Introduction

The agricultural sector of the Republic of Moldova represents an important pillar for the national economy, playing a vital role in ensuring food security, employment, especially in rural areas and population's general wellbeing (Lucasenco, 2021). At the same time, the foreign trade is one of the most important components of international economic relations since the past and is an important part of a country's economy, and globalization has intensified the actions of international trade in goods and services (Cucu, Panait, 2020).

Moreover, for the Republic of Moldova, the agri-food trade provides for a considerable income at the country level, contributes to formation of the total trade with about 44% contribution to total exports and about 14% contribution to total imports and, also, ensures the food security of the country in general and population, in particular.

1. Literature review

Analysis of the agri-food trade of the Republic of Moldova has been previously carried out by Ignat, Stratan, and Lucasenco (Ignat et al, 2017) with an emphasis on the livestock sector, Lucasenco and Ceban (2020) with a focus on assessing the competitiveness at the regional level, Stratan, Lucasenco, Tirigan (2019) with a focus of trade between Moldova and Romania, Moroz, Ignat and Lucasenco, with a focus on the development of agri-food trade opportunities at the regional level by using the RCA indicator for the Republic of Moldova, Romania and Ukraine (Moroz et al, 2011).

The current paper provides for the recent changes in the agri-food trade patterns of the Republic of Moldova, both in terms of exports and imports, using the most recent available data.

2. Research methodology, data and hypotheses

Having the purpose to carry out an actual analysis of the trade with agri-food products of the Republic of Moldova, the authors have taken into consideration tariff items 1-24 from the commodity list, at a 2 digit levels. Foreign trade data has been provided by UN Comtrade and National Bureau of Statistics of the Republic of Moldova.

The analysis of foreign trade indicators of the Republic of Moldova has been carried out using a series of research methods, such as: analysis and synthesis of statistical data, comparative method, induction and deduction method, as well as analysis of economic phenomenon.

3. Results and discussions

During 2010 – 2020, the agri-food trade of the Republic of Moldova has experienced a growth in value terms. Therefore, the agri-food exports increased from 732.2 mil. USD in 2010 to 1087.9 mil. USD in 2020. Nevertheless, the figure reached in 2020 does not represent the highest value reached by Moldovan agri-food exports during the analysed period, due to the fact that 2020 represented a difficult agricultural year in terms of severe drought, as well as Covid-19 pandemic which contributed to some disruptions in the supply chains. The maximum value of Moldovan agri-food exported products was reached in 2019, accounting for 1211.1 mil. USD.

At the same time, the share of agri-food exports in total exports is very considerable, reaching on average 44.3% for the period 2010 – 2020, with the highest values of 47.5% in 2010 and the lowest – 40.7% in 2012.

On the other hand, imports of agri-food products have also undergone a natural process of growth, thus, increasing from 591.5 mil. USD in 2010 to 846.1 mil. USD in 2020, this value representing the maximum value for the analyzed period. The average values of the share of agri-food imports in the total imports reaches for about 14.4%, with low deviations in some years.

Compared to the total trade with goods of the Republic of Moldova where the trade balance has been negative for the analysed period, the trade with agri-food products has always positive values. Till 2017, the gap between agri-food exports and imports was increasing, reaching the maximum value of 425.7 mil. USD, while starting with 2018, it began to narrow, accounting for 241.8 mil. USD in 2020.

The most exported agri-food products with respect to world market have been the following commodity groups: 22 – beverages, with a total of 2221.3 mil. USD during 2010 – 2020, 08 – fruits and nuts, with a total of 2172.1 mil. USD, 12 – oleaginous seeds, with a total of 2043.6 mil. USD, 10 – cereals, amounting to 1504.2 mil. USD and 15 – vegetable fats and oils, with 756.7 mil. USD.

On contrary, the most imported agri-food products are from the following commodity groups: 24 – tobacco, with a total of 771 mil. USD during 2010 – 2020, 08 – fruits and nuts, with 729.1 mil. USD, 21 – food preparations, with 713.4 mil. USD, 22 – beverages, with 624.5 mil. USD and 4 – milk and dairy products – 497.5 mil. USD.

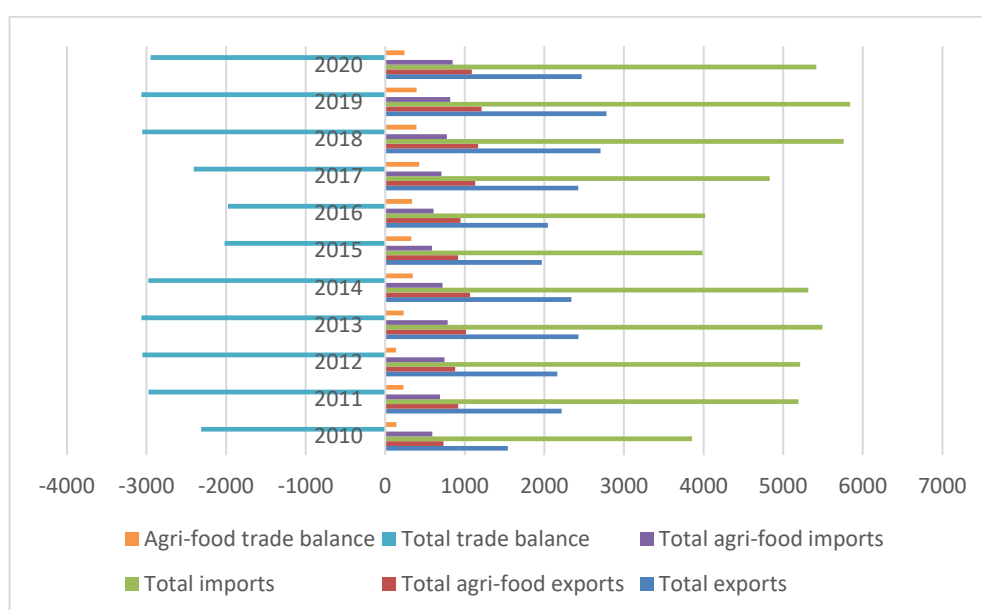


Figure 1. External trade of the Republic of Moldova, 2010 – 2020, mil. USD

Source: UN Comtrade database, comtrade.un.org

Nowadays, the trade policy of the Republic of Moldova is focused on development of strong trade relations with EU countries in the framework of DCFTA and geographical diversification of the agri-food exports to other countries, although, a certain category of products can still be exported mainly on the CIS market (apples) (Lucasenco, Ceban, 2020). The agri-food trade by regional country groups has evolved during the analysed period, being noticed certain switches of export direction from one group of countries to another.

Thus, if in 2010 CIS countries were the main import partners for Moldovan agri-food products with a share of 53.9% of the total exported agri-

food goods (EU hold a share of 29.8% and other countries – 16.4%), then in 2020, as a result of the DCFTA, EU has taken the lead with 51.7%, being followed by other states (28.0%) and CIS countries (20.3%). This change of trade pattern is a natural one, resulting from the increasing diversity of Moldovan agri-food products, a better quality and reach of new markets.

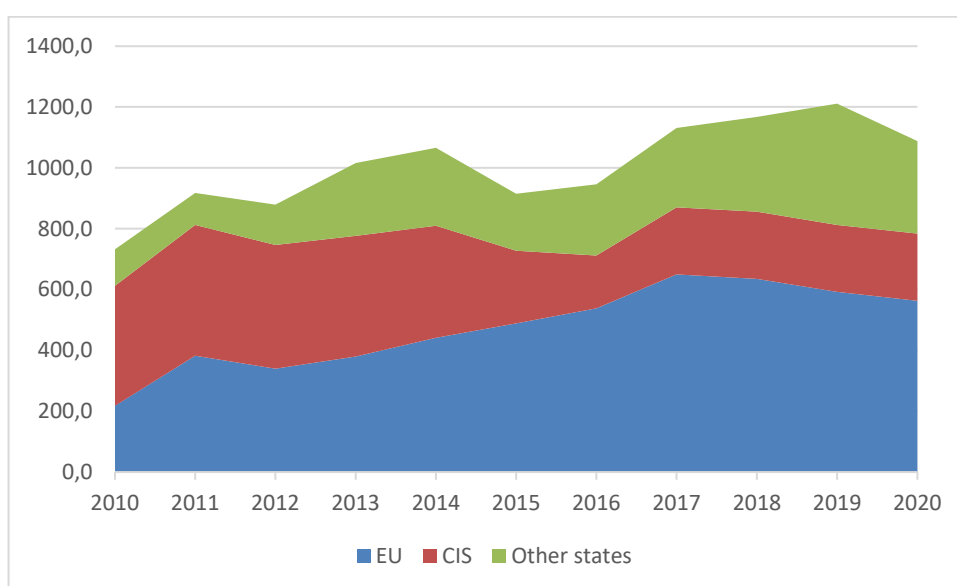


Figure 2. Moldovan agri-food exports by regions, 2010 – 2020, mil. USD
 Source: NBS database, www.statistica.gov.md

With respect to imports of agri-food products, the situation is also experiencing some changes, but to a slower rate and path, compared to exports.

Thus, if in 2010 the highest share of agri-food imports was from CIS countries – 42.3%, while EU hold a share of 34.7% and other countries – 23.0%, then in 2020, Moldova imported more agri-food products from EU member states, with a share of 44.2%, while from CIS agri-food imports accounted for 35.6% and from other countries – 20.2%.

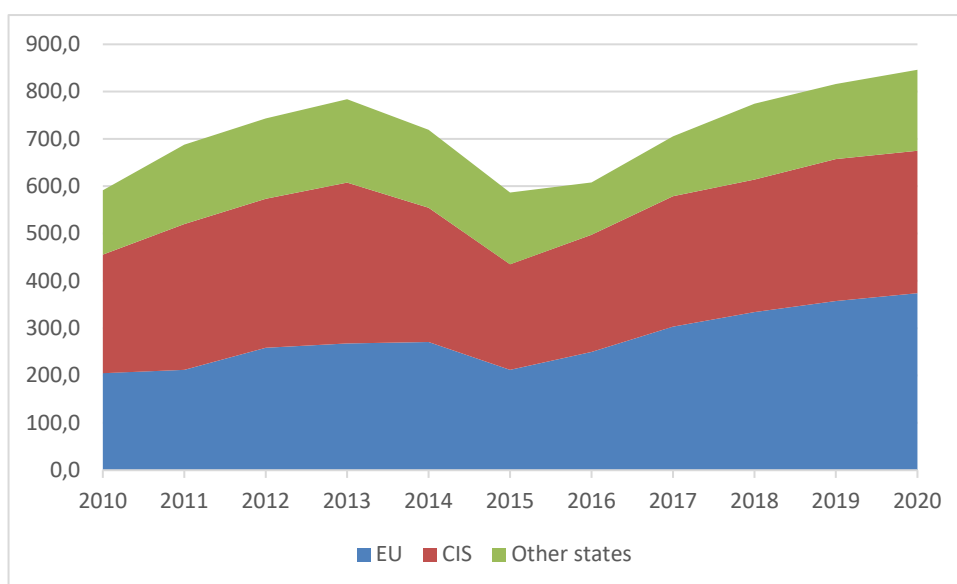


Figure 3. Moldovan agri-food imports by regions, 2010 – 2020, mil. USD

Source: NBS database, www.statistica.gov.md

During 2010 – 2020, the agri-food trade with EU has presented a positive trade balance, as the value of exports overpassed the value of imports. Agri-food exports to EU increased with about 2.6 times, while imports – with about 80%.

The highest export values were reached in 2017 – 649.5 mil. USD, this period being followed by a slow decline till 2020 – 562.6 mil. USD. At the same time, the imports from EU have been increasing in the last 4 years, but not enough to make a negative impact on the trade balance.

The DCFTA mechanism is mostly responsible for the activization of agri-food trade with EU countries, both, in terms of exports, as well as imports.

Thus, the main exported to EU agri-food products are from the following commodity groups: 12 – oleaginous seeds, with a total of 1272.0 mil. USD for the period 2010 – 2020, 08 – fruits and nuts, with 975.2 mil. USD, 10 – cereals, with 787.5 mil. USD, 15 – vegetable fats and oils, with

mil. USD, 22 – beverages, with 526.2 mil. USD, 20 – preparations of fruits and vegetables, with 435.7 mil. USD.

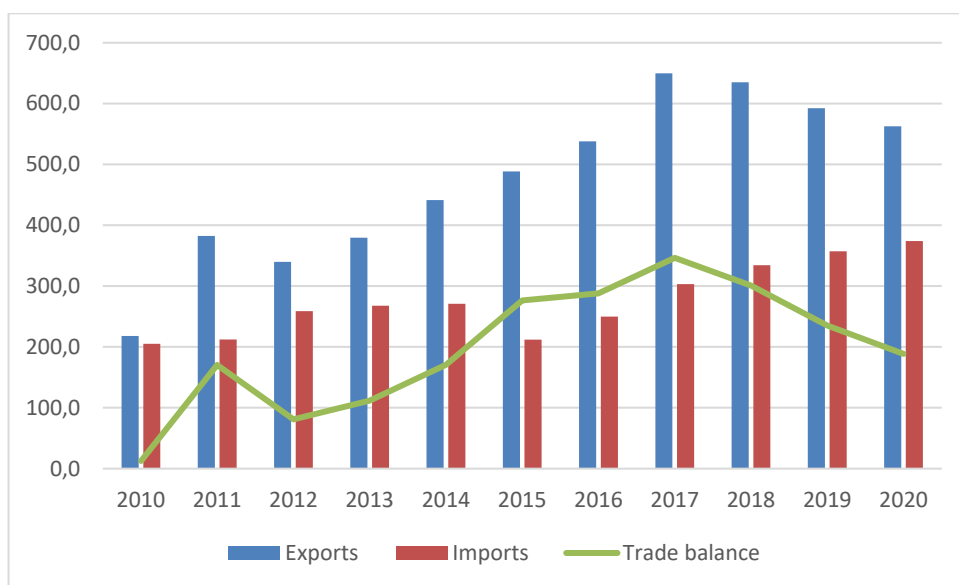


Figure 4. Agri-food trade with EU countries, 2010 – 2020, mil. USD

Source: NBS database, www.statistica.gov.md

As for imports, the most imported commodity groups from EU in terms of agri-food products are the following: 22 – beverages, with a total of 284.6 mil. USD for 2010 – 2020, 08 – fruits and nuts, with 253.3 mil. USD, 21 – food preparations, with 253.1 mil. USD, 04 – milk and dairy products, with 246.9 mil. USD, 12 – oleaginous seeds, with 218.6 mil. USD.

Thus, the DCFTA mechanism provides for some quotas for a series of Moldovan agri-food products when exported. Since September 2014, Republic of Moldova has been trying to valorize some tariff quotas for a series of products intended for export like apples, tomatoes and cherries (quotas for cherries were introduced in 2020).

The main issue hindering valorization of quotas is related to the quality of the above mentioned products.

At the same time, with respect to fruits, Republic of Moldova has made good achievements in valorizing quotas for grapes and plums (reaching in some years even 100%).

In regard to products exported to EU with the application of the anti-circumvention mechanism, quotas are valorized in more than 100% for wheat, corn and processed cereals, while for sugars and processed sugar the exported values are under the quotas limits.

Table 1. Valorization of tariff quotas for a series of agri-food products exported to EU

<i>Valorization of tariff quotas for fruit exports to the EU</i>									
Product	Quota (tons)	Sept - Dec 2014	2015	2016	2017	2018	2019	2020	
		%	%	%	%	%	%	Quota (tons)	%
Grapes	10 000	77	93	100	100	100	100	20 000	69
Apples	40 000	3,96	1,8	0,19	5,5	5	6	40 000	4
Plums	10 000	39,4	62	75	100	99	100	15 000	100
Fresh tomatoes	2000	-	-	-	4	2	0	2000	0
Cherries	*	*	*	*	*	*	*	1500	11,2
<i>Valorization of tariff quotas on exports to the EU with the application of the anti-circumvention mechanism</i>									
Product	Quota (tons)	Sept - Dec 2014	2015	2016	2017	2018	2019	2020	
		%	%	%	%	%	%	Quota (tons)	%
Wheat	75 000	45	237,98	746	464	501	445	150 000	41
Barley	70 000	22	111	110	104	85	57	100 000	31
Corn	130 000	27	125	153	72	351	221	250 000	89
Sugars	37 400	30	21	176	85	75	16	37 400	23

Processed cereals	2 500	20	220	672	441	388	610	5000	365
Processed sugar	4 200	10	24	29	24	36	37	4200	48
Sweet corn	1 500	30	50	62	27	305	91	1500	86

Source: DCFTA in Republica Moldova, dcfta.md

With respect to CIS countries, one can note that the agri-food trade balance had positive values till 2015, being followed by a negative one starting with 2016.

At the same time, export values have decreased from 394.4 mil. USD in 2010 to 220.8 mil.USD in 2020, while imports have increased from 250.3 mil. USD in 2010 to 301.0 mil. USD in 2020. In the last 4 years, the exports values have been almost constant, with also constant import values fro the last 2 years.

The most exported Moldovan agri-food products to CIS countries are from the following commodity groups: 22 – beverages, with a total of 1146.3 mil. USD for 2010 – 2020, 08 – fruits and nuts, with 1009.3 mil. USD, 20 – preparations of fruits and vegetables, with 219.1 mil. USD, 12 – oleaginous seeds, with 190.1 mil. USD, 02 – meat, with 143.9 mil. USD.

At the same time, the most imported products are related to: 24 – tobacco, with a total of 563.7 mil. USD for 2010 – 2020, 21 – food preparations, with 383.4 mil. USD, 19 – preparations of cereals, with 285.4 mil. USD, 22 – beverages, with 276.3 mil. USD, 11 – milling industry products, with 248.9 mil. USD.

During 2010 – 2020, agri-food exports to other countries have increased by almost 3 times, reaching a vlue of 304.4 mil. USD in 2020. The same growing trend, but with a slower rate has been experienced by agri-food imports, reaching 171.1 mil. USD in 2020.

At the same time, the trade balance with agri-food products has passed from a negative one in till 2012 to a positive one starting with 2013 and having a growing trend till 2019, with a diminish in 2020 due to reduced exports as a result of drought.

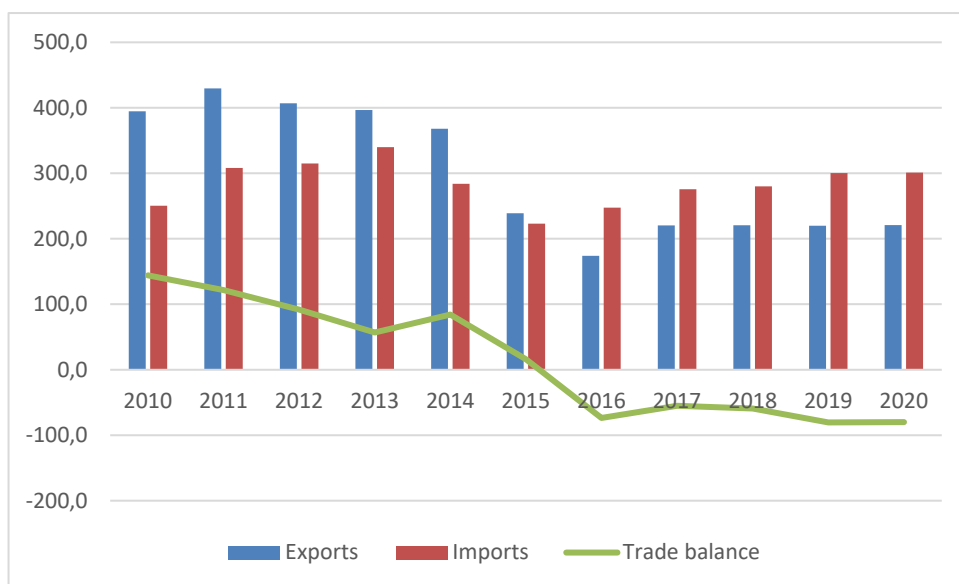


Figure 5. Agri-food trade with CIS countries, 2010 – 2020, mil. USD
 Source: NBS database, www.statistica.gov.md

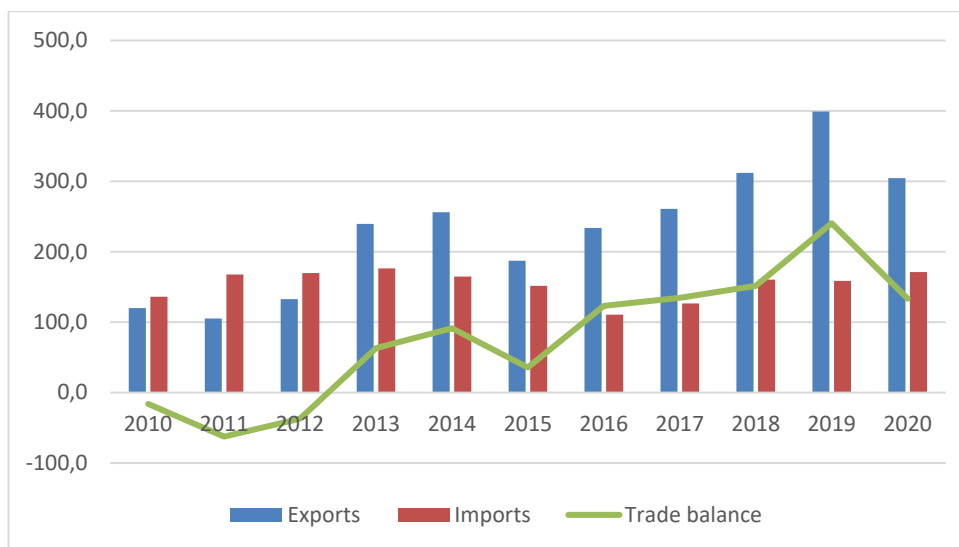


Figure 6. Agri-food trade with other countries, 2010 – 2020, mil. USD
 Source: NBS database, www.statistica.gov.md

Conclusion

The external trade with agri-food products of the Republic of Moldova is experiencing a constant increase, both in terms of exports and imports. The share of agri-food exports in the total trade is a considerable one, reaching an average of 44% for the period of 2010 – 2020. At the same time, the share of agri-food imports in the total imports of goods fluctuates in the range of 13-14%, meaning that the country is not significant dependent of agri-food imports.

During the analysed period, changes in the external trade of the country are observed, a considerable share of exports being redirected to EU countries, and less to CIS countries. The shares of other countries has also been increasing in the last years. Therefore, the DCFTA has contributed directly and significantly to boosting the trade with EU countries.

The future focus in the foreign trade of the Republic of Moldova should be placed on increasing the shares of export of high value added products, which will contribute to modernization of post-harvest infrastructure and food processing industry. At the same time, there is still actual the need for diversification of traded commodity groups with more countries from EU, especially for products with unvalorized quotas, which can be also achieved due to the existing opportunities in the framework of DCFTA.

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