

TRENDS IN THE DEVELOPMENT OF THE VITI-VINICULTURAL SECTOR IN THE REPUBLIC OF MOLDOVA

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Abstract

The viti-vinicultural sector has always offered hope to the Republic of Moldova. After periods of glory and decline, we now increasingly realise that harnessing the potential of this sector would give a new impetus to the economic development of the country. Moldova has favorable pedo-climate conditions for developing viticulture and winemaking, achieving outstanding results in the postwar period. The viti-vinicultural production is an important source of products for export, while its domestic consumption contributes to the formation of the State budget, and the social effect lies in the fact that the viticulture grants, on a large part of the population, employment, income for maintainance and raising the standard of living. The factors that influenced the wine-growing sector stagnation were the cause of the negative phenomena of the period of transition to a market economy, such as: the ban on alcohol consumption, imposed during the Soviet era; improper privatisation in the early 1990s; natural disasters; frosts in winter 1996-1997. As a result of the catastrophic reduction areas of vineyards and grape harvest, there was insufficiency of circulating assets for the renovation of the sector, and providing cars and equipment for maintenance of vineyards and the production of planting stock is at a low level at the present stage too.

Key words: viti-vinicultural sector, export, viti-vinicultural industry

The viti-vinicultural sector has enjoyed in recent years numerous problems and challenges. However, some reforms instituted in the viti-vinicultural industry appear to be the basis for revival. The country's viticulture heritage (all households) to 01.01.2015, according to statistical data, constituted 140,4 thousand ha, including on harvest – 129.2 thousand ha. In the marketed production farms the vineyard surface was 92.0 and respectively 82.8 thousand ha, of which worked – 76.0 thousand ha. Of the total area, about 96 percent are managed by households from private sector. In the marketed production vineyards structure by about 83 percent consists of varieties for wine and 17 percent for the table. Of the total area of vineyards, at about 90% are occupied with European varieties of the species *Vitis vinifera*, 9.3% - *Vitis labrusca* ("Isabella") and 0.7% with varieties of rootstock. A large part of marketed production vineyards (31 thousands ha) are of considerable age and inefficient from the economic point of view, being in a deplorable condition. This plantations have over 50% of gaps, they are advanced contaminated of diseases and pests, and have low productivity of about 2.3-3.0 t/ha and less, basically being degraded (<http://statistica.md>).

MATERIALS AND METHODS

The objective of the given research is the viti-vinicultural sector of the Republic of Moldova in development process. The research methodology is based on the following methods: logical and dialectical methods, analysis, synthesis, scientific abstraction. We studied the data provided by both the National Bureau of Statistics of the Republic of Moldova, Ministry of Agriculture and Food Industry.

RESULTS AND DISCUSSIONS

Unfair distribution of profits between the three segments: agriculture – industry-commerce, carried out to agricultural disadvantage, resulted in the reduction of vine plantations. It is known that the efficiency of the wine-growing areas is subject to: restitution, as a basis of raw material for primary and secondary wine-growing; diversification of types of wine products; competitiveness of Moldovan wines and cognacs; quality of wines; packaging; advertising; cutting their production. (Bostan I.A., 1998). The methodology regarding the increasing effectiveness of viti-vinicultural sector includes elements such as: organizational and market infrastructure; the network of banks, insurance

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companies, investment funds; marketing; pricing mechanism; competition; the system of State support of viti-vinicultural enterprises; normative-legal insurance of households. All these instruments work in the Republic and are reflected, greater or less, on the viti-vinicultural sector enterprises.

In order to ensure effective functioning of the viti-vinicultural sector it is necessary:

- to assess the economic resources of the branch (labour, capital, raw materials, information, etc.);
- to study the market;
- to detect the vinicultural products demanded on the local and international markets;
- to conquer consumers through originality and quality of the vinicultural products;
- to ensure economic efficiency for each stage (segment) of the viti-vinicultural branch;
- to balance processing capabilities and raw material volume. (Balzer R.L., 1984)

Currently, Moldovan winemaking can function normally because in the viti-vinicultural branch of the Republic have been noted several trends within companies, there were fitted lines of bottling of wine production, modern technological equipment; considerable success in producing wines and cognacs are starting to get a lot of economic subjects and the viti-vinicultural industry of the Republic of Moldova continues the process of restructuring and transition to a new model of organisation at the sector level and towards a business level. This process is a complex one and requires effective coordination of the sector policies, through technical and financial support.

Embargoes imposed by Russian Federation have shaken the Moldovan wine market in recent years; the value of wine exports made by the Republic of Moldova was in a downward trend over the period 2009-2014.

Also against the background of the geopolitical crisis from neighbour country, Moldova has lost Ukraine too, among the most important consumers of Moldovan wines. Amid the embargoes imposed by the Russian Federation, viti-vinicultural producers were geared towards European Union.

With the initiated reforms, as well as following the cancellation by the European Parliament the export quotas for the wines of Moldova, Moldovan wine exports to the EU countries rose from 15.1% in 2009 to 29.9% in 2014 (<http://maia.gov.md>).

If by the year 2006, the indicators that characterize the viti-vinicultural industry were apparent proof of a consistent economic

contributions, in reality it was about the dependence on a single market, that of the Russian Federation. Negative aspects related to this lack of diversification of markets have experienced with losses of hundreds of millions of dollars generated by the various embargoes imposed by Russia from 2006 onwards. Thus, the viti-vinicultural sector has entered into a structural crisis, at which, unfortunately, it has not reacted right away.

At the same time, Moldova was not prepared to enter other markets, more competitive, more knowledgeable and more difficult to conquer. That's because the aging plantations, inadequate equipment, lack of clear marketing strategies and resources for financing in amounts comparable to those of competitors; and all this within a burdened economic and regulatory environment, based on a Soviet model of intervention. In this difficult context, both Moldovan wine-makers and the State had to take some strategic decisions to get winemaking out of the vicious circle in which it was entered in the post-Soviet period, and to put the industry in a modern development course.

According to the data presented by the customs service in 10 months of the year 2015 the alcohol exports recorded the following indicators for:

- Wine. Wine exports overall have seen an increase in the volumes exported with 11.4% but a decrease in the value expression of 11.8% compared to the previous year, representing a value of 79.1 mil. US \$. Exports to the CIS market resulted in a decrease in both volumes 1.5% and 24.4% of value. At the same time, it noted a rise in exports to EU countries and other countries. Wine exports to the EU increased by 4.6%, while on other States market recorded an increase of 8.3%. At the same time the situation in EU markets at the moment is a difficult one, because of a huge competition from producers from France, Spain, Italy and the new world (Argentina, Australia) at the chapter price - quality.
- Wine distillates. Exports of wine distillates are also down by 31.3%, reaching a value of 37.2 million US \$. The main decrease is on CIS market (37.1%). There is also an essential decline on EU market-21.6%.
- Vermouth and other wines. Exports of Vermouth and other wines show a decrease by-7.3%, reaching the value 0.7 mil. US \$. The main destinations are Kazakhstan, Kyrgyzstan.
- Other fermented beverages. Exports of fermented beverages show us a decrease by 20% (value 2.5 million US \$). Main destinations are Belarus, Ukraine, Poland, Baltic States, USA, China.

Table 1

Analysis of export of alcoholic production, 10 months of the year 2015 as regards commodity markets

Markets	2013		2014		2015		2015 compared to 2014 %	
	Quantity thousand dal	Sum mln US dollars	Quantity thousand dal	Sum mln US dollars	Quantity thousand dal	Sum mln US dollars	Quantity	Sum
wines, total	10538.5	126.0	8326.5	89.7	9274.5	79.1	11.4	-11.8
Including: CIS	7650.9	89.3	5476.6	52.5	5392.9	39.7	-1.5	-24.4
UE	1625.4	22.3	1634.1	23.0	2267.5	24.1	38.8	4.6
Other	1262.1	14.4	1215.8	14.2	1614.1	15.3	32.8	8.3
aromatized wines, total	26.0	0.6	23.0	0.6	29.1	0.4	26.9	-35.9
Including: CIS	17.2	0.3	17.3	0.4	3.6	0.1	-79.0	-79.4
UE	-	-	-	-	20.6	0.1		
Other	8.8	0.3	5.7	0.2	4.9	0.2	-14.7	-25.3
fermented beverages, total	124.1	2.5	158.7	3.1	133.4	2.5	-15.9	-19.9
Including: CIS	80.4	1.7	110.8	2.1	100.7	1.9	-9.1	-11.0
UE	2.5	0.04	4.1	0.1	7.5	0.1	80.0	45.1
Other	41.3	0.7	43.7	0.9	25.2	0.4	-42.3	-47.9
alcohol and distillates, total	15.7	0.2	140.5	1.3	485.8	2.7	245.8	100.8
Including: CIS	0.01	0.000	-	-	12.5	0.1		
UE	-	-	110.1	9.3	466.6	2.6	323.7	-72.5
Other	15.6	0.2	30.3	0.4	6.7	0.1	-78.0	-86.4
spirits, total	1190.3	77.0	810.1	54.1	608.2	37.2	-24.9	-31.3
Including: CIS	799.4	45.0	451.3	25.4	317.8	16.0	-29.6	-37.1
UE	88.4	3.3	78.9	3.5	70.2	2.7	-11.0	-21.6
Other	302.5	28.7	279.9	25.2	220.1	18.5	-21.3	-26.8
Total alcoholic products, total	x	206.4	x	148.8	x	121.8		-18.1
Including: CIS	x	136.3	x	80.4	x	57.8		-28.2
UE	x	25.7	x	35.9	x	29.6		-17.6
Other	x	44.4	x	49.5	x	34.5		-30.4

Source: <http://maia.gov.md>

- Ethyl alcohol and distillate. Exports of alcohol show an increase by about 100% (value in 2015 is 2.7 ml. US \$ while in 2014 represented 1.3 ml. US \$). The main destinations that have spurred the growth are EU countries (Bulgaria, Greece, Poland), however, we have an increase in volume with 320%, but a drop in value by 70% (<http://customs.gov.md>).

In this context, the harvesters have to be able to put into practice their knowledge in economic matters and environmental protection in order to obtain the best results in the context of the liberalisation of the markets, because they will increase the competitiveness of wine on domestic and foreign markets, adapting the viti-vinicultural production to market requirements, protecting wine heritage, increasing producers' incomes and adapting wine-growing holdings to the new economic conditions.

In recent years, with the support of USAID CEED II project, the viti-vinicultural sector has

opened new markets, exports to CIS markets being deflected towards the European Union, China and the USA. Thus, exports to non-CIS markets have increased annually by 12-15% and in the segment of wines with real value has widened by about 10% in the last three years. (<http://usaid.gov>)

In the context of the reform of the legal viti-vinicultural framework, there were amended the Law on vine and wine, the Law on making and circulation of ethyl alcohol and alcohol production, and the Law concerning the regulation of licensing the entrepreneurship activity. Also, there are more than 30 other normative acts.

By changing the regulatory framework, the viti-vinicultural industry has started the development of the viti-vinicultural State register, one of the most essential attributes of control and traceability. This project has been funded with more than 1 million US dollars jointly by USAID and the Czech Development Agency. By the year 2017, this information system will become a

functional one. The part pertaining to institutional Reformation, an important role played the creation of the National Office of Vine and Wine (NOVW). Thus, if previously (until 2009), there were agro-industrial agency "Moldova-Vin", which was a public authority, financed from the State budget and assumed both functions of elaboration and implementation of policies and control.

Starting from the year 2013, in the Republic of Moldova there were registered the first four Protected Geographical Indications: "Valul lui Trajan" (southwest), Stefan Voda (Southeast), Codru (Center) and Divine (wine distillates obsolete).

Another important decision was the establishment of Vine and Wine Fund for financial support of the development measures of the viti-vinicultural sector. The means of the Fund come at the rate of 50% to 50% of the contribution of the State and the private sector.

CONCLUSIONS

Viti-vinicultural products arrived on the table of the consumer are the result of economic activities in the three segments of viticulture-wine-trade. Currently, it operates inefficiently first segment: in viticulture, it has significantly reduced the vine plantation areas, it has decreased considerably the productivity of vineyard, it has increased average age of vine plant, there have been worsened their condition essentially. To solve issues related to the functioning of the viti-vinicultural sector shall be ensured sustainable development of this sector, harnessing the maximum potential; the volume of raw material, production capacity and the volume of wine products placed on the market must be balanced. The Republic of Moldova must diversify its finished wine product structure, because this will allow to the Republic of Moldova to diversify its export market relations. The country must specialize not on export of raw materials, but on that of some finished products. As a consequence the country will increase its revenue on the basis of

export, creating new jobs, which will require some formal training. For stabilization and economic efficiency of the viti-vinicultural sector, it is necessary to create a normative economic and legislative basis, which will strengthen the policy of taxation, investment and licensing, it would allow avoiding losses and financial risks. Wine and viticulture in Moldova needs an image, a clear marketing strategy and the necessary tools to conquer new markets and to reduce the risks of reliance on CIS countries. Competitiveness in the sector will continue to develop through deepening legal reforms, streamline controls and legislative provision of a believable quality framework. Special emphasis will be placed on supporting producers to reorganise themselves and to increase sales of wine with value-added. The viti-vinicultural sector will prosper by encouraging a new generation of small and medium-sized wineries. The industry has demonstrated its commitment to reforms and to implement them, with a strong state brand, a sustainable institutional framework and quality products. Through these reforms, the viti-vinicultural industry of Moldova aims not to be victim of embargoes, to consolidate its roots and to be considered a solid legacy for generations to come.

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