

ORGANIC FARMING SUPPORT POLICY IN MOLDOVA

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Abstract

In Moldova, the adoption of the Law for Ecological Agri-Food Products (2005) and the Law on Subsidizing Principles in Agriculture and Rural Development (2016) contributed to the beginning of government support for organic farming. The objective of this paper is to examine the influence and effectiveness of support policies for the growth of organic farming. The legal documents for the programs and policies adopted are the framework for the data analysis. Secondary data from the Agency of Interventions and Payments in Agriculture (AIPA) regarding the number of applications, converted area, and analysis of allocated subsidies for organic agricultural development were used for the impact analysis. Due to differences between national legislation and European policies, local ecological certificates are not recognized on the E.U. market, which creates challenges for export under the organic label. This is a major issue for the development of organic farming in Moldova. The lack of control capacity of conversions, certification of technologies, raw materials and organic products, and few professional trained workers in organic agriculture cause additional problems to farmers restricting the expansion of ecological agriculture in Moldova.

Key words: ecological agriculture, organic farming, subsidies

INTRODUCTION

Agricultural policy nowadays is focused on sustainability. Agricultural sector is challenged by a high demand from larger world population on one side and lowering the negative impact on environment. The impact of the agricultural sector of environment was highly discussed in different studies [2, 8, 13]. Organic farming is a key to sustainable agriculture and low negative consequences for environment.

The Common Agricultural Policy of E.U. has as major objectives sustainable food production, sustainable management of resources and well-balanced territorial development. The E.U. agricultural policy from environmental perspective supports and promotes the development of organic agriculture in European member states. E.U. member states have an average 8.5 percent of agricultural land converted in organic farming. The target proposed by European Commission is to reach 25 percent by 2030. Nevertheless, some E.U. countries have its own government target of organic farmland. Some countries as Spain, Bulgaria, Estonia,

Netherlands have no target set by government for organic farm, while Austria and Germany plan to reach 30 percent by 2030. Organic farming is the key element into Common Agricultural policy objectives, as part of environmental and climate challenges [11]. Moldova has favorable conditions to develop organic farming. Despite this, Moldova's organic farming area has shrunk; today, only 1% of the country's total agricultural land is used for ecological farming [3,14]. Since 2005, when Law No. 115 regarding ecological agri-food products was adopted, the government has been promoting the promotion of organic agriculture [9]. With the adoption of Law No. 276 in 2016, the government strengthened its assistance for agricultural and rural communities. This law identifies the key areas for supporting development in these sectors [10]. In the sustainable management of natural resources priority, the support to promote and develop organic farming in Moldova is included [10]. Technical rules for environmentally sustainable agri-food production, labeling, and the use of a registered trademark were

adopted by the government in 2008 and 2014 [5, 6].

MATERIALS AND METHODS

This research aims to analyze the impact and effectiveness of the support policies implemented for the development and expansion of organic farming in Moldova. The analyzed data is based on regulatory documents for programs and policies promoted. The Agency of Interventions and Payments in Agriculture (AIPA) provided secondary data for this study. The impact analysis included data regarding subsidies allocated for the expansion of organic farming, the number of beneficiaries, and the area of land converted to organic farming.

RESULTS AND DISCUSSIONS

Organic farming was declared a priority by 2030 according to the Strategy of agricultural development and rural areas. It includes the harmonization of national legislation to European regulations and organic farming is a specific objective. The goal is to encourage the growth of extensive, environmentally sustainable agriculture that preserves biodiversity, maintains fertile soils and water sources, and enhances the land for long-term soil management. Implementing measures to stop the degradation of agricultural land as well as boosting resilience and adaptability to the effects of climate change are part of this [12].

The development of the organic farming sector aims to reduce the agri-food system's impact on the environment and climate by maintaining long-term soil fertility, increasing biodiversity and a non-toxic environment, contributing to high animal welfare standards, enabling the transition to competitive sustainability from farm to fork that can once guarantee food security in the context of climate change and decline biodiversity.

Through several institutions, such as the Organization for the Development of Entrepreneurship (ODE), the Investment Agency, and the Agency for Intervention and Payments in Agriculture (AIPA), the

government supports organic farming and food production. One of the programs – “The Greening Program” developed by ODE, is designed especially for small and medium-sized enterprises (SMEs) [7]. The greening program was approved in 2019 and aims to foster a business environment that is supportive of the transition away from a consumption-based economic development model and toward one that incorporates “green” economy practices into the production processes of different sectors of the national economy. The program has five specific objectives, namely [7]:

- 1) increasing the level of information and awareness about the principles of the “green” economy of stakeholders at all levels (local public administration authorities, business incubators and other business and environmental support institutions/organizations, in order to support and promote the implementation of the “green” economy at local and national level;
- 2) increasing entrepreneurial skills in greening small and medium-sized enterprises for more competitiveness and sustainability;
- 3) consolidation and development of businesses that introduce eco-innovative products, processes and services, by offering non-reimbursable financial support;
- 4) stimulating the entrepreneurial environment for the implementation of new business models, created on the principle of pollution prevention, by recovering waste and reusing and/ or recycling it;
- 5) encouraging the implementation by entrepreneurs of international standards and/or certificates relevant to greening, the European Eco-Management and Audit Scheme and/or the preparation for national and international eco-labelling.

Thus, this Program offers three main benefits for small and medium-sized enterprises (SMEs):

- 1) stimulating their participation in greening, maximizing the expected impact and reducing pressure on the environment;
- 2) awareness of the benefits of their greening in relation to the financial and sustainable development of businesses and environmental protection;

3) facilitating the implementation of environmental management systems and eco-labelling to ensure internationalization, export promotion and integration into international value chains.

Governmental support of SMEs includes three levels as: developing informational tools and infrastructure of application; allocated financial support; monitoring the effect and impact of investment.

The financial sources are allocated from the state budget in the form of a grant, with its own contribution of at least 30 percent and the maximum value of the financial support cannot exceed 200 thousand lei.

For the implementation of greening initiatives such as resource efficiency, the use of sustainable production and consumption models, the introduction of eco-innovations into technological processes, waste reduction and management, pollution prevention, water resource management, etc., financial grants are available to small and medium-sized enterprises (SMEs).

Farm technology innovation and sustained agricultural development depend on the efficient allocation of subsidies to farmers.

Hence, increasing the effectiveness of subsidy distribution is essential for ensuring the agricultural sector's long-term sustainability [3].

The current agricultural policy intends to allocate more subsidies to farmers since it encourages investment and the expansion of the agriculture sector.

The principles of subsidization and financial stimulation of investments, particularly those targeted toward the growth of organic agriculture, are regulated by Law Nr. 276/2016 [10].

In addition, Law Nr. 115/2005 [9] supervises the marketing of ecological goods of both plant and animal origin as well as the social contacts involved in getting ecological agri-food items free of synthetic chemicals.

Budgetary financial sources are provided yearly to the National Fund for Agricultural Development and Rural Environment [4] to support investment initiatives carried out by farms and agricultural producers registered in the ecological circuit.

Table 1. Types of granted subsidies to farmers

Support types	2017	2018	2019	2020	2021	2022
Post-investment grants	X	X	X	X	X	X
Advance grants for the development of start-up projects		X	X	X	X	X
Advance grants for rural development				X	X	X
Direct payments per head of livestock					X	X
LEADER approach						X
Reimbursement of excise duty on diesel used by agricultural producers						X
Advance grants for land improvements						X

Source: based on data from Agency of Interventions and Payments in Agriculture.

The government uses a variety of subsidy schemes and raises the number of subsidies granted to protect farmers' income and offset expenses incurred from the National Fund for Agricultural Development and Rural Environment.

Subsidies distributed annually by the National Fund for Agricultural Development and Rural Environment, increased by 94.4 percent (in 2022 amounted to MDL 1,750 million).

The most demanded are post-investment subsidies, and the government support provided for organic farms is the most significant in this category.

The post-investment grants, which serve as compensation payments for the lost income and additional expenses spent by farmers who commit to remaining in the organic farming system for at least five years, are available to

agricultural producers who are enrolled in the system.

According to sources [1, 4], farmers are eligible to receive financial support through three types of incentives, which include:

- conversion to organic farming;
- maintaining organic farming for crop production and organic beekeeping;
- and improving soil fertility.

The subsidy allocated per farm is a fixed sum per unit of crop area, which varies depending on the duration of the conversion, to organic farming methods, which can range from one to three years.

It is allocated for different crops as: orchards, vineyards fruit bushes and strawberries; medicinal and ethero olaginous plants, field crops, pastures and wells, vegetables. For beekeeping the conversion period is considered 12 months.

To maintain the organic farming practices, the National Fund for Agricultural Development and Rural Environment, reimburses 20% of the sold value of the organic production, according to the invoices presented.

To maintain and intensify the soil fertility, 2,500 MDL per hectare is allocated. The financial support shall be granted to farmers who sow nitrogen-fixing crops, intercropping or successive crops, such as: soya, peas, chickpeas, lentils, alfalfa, toddlers, vetches, beans, clover, lupin, ryegrass, mustard, buckwheat etc.

The maximum value of the support granted to maintain the organic farming practices for a beneficiary will not exceed the amount of 200 thousand MDL. If the products are sold for two consecutive years, then the maximum allocated amount of subsidy is 400 thousand lei.

To obtain this financial support, farmers must meet several criteria as being registered in organic farming; own agricultural land on which are cultivated certified ecologic crops or are in conversion period; have an agreement with an inspection and certification organization recognized by the Ministry of Agriculture and Food industry etc.

To encourage and stimulate priority agricultural activities, farmers engaged in organic crops or livestock can benefit from

increased subsidies by 20% of the amount of the authorized subsidy if they make investments in: the growth of fruits and vegetables in protected ground; the establishment of multiannual plantations; renovation and modernization of livestock farms; the purchase of breeding animals.

Farmers that benefit of subsidies must remain in organic farming at least five years, and the same converted area is not eligible for subsidies allocations twice.

Subsidies allocation for organic farming started being prioritized in 2017 [4]. The allocated funds and number of applicants for receiving a subsidy in organic farming is changeable within 2017-2021 (Table 2).

Table 2. Dynamics of subsidies applications in organic farming

	2017	2018	2019	2020	2021
Subsidy applications	31	72	76	65	59
Approved applications	30	69	67	63	54
Share, %	97	96	88	97	92
Amount requested-thousands MDL	1,880.0	7,740.9	8,603.7	6,901.0	7,482.2
Amount allocated, thousands MDL	1,590.2	7,251.5	7,845.1	6,220.3	6,733.2
Share, %	85	94	91	90	90

Source: based on data from Agency of Interventions and Payments in Agriculture.

An explanation of this variations over the analyzed period is because not all farmers that are registered and certified in organic agriculture are applying for 20 percent compensation of the sold output. Also, once benefitting from a subsidy for organic farming is compulsory to remain in ecologic agriculture system for at least five years. This condition does not stimulate organic farmers to apply for subsidies as they are uncertain about fulfilling this requirement.

The number of subsidy applications is in continuous decrease over the last two years (Table 2). In 2021 were submitted 59 applications with a subsidy request of 7,482.9 thousand MDL. From all applications received, 92 percent (54 framers) were

approved to benefit from a subsidy in total being allocated 6,733.2 thousand MDL for ecological agriculture.

Also, the area of agricultural land in conversion for ecologic agriculture is decreasing (Table 3).

Table 3. Area in conversion for organic farming, hectares

	Conversion period		
	I year	II year	III year
2017	1,067.5	432.4	201.4
2018	2,208.3	1,407.1	289.5
2019	1,976.1	2,401.9	175.7
2020	1,500.7	2,837.3	195.5
2021	112.2	443.6	200.9

Source: based on data from Agency of Interventions and Payments in Agriculture.

Analyzing the data for agricultural area in conversion, a large decrease in last two years is observed. During 2019-2020, over 4,500 hectares were in conversion for ecologic agriculture, while in 2021 only 756.7 ha (by five times less) (Table 3).

This decrease in the area of agricultural land in conversion can be due to several factors, namely:

- issues regarding acceptance and equivalence of organic certificates issued by certification bodies in the Republic of Moldova, many operators have ceased their land registration in the national organic certification scheme, applying and obtaining certification from international control bodies, whose certificates are recognized in the E.U.;
- there is no system of access to data from external certified areas and at the moment, attempts to collect this data provide uncertain results;
- the costs of organic products is higher than in conventionally agriculture, while the value of the sold products is lower, often because the appearance of the product may often not be that expected by customer;
- lack of regulatory framework that would provide exceptions or facilities to organic farms;
- lack of a surveillance and control system regarding the traceability of organic agri-food products.

-limited access to financial sources, agricultural holdings cannot obtain subsidies if they are not registered in the national certification system.

In 2021, 54 organic farmers benefited from subsidies and an area of 756 hectares. The largest share in total area under organic farming belongs to multiannual plantations (orchards) - 43 percent (Figure 1).

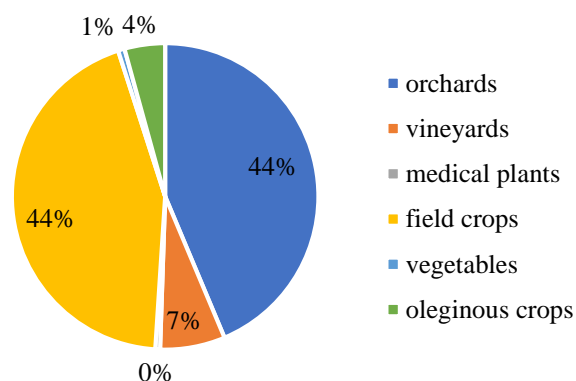


Fig.1. The area of agricultural land in conversion by types of crops, 2021

Source: based on data from Agency of Interventions and Payments in Agriculture.

Also, an important share in total subsidized area under ecological agriculture belongs to agricultural crops – 44 percent, vineyards – 7 percent etc.

The organic farming development In Moldova faces many slowdowns mainly due to lack of qualified and trained specialists in organic agriculture; local certification of organic producers is not internationally recognized which limits the market of organic agriculture; little power and control the converted areas to agricultural farming. One important policy issue is the compliance of local policy and practices regarding organic farming with European regulation.

CONCLUSIONS

In Moldova, the government supports organic agriculture and organic food production, through various organizations as: the Organization for the Development of

Entrepreneurship the Investment Agency; the Agency for Intervention and Payments in Agriculture.

The greening program promoted by the government through the Organization of Entrepreneurship Development includes various measures to support SMEs and facilitates the implementation of environmental management systems and eco-labelling to ensure internationalization, export promotion and integration into international value chains.

To assure internationalization, export promotion, and integration into global value chains, there are numerous initiatives to promote SMEs as well as facilitate the installation of environmental management systems and eco-labelling.

The National Fund for Agricultural Development and Rural Environment is managed by the Agency of Interventions and Payments in Agriculture, which provides support to farms that have implemented investment projects and agricultural producers registered in the ecological circuit.

The conversion to organic farming, preservation of organic crop production and organic beekeeping, and improvement of soil fertility all benefit from financial assistance.

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