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POLICY BRIEFING
MOLDOVA

Key bottlenecks for Moldova's fruit exports to the EU

by Veronika Movchan and Carolin Busch

Summary

- » We identified key bottlenecks constraining the expansion of MDA fruit exports (other than apples) to the EU market; results are based on interviews with key stakeholders, incl. producers, producers' associations and development partners

Major bottlenecks	Recommendations
Access to labour: labour deficit; lack of qualified specialists; lack of digital skills	<ul style="list-style-type: none">• Develop (social) infrastructure in rural areas (long-term)• Support switching to less labour-intensive technologies• Promote sector-specific training
Access to capital: insufficient infrastructure; limited access to capital for SMEs; expensive bank loans	<ul style="list-style-type: none">• Explore the possibility of MDA participation in EU business development programs• Foster the development of cooperatives to pool investment in infrastructure• Consider creating a donor-backed investment fund for agricultural producers
Customs clearance: long queues, delays, slow checks	<ul style="list-style-type: none">• Establish joint MDA-ROU checks at all crossing points• Designate crossing points for certain products / countries• Promote applications of fruit exporters for AEO status

Outline

1. Motivation
2. Methodology
3. Bottlenecks for exports of fruits (other than apples) to the EU
4. Conclusions

1. Motivation

- » MDA is a large producer and exporter of fruits
- » Currently, apples are the country's top export product in the fruit category, but these exports face significant challenges (see [GET Policy Briefing PB/09/2021](#))
- » At the same time, MDA has been gradually expanding exports of other fruits, mainly targeting the EU market
- » To assess the sector's potential for further export diversification and competitiveness improvement, we researched:
 - MDA fruits (other than apples) export potential in the EU (GET PB/01/2023)
 - Key bottlenecks for the sector's exports to the EU
- » This policy brief is devoted to the second issue

Key questions:

- » What are critical bottlenecks for MDA fruit exports (other than apples) to the EU?
- » How can these bottlenecks be addressed?

2. Methodology

- » Main source of information: structured interviews with key stakeholders, incl. producers, producers' associations and development partners
- » Supplementary sources: analytical reports, statistical information, legislation, international indices

Disclaimer: We do not comprehensively analyse production and trade value chains. Instead, we summarise bottlenecks and suggest options for addressing them.

3. Bottlenecks identified in the interviews: overview

Access to labour

Access to capital

Access to inputs and
materials

Access to the EU
market

Transportation

Customs clearance

Certification

Packaging

Marketing & partner
matchmaking

Access to labour

- » Labour-intensive sector, with some processes hardly replaceable by machines
- » Lack of employees due to urban and external migration:
 - Lower wages compared to urban employment
 - Less attractive life in rural areas due to underdeveloped (social) infrastructure
- » Some farmers have started hiring migrants to compensate for the labour deficit
- » Difficulties with finding highly-qualified employees
- » Limited digital skills of both business owners and the labour force

Bottleneck importance: High

Recommendations:

- Develop (social) infrastructure in rural areas (long-term)
- Support switching to less labour-intensive technologies where possible
- Promote training programs adjusted to specific sector needs, including targeting digital skills development

Access to capital

- » Insufficient post-harvest and marketing infrastructure for some types of fruits:
 - Cold chain problems for cherries that require hydro cooling
 - Deficit of sorting lines for, e.g., cherries, apricots
- » Small farmers are most exposed to capital constraints
- » Bank loans are not attractive due to high rates; however, some funds are available through state subsidies and international donors (USAID, SIDA, etc.)
- » Need funds to adapt to new challenges like climate change

Bottleneck importance: High

Recommendations:

- Explore the possibility of MDA participation in EU business development programs like the EU Single Market Program
- Foster the development of cooperatives to pool investment in infrastructure
- Consider creating a donor-backed investment fund for agricultural producers

Access to inputs & materials

- » Many needed inputs (plant varieties, chemicals, packaging) are not produced domestically, which makes farmers vulnerable to exchange rate shocks and price fluctuations on international markets
- » The access to new (innovative) products, e.g., modern pesticides, fumigators etc., is constrained by regulatory requirements
- » Lesser available variety of certain inputs in the MDA market compared to neighbours
- » Some improvement in access to plant varieties: in 2022, MDA recognised the EU catalogue

Bottleneck importance: Moderate to High

Recommendations:

- Consider automatic recognition of the EU-certified inputs to ensure fast and full access to new (innovative) products in MDA
- Support establishing plant nurseries in MDA

Access to the EU market

- » Tariff rate quotas (TRQs) were named among trade barriers to entering the EU market

Description	TRQ since 2020*, tt	Temporary TRQ**, tt	Duty outside TRQ	MDA total exports, 2017-2021 avg., tt	Exports to EU***, tt		
					2020	2021	2022
Table grapes	20.0	+38.0	11.5%	58.0	13.9	16.2	26.4
Cherries	1.5	+1.5	12.0%	8.0	0.2	0.1	0.2
Plums	15.0	+25.0	6.4%	46.1	22.4	27.0	23.7

Sources: EU-Moldova Association Agreement Annex XV-A, WITS, Eurostat. Note: tt – thousand tons; * Annex XV-A; ** Regulation (EU) 2022/1279, *** mirror data

- » According to [GET Policy Briefing PB/08/2021](#), only TRQ on plums had noticeably constrained exports before 2022
- » But MDA exports to the EU stayed below the country's potential, and thus with expansion, the limiting role of TRQs would likely strengthen
- » Businesses welcomed the temporary TRQs extension that the EC introduced in July 2022 for one year to help mitigate the adverse war impact
- » However, the temporary measure does not foster investments and, thus, development

Bottleneck importance: Low to Moderate

Recommendations:

- Agree with the EC on a long-term abolishment of TRQs to ensure planning security

Customs clearance

- » Fruits are products with short shelf life. Delays increase perishing risk and can cause the breach of time-bound contracts
- » Businesses reported frequent 1-2 days delays at customs
- » After February 2022, trucks from Ukraine further increased traffic at the MDA-ROU crossing points
- » The introduction of the “green mark” to fast-track trucks with fruits helped in 2022, but the risk of delays has remained

Bottleneck importance: High

Recommendations:

- Establish joint MDA-ROU border checks at all crossing points
- Designate crossing points for certain products/countries
- Promote applications of fruit exporters for Authorized Economic Operator (AEO) status, which facilitates/speeds up customs procedures

Transportation

- » Roads are the main mode of transport for exporting fruits to the EU
- » No reported deficit of trucks or transit permits, but some respondents report a shortage of drivers
- » Price of transportation surged in 2022 due to increased fuel prices
- » Delays in transportation linked to queues at customs (*see discussion in “Customs clearance”*), partly due to overcrowding

Bottleneck importance: Low

Recommendations:

- Offer additional training programs for drivers

Certification

- » Need to comply with both EU official and private certification requirements. Most frequently mentioned are private certificates like Global G.A.P.
- » Main challenges:
 - High cost of certification, especially burdensome for smaller producers as costs are per certificate, not per ha
 - Difficulties complying with requirements, e.g., demonstrating land history as occasionally, there are no proper records
 - Insufficient knowledge and skills concerning the certification process and requirements

Bottleneck importance: Moderate to High

Recommendations:

- Continue harmonisation with the EU norms aiming for mutual recognition
- Support further development of quality infrastructure
- Promote establishing quality management systems by producers
- Provide information support and training on new regulatory developments

Packaging

- » Most packaging is not produced in MDA and thus must be imported
- » Imports occur mainly through intermediaries
- » MDA import duties (MFN):
 - Cartons, boxes and other packaging containers of paper (HS 4819): 11%
 - Articles for the conveyance or packaging of goods of plastics (HS 3923): 6.5%
- » Price for some packaging in MDA can be up to 10 times higher than in the EU
- » Need to follow the EU trends in packaging, including small packages, bio-digestible packages

Bottleneck importance: Moderate

Recommendations:

- Consider removing import duties on packaging
- Promote investments in packaging manufacturing facilities in MDA, aiming to serve the regional market
- Ensure that there is no market monopolisation

Marketing & partner matchmaking

- » Producers describe insufficient information about new marketing strategies
- » Main approaches to finding new partners: participation in exhibitions, personal contacts
- » Respondents report a high cost of participation in exhibitions, limiting both the number of participations and the quality of presentation
- » In some cases, international donors partly cover the costs
- » Limited sector digitalisation, e.g., use of online marketplaces

Bottleneck importance: Moderate

Recommendations:

- Consider more active support of participation in international exhibitions
- Support reaching out to the EU networking platforms and special programs
- Promote the use of online marketplaces

Conclusions (1/3)

Key bottlenecks	Importance	Key recommendations
<p>Access to labour: labour deficit due to urban and external migration; lack of qualified specialists; lack of digital skills</p>	<p>High</p>	<ul style="list-style-type: none"> • Develop (social) infrastructure in rural areas (long-term) • Support switching to less labour-intensive technologies • Promote sector-specific training
<p>Access to capital: insufficient post-harvest and marketing infrastructure; limited access to capital for small producers; expensive bank loans</p>	<p>High</p>	<ul style="list-style-type: none"> • Explore the possibility of MDA participation in EU business development programs • Foster the development of cooperatives to pool investment • Consider creating a donor-backed investment fund for agricultural producers
<p>Access to inputs & materials: reliance on expensive imports; long certification of new (innovative) products</p>	<p>Moderate</p>	<ul style="list-style-type: none"> • Consider automatic recognition of the EU-certified inputs • Support establishing plant nurseries in MDA

Conclusions (2/3)

Key bottlenecks	Importance	Key recommendations
Access to the EU market: TRQs abolished only temporarily	Low to Moderate	<ul style="list-style-type: none"> Agree with the EC on a long-term abolishment of TRQs to ensure planning security
Customs clearance: long queues, delays, slow checks	High	<ul style="list-style-type: none"> Establish joint MDA-ROU border checks at all crossing points Designate crossing points for certain products/countries Promote applications of fruit exporters for AEO status
Transportation: price surge; a shortage of drivers	Low	<ul style="list-style-type: none"> Offer additional training programs for drivers
Certification: high costs; difficulties with compliance; limited knowledge	Moderate to High	<ul style="list-style-type: none"> Continue harmonisation aiming for mutual recognition with EU Support quality infrastructure Promote using quality management by producers Promote information support & training, esp. on new regulations

Conclusions (3/3)

Key bottlenecks	Importance	Key recommendations
<p>Packaging: expensive imported packages, need to follow the EU trends in packaging</p>	<p>Moderate</p>	<ul style="list-style-type: none"> • Consider removing import duties on packaging • Promote investments in packaging manufacturing facilities in MDA, aiming to serve the regional market
<p>Marketing & partner matchmaking: insufficient information; limited due to digital tools; expensive to participate in exhibitions</p>	<p>Moderate</p>	<ul style="list-style-type: none"> • Consider more active support of participation in international exhibitions • Support reaching out to the EU networking platforms and special programs • Promote the use of online marketplaces

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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