

Moldovan apples exports – structural reforms needed

Fresh apples are among the top 10 export products of Moldova. Traditionally, the largest part of Moldova's apples export has been going to Russia – above 90% of apples exports in 2020. In the first half of 2021 however, apples exports to Russia dropped by substantial 31% yoy.

Many have blamed this on the introduction of Russian import duties on agricultural products, including apples, in April 2021. However, this is not the whole story. Our analysis, based on trade data and interviews of key stakeholders from the industry, revealed that the Moldovan apples market faces several structural challenges. These include changes in demand from the Russian market as well as several aspects related to product quality, which impede access to other markets.

Furthermore, we find that there are no attractive short-term solutions for Moldova to mitigate the Russian demand shock. In the medium- to long-term, investments and structural reforms in the Moldovan apples market are needed.

Moldovan production of apples

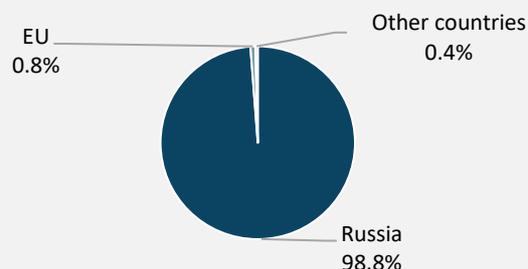
Apples are one of the most important agricultural commodities in Moldova. Production volumes have been on an upward trend since 2010, with an increase of 131% over ten years.

In terms of geography, the Northern region of Moldova is the most important producer within the country with around 70% of all apple orchards. Structurally, around 2/3 of the output of fresh apples is generated by individual producers, which have a significantly lower yield per hectare than agricultural enterprises. Therefore, the market is highly regionally concentrated and dominated by less efficient producers, suggesting a considerable vulnerability to external shocks.

Export of apples from Moldova

Fresh apples accounted for 4% of Moldovan exports making them the 7th most important export product. Most of these exports (98.8% in 2020) go to Russia, creating a heavy dependency on this market.

Destination of Moldovan exports of fresh apples



Source: UN Comtrade, own estimates

In the first half of 2021, exports of fresh apples to Russia contracted by 31%. This has been attributed to the introduction of import duties on some agricultural products, including apples, by Russia in April 2021. However, a thorough analysis of the data and interviews with key stakeholders and experts from the apple industry, revealed additional reasons for the decline. In fact, apples exports already declined significantly in Jan-Mar 21.

Russian market for apples

Our analysis showed that the domestic market for fresh apples in Russia has changed over the last years. Firstly, the production of fresh apples in Russia has increased considerably from 2015 to 2020. This increase in domestic production could be related to the Russian countersanctions on the EU in 2014, which stopped imports of fresh apples from Poland, previously one of the main sources of imports. At the same time, according to industry experts, changing consumer preferences have led to an increasing demand for higher quality fresh apples in Russia, which most Moldovan producers struggle to supply.

Options for reducing dependence on Russia

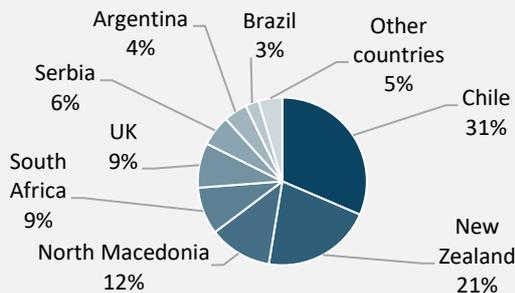
The sharp decline in exports to Russia in 2021 revealed the vulnerability of Moldovan fresh apples producers. Therefore, there is an interest to find options for reducing their dependence on the Russian market. In our analysis, we considered three options for this.

Export of fresh apples to the EU

The first option we considered is an increase of fresh apples exports from Moldova to the EU. Since the agreement on the DCFTA between Moldova and the EU, the latter has become Moldova's most important trading partner, with 67% of exports going to the EU in 2020. However, in the case of fresh apples, an analysis of the data shows that the potential for increased exports to the EU is limited.

Considering that the EU is one of the largest producers of apples worldwide, its total imports were only 360 thousand tonnes (tt) in 2020, while Moldova exported a total of 200 tt. Among the main sources for EU imports of fresh apples are countries such as Chile and New Zealand, which have a different harvesting season. This suggests that overall demand for apples from Moldova, which produces at the same time as the EU, would be low.

Source of fresh apples imports to the EU



Source: Eurostat, own estimates

Additionally, our interviews showed that Moldovan producers often struggle to meet EU quality requirements for apples, for example regarding preferred varieties, outward appearance, or pesticide residues. Thus, producers would have to invest into new varieties and technologies to meet these requirements.

Export of fresh apples to third countries

A second option would be to increase exports to third countries, for example in South Asia or the Arabian Peninsula. However, the import volumes of these markets are rather small. In addition, each market has its own requirements and preferences regarding varieties and quality. Consequently, a reorientation to these markets would likely require considerable investment and changes to the production structure, which cannot be implemented in the short-term.

Export of preserved/processed apples

The third option for Moldovan producers would be to process fresh apples into other apple products such as juice and export them subsequently. While this option may be viable in the short-term to avoid total loss, it is generally considered unattractive by producers, as prices of apples for processing are low, often below the production cost of apples for fresh consumption.

Conclusion and outlook

Our analysis of the market for fresh apples for export showed that Moldovan producers are highly dependent on Russia and thus vulnerable to demand shocks. In addition, the Russian market for apples underwent changes in the past years, so that demand for imports from Moldova is decreasing. In the short-term, there are no good options for Moldovan producers to reorient to other markets to reduce this dependence. Instead, structural changes are needed, which would require additional investment. In addition, Moldovan fruit producers should consider diversifying their portfolio to include other fruits with better export prospects.

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[This newsletter is based on the Policy Briefing: Exports of fresh apples from Moldova.](#)

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