

**CURRENT TRENDS IN TRADE OF THE REPUBLIC OF MOLDOVA
AND WAYS TO INCREASE THE COMPETITIVENESS OF
AGRICULTURAL PRODUCTS ON FOREIGN MARKET**

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Abstract

Moldovan trade in agri- food products on domestic and foreign markets currently face severe competition with similar products grown and processed in neighboring countries. Thus the need arises to analyze the situation on the domestic and foreign market and determine ways of increasing their competitiveness in the market. The paper analyzes the external factors that influence the current situation and trends of foreign trade in agri- food products on the EU and CIS countries. It also argues the essence and components of competitiveness, and highlights some ways to enhance the competitiveness of agri-food products on domestic and foreign markets.

Keywords: *agri-food products, foreign trade, concept competitiveness, strategy focused on quality, customer satisfaction.*

1. Introduction

In the latest years radical changes have occurred in Moldova's foreign trade. Along with signing the Association Agreement between the Republic of Moldova and EU, on one the hand, there opens the gates to the West with a market of over 370 million consumers [6] and, on the other hand, there considerably decreases the volume of sales towards the Russian Federation. In this context, there arises the need to make an analysis of the current situation of foreign trade and seek new ways of penetration and increase the competitiveness of local products on the foreign market.

The experience of recent decades has shown very clearly that the problems of the global economy, development in general, cannot be solved apart from the agricultural sector in particular. Due to agricultural specialization of Moldova, the agri-food products are the main components of Moldovan export. This particular sector is and will remain in the future the key visible sector of the national economy.

Lately, the external factor has become very important in foreign trade with agricultural products. External conditions were characterized by the following aspects [5, p. 72]:

- signing the Association Agreement with the European Union and the establishment of the Deep and Comprehensive Free Trade Area (DCFTA);

- economic stagnation of the Russian Federation and cooled Moldovan-Russian relations following the signing of the Association Agreement between the Republic of Moldova and European Union;
- slow economic growth in the European Union;
- economic and political crisis in Ukraine;
- the decrease of international prices for oils, cereals and sugar, which have a relatively major share on Moldovan exports;
- increase of international prices for meat, the Republic of Moldova being a net importer of meat.

2. The degree of investigation of the problem at the moment, purpose of the research

The problems of marketing domestic agri-food goods worsened once with the liberalization of the market especially of Moldovan market with imported products –cheaper and with the embargoes applied by the Russian Federation to Moldovan goods . Thus, the problem of commercialization and increasing the competitiveness of domestic agri-food goods is in the view of specialists and researchers in the field of trade, but more intensively they are researched beginning with the year 2000 [1, 5] when the competition in the market of food products was intensified, domestic products having a lower degree of competitiveness. Currently the researches in the domain and their outcomes [1, 3, 4, 5] are more focused on processes and methods of organizing trade and do not include all factors which determine and maintain competitiveness and contribute to assuring competitiveness and to permanent maintaining the retail trade of domestic goods.

The final purpose is to create and propose a complex system of insurance and marketing of production and sustainable commercialization of local agri-food products on the local and international markets and the purpose of this paper is to identify and nominate some ways to enhance and implement the marketing concept activities in the activity of producers, processors and traders who deal with agri-food products.

3. Methods and materials applied

The research is performed using the methods of: comparative and factorial analysis, the analysis of the structure and dynamics, induction and deduction, practical experience etc. The proposed ways to boost the competitiveness of agri-food products on the domestic and international markets are nominalized resulting from guiding the producers from this field towards European standards for quality, assortment and implementing modern marketing concept focused on satisfying consumers' needs.

4. Analysis of the current situation and trends in Moldova's foreign trade with agricultural products

These factors have had a significant impact on the development of the Moldovan foreign trade. Next, *we will try to prove this statement by performing a brief analysis* of the dynamics and structure of foreign trade of the Republic of Moldova with agricultural products.

In the period 2006-2014 this sector reached about 40-50% in total volume of exports annually. In 2014 the export of agri-food products, in the amount of 1100.0 mln USD (Figure 1), constituted

47.0% of Moldovan exports, registering a slight increase of 4.9% in comparison to the previous year, but compared to 2005 - 1.7 times.

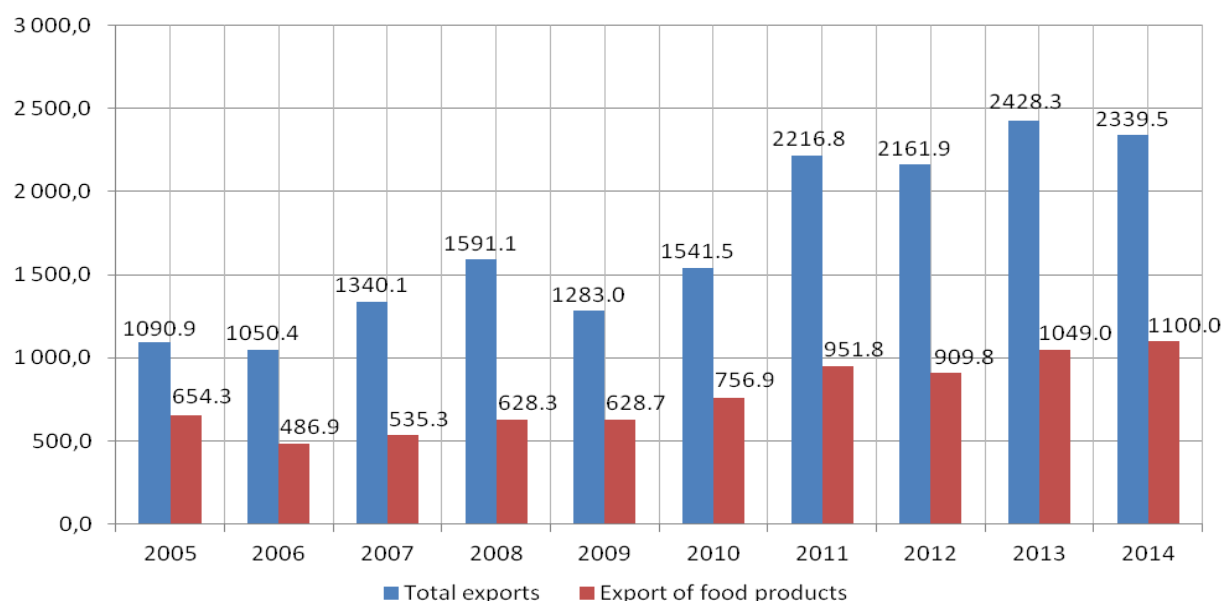


Figure 1: Export of agri-food products in total exports of the Republic of Moldova, mln USD

Source: National Bureau of Statistics of the Republic of Moldova

The current structure of agricultural products' exports from Moldova is dominated by the chapter "vegetal products", which holds a significant share of 50.0%, followed by "food, beverages and tobacco" by 34.4%, while the chapters "live animals and animal products", "fats and oils" and "hides" have a relatively small share of 3-7% each.

Table 1: The export of Moldovan food products on main sections in 2005, 2010-2014, thousand USD

Section name	Year						Relative 2014 deviation to	
	2005	2010	2011	2012	2013	2014	2010	2013
Live animals and animal products	17204.0	26968.9	38042.9	37817.0	37166.5	59732.5	2.2 times	1.6 times
Vegetable products	131770.4	340715.8	470995.0	360469.6	507045.5	549667.3	1.6 times	108.4
Fats and oils	37789.5	47584.2	77486.1	89708.7	44040.0	77522.5	1.6 times	1.8 times
Food products, beverages and tobacco	395951.3	316942.1	330579.1	390885.7	427293.5	378435.4	119.4	88.6
Hides	71574.2	24690.4	34668.9	30954.3	33418.1	34680.8	140.5	103.8
Total agri-food products	654289.4	756901.4	951772.0	909835.3	1048963.6	1100038.5	145.3	104.9

Source: Calculated based on National Bureau of Statistics of the Republic of Moldova

The growth of agri-food export volume in 2014 helped increase the sales of goods abroad on the following sections:

1. Vegetal products - by 42.6mln USD (or 8.4%);
2. Fats and oils - by 33.5mln USD (1.8 times);

3. Live animals and animal products - by 22.6 mln USD (1.6 times);
4. Hides – by 1.3 mln USD (or 3.8%).

However, a negative dynamics has had the volume of food export, beverages and tobacco by 48.9 mln USD or 11.4% in 2014 compared to 2013.

Let's examine what types of products from this section have conditioned the decrease of export.

Table 2: Export of food, beverages and tobacco from the Republic of Moldova during 2012-2014, thousand USD

Category/name of products	Year						Absolute 2014 deviation to	
	2012		2013		2014		2012	2013
	Amount	%	Amount	%	Amount	%	Amount	Amount
Food, beverages and tobacco: total	390885.7	100	427293.5	100	378435.4	100	-12450.3	-48858.1
Meat and fish	136.1	0.0	22.1	0.0	288.2	0.1	152.1	266.1
Sugar and confectioneries	35029.0	9.0	30537.3	7.1	55769.6	14.7	20740.6	25232.3
Cocoa and cocoa products	3592.2	0.9	5936.1	1.4	6188.2	1.6	2596.0	252.1
Preparations of cereals	13444.6	3.4	17553.9	4.1	17207.1	4.5	3762.5	-346.8
Fruits and vegetables	60371.6	15.4	76068.1	17.8	59665.1	15.8	-706.5	-16403.0
Various food preparations	7615.6	1.9	9648.9	2.3	7766.0	2.1	150.4	-1882.9
Non-alcoholic beverages, spirits and vinegar	214968.1	55.0	252300.2	59.0	193742.9	51.2	-21225.2	-58557.3
Residues and wastes from the food industry	21515.5	5.5	9715.7	2.3	21110.9	5.6	-404.6	11395.2
Tobacco and manufactured tobacco substitutes	34213.0	8.8	25511.2	6.0	16697.4	4.4	-17515.6	-8813.8

Source: Calculated based on National Bureau of Statistics of the Republic of Moldova

In the year under review the decrease on food products, beverages and tobacco was determined by the decrease in export volume of non-alcoholic beverages, spirits and vinegar by 23.2%, fruits and vegetables – by 21.6%, tobacco and tobacco substitutes – by 34.5%, various food preparations – by 19.5%, cereal preparations – by 2.0%.

The negative dynamics of exports to specified categories is conditioned largely by tightening the trade policy with the Russian Federation after signing the Association Agreement with the European Union and the establishment of the Deep and Comprehensive Free Trade Area in 2014.

A set of *restrictive measures* followed almost immediately by the introduction of import tariffs and import prohibition for some Moldovan products. Thus, in July of 2014, the Russian Federation banned the import of fruits and fresh and canned vegetables to its market; and later there were reintroduced duties applied to a larger number of food products (beef, pork, chicken, some fruits and vegetables, cereals, sugar, wine, spirits, etc.). Later it was banned the import of meat and its derived products.

These restrictions may constitute a violation of a number of bilateral and multilateral free trade agreements, including within the CIS. It should be noted that the sanctions of the Russian Federation aim at those products from agricultural sector and food industry with a considerable volume of exports which have the highest impact on the Moldovan economy and affect a larger part of the manufacturing sector. This makes the Moldovan economy fairly vulnerable to Russian sanctions, not only in terms of reduced exports and GDP, but also the social consequences.

Moldova's exports in 2014 were traditionally oriented to two main directions (Figure 2):

- CIS countries – with 33.6% of total exports of agricultural products;
- EU countries – with 43.1% of total exports of agricultural products.

Exports to other countries of the world accounted for 23.3% of total agri-food exports in the referred period.

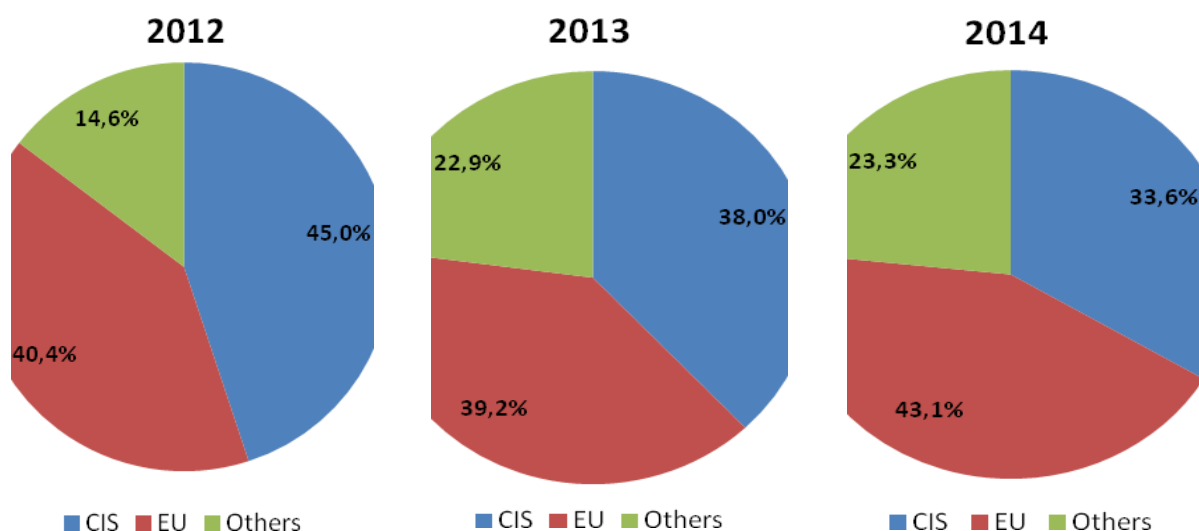


Figure 2: The share of main distribution lines in the total exports of Moldovan agri-food products in %

Source: Calculated based on National Bureau of Statistics of the Republic of Moldova

As a result of sanctions imposed by the Russian Federation, the share of agri-food products export volume on the CIS market in the last two years decreased by 11.4 % - from 45.0% to 33.6%, but the European Union has become the main export market for these products.

Table 3 shows the dynamics of agri-food products exports based on geographic orientation in absolute terms. From the data which are in the table we state that in 2014 the export volume to EU countries increased – by 63.6 mln USD (or 15.5%) compared to 2013 and by 106.4 mln USD (or 28.9%) compared to 2012. The sales volume of agri-food products outside the EU and the CIS has increased considerably in the last two years – by 123.7mln USD (1.9 times).

Table 3: The exports of agricultural products from Moldova per chapters according to geographic orientation during 2012-2014, thousand USD

Specification	2012			2013			2014		
	CIS	EU	Others	CIS	EU	Others	CIS	EU	Others
Live animals and animal products	26870.5	1782.0	9164.4	24961.8	2880.4	9324.3	43253.9	9284.5	7194.1
Vegetal products	149900.2	141079.7	69489.7	158658.1	198169.3	150218.1	138374.2	247672.2	163620.9
Animal or vegetal fats and oils	574.2	86512.5	2622.0	322.7	43515.2	202.1	358.2	72508.4	4655.9
Food products, beverages and tobacco	229327.1	110595.6	50963.2	212596.3	134951.2	79746.0	185901.5	111862.1	80671.8
Hides and skins, leather, furs	2433.6	27959.1	561.7	1687.5	31229.6	501.0	1265.7	33041.8	373.3
TOTAL	409105.6	367928.9	132801.0	398226.4	410745.7	239991.5	369153.5	474369.0	256516.0

Source: Calculated based on National Bureau of Statistics of the Republic of Moldova

Meanwhile, the export volume of Moldovan agri-food products on CIS countries' market decreased in 2014 by 29.1 mln USD (or 7.3%) compared to 2013, and by 40.0 mln USD (or 9.8%) compared to 2012.

At a higher level of disaggregation, there are several products that are almost entirely exported to the Russian Federation. In table 4 only product groups are included with exports to the Russian Federation over 1 mln USD. Among them there are some items with a considerable volume of exports over 10 mln USD: "fresh apples, pears and quince", "beef, fresh or chilled" and "other prepared or canned vegetables otherwise than by vinegar or acetic acid, not frozen" [4, p. 11].

In these tough conditions, Moldovan producers have to turn to markets other than the traditional ones. *But this is only one side of the issue.* The ban on import of food products to Russia affects the international reputation which was formed for decades.

Table 4: Product groups with a high share of exports to the Russian Federation
the group's total exports, 2013-2014, in%

Cod HS02	Product group	2013	2014
0205	Horse meat, donkey, mule, donkey, fresh, chilled or frozen	100.0%	100.0%
0201	Beef, fresh or chilled	100.0%	91.7%
0808	Apples, pears and quinces, fresh	90.8%	35.2%
2002	Tomatoes prepared or canned otherwise than by vinegar or acetic acid	84.1%	61.0%
2001	Vegetables, fruits and other edible parts of plants, prepared or canned by vinegar or acetic acid	82.1%	34.9%
0405	Butter and other fats and oils derived from milk; dairy spreads	81.3%	93.2%
2005	Other vegetables prepared or canned otherwise than by vinegar or acetic acid, frozen, other than products from pos.2006	77.2%	52.4%
0204	Meat of sheep or goats, fresh, chilled or frozen	77.0%	98.0%
0202	Frozen beef	69.4%	90.6%
1701	Cane or beet sugar and pure chemically sucrose, solid	4.2%	71.1%

Source: [3, p. 11]

The information presented in Figure 3 characterizes the export orientation on agricultural products in 2014, allowing the development of future decisions with reference to stable partnership relations.

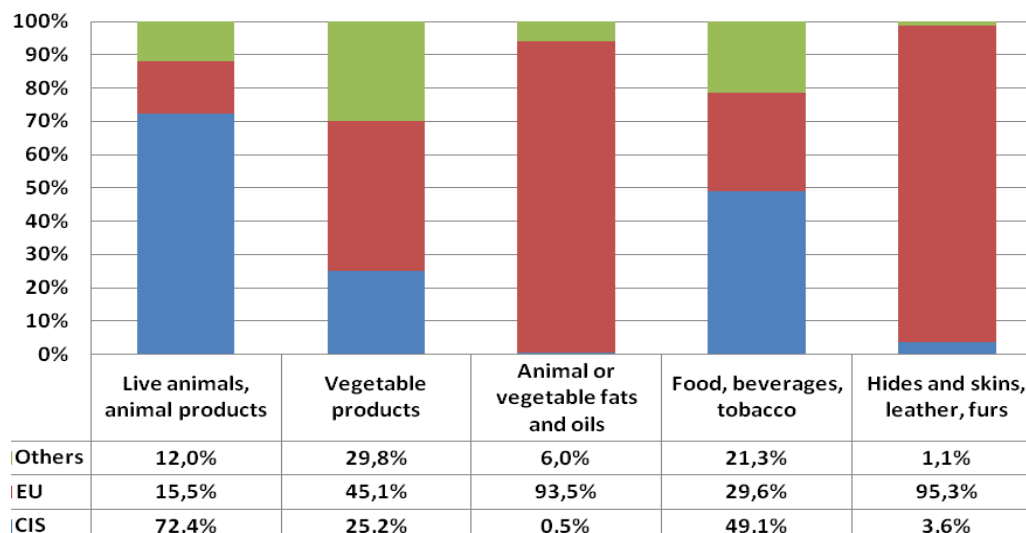


Figure 3: Exports orientation of agricultural products on sections in 2014

Source: Calculated based on National Bureau of Statistics of the Republic of Moldova

If overall, the dependence on CIS market is falling, which has been shown in Figure 2, namely targeting and banning those products for which export volume is very high, making Moldovan economy rather vulnerable to Russian sanctions.

5. The essence and ways to enhance the competitiveness of agri-food products on domestic and foreign markets

To fix the problem on the Moldovan agri-food products market and in their sales we must analyze the situation in terms of Moldovan products' competitiveness on domestic and foreign markets.

So, the concept competitiveness involves a high level of products indicators characterizing the quality to the price and profit level achieved as a result of the commercialization of products compared to competitors' similar products. At the microeconomic level competitiveness is the ability of the product or companies to maintain the market with a set of features that ensures an advantage towards similar competitive products, or to companies with a similar business target.

Therefore, competitiveness means that, taking into account a number of specific indicators, the agri-food businesses indicator must not be lower than at the competitors, i.e. to face the competition.

Based on these findings, we analyze the indicators which characterize the competitiveness of Moldovan products on the market.

The main objective of agri-food companies is to cultivate and produce consumer goods, being the source of supply and meet the demand of population with these vital products. Agricultural companies and processing enterprises of agricultural products are an important link in the consumers' supply with both domestic and external goods. In the trade items there is a shift in the sphere of circulation of goods' consumption, showing the connection between consumers and products. So, agricultural companies and producers are tasked to study the demand and supply of the population with goods in accordance with their needs.

An agricultural and manufacturing company of agri-food goods is defined by the following key attributes:

- the location, which puts the value by a firm set of attributes related to the consumer market's size, market share (by turnover) and continuous supply capabilities;
- by product, or the size and structure of the product range offered on the market;
- equipping buildings with modern equipment and technology;
- the forms of sales and services rendered to buyers;
- the fixed prices of marketed products;
- the forms and methods of promotion, or through the actions and means that stimulates the selling of a product helping to increase customer's satisfaction: organization and participation in fairs and exhibitions etc.

If we look at agricultural and agro production companies by location of consumers of these products there can be seen that Moldova has over 3.0 mln inhabitants who have daily needs of a wide range of food products. Thus, firms producing agricultural products in this category have quite important home market, leaving only to efficiently use the natural resources and move promptly to local consumers' needs and desires. Another opportunity is favorable location of

Moldova in the center of the European continent, which provides the ability to export food products both to West and East.

It is known that the climate is favorable and soils in our area are most fertile, here we can cultivate most diverse varieties of plants and trees. Thus, using the advantages offered by the location of Moldova, as an area where they can grow and produce food products, we can conclude that with good management of agri-food companies in the country we could cope with market's needs and provide the market with a wide range of products and the most qualitative products in this category.

Increasing competitiveness in agriculture can be achieved through the implementation of European standards in the production and processing of products. Their adoption and enforcement will create favorable conditions for closer convergence between Moldovan and European economy, which will help increase the competitiveness of their products and increase the access to various international markets, and primarily to the EU ones.

The decrease of food products exports to the CIS countries in the last 2 years has had a serious impact on domestic producers and demonstrated a considerable dependency towards Russian market. So, the exclusive alignment to Russian standard – GOST becomes risky in terms of access to alternative markets, while the non-compliance with European standards does not allow producers to diversify into other markets and to capitalize the potential offered by trade liberalization with the EU.

Table 5 presents the names and number of standards regarding the export of food products. Analyzing the data table, we find that GOST is used intensively in the production of several categories of products for export: meat (262 standards), cereals and pulses (161 standards), fruits and vegetables (164 standards). On the other hand, European standards are most often used in the production of soft drinks (24 standards). Additionally, the combination of European and international standards are used for meat and meat products (22 standards), cereals and pulses (22 standards), fat seeds (31 standards).

Table 5: The standards adopted as national standards per exported production

No.	Product groups	EN	ISO	ISO/EN	GOST	GOST-R
1.	Meat and meat products	6	16	22	262	6
2.	Dairy products	0	7	20	82	6
3.	Cereals, pulses	9	27	22	161	2
4.	Fruits, vegetables	4	10	1	164	7
5.	Sugar, products from sugar, honey	1	3	8	45	3
6.	Alcoholic drinks	1	0	0	43	34
7.	Soft drinks	24	0	0	41	4
8.	Tobacco and tobacco products	1	25	1	16	0
9.	Fats and seeds	2	7	31	95	0
	Total	48	95	105	909	62

Source: [3, p. 20]

Taking over European standards is a lengthy, complicated process requiring investments. However, the effective adoption of European standards will maximize the potential of marketing domestic products in lowering the number of non-tariff barriers of Moldovan exports. Another advantage would be reducing the production costs, and in many cases enhance the products' quality.

For consumers of food products as the strengths to attract the consumption of these products can be noted the following:

1. The selling price of products.
2. The variety of products and possibility to choose.
3. Accessibility of products on the local market in the services provided during the consumption process.
4. Quality assurance, compliance with quality standards.

These strengths should be taken into account by all operators on agri-food products market from the country.

To ensure a high level of competitiveness of agro-food companies the market must be supplied with qualitative products in big bulks. This problem can be solved by associating agricultural firms, by building common buildings for storing stocks for their processing, but also by providing equipment and refrigerators. Also, by creating their own distribution networks, secured with TIR type tractor and transportation over long distances under conditions that ensure the quality of agri-food products.

In modern marketing, profit is not seen as an ultimate goal of the enterprise, more it is a means that ensures the existence, development and achievement of the social-economic goals which were set. So, the main objective of the company should be customer satisfaction. However, profit is an indicator signaling the company's performance and its competitiveness. The profit should be viewed as a consequence of economic and social objectives established by the organization, as a reward for success in a competitive market.

Any undertaking which, first, satisfies the needs of its customers will be able to obtain a significant market share and thus the profit necessary for the development of its activities. *Studying consumers' needs* is an important condition to cultivate and produce those commodities that are required by consumers to provide qualitative services appropriate to their expectations so they will address *a strategy focused on quality* to achieve the highest level of company's competitiveness on the market.

Increasing competitiveness of agricultural companies through a strategy focused on quality requires the adoption of a systemic quality control concept, which refers not only to the productive activities, but to all their functional departments.

Modern marketing concept cannot be effectively achieved without a policy to promote performance according to planned advertising campaigns and actions without achieving a promotion policy both on the domestic and foreign markets. To make known the marketing companies in the agri-food sector should communicate with the market, to inform consumers and market operators about their supply, prices, how to buy, thus creating a competitive advantage over competitors.

6. Conclusion

The effects of the evolution elucidated above upon the national economy will be dispersed over time. *After the optimistic scenario*, the stocks formed in the agri-food sector will be stored in refrigerators and subsequently sold, or will go to the processing industry, helping to increase

industrial production. But in both cases it will require an additional effort of identifying the markets.

To reduce the risk of losses and increase the competitiveness of agricultural companies, growers and entrepreneurs who process agri-food products for the external market, must diversify the product portfolio on the market, adapt the range and quality of goods to market's requirements both in the East and West.

Producers and processors of agri-food goods are obliged to collaborate in order to invest in the construction of large deposits and ensure the implementation of modern technologies for processing and distribution of goods in accordance with current requirements, thus becoming competitive on the domestic and external markets.

But most pessimistic scenario is that in terms of missing markets, producers will incur losses that inevitably will affect their future work.

Thus, to reduce the impact of unpredictable decisions of partners in CIS countries on the Moldovan economy it is necessary to diversify swift assortment and markets for animal products, food, beverages and tobacco, and in particular for groups of products specified in Table 3.

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Rezumat

Comerțul Republicii Moldova cu produse agroalimentare pe piața internă și externă la momentul actual se confruntă cu o concurență acută din partea produselor similare cultivate și procesate în țările vecine. Astfel apare necesitatea de a analiza situația creată pe piața internă și externă și de a determina căile de sporire a nivelului de competitivitate a acestora pe piață.

În lucrare se analizează factorii externi care influențează vădit situația actuală și tendințele comerțului exterior cu produse agroalimentare pe piața UE și țările CSI. De asemenea se argumentează esența și elementele componente ale competitivității, se scot în evidență unele căi de sporire a competitivității produselor agroalimentare pe piața internă și externă.

Cuvinte-cheie: produse agroalimentare, piața internă și externă, competitivitate, strategii axate pe calitate, satisfacerea consumatorilor.

Аннотация

В настоящее время торговля Республики Молдова сельскохозяйственной продукцией на внутреннем и внешнем рынке сталкивается с жесткой конкуренцией со стороны аналогичных товаров, выращенных и обработанных в соседних странах. Соответственно, возникает необходимость проведения анализа установленной ситуации на внутреннем и внешнем рынке и выявления путей повышения их конкурентоспособности на рынке.

Данная работа содержит анализ влияющих внешних факторов на сегодняшнее положение на рынке и анализ тенденций внешней торговли сельскохозяйственной продукцией на рынках Европейского Союза и Содружества Независимых Государств. Также аргументированы содержание и составляющие элементы конкурентоспособности, выявлены некоторые пути повышения конкурентоспособности сельскохозяйственной продукции на внутреннем и внешнем рынке.

Ключевые слова: сельскохозяйственная продукция, внутренний и внешний рынок, конкурентоспособность, стратегии основанные на качестве, удовлетворение спроса потребителей.

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