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Moldova, Republic of

Grain and Feed

Grain Market In MY2000/01

2000

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Report Highlights:

As of June 6, Moldova expects the worst wheat crop in the last 20 years. FAS Sofia forecasts the MY00/01 wheat crop at 500,000 MT. This is due to a severe regional drought and has created a wheat shortage of roughly 300,000 MT. The forecast for other grain and feed crops is also bleak and could lead yet to another decline in livestock numbers. Moldova has registered no ending stocks since MY99/00, when production of wheat and corn was also low and was combined with sizable exports of "good" quality wheat. The government has suspended exports of wheat until the new crop is harvested, although trades report only feed grade wheat is available.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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Supply

Grain production in Moldova in 1999 was not sufficient to meet domestic demand. According to the crop production department in the Ministry of Agriculture and Processing Industry, wheat production and yields dropped 20 percent on average from 1998 levels. According to official sources, the quality of the 1999 wheat crop was not good and only 250,000 MT - 300,000 MT were suitable for baking (compared to 350,000 MT- 400,000 MT in 1996-1998). Production of feed wheat was also not sufficient due to reduced total production. Official sources say wheat supplies in 1999 were 790,000 MT compared to the usual level of about one million metric tons. Feed grains (corn and barley) production in 1999 was also a record low.

The grain and feed forecast for MY00/01 is bleak due to lower planted area, but has been exacerbated due to the most severe drought in the last 50 years. In April 2000, the GOM and other experts were forecasting a good crop of over a million metric tons of wheat (1.1 MMT to 1.2 MMT). However, the current forecast varies from between 450,000 MT and 700,000 MT of wheat. Reportedly, the wheat crop remains under dry stressful conditions, with ongoing hot weather.

It is expected that the President of Moldova will make an official announcement on the local wheat situation (not confirmed yet) with the following estimates for expected crops in MY2000:

wheat	450,000 MT - 500,000 MT
corn	850,000 MT
sunflower	340,000 MT

The government of Moldova is also expected to announce estimated import needs in MY00/01 for wheat of 350,000 MT (bread quality) and 500,000 MT- 600,000 MT (feed quality).

Grain Production in Moldova in MY99/00 and MY00/01				
	MY99/00		MY00/01	
Cereals	Crop Area, HA	Production MT	Crop Area, HA	Production MT
Wheat	336,000	785,000	320,000	500,000
Barley	109,400	190,000	100,000	150,000
Corn	407,000	900,000	430,000	800,000

According to local analysts, the average feed grain yields over the last 10 years in Moldova were declining. For example, average yields fell from 3.7- 4.1 MT/HA in 1990-1991 to 2.46 - 2.67 MT/HA in 1998-1999. At the same time, planted acreage under wheat and barley was increased from 300,000 HA - 350,000 HA to 400,000 HA - 450,000 HA, respectively.

This trend of intensive farming is a result of a difficult economic situation in rural areas and agricultural sector privatization. The unsolved issue of farmer debt led to increased barter transactions and shrinking financial resources for purchasing inputs. Farmers are currently expanding the planted acreage as the only way to increase production. As a result, crop quality and farm efficiency has significantly declined.

Demand

Human Consumption: Average annual human consumption in Moldova is 500,000 MT - 700,000 MT (or 50,000 MT per month) of which 200,000 MT - 300,000 MT is needed for urban areas and 300,000 MT - 400,000 MT is used in rural areas. Since the quality of Moldovan wheat is usually not good enough for baking, local mills mix higher bread quality wheat with local wheat (usually in a 50:50 proportion). Therefore, analysts estimate Moldova uses 350,000 MT of bread quality wheat per year. In 1999, due to the lower supply of bread quality wheat (and inflation), production of bread fell by 24 percent while the bread prices increased 74 percent (Moldova Economic Trends Bulletin, January 2000, TACIS, MinAg). This trend continued on into 2000 and by May, the largest bakery had reduced its bread output from 110 MT/day to 60 MT/day. By early June 2000, bread prices had doubled and continued to rise. The average retail price of bread is 23 cents/kilo of bread. This is unaffordable for the vast majority of the population which has an average monthly income of USD 40.

Feed Consumption: Lower total grain production has negatively affected the livestock sector. Annual wheat feed consumption in Moldova is estimated at 350,000 MT/year. Total feed consumption is estimated at 1.0 MMT-1.3 MMT with the prevailing share being corn (500,000 MT) and barley (100,000 MT). Although official numbers are not available, private trade sources report declining numbers of hogs and cattle. The poultry sector is in a relatively better position mainly due to more efficient egg production. A feed shortage in MY99/00 and MY00/01 is leading to higher slaughter rates, higher meat production and meat exports (see Table #2). By June 2000, cattle farmers were highly concerned about survival of the breeding cattle due to the severe drought which will lead to a shortage of hay. In addition, the alfalfa crop is also rated poor due to lack of irrigation. Meat supplies may decline while animal product prices increase (mainly pork and beef, see Table # 3).

Grain Stocks: Grain stocks over the last two years have been significantly reduced due to the lack of GOM financial resources for purchases on the open market. Usual state stocks are enough to meet demand for one month. The largest wheat flour mill and bakery currently reports stocks for only two weeks' work or until mid-June. According to GOM officials, state stocks total 40,000 MT which will not meet demand after June.

Grain Shortage: Lower wheat production and high exports in MY99/00 led to a wheat shortage in the local market by February 2000. At that time, the gap was at 50,000 MT. Given no significant wheat/wheat flour imports in CY2000, all available stocks will be completely used by

July and the new harvest commencing August will start with no beginning stocks. In addition, the new MY00/01 crop supply and demand situation points to an expected shortfall of 350,000 MT.

Moldova: Wheat Supply and Demand for MY 00/01 in MT.	
Production	500,000
Beginning Stocks	0
Total Consumption	850,000
Human Use	500,000
Feed use	350,000
Implied Shortage	350,000

Trade

Trade in grain is not well established in Moldova. Producers lack reliable price information and exports are done through intermediaries and on a barter basis. Local sales are done in small lots as the major buyers are domestic mills and bakeries. Most feed grains are used on-farm for direct feeding and about 40 percent are purchased by feed mills, most of which are associated with state poultry/swine complexes.

Due to inflation, economic uncertainty, and the need for hard currency, grain exports over the last three years have increased (see Table # 1). Moldova does not have well established export markets. Often, grain is exported to countries in the region (Belarus, Ukraine, Romania, Hungary) and Russia due to traditional trade and barter relationships. Other emerging export markets appear to be Turkey, Ireland, and the UK. In general, grain exports are problematic due to Moldova's lack of ports and poor railway system.

Imports of grain are difficult due to the lack of reliable buyers. Over the last three years, grain imports were small and trade sources indicate many purchases are not registered with customs (see Tables # 4, #5). Moldova generally buys wheat from Ukraine, Russia, and Romania.

In late 1999, Moldova was exporting grain, mainly wheat, at very low prices, reportedly USD 55-60/MT. Traders attribute the significant difference in prices to two factors. First, the unreformed grain market where supply and demand does not drive the prices and most deals are done on a barter basis. Second, the low quality of Moldova's grain and the lack of

established export markets. Currently, Moldovan buyers are seeking to buy bread-quality wheat to import at USD 100/MT. The prices of local (feed grade) wheat on the market run USD 80-100/MT and wheat flour is priced between USD 125-154 /MT (including 20 percent VAT). Import tariffs in 1999 for grain were 15 percent (Chapter HS#10).

Table # 1. Exports of Grain in 1997-1999, Total and By Major Crops in Metric Tons by Countries

Product	1999	1998	1997
Grains total	330,000	187,500	83,200
Bulgaria	12,252	5	0
Cyprus	12,061	2,600	4,300
Ireland	22,000	7,800	0
Israel	10,000	10,200	0
Lebanon	6,835	0	0
Bermuda Islands	4,400	1,500	0
UK	18,146	17,300	6,400
Turkey	14,584	45,000	4,000
Hungary	57,793	7,000	0
Belarus	43,500	34,000	7,000
Russia	11,500	6,700	21,000
Ukraine	72,000	30,100	7,400
Italy	0	7,700	19,000
Romania	7,353	3,600	2,100
USA	22,000	7,000	560

Lithuania	7,300	4,400	0
Wheat, total	158,000	32,150	11,000
Bulgaria	8,000	0	0
Cyprus	8,700	0	0
Ireland	14,065	3,400	0
Israel	7,600	0	0
USA	12,000	315	0
Turkey	7,100	11,700	0
Hungary	24,100	1,300	0
Belarus	17,500	5,400	0
Ukraine	41,300	8,200	0
Russia	800	0	5,300
Italy	0	0	5,500
Barley, total	55,800	14,800	11,400
Ireland	2,900	3,400	0
UK	5,600	1,000	0
Romania	1,500	1,000	1,800
USA	5,000	0	0

Hungary	13,400	3,000	0
Belarus	4,000	115	0
Ukraine	17,300	4,900	800
Cyprus	1,800	180	4,300
Italy	0	0	3,700
Corn, total	116,000	140,500	61,000
Bulgaria	3,100	0	0
Ireland	4,800	1,100	0
Lebanon	6,000	0	0
Lithuania	7,300	4,400	0
UK	5,700	16,400	6,400
Romania	4,700	2,700	100
USA	4,900	6,700	600
Turkey	7,500	32,200	4,100
Hungary	20,300	2,800	0
Belarus	22,000	28,500	7,000
Russia	10,700	6,700	15,000
Ukraine	13,000	17,000	6,400
Cyprus	1,600	2,400	0
Israel	2,000	10,200	0
Italy	210	7,700	9,800
Egypt	0	330	4,100

Uzbekistan	1,500	0	5,200
Cereals flour	11,000	7,200	4,000
Wheat flour	10,100	6,100	NA

Table # 2. Exports of Meat in 1997-1999 by Countries in Metric Tons

Product	1997	1998	1999
Meat, all types	37,000	14,200	20,000
Bulgaria	1,454	140	1,000
Lithuania	2,756	0	0
Latvia	218	0	0
Romania	3,536	5,400	4,000
Armenia	32	0	20
Belarus	30	0	106
Russia	28,110	8,300	14,400
Turkmenistan	4	0	0
Ukraine	850	0	0
Beef only	18,027	7,300	11,000
Pork only	15,632	5,800	7,000
Poultry only	1,305	614	502

Table #3. Average Meat Prices in Moldova, January 2000

Average Meat Prices as of January 9, 2000 in Moldova (Agrocomert Bulletin, TACIS, MinAg)		
Product	min.	max.
Beef		
Steak	18.3	20.2
Short loin	12.0	13.1
Round	14.9	16.3
Ribs	9.3	10.4
Pork		
Loin	21.7	24.5
Side	15.2	17.1
Leg(Ham)	16.0	17.5
Ribs	11.5	12.7
Exchange rate: 12.5 Mlei/ USD 1.00		

Table # 4. Imports of Wheat and Wheat Flour in 1996 - 1999 in Metric Tons

Product	1996	1997	1998	1999
Wheat	30,500	8,900	2,500	5,800
Wheat flour	NA	NA	500	8,500

Table # 5. Imports of Grains in 1999 by Countries in Metric Tons

Commodity/Country	Metric Tons
Grain, Total	11,125
Egypt	201
Poland	402
Romania	2,464
USA	372
Hungary	242
Russia	788
Ukraine	6,506
Wheat, total	5,800
Romania	12
Hungary	241
Ukraine	5,542
Barley, total	1
Corn, total	494
Poland	33
Romania	170
USA	290

Table #6. Imports of Meat in 1999 by Countries in Metric Tons

Commodity/Country	Metric Tons
Meat, total	4,286
Germany	1,033
Israel	202
Italy	114
Lebanon	228
Poland	1,335
Romania	287
USA	60
Hungary	69
Netherlands	929
Beef, total	981
Germany	818
Italy	114
Pork, total	1,111
Germany	18
Poland	65
Romania	102
Netherlands	925
Poultry, total	1,850
Israel	201
Lebanon	228
Poland	1,088
Romania	185
USA	60