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Organic Agriculture in Moldova

An Opportunity to Green the Economy



www.green-economies-eap.org

Organic agriculture in Moldova: An opportunity for greening the economy

Activities of the agricultural sector can significantly contribute to biodiversity loss, the pollution of water bodies, greenhouse gas emissions, and the alteration of natural nitrogen cycles. Efforts to render agriculture more sustainable are therefore an indispensable component of national efforts to reverse environmental degradation, preserve natural capital, mitigate climate change, as well as ensure for inclusive economic growth and the alleviation of poverty.

Eastern Europe and the Caucasus have proven to be ideal regions for the development of sustainable, organic agriculture as a result of historically low levels of pesticide and fertilizer use, availability of agricultural labour, and close proximity to rapidly growing markets in the European Union (EU). As outlined in UNEP's comprehensive assessment of the region,¹ organic agriculture offers opportunities to revitalise its countryside and restore ecosystem functionality; develop new local businesses and agro-tourism opportunities; create new and better paid jobs (particularly in

rural communities); as well as to mitigate and build resilience to climate change. The promotion of organic agriculture thereby holds tremendous potential for leveraging a broader transition to a Green Economy in these regions.

In order to realise these socio-economic benefits, UNEP is providing support to farms and businesses in Ukraine, Moldova and Armenia for expanding their organic agri-food supply chains and associated trade flows. This project is funded by the European Commission and is part of the "Greening Economies in the Eastern Neighbourhood (EaP GREEN)" partnership programme.²

This fact sheet provides an overview of regional trade opportunities in the organic sector, with a focus on Moldova's organic exports to the EU market.³

Trade with the European Union

REGIONAL PERSPECTIVES FOR EASTERN EUROPE AND THE CAUCASUS

Opportunities

► In the EU, growing consumer preferences for products that are healthy and environmentally-friendly have ensured that the demand for raw and pre-processed organic products has grown continuously – surpassing production rates even in times of economic crises. Between 2003 and 2013, the EU's organic market grew fourfold, while the area of agricultural land under organic production had only doubled. Subsequently, the EU's dependency on organic imports provides excellent opportunities for potential producers and exporters in neighbouring countries.



► Leading organic processors in the EU tend to move away from China, India and South America as sources of organic products, seeking greater product traceability and import reliability. These circumstances provide an opportunity for Eastern Europe and the Caucasus to become major sources of EU's organic imports.

¹ UNEP, 2011. *Organic Agriculture. A step towards the Green Economy in the Eastern Europe, Caucasus and Central Asia region. Case studies from Armenia, Moldova and Ukraine.*

² For more information on EaP-GREEN, please go to: www.green-economies-eap.org

³ The following paragraphs present the findings of a market assessment study for Armenia, Moldova and Ukraine, prepared for UNEP by Organic Services



► Several trade partners in the EU that formerly imported only conventional agricultural products from Eastern Europe and the Caucasus are broadening their product ranges and establishing new organic product lines. This means that organic products do not necessarily require new trade partners and that existing trade flows can greatly facilitate the establishment and/or expansion of organic value chains.

► Organic exports to the EU offer higher price premiums and a stable source of income for organic producers.

Challenges

► Export bans in Eastern Europe are major barriers to the development of organic value chains, which typically require long-term engagement and reliability of supply. In the past, export bans have proven detrimental to international trade relations and the economic viability of the region's organic sector.

► Organic importers in the EU have highly stringent product quality and life-cycle requirements. Small-scale organic producers who are seeking to establish trade links with these clients are therefore faced with the challenges of adhering to strict production and/or handling criteria as well as providing evidence to confirm the eligibility of their products for the EU marketplace.





Moldova

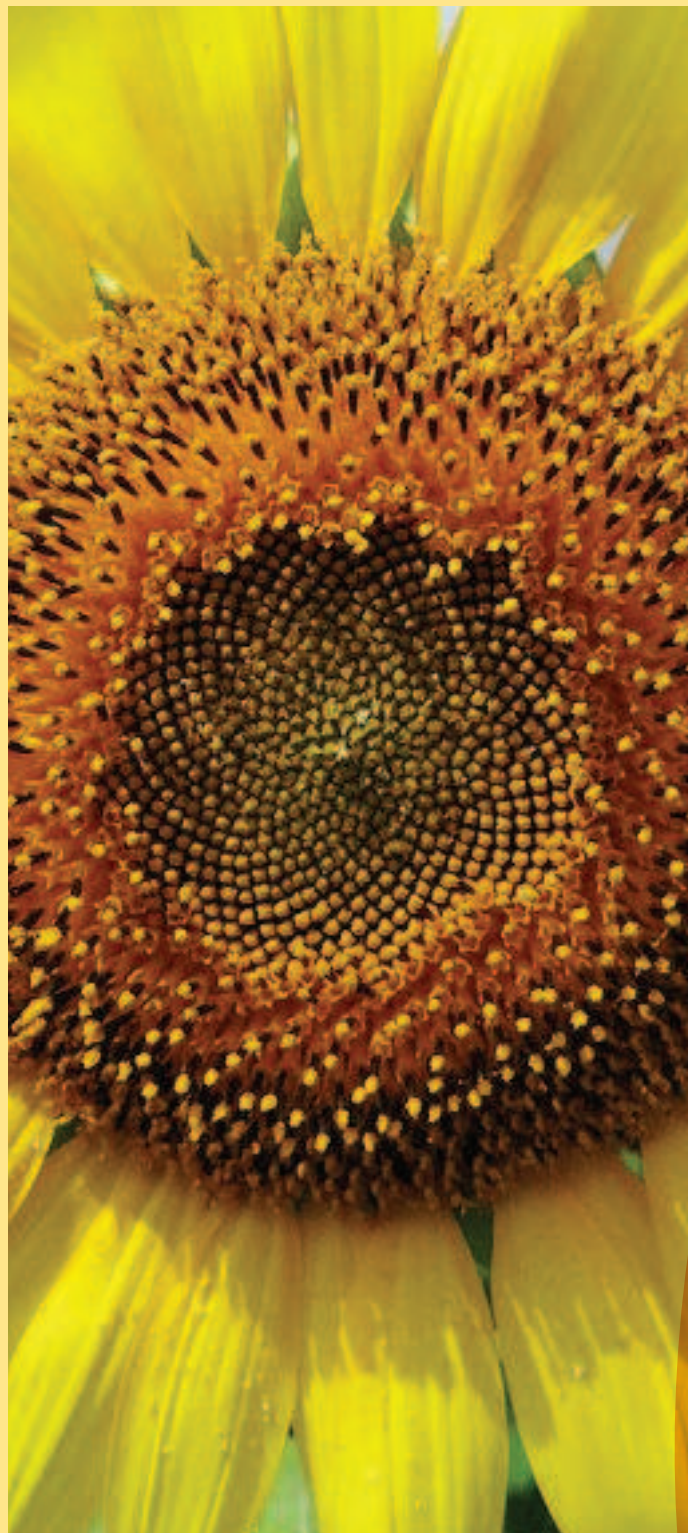
Opportunities and challenges for the promotion of organic agriculture

► With favourable climatic conditions and fertile soils, Moldova's agricultural sector produces surpluses that can be readily exported. Many of the country's agricultural products, including cereals, oilseeds, dried pulses, herbs, honey, fruits, berries and nuts, are particularly well-suited to the demands of the EU market.

► In 2014, Moldova signed the "Deep and Comprehensive Free Trade Agreements (DCFTAs)" with the EU, which will facilitate the export of agricultural products by lowering tariffs and EU import duties. The cooperation between EU and Moldova aims to promote policies and control mechanisms for organic production, as well as to promote trade and foreign investment into environmental goods and services.

► Moldova has the competitive advantage of being a GMO-free country, which, if credibly communicated to potential trading partners, can significantly strengthen its image as a reliable organic producer.

► Repeated frauds in the organic grain business have damaged the image of Moldova's organic sector. In order to re-build their reputation and trustworthiness, Moldova's organic producers should demonstrate willingness to make their products fully traceable from the field to the trader.

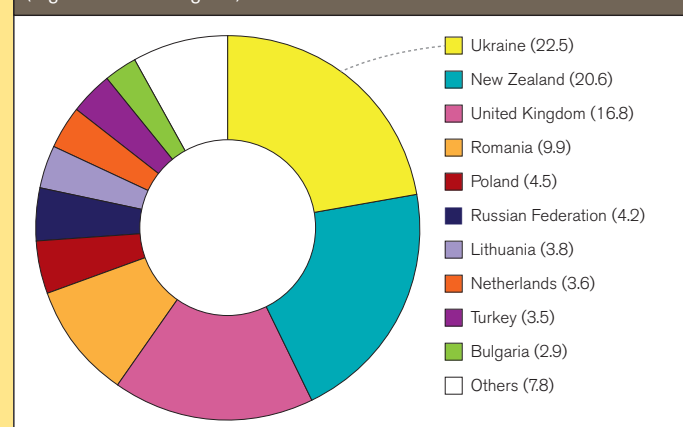


OILSEEDS, CEREALS AND DRIED PULSES

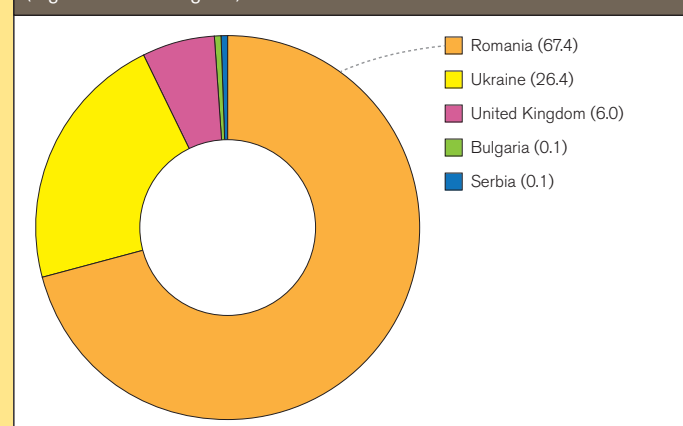
- ▶ Moldova's export share of organic cereals and oilseeds to the EU rivals that of other Eastern European countries. Wheat is Moldova's leading export cereal, with 33 per cent of total exports being supplied to the EU.
- ▶ Sunflower seeds are the country's leading oilseed export, followed by rapeseed and soybeans. About 47 per cent of Moldova's total exports of sunflower seeds are exported to the EU.
- ▶ Moldova also exports to other Eastern European countries. For instance, more than 90 per cent of soybeans, more than 30 per cent of sunflower seeds, and almost 20 per cent of wheat exports are destined for Romania and Ukraine.
- ▶ The EU's organic sector is in short supply of high protein organic crops for use as animal feed. This represents another opportunity for Moldova to establish new organic supply chains. Current price premiums for organic oilseeds, dried pulses and

cereals are high enough to compensate producers for the costs associated with obtaining organic certification.

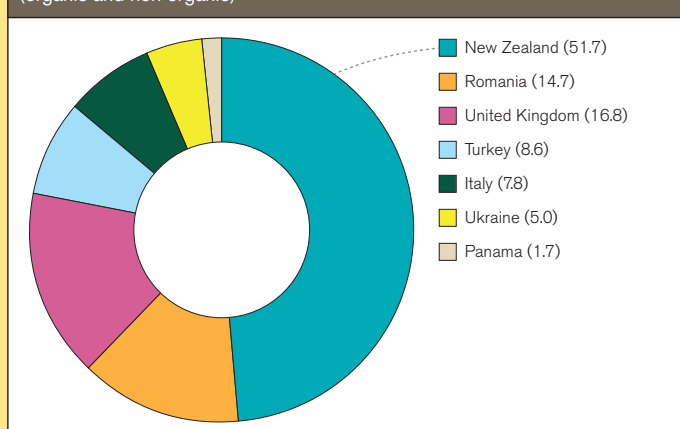
Sunflower seeds: Export destinations as % of total exports (organic and non-organic)



Soybeans: Export destinations as % of total exports (organic and non-organic)



Wheat: Export destinations 2012 as % of total exports (organic and non-organic)





FRUITS, BERRIES AND NUTS

Regional perspective – Eastern Europe

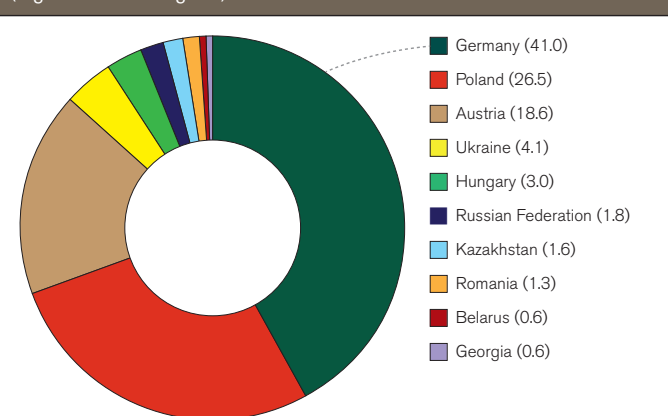
- ▶ As a result of EU consumers' preferences for brands that they recognize and trust, it is currently difficult to export processed fruits to EU's organic retailers in the form of finished products with brand labels from the country of origin. For this reason, the region's organic business has a prevailing tendency to carry out final processing stages in the country of consumption. It is therefore envisaged that in the short, medium and long term, Eastern Europe and the Caucasus will remain suppliers of raw and semi-processed products to the EU marketplace.
- ▶ Despite the above, there are considerable opportunities to export finished consumer products to new and emerging organic markets, such as those in countries that have only recently joined, or are expected to join the EU.
- ▶ Establishing new EU trade relations is comparatively easier in the dried fruit and nuts segment compared to the fresh fruit market. In addition, the handling and transportation of dried products is less complex and costly than that of other processed goods (e.g. juices).
- ▶ The demand for dried organic fruit is high among the major EU importers and the potential for further developing this market is very significant. The majority of Eastern European dried fruit is currently exported to the Russian Federation, with the EU making up only 17 per cent of the export share.

▶ Conventionally produced dried apricots, prunes, apples and cherries are the main items currently exported to the EU from Eastern Europe and the Caucasus. All of these products are well suited for organic production. Some additional fruits and nuts (pears, quinces, citrus, kiwis, almonds and hazelnuts) could further broaden the range of traded organic products.

National perspective

- ▶ Semi-processed organic fruits from Moldova are excellent candidates for the EU market. There are also fewer risks and lower handling costs associated with exporting processed organic fruits and berries, as opposed to exporting fresh produce.
- ▶ Fruit juices are the main category of processed fruit exported from Moldova. In 2013, Moldova exported 91 per cent of its (non-organic and organic) juices and 30 per cent of its preserved fruit to the EU. There is however significant potential to further broaden the range of fruit juices and preserved fruit varieties available to trade partners in the EU.
- ▶ Organic and non-organic walnuts are widely available in Moldova and are successfully exported. The country's export share of shelled walnuts to the EU reached almost 90 per cent of total exports in 2013.

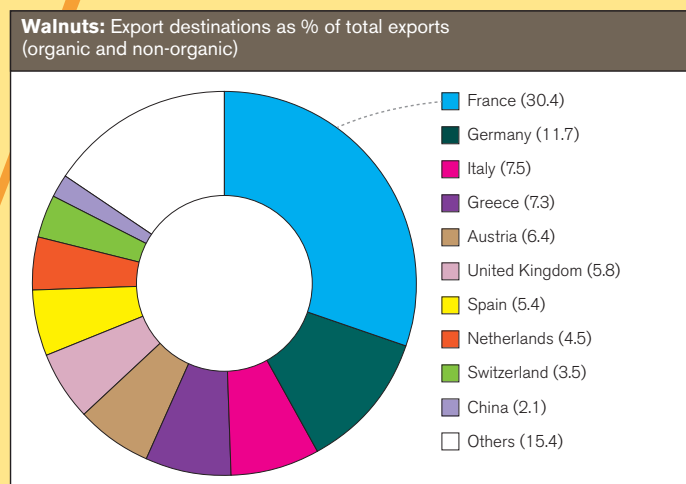
Fruit & vegetable juices: Export destinations as % of total exports (organic and non-organic)



HERBS AND HONEY

Regional perspective

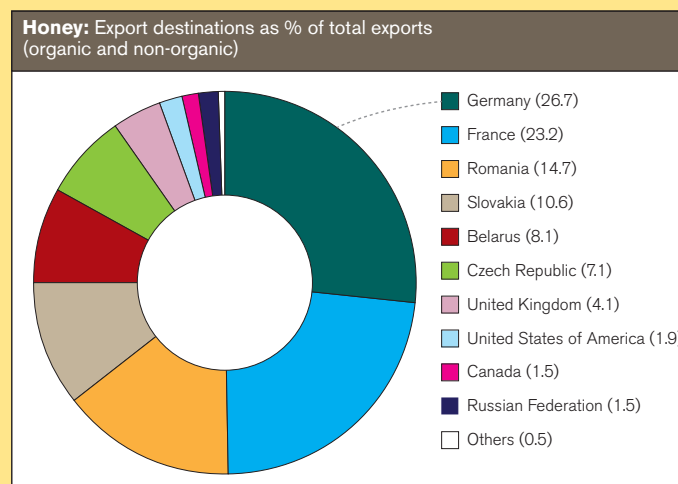
► The EU's current and future demand for processed organic herbs and honey from Eastern Europe and the Caucasus looks promising. The EU market for herbal products is steadily growing, and the associated organic market is expanding even faster. Certified organic herbs (as well as beeswax) are not only used



in organically labelled food products and cosmetics, but also in pharmaceutical products as well as some non-organic teas.

National perspective

► The EU is already the main market for Moldovan non-organic honey exports. Almost 90 per cent of the country's total honey exports were directed to the EU in 2013. These trade links could facilitate the uptake of additional organic honey varieties. Moldova should focus its organic honey exports on Germany, France and the United Kingdom, where demand for these products is strong.



► Moldova's organic medicinal herbs are also promising export products for the EU market. Almost 40 per cent of Moldova's non-organic medicinal herbs were destined for the EU in 2013.



Recommendations to expand organic trade

Regional perspective – Eastern Europe

► The organic sector in Eastern Europe and the Caucasus requires agricultural cooperatives as well as other market-oriented support structures that will enable to efficiently organize producers and exporters. A strong, professional organic market organization can also facilitate the optimisation of logistics and handling procedures – including drying, storing, sorting and processing of produce.

► Organic certification schemes (e.g. Naturland, BioSuisse) offer good opportunities for confirming product eligibility, establishing trust and building long-term trade relations with organic processors and retailers in the EU.

► Governments from Eastern Europe and the Caucasus should exclude organic products from export bans.

National perspective

► Market assessments show that organic grains and processed fruits and nuts are Moldova's most promising export products.

► The country could also make use of transparent certification processes to enhance its credibility as a supplier of GMO-free agricultural products, in particular for soybeans and corn.

