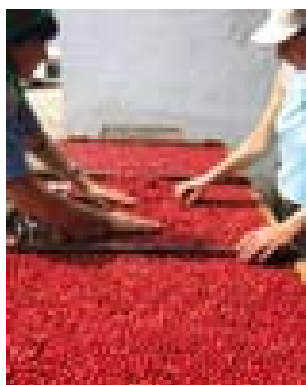


# Investment & Export Promotion Agriculture & Food Processing



Moldova has exceptional resources that are highly favourable to agricultural production. Its black, fertile soil is ideal for growing corn, fruit and vegetables. Because of its geographic location the country enjoys a moderate continental climate - short and relatively warm winters and long hot summers - so that early crops can be grown, giving producers a strong competitive advantage. Additionally, Moldova's farmers have long experience and broad knowledge in a wide variety of agricultural activities. These factors, combined with an affordable labour force, make possible the production of high-yield, labour-intensive crops that are competitive in export markets. The sector also benefits from Moldova's scientific research institutes whose knowledge and expertise strongly support agricultural development. And to further enable

agriculture to develop to its full potential, Government policies in recent years have strongly supported private land ownership. Agro-industrial activity currently accounts for about 30% of GDP. Food processing is a major industry accounting for 43.5% of industrial output and more than two thirds of exports, and - importantly - is based on local raw materials. Moldova has 27 canneries, 9 sugar mills, 9 large meat-processing plants and many small and medium scale processing plants. After privatisation in the late 90's, many enterprises modernised their equipment, organisation, management, raw material supply and trade channels. Many of them now have significant development potential.

## Investment Potential

There are investment opportunities in primary production, food processing, input supply and agricultural financing. Opportunities in primary production include: orchards, vineyards, vegetable growing in open fields and greenhouses, livestock, industrial crop production, etc. Processing is one of the most important and attractive investment categories. Equipment and technology are required for storage, packaging and long distance transportation of fresh products; drying; instant freezing; canning; and the production of ingredients and additives.

Other related activities of interest include input supplies. Irrigation, packaging and processing equipment and agricultural machinery offer opportunities, as do the production and trade of planting materials and agribusiness leasing. Organic farming should also be considered. The rich soils, and skilled, relatively cheap and available labour present opportunities to take advantage of the increase in demand for organic farming products in western markets, and this provides a huge opportunity for investment in this area.

## FDI Opportunities in Moldova's Agro-Food Sector

Product/Subsector	FDI Opportunity
Walnuts	<ul style="list-style-type: none"> <li>■ Largest exporter of walnut kernels to Europe</li> <li>■ Stable export growth over the last five years</li> <li>■ Increasing country-wide commercial-size orchard area</li> <li>■ Governmental program subsidies to develop new orchards</li> <li>■ Underdeveloped exporting infrastructure</li> <li>■ Liberal legislation for importing and processing raw material</li> </ul>
Fruit & Vegetables (F&V)	<ul style="list-style-type: none"> <li>■ Proximity to European and CIS markets</li> <li>■ Established CIS image of a quality F&amp;V grower</li> <li>■ Autonomous Trade Preferences (ATP) in accessing EU</li> <li>■ Rich tradition of growing fruit and vegetables</li> <li>■ Quality changes happening at the growers' levels</li> <li>■ Dynamically developing infrastructure for processing F&amp;V, but still far from providing any serious competition at the local level</li> <li>■ Governmental program subsidies to develop new orchards</li> </ul>
<ul style="list-style-type: none"> <li>a. Fresh</li> <li>b. Canned</li> <li>c. Dried</li> <li>d. Frozen</li> </ul>	
Biofuel & Ethanol Production	<ul style="list-style-type: none"> <li>■ Excellent domestic and regional opportunities</li> <li>■ No local competition</li> <li>■ Significant raw material base: wheat, corn, sugar beet pulp, and other agricultural product leftovers</li> </ul>
Medicinal & Aromatic Plants (MAP)	<ul style="list-style-type: none"> <li>■ Established traditions of MAP growing and processing</li> <li>■ Qualified workforce to handle MAP operations</li> <li>■ Excellent export opportunities to EU and CIS markets</li> </ul>
Honey	<ul style="list-style-type: none"> <li>■ Excellent EU export opportunities, enjoys 0% import tax rate according to ATP</li> <li>■ Significant beekeeping tradition</li> <li>■ Lack of any serious export competition</li> <li>■ Established associations at the regional and national levels</li> </ul>
Confectionary	<ul style="list-style-type: none"> <li>■ Excellent raw material base</li> <li>■ Good export opportunities</li> <li>■ Competitive domestic base for launching production</li> </ul>
Dairy	<ul style="list-style-type: none"> <li>■ Excellent domestic and export opportunities</li> <li>■ Developing raw material base</li> <li>■ Rich processing tradition</li> </ul>
Livestock Production and Processing	<ul style="list-style-type: none"> <li>■ Excellent domestic and export opportunities</li> <li>■ Rich production and processing tradition</li> <li>■ Liberal legislation on importing raw material for processing</li> </ul>
Sugar Processing	<ul style="list-style-type: none"> <li>■ Rich sugar-beet growing and processing traditions</li> <li>■ Increasing sugar beet growing area</li> <li>■ Established image as a high quality processor</li> <li>■ Excellent export opportunities</li> </ul>
Tobacco	<ul style="list-style-type: none"> <li>■ Rich tobacco growing and processing traditions</li> <li>■ Tobacco is a high-value crop</li> <li>■ Low local competition</li> <li>■ Established marketing channels</li> </ul>
Input Supply & Agricultural Machinery	<ul style="list-style-type: none"> <li>■ Stable increasing growth in this market segment over the last five years</li> <li>■ Increasing interest on farmers' behalf to invest in new technology and equipment</li> </ul>

Moldova's agricultural land distribution in 2008 was as follows:

thousands of hectares

<b>Total agricultural land</b>	2,506.2
<b>arable land</b>	1,821.7
<b>perennial plantations</b>	302.8
of which:	
orchards	132.7
vineyards	157.5
<b>Grains &amp; Legumes</b>	1005.8
<b>Industrial Crops</b>	342.1
of which:	
sugar beet	24.7
sunflower	228.0
soybean	30.5
tobacco	2.7
<b>Vegetables</b>	81.2
of which:	
potatoes	31.2
field vegetables	39.8
<b>Forage crops</b>	71.1

### Production of Main Crops, 2008

thousands of tons

Grains & Legumes	3169.5
Sugar beet	960.7
Sunflower	372.0
Soybean	58.2
Tobacco	3.9
Potatoes	271.0
Vegetables	368.7
Melons & gourds	70.0
Fruit & berries	370.5
Grapes	636.0

Source: National Bureau of Statistics





Product/Subsector	FDI Opportunity
Agricultural Leasing	<ul style="list-style-type: none"> <li>■ Underdeveloped market that offers excellent opportunities</li> <li>■ Increasing share of the commercial-size farms</li> <li>■ Tax incentives if company invests annual profits into machinery and fixed assets.</li> </ul>

The Republic of Moldova benefits from the Autonomous Trade Preferences (ATP), granted by the Member States of the European Union.

According to the Regulation of the European Commission on Granting Autonomous Trade Preferences to the Republic of Moldova (2005/924/CE) it is stipulated free access on the EU market without customs duties and tariff quotas applied to all goods originating from the Republic of Moldova, except some agricultural products for which limited concessions in the form of tariff quotas or reduction of customs taxes. The quotas at the export of agro-food from the Republic of Moldova to EU Members are for the following products: cereals (wheat, barley, corn), sugar, wine of fresh grapes, with maximum alcohol level of 15% of the volume, other than sparkling wine, some products of animal origin such as frozen and fresh bovine, pore, sheep meat, meat and comestible offal, fresh or frozen; milk products, eggs, etc. The ad valorem duty is not imposed on the following products from tariff line (07): fresh and frozen tomatoes, fresh and/or frozen cucumbers and cabbage, as well as some fruits from tariff line (08), fresh and dried grapes, fresh apples, pears and quince, apricots, cherries, peaches, including nectarines, plums and raisins.

## FDI in Agriculture and Food Processing

Name	Sub-Sector	FDI origin	Comment
Verde Mondial	Vegetable and flower greenhouse	Turkey	First modern commercial size greenhouse investment since Soviet Union's collapse
Sauron	Grapes and fruit nursery	USA	Table grapes and stone fruit seedlings. First one to introduce seedless table grapes to the local market
Interconsult-MD	Strawberry production	The Netherlands	Commercial scale strawberry growing operation using various off-season production technologies
Reforma Fruit'n'Nuts	Dried fruit and vegetables	Germany	Largest exporter of dried fruit and vegetables
Natur Bravo	Fruit and vegetable processing	USA	Canning and juice making business operating three processing facilities
Cardico	Walnuts	Greece	Part of a larger European processing chain
Pinto-Mold	Walnuts	Austria	Processor and exporter
Bienenhaus	Honey	Germany	Modern honey processing and export facility
Lactalis-Alba	Dairy	France	Part of a larger dairy chain in Europe and CIS

Name	Sub-Sector	FDI origin	Comment
Sudzucker Moldova	Sugar processing	Germany	Largest sugar maker in the nation with 3 different processing facilities around the country
Marr Sugar	Sugar processing	Russia	Second largest sugar beet processor
Kelly Grains Elevator	Grain growing and processing	USA	Grain storage and export
Floarea Soarelui	Oil press	USA	Largest producer of sunflower oil in the country holding a significant share of the local market and considerable export operations.
Agrimatco	Input supply	Middle East	Member of an international input supply business

Food Processing Industry,  
Selected Activities, 2008

USD million	
<b>Total Industrial Output</b>	<b>2,854</b>
<b>Food Processing</b>	<b>991,1</b>
Meat	9.54%
F&V	9.31%
Dairy	11.33%
Flour & starches	8.58%
Sugar	8.64%
Confectionary	4.5%
Distilled alcohol	4.76%
Wine	21.01%
Mineral water & drinks	2.79%
Tobacco products	3.2%
Others	16.34%

Source: National Bureau of Statistics

## Processing of Fruits and Vegetables

The fruit and vegetable export market includes both the processed and fresh fruits and vegetables. In terms of volume, the most significant export products remain canned vegetable and fruit products. Processing of fruits and vegetables is the second major sector of the food industry after wines, with a total production that accounts for 10% of total volume of production. More than 90% of production is destined for export. The fruit and vegetable-processing sector comprises 6 large operators and about 25 small and medium-sized enterprises that employ 19,000 people.

The main fruit and vegetable crops processed in Moldova are field tomatoes and apples. Together these comprise more than 70% of all processed output. Various plants convert tomatoes, mostly into paste (at a 4/1 or 5/1 concentration), and apples into 6/1 concentration. In addition to these bulk products, other tomato products include tomato ketchup and canned whole tomatoes. Other apple products include apple pulp for jam, apple sauce and a product similar to apple butter. Other processed fruit and vegetables consist of canned goods, purees for baby food, jams and preserves, and specialty products.

## Imports and Exports of Fruits & Vegetables 2006-2008, million USD

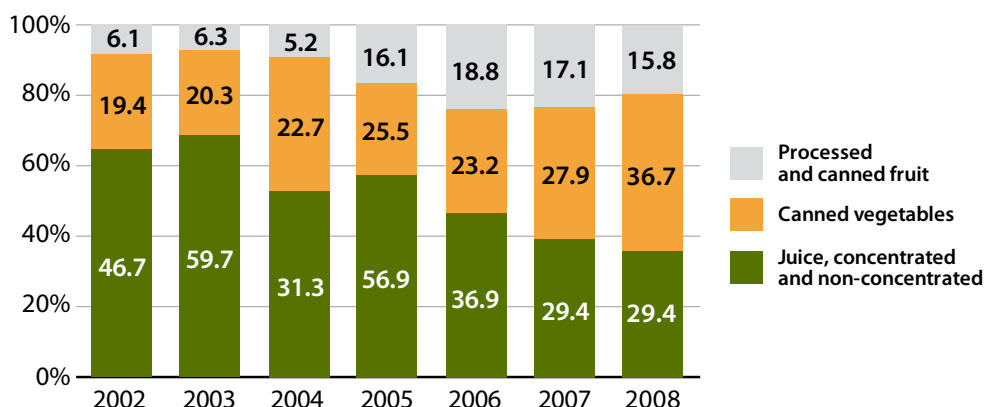
Category	2006		2007		2008	
	Export	Import	Export	Import	Export	Import
Vegetables, edible (HS2002 - 07)	5.69	10.38	2.65	19.08	3.98	27.33
Fruit, edible (HS2002 - 0803-0814)	64.58	20.48	92.85	28.65	43.9	23,73
Processed Fruit and Vegetables (HS2002 - 20)	42.73	14.47	79.48	20.85	51.40	30.13

Source: UN Comtrade Database

As of January 1, 2008 all Moldovan food processors have to implement food safety systems based on HACCP principles according to National Law no. 78-XV on food products.



## Main Categories of Processed Fruit and Vegetable Products, 2002- 2008 (thousand tons)

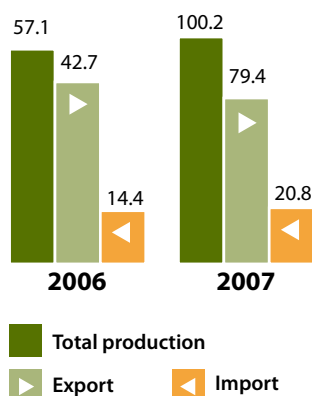


Source: National Bureau of Statistics

Almost all fruit and vegetable crops are hand harvested. This results in processed products with better flavour, texture and appearance than those of crops grown for mechanical harvesting. According to 2005-2008 data the CIS remains the

biggest market for exported fruit and vegetable products, accounting for 70% in total. EU-27 and other European countries account for the other 30%, mostly in the form of semi-finished products.

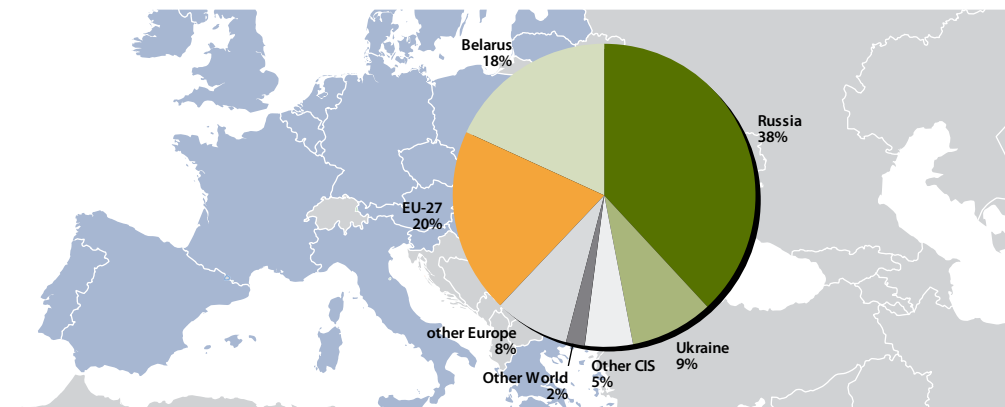
## Processed Fruit and Vegetables (HS2002-20), USD million



Sources: National Bureau of Statistics and UN Comtrade Database

More than 90% of processed fruit and vegetables are destined for export. European countries account for 31,4% of total export and CIS countries being the destination for 55% of Moldova's fruit and vegetable products.

## Exports by Country, 2008 (%)



Source: UN Comtrade Database

The processing industry is rapidly becoming more competitive by introducing new technology to optimise product quality and production efficiency. The largest processors are: **Orhei Vit JSC, Alfa Nistru JSC, Natur-Bravo JSC, Basarabia Ltd, Cosnita and Fortuna Plus** canneries. The product line is diverse. Besides apples and tomatoes, it includes natural juices (clarified and with pulp), nectars, fruit butters, jam and preserves. These are made from cherries, apricots, peaches, plums, pears and various berries. Processed vegetables include peas, green beans, carrots, beets, sweet peppers, onion, cucumbers, and squash — as either finished or semi-finished products. Today, most juice making and canning facilities

are equipped with the most modern and highly productive equipment. This includes “**Bucher**”, “**Flottweg**”, “**Unipectin**”, “**Tetra-Pak**”, “**Fbr-Elpo**”, “**Fbl**”, “**Andritz**”, “**Schenk**”, “**Vattenteknik**”. “**Alimenta**” lines which are used for the production and packing of dense products into European-style containers. “**Fbr-Elpo**” lines are used for aseptic packing of paste-form products into bags according to “**Bag-in-Box**” technology.

Drying and freezing are capturing more of the market. About 10 medium and large-scale fruit dryers and 3 flash freezing facilities have emerged during the last few years. Taking into account the favorable market conditions, the number of these operations is predicted to grow.



## Organic Foods

Currently, sales of organic processed foods are growing in Western Europe and now total €23.8 billion. Turning production over to organic products might revitalize the Moldovan food processing sector. Organic agriculture demands considerable manual work and non-use of chemicals. The governmental institutions are fully aware of the enormous export potential of organic agricultural and food products. The Moldovan authorities and SGS Societe Generale de Surveillance S.A. (with headquarters in Geneva, Switzerland) are developing a System for Certification of Organic Agricultural Food Products. The Government of Moldova, in collaboration with SGS, issued two presidential decrees, approving the national concept of organic agriculture. The Law on Organic Agriculture has been harmonized with EU laws. As a result, SGS Moldova in line with the SGS Organic Production Standard (OPS) have certified grapes and wine producers working 2,830 ha of industrial vineyards or 2.7% of the total plantation surface. Apples and beekeeping products are also produced in the country under organic farm management principles.

## The Sugar Industry

The sugar industry in Moldova comprises two branches: sugar beet producers and nine sugar beet processing factories. The total processing capacity of the existing enterprises in this industry, considered for a period of 100-110 days is 2.9-3.1 million tons of sugar beet and 350,000-370,000 tons of sugar. The industry employs over 40,000 people. Presently, two major companies operate on the sugar market: "Marr Sugar Moldova" and "Sudzucker Moldova". In 2006, they processed 1.08 million tons of sugar beet, producing 148,400 tons of sugar. These indicators exceeded the 2005 levels by 8.9% for processed sugar beets and 11.2% for sugar production. Marr Sugar Moldova operates three sugar factories: Glodeni Zahar, Ghindesti Cristal, and Cupcini Cristal. In addition to sugar, the company produces lemon salt from molasses and has an annual production capacity up to 2,500 tons. It also has facilities for the production of 13 million litres of ethyl alcohol per year.

## The Tobacco Industry

The cultivation of semi-oriental tobacco is well established in Moldova. This type of tobacco is a basic ingredient of American cigarettes. The change from seasonal fermentation to non-seasonal (industrial) fermentation in the 70's provided a significant increase in output of fermented tobacco. Moldova has become one of the leading Eastern European producers of raw tobacco and the largest supplier of tobacco in the former Soviet Union. There are 7 fermentation plants as well as the Chisinau tobacco factory (Tutun-CTC), which can produce 9.3 billion cigarettes a year.

## Honey Production

Moldova's honey production varies from 2,000 to 2,500 tons annually. Moldova exports over 50% of its production levels reaching over 1,300 metric tons annually.

EU-27 and Russia constitute the major market destination for Moldovan honey and beekeeping products. Presently, there are over 3,000 beekeepers farming over 100,000 beehives in Moldova. The Government supported this sector by adopting a Law on Beekeeping and implementing a National Sector Development Program for 2006-2015. The Program calls for a national EU-certified laboratory and modern, market-oriented, food safety-compliant honey processing and storage facilities. The EU's GSP+ list includes honey; Moldovan honey exports can therefore enter the European market duty-free.

## The Walnut Industry

Moldova is the 4th largest exporter of shelled walnuts in the world behind the USA, Mexico and China. There are plantations throughout the country in the form of field windbreaks, small household plantations and commercial orchards. The total area of walnut plantations is approximately 6,000 ha.

Average productivity varies from 2 to 3 tons per ha depending on the variety and climatic conditions. Thus, annual production levels vary from 15,000 to 18,000 tons.

Marr Sugar's Ghindesti Cristal sugar factory won two prestigious awards: "European Golden Arc" and "New Millennium International Prize for Technology and Quality" in 2003.

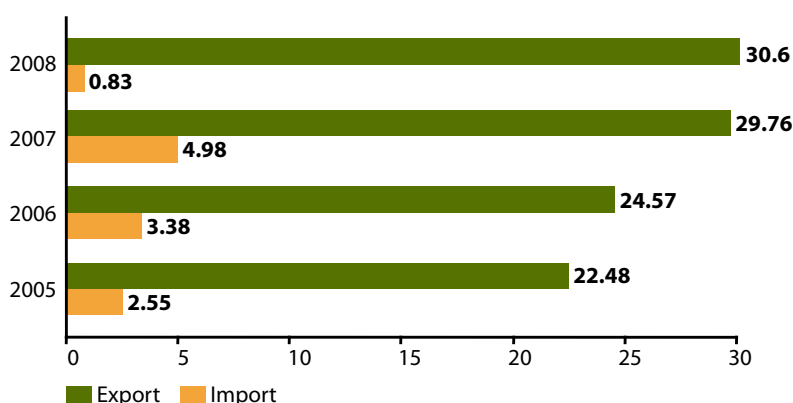




According to the International Trade Centre in Geneva, Moldova was the largest European exporter of shelled walnuts in 2006. The average growth rates for shelled walnut exports from 2001 to 2006 were 12% and 10% for value and volume respectively.

The Government passed the Walnut Law in 1999 and embarked on a National Development Programme for Walnuts in 2006 which envisages the expansion of commercial-size orchard areas by 1,000 ha annually to reach 10,000 ha of new orchard by 2015.

### Exports and Imports of Walnuts, 2005-2008 (€ million)



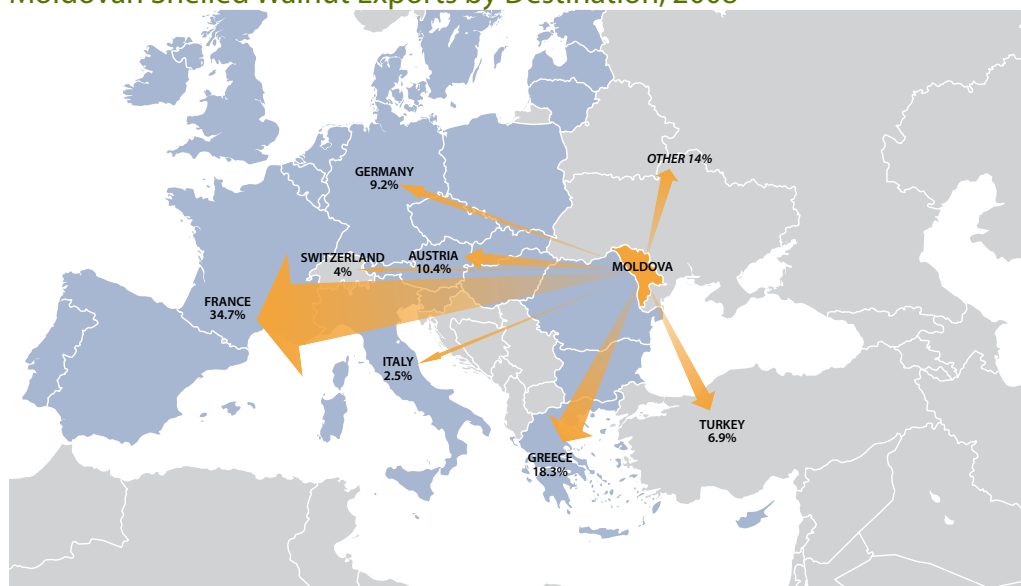
Source: UN Comtrade Database

According to the International Trade Centre in Geneva, Moldova is the largest European exporter of shelled walnuts with a volume of 9,163 tons and a value of €29.8 million. The average growth rate for shelled walnut exports from 2001 to 2006 was 12% (value) and 10% (volume). Low labour costs and high-quality walnut processing (cracking) are attractive for large consumers of walnuts. France, USA, Spain and Ukraine exported 5,673 tons of in-shell nuts to Moldova for further processing in 2006. Currently 85-90% of the highest quality product is the result of manual processing rather than mechanized processing. Twenty five different countries including EU, Egypt, the Middle East and other Asian countries buy walnuts from Moldova. The EU contin-

ues to be Moldova's major customer buying 86% of all walnuts.

Given the strategic importance of the sector for the Moldovan economy, the Government passed a Walnut Law in 1999 and embarked on a National Development Program for Walnuts in 2006 which visualises development in the sub-sector up to 2015. The program calls for the sector to expand commercial-size orchard area by 1,000 ha annually and reach 10,000 ha of new orchard by 2015. Governmental subsidies are envisioned to promote the orchard development process by repaying 50% of the investment during the first five years of orchard establishment. These incentives apply to both local and foreign investment.

### Moldovan Shelled Walnut Exports by Destination, 2008



Source: UN Comtrade Database

## German Investment Reaps Benefits in Moldova



### Sudzucker AG Management and Business Strategies Transform the Moldovan Sugar Industry

Südzucker AG is a German company of high renown in Western and Eastern Europe. With production of some 5 million tons, Südzucker Group is the market leader in the sugar sector. The Group's European factories are based in France, Belgium, Germany, Austria, Poland, the Czech Republic, Slovakia, Romania, Hungary and Moldova. It operates 43 sugar factories and 2 refineries.

In 2001, on the basis of the earlier purchase of three Moldovan sugar processing facilities in Drochia, Alexandreni and Falesti, Südzucker-Moldova JSC was established. Südzucker-Moldova JSC produced 83,000 tons of sugar last year, 56% of the production of the Moldovan sugar sector. In monetary terms, Südzucker's annual turnover in Moldova grew to € 37 million during the last year of operation.

When Südzucker AG came to Moldova, the sugar industry was in such a dismal state that many questioned whether Moldova even needed a sugar industry. Before investing, the company established that there was a need to introduce new management systems into the industry. It allocated the management of key processes to several professional managers who valued openness and transparency – values the company prizes highly. The company set constructive relations with the public, growers and government

authorities contributing to serious changes in legal frame conditions of the industry. Soon after Südzucker's arrival, thousands of people obtained stable employment.

Understanding Moldovan realities, Südzucker undertook managerial and organizational steps to make sure its investments reaped proper results within optimal time frames. In its effort to increase the quality of the raw material supplies, Südzucker completely changed the system. It established a raw material supply development division to help growers. The division organizes regular workshops and field-days where the company and its suppliers discuss methods of obtaining optimal yields. As a result of this approach, local growers have changed to new varieties of sugar beet and learned new pest management, maintenance and harvesting technologies.

Regardless of the fact that energy is slightly cheaper in Ukraine and Russia, Südzucker has managed to make the product competitive in these markets. In a little over five years, the company invested over €12 million in renovating production, marketing and institutional facilities. The investment targets the long-term goal of operating and expanding in Eastern European markets. Südzucker's experience in Moldova has proved invaluable in building the company's future in the region.

## How MIEPO can assist Investors and Exporters

### MIEPO's investment promotion services include:

- Conducting general sector analyses, including macro-economic and other data such as operational costs and labour availability.
- Organising essential contacts during the pre-investment stage including facilitating negotiations at central and local authority levels.
- Identifying optimal locations for setting up operations and organising site visits.
- Identifying legal, accounting, architectural and engineering and other assistance needed for launching an enterprise.
- Investor aftercare: policy advocacy, troubleshooting, advice, contacts.

### MIEPO's export marketing support services include:

- Facilitating buyer introductions by organising tailored itineraries focused on leading Moldovan companies, and support and public sector organisations.
- Assisting with market entry strategies, researching markets, identifying market opportunities, and sourcing agents and distributors.
- Organising business and trade missions to established and prospective markets.
- Participating in leading international sectoral trade exhibitions.
- Providing support services to first time exporters including export training, market intelligence, and market planning.

### Useful links

**Ministry of Economy & Trade**  
[www.mec.gov.md](http://www.mec.gov.md)

**Ministry of Agriculture and Food Industry**  
[www.maia.gov.md](http://www.maia.gov.md)

**Union of Agricultural Producers**  
[www.uap.md](http://www.uap.md)

**Moldovan Companies' Database**  
[www.yellowpages.md](http://www.yellowpages.md)

**Moldovan Chamber of Commerce**  
[www.chamber.md](http://www.chamber.md)

**Moldovan Foreign Investor Association**  
[www.fia.md](http://www.fia.md)

**American Chamber of Commerce**  
[www.amcham.md](http://www.amcham.md)

**USAID's Agribusiness Development Project**  
[www.cnfa.md](http://www.cnfa.md)

**Export Information Website**  
<http://export.acsa.md>

MIEPO's primary objectives are to enhance the social and economic development of Moldova through investment and export promotion activities.

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