

# **Moldova's fruit exports: Can the EU substitute the Russian market?**

**Jörg Radeke**

German Economic Team Moldova

Berlin/Chişinău, June 2014

# Structure

1. Background
2. Quantitative importance of the Russian and EU market for fruit exports
3. Trade barriers for higher fruit exports to the EU
4. Suggested measures for redirecting Moldova's exports of apples and grapes to the EU

# 1. Background

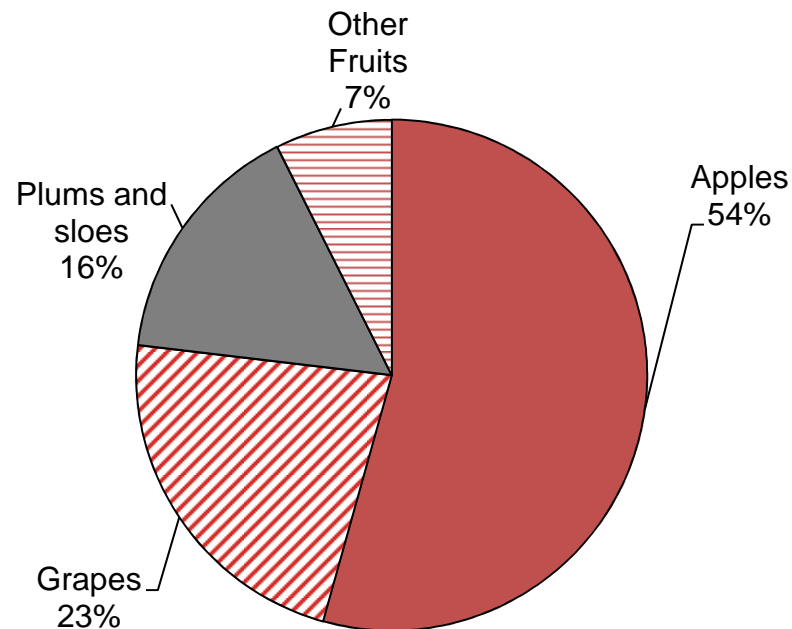
- With the signing of the DCFTA planned by June 2014, there is the risk for Moldova of trade disruptions with Russia, especially for fruit exports
- Such disruptions could follow a similar pattern as the de facto ban of wine imports from Moldova in 2013, for which the Russian side stated health and safety grounds
- In reaction to the Russian ban of wine imports, the EU has (as of January 2014) unilaterally removed the quotas for Moldovan wine
- This allows Moldovan producers to partly redirect their wine exports to the EU, mitigating the effects of the Russian ban
- This poses the question whether the EU could take similar measures in case of an import ban for fruits
- Main focus: Apples and grapes, the two main types of fruits exported

## Objective of this policy briefing:

- Identify measures to increase Moldova's exports of fresh apples and grapes to the EU

## 2. Quantitative importance of the Russian and EU market for fruit exports

Share of main types of fruits in total fruit exports, 2012



Source: UN Comtrade

- In 2012 Moldova exported fruits worth USD 103.6 m
- Fruits account for 4.8% of total exports
- **Fruit exports to Russia** in 2012: USD 93.9 m or 90.6% of all fruits exported
- **Fruits exports to the EU** in 2012: USD 3.1 m or 3.0 % share of total export revenues from fruits
- Conclusion: Russia is by far the main destination for Moldovan fruit exports

### Main products exported:

- Apples with 54% of exports, mostly grown in Northern Moldova
- Fresh table grapes account for 23% of fruit exports with Gagauzia being one of the main growing regions
- Since apples and grapes dominate export, our briefing will focus on those two products

## Apples: 95% of export revenues from Russian market

- Apple exports reached USD 56.3 m in 2012, accounting for 2.6% of total goods exports

### Russian market

- Exports are largely concentrated on the Russian market which accounts for **95%** of apple exports in value terms
- Around 142,000 tonnes of apples were exported to Russia
- Thus, high exposure to any potential restrictions of imports by Russia

### EU market

- Apple exports to EU: USD 0.4 m or **1%** of total apple exports in 2012
- Conclusion: EU market plays currently a negligible role

#### Exports of Moldovan apples by region, 2012

Region	Exports (m USD)	Share of total exports	Quantity (tonnes)
<b>Russian Federation</b>	53.5	95%	142,000
<b>European Union</b>	0.4	1%	1,800
<b>All countries</b>	56.3	100%	148,000

Source: UN Comtrade

## Table grapes: Russia accounts for 85% export revenues

- Grape exports totaled USD 23.4 m in 2012, accounting for about 1% of total goods exports

### Russian market:

- Grapes exports to Russian market account for **85%** of grape export revenues
- Around **20,500** tonnes of grapes were exported to Russia in 2012
- Thus, high exposure to any potential restrictions of imports by Russia

### EU market

- EU plays so far only a minor role as destination for Moldova's grapes
- Grapes exports to EU: USD 1.4 m or **6%** of total grape exports in 2012
- Conclusion: Relatively small export share to the EU so far

### Exports of Moldovan grapes by region, 2012

Region	Exports (m USD)	Share of total exports	Quantity (tonnes)
<b>Russian Federation</b>	19.9	85%	20,500
<b>European Union</b>	1.4	6%	4,400
<b>All countries</b>	23.4	100%	28,700

Source: UN Comtrade

### 3. Trade barriers for higher fruit exports to the EU

Question: Since EU share of fruit exports low, which barriers inhibit (future) exports of apples and grapes to the EU?

- Theoretically, both tariff and non-tariff barriers may restrict exports to EU

Non-tariff barriers:

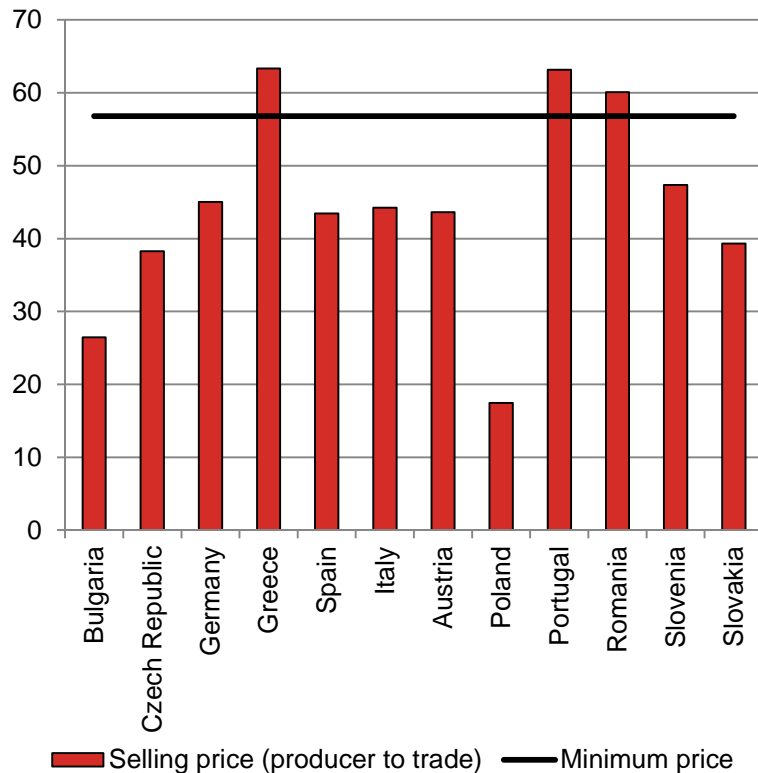
- Fruit exporters from Moldova have to fulfil the same standards as those from EU member states (see appendix)
- However, those are manageable and most large fruit producers have obtained necessary certificates and are technically ready to export

Tariff barriers:

- Thus, main focus here on tariff barriers (tariffs, duties, tariff quotas) which stop Moldovan producers from entering the EU market
- Important: The forthcoming DCFTA will fundamentally change the trade relations between Moldova and the EU
- Therefore, need to analyse tariff barriers for both products from two perspectives:
  - a) **Before DCFTA** (tariff barriers as of today)
  - b) **Tariff barriers after the DCFTA**

## Apples: Tariff barriers before the DCFTA

EU market price for apples in 2012 vs. entry price for imports, EUR / 100 kg



Source: Eurostat, EU Export Helpdesk

Question: What are the tariff barriers for apples imported into the EU from Moldova?

- There is **no import tariff** for apple imports into the EU due to the Autonomous Trade Preferences (ATP) granted to Moldova
- However, a **minimum entry price duty** applies
- The current entry price is **EUR 56.80/100 kg**, if the price upon entry is lower than this, a duty of up to EUR 23.80 / 100 kg is levied
- The minimum entry price at this level is above the wholesale prices in most EU countries
- For example, it is much higher than the Polish price – the main producer of apples in the EU
- It is also only slightly below the price in Romania, which imports 100,000 tonnes of apples and is thus a potential buyer for apples

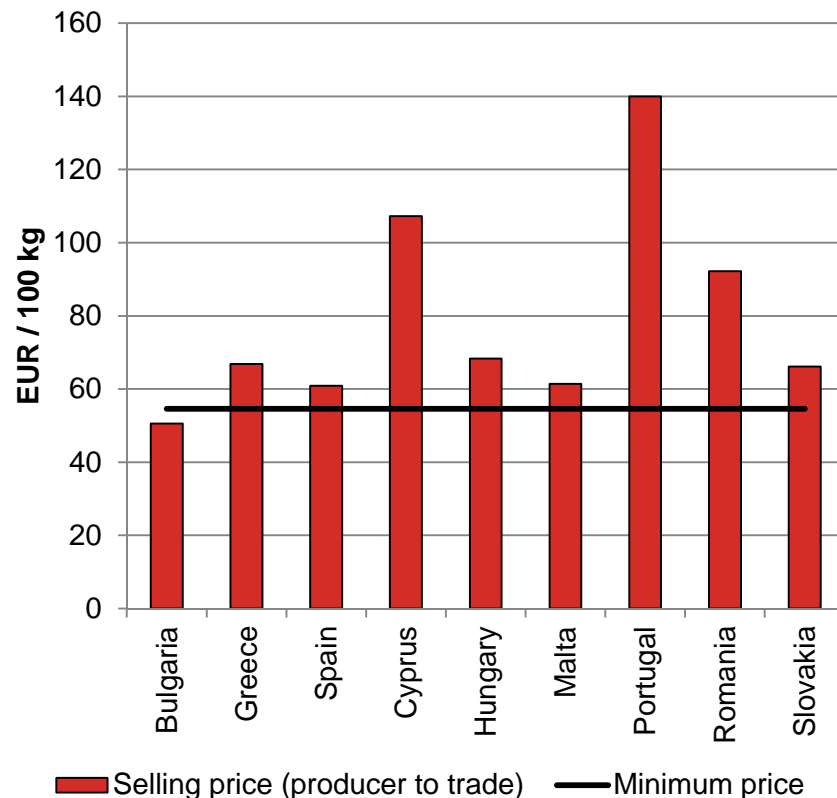
Conclusion:

- There is indication that the current minimum entry price may inhibit apple exports to the EU, especially to Romania



## Table grapes: Tariff barriers before the DCFTA

EU market price for grapes vs. entry price for EU imports in 2012, EUR / 100 kg



Source: Eurostat, EU Export Helpdesk

Question: What are the tariff barriers for grapes imported into the EU from Moldova?

- There is **no import tariff** for grapes imports into the EU from Moldova due to the Autonomous Trade Preferences (ATP) granted to Moldova
- However, a **minimum entry price duty of EUR 54.60/ 100 kg** applies for table grapes during the European harvest season\*
- If the per 100 kg price upon entry is lower than this, a duty of up to EUR 9.60/ 100 kg is levied
- How restrictive is it?
- Entry price is in line or above the selling price achieved in the main producer countries in the EU
- Indeed, Moldovan producers admit that the minimum entry price duty is not a huge obstacle for grapes exports

\* (21/07/2014 to 31/10/2014)

## Tariff barriers after the DCFTA comes into force

What will be the situation after the planned signing of DCFTA in June?

1. Imports of apples and grapes from Moldova into the EU **will remain tariff free**
2. However, **tariff quotas** for total quantity of apples and grapes which can be imported tariff-free will be introduced
  - **Quota for apples:** 20,000 tonnes per year
  - **Quota for grapes:** 5,000 tonnes per year
  - Any quantity above this benchmark will be treated like imports from a third country with minimum price duties and additional import tariffs
3. The current **minimum entry price duties** for apples and grapes will also remain in place, but will only be applied for any quantity **above** the quotas

### Conclusion:

- Main change from the DCFTA for apple and grape exporters will be a quotas within which import tariffs and minimum entry prices are abolished

## Low quotas obstacle for redirection of exports to EU

Tariff barriers	
Before DCFTA	After DCFTA
<ul style="list-style-type: none"> <li>Tariff free imports into the EU without any quota</li> </ul>	<ul style="list-style-type: none"> <li>Tariff free imports into EU, but quota limits introduced</li> </ul>
<ul style="list-style-type: none"> <li>Minimum Entry Price from the first tonne</li> </ul>	<ul style="list-style-type: none"> <li>Minimum Entry Price applies only once quota is exceeded</li> </ul>

- Within the quotas the minimum entry price, currently the biggest trade barrier, is not applied
- Thus, the forthcoming DCFTA will reduce the barriers for Moldovan apple and grape producers wishing to export to the EU market
- However, the envisioned apple quota of 20,000 tonnes is small compared to the 140,000 tonnes exported to Russia each year
- Likewise, the planned grape quota of 5,000 tonnes represents only a fraction of the 20,500 tonnes of grapes exported to the Russian market of in 2012

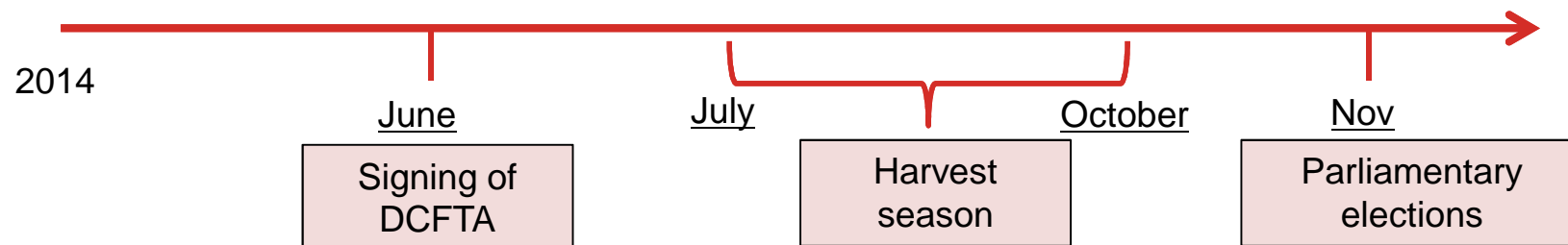
### Conclusion:

- Quotas for apples and grapes too low for Moldovan producers to redirect a meaningful share of Russian exports to the EU market; quotas should be increased

## 4. Suggested measures for redirecting Moldova's exports of apples and grapes to the EU

What would be a possible procedure to address this problem?

- Important: Measures need to take effect before harvest season (see time line)
- Also: Changing content of DCFTA once signed is very difficult
- Therefore: Moldova and EU should bilaterally decide to increase quotas before DCFTA will be signed
- Recommended new quota for apples: **100,000 tonnes/year**
- Recommended new quota for fresh grapes: **20,000 tonnes/year**
- Based on past export prices, this could provide additional export opportunities worth circa USD 20 m for apples and USD 10 m for grapes
- As such, provide a meaningful substitute for or addition to the Russian market



## Contact

**Jörg Radeke**

radeke@berlin-economics.com

BE Berlin Economics GmbH  
Schillerstr. 59, D-10627 Berlin

Tel: +49 30 / 20 61 34 64 0

Fax: +49 30 / 20 61 34 64 9

[www.get-moldau.de](http://www.get-moldau.de)

Follow us on [Twitter @BerlinEconomics](https://twitter.com/BerlinEconomics)



Federal Ministry  
of Economics  
and Technology

BUSINESS.  
GROWTH.  
PROSPERITY.



German Economic  
Team Moldova

## Appendix 1: Non-tariff trade barriers

- Fruits imported to the EU from Moldova need to fulfil the same standards as food traded among EU member states
- Importers of fruits, including those of fresh grapes and apples, to the EU need to adhere to standards in regards to:
  - Maximum levels of containments in food;
  - Maximum levels of pesticides
  - Health and hygiene standards
  - Labelling requirements
  - Checks of plant health
  - Proof traceability, compliance and responsibility of food and feed
- While these requirement present a considerable hurdle for exporters of fruits in general, Moldovan producers exported fruits worth USD 86 m to the EU in 2013.
- This shows that Moldovan producers can successfully meet the standards and enter the EU market
- Nevertheless, grape and apple exports could benefit from a target technical assistance project that aims at helping producers accessing the EU market by providing advice