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9. AGRICULTURE

The three Government agriculture priorities in the 2008-2012 period are as follows:

- Building efficient agriculture sector that would be competitive and would contribute to the further economic growth of the country;
- Higher revenues and better living standards of farmers;
- Higher competitiveness of the Macedonian farming for its ultimate EU integration.

By the end of 2010, Macedonia will be part of the integrated regional market which would be made up of the 27 EU members, ex-Yu countries, Turkey, Ukraine, and Moldova. The total population would amount to 600 million. Enhancing Macedonian capacities to appear in such regional market will be the main point of the growth of its farming sector in the period to come. This also is another yet ground to conduct further reforms in the state institutions in charge of agriculture, by passage of proper measures to help farmers and food processors in the private sector and in the agribusiness, for the sake of raising the level of competitiveness of Macedonian farm products in foreign markets. Given the fact that state resources at disposal to support such agribusiness initiatives will continue to be restricted, accession to existing and new donations and funds especially from the pre-accession EU assistance will be of major importance.

9.1. Planned and implemented activities of the Government of the Republic of Macedonia in the reporting period

By defining agriculture as very important economic and business sector the growth of which greatly also contributes to the growth of the overall national economy, in the reporting period the Government of the Republic of Macedonia decided upon and conducted many measures and activities aimed at agribusiness promotion. Some of the more important include.

a) Financial support in form of subsidies for the agribusiness

The Government has assumed the obligation in the 2008-2012 period to provide subsidies to the agribusiness in the amount of 460 million euro. As part of such program, in 2008 45 million euro were provided; 70 million euro were secured in 2009. This is a huge step forward in the provision of financial support to the farmers and agribusiness companies. Hence, there also comes out the challenge for all these stakeholders to find ways and mechanisms for the distribution of these funds and resources.

Government subsidies relate to most of the farm products, as highest price per product unit. In this context, involvement is made of crops that are essential for the national export and represent strategic food products, such as wheat and other cereals and forage crops, milk, grape, cattle, garden crops, greenhouse production, beekeeping, fishing, etc. The reporting period did not note signs of gradual transfer of the subsidies into a scheme for income support that is independent of the production itself, as in the EU and pursuant to the obligations coming from the WTO membership. The Ministry of Agriculture, Forestry and Water Management (Ministry of Agriculture) still does not have any information (perhaps even this is not publicly accessible) on establishment of functional integrated system of administering, monitoring, and control of the agribusiness support policy, in compliance with the EU requirements.

b) Credit lines through the Agriculture credit discount fund

The Agriculture credit discount fund should be able to offer better access to short- and long-term credits for farmers, as well as to SMEs whose main activity is processing and export of farm products. The interest rates for the end users if such credits that are transferred via commercial banks are subsidized by the Government, so that the overall value of the rate is as lower as possible for the end users. The interest rate for the primary farming production is 4% per year and 5% for the processing and export of the primary farm products. If credits are given via savings banks, then these interest rates for the end users would be 6%, i.e., 6.5% per year correspondingly. The Fund is autonomous department within the Ministry of Finance. Its credit portfolio was as follows as of 15 May 2009:

No. of approved credits	4,149
Total value of such credits (euro)	35,200,000
Fund refinancing (euro)	2,600,000

Most credits for **the primary agricultural production** were used for investment in new foil tunnels for truck farming, planting new vineyards, and purchase of milk cows and calves for breeding.

Most credits intended for **farm products processing** were used for the purchase of modern equipment and technology improvement, investment in quality premises and building for storage of finished products, buyout of raw materials, and for package and labeling materials, etc.

c) Farmland policy

The process of distribution of farmland and concluding corresponding lease agreements continued in 2008 and 2009 as well. The Ministry of Agriculture is the responsible institution to create and implement such farmland policy. Establishment is in progress of systematized register of farmland, i.e., formation of Integrated administrative

control system, formation of System for identification of farmland plots in few chosen plot municipalities after aerial photography and interpretation of the orthophoto materials. This project has been supported through the Project 'ASAP' – Agriculture Strengthening and Accession Project (conducted by joint cooperation between the WB and the Macedonian Government), which aims to enhance farming and country accession to the EU IPA funds – Component I (Strengthening the administrative and management capacity of the Ministry of Agriculture in accordance with the requirements for accession of the Republic of Macedonia to the EU), then for the purpose of organizing tenders for aerial photography and data processing, and for purchase of the required equipment and software and their installation and testing. To this end, it has been planned by the end of 2009 to pass several bylaws stemming from the Law on agriculture and rural development that will govern the corresponding area, as well as to pass a bylaw on establishment and data exchange as part of the Agriculture market information system.

d) Upgrading the farmland structure and quality of Macedonian farmsteads

Pursuant to the Government 2008-2012 Program, it is necessary to carry out concentration (by becoming larger) of the farmland plot and have modernization of the domestic agribusiness.

The 2009 main activities in this context include: better state farmland management, expansion of the farmland market with better transparency and efficiency, concentration of the otherwise fragmented farmland, and its better protection pursuant to the Law on farmland. Though one could note some activities, still there is no evident progress in this context.

Similarly, little has been one to strengthen the capacity of the state administration to implement the system of state farmland distribution and establish information system for this.

In 2008, 12 public advertisements were published to distribute 44,000 hectares of state farmland; 10,000 hectares were distributed and 1,200 state farmland lease agreements were concluded. Additionally Agenda on regions was drafted, regions intended to be announced in 2009 as areas of state farmland for lease. Preparations were also made for the start of the Project on redistribution of farmland supported by the Dutch Government. At the same time, implementation has been made of activities from the second phase of the Project on establishment of a National system for monitoring and management of vineyards (to have been finished by May 2009) in the Republic of Macedonia. This system will be integrated into the Registry of farmland in the entire country, and at the same time will be a basis for further development of this sector. As of August 2008, registration was made of 14,000 hectares of vineyards mostly located in the Tikves region.

The system of registration of farmland plots was supposed to expand from the pilot municipalities in the entire territory of the county. The single Registry of farmsteads should be updated regularly, and, at the same time, integration is made of the other registries in the Ministry of Agriculture: the System of animal identification and registration, the Registry of vineyards, and the System of farmland plots identification and registration. The analyzed period also foresaw the finalization and putting in operation of the agriculture information system. Preparations for a fully functional

agriculture system, which in support has also automated system for IT, have reached their progressive phase. One could also see progress in the policy of raising the quality of farm products. National registration of appellations of origin and geographic indication has started to be implemented. The Law on quality of far products has not been passed, nevertheless drafting of this new law has entered advanced phase.

e) Raising the income of farmers

A sum of 63.9 million euro was distributed from the national budget as direct support to famers in 2009. This involves a basic scheme for unemployment benefit whose level was raised for certain circumstances, payments of premiums for chosen strategic farm crops and farm cattle, and other payment schemes such as for insurance, and for horizontal support for specific groups of farmers or regions. In order to qualify for any of these schemes, farmers must be entered in integrated registries of farmstead. In this segment, direct support measures (subsidies) have been implemented pursuant project pace, however results from measures for higher competitiveness are still missing (higher yield, lower costs, and better quality and marketing); likewise measures to change present production methods with intensive and more profitable crops have not showed desired results.

Almost nothing has been done in context of prevention and maintenance of traditional production as brand of the rural environment, with due respect for the value and importance of those systems for the living standard of the local population. Supporting non-traditional products with export potential, which generate higher income with limited resources including organic production for which the country has excellent potentials, is rather a debatable campaign and action, especially if one takes in consideration the problems that certain farmers and cattle breeders have had, as that in the case of owners of ostrich farms. Nevertheless, there is evident progress in organic production, while results are also present.

Measures to promote non-farming activities (tourism, handicrafts, arts, presentation of culture and natural values), via direct support to starting business, giving advisory services, making institutional and law changes (especially relating to the control and certification system for organic origin), i.e., rural development measures, have failed to produce major results. Although a complete program on rural development exists, highest interest have been shown in purchasing farm machines (tractors), which have very little in common with the aforementioned aims.

f) Raising the level of sale and marketing of farm products

In addition to previously started construction of regional centers for buyout and distribution of farm crops in Strumica and Rosoman, 2008 and 2009 should have seen the construction also of two new centers in the Gevgelija/Bogdanci and Resen regions, in cooperation with eminent foreign farm product distributor from Israel. No information is available that this has been done. It is well known that the Croatian company 'Agrokor' has not invested any money thus far in the construction of the planned centers on grounds of the global recession.

The established joint venture company 'Agriland' for buyout and export of farm product, in cooperation with the Israeli company 'Soli' should have started its operation in 2008; but even by the end of the reporting period this has not been done. Likewise, no realization has been made of the announcement to start the work of a state shareholding company managed by two experienced foreign nationals (from France and the Netherlands). No transformation has been made of the PE (Public Enterprise) Agricultural Exchange into Commodity Exchange planned to take pace in 2008, although there exists a basis for development of sustainable and efficient information system in the field of agriculture. The pilot system on price information has been operative, although its adjustment to the appropriate EU standards has yet to be done.

The legislation provides for the basic institutional preconditions for functional Farm Accountancy Data Network (FADN), although this FADN has not been fully adjusted to the EU requirements. No law has been adopted on state assistance yet. The current measures in that context differ somewhat from the EU regulations in certain areas.

Almost nothing has been done to strengthen the market connections and cooperation between farmers and companies processing farm products.

g) Capacity building of organizations of farmers

These organizations should be able to provide a wide variety of services to their members in order to improve the farmers' production technologies, management, purchase of raw materials, packaging, sorting, calibration, transport crediting, providing or using information, doing marketing, etc. Certain inconsistencies also appear in laws and bylaws, especially with regard to the opportunities to have the so-called Common Market Organization (CMO). It is necessary to change the corresponding laws so that this concept could be successfully explained and carried out practically. There is still no organization of agricultural producers in the context of the EU concept of CMO.

h) Optimal use and management of natural resources in ecologically sustainable manner

Planting of at least 5-7 million new trees every year has been conducted properly. This campaign, that has been conducted in 2008 and 2009, can be considered successful and be recognized as stimulating for both the public, private and NGO sectors.

Actions by the competent institutions to clean the local irrigation canals and drainage ditches have continued; this helped solve the problem of flooding the farmlands and local inhabited places and create conditions to use new irrigated farmlands.

There has been evident progress in the reconstruction and maintenance of the existing irrigation network and in restoration of the once deserted local canals, by proper use of the funds for capital investment and from foreign donations, as well as by increasing irrigated areas in the country. Little has been done in the segment relating to the promotion of production systems that integrate the aspects of soil protection as a rather slowly renewable resource and of water itself.

i) Capacity building of public institutions and increasing quality of services in the agriculture sector

1) Ministry of Agriculture, Forestry, and Water Management

The reform of the Ministry represents initial activity within the institutional reforms in the agriculture sector. Only functionally structured and highly professional institution can be leader in changes and in other segments in the sector, especially in circumstances of accelerated integration of the country in the international trade and political structures.

A law was adopted that defines the operative procedures of the State Agricultural Inspectorate. This includes also responsibilities for coordination of the pre-accession assistance intended for agriculture and rural development.

Further staffing was conducted of the various Ministry departments and agencies. However, the Ministry human resources still are not sufficient in order to address present and future responsibilities.

Another concern is the very Ministry capacity to maintain and expand the register of vineyards and other management instruments.

2) Education and research in agriculture and rural development

Much has not been done in this context, in addition to opening a Faculty of Agriculture as part of the University 'Goce Delcev' in Stip, as well as opening several dispersed studies by this and other universities in few towns. Conditions for better access by farmers to modern technology of production, by enhanced cooperation with the RD sector and corresponding advisory agencies, have not been improved. Funding the RD activities, by enabling greater commercialization of services beyond those defined as public good, was only announced, without making concrete measures to implement this. The focus on informal education and lifelong learning in the sector of agriculture and rural development is still in its inception phase.

3) Advisory services: Agency for the Promotion of Agricultural Development

Advisory agencies should provide efficient flow of information to farmers and transfer of know-how from RD centers to farmers themselves.

The above Agency expanded the provision of advisory services by opening local dispersed offices and 'mobile and urgent' support system intended for faraway regions. The Agency task is to provide additional mobile services for people living in rural regions in form of scheduled calls and visits. These visits often take place in improved offices in village primary schools or in rural community centers. It is real challenge to enhance the capacity of the Agency HR, i.e., the advisers working there, and have better internal institutional organization.

4) Veterinary and phytosanitary services

As outcome of the recent amendments to the Rules on job descriptions in 2008, structural changes were made in the organogram of the Veterinary Administration. This should enable better functionality in the organization, efficiency, and effectiveness when implementing the policy in the domain of his Administration. Namely, two new units were introduced in the Sector for Animal Health Care, in addition to the three present

ones (Unit for Animal Health Care, Animal Welfare Mobile Unit, Unit for Identification and Registration of Animals). These two new units are: Unit for IT and Communications Support, and Unit for Veterinary Inspection.

j) Integrated policy of rural development

Most measures in the National support to rural development imply preparatory measures of support that is similar to the EU Common Agricultural Policy; these measures precede ones from IPARD (for instance, support to organization and activities for joint production by farmsteads helps define the basic form of groups of producers).

The 2009 Program on financial support for rural development implies distribution of budgetary funds of 7 million euro for implementing measures prescribed in the Government Decree that defines measures for rural development and conditions for financing which potential beneficiaries would have to meet in order to be eligible for such support.

In addition to defining national strategy and plan on rural development, Government priority is also to have accreditation of the Payment Agency, i.e., the Agency for financial support to agriculture and rural development (it will also administer the direct assistance measures – direct payments). Accreditation of the said Agency and its functionality should have been attained by early 2009. In March 2009, the Agency was nationally accredited, but in order to be able to direct and manage the EU funds designated for rural development from the IPARD components, it should also receive European accreditation. By the end of the reporting period, such accreditation has not been obtained.

9.2. Evaluation of potential risks from (non)implementation or from (non)quality implementation of activities

In order to have conditions for functionally market-orientated agriculture, there should be consistent implementation of the policies on development of agriculture and on rural development. Regulations should be passed but also to be applied in practice. Implementation of laws and regulations is the key in rapprochement of the Republic of Macedonia to the EU in the field of agriculture as well. Periodical digression from such principles can imply serious obstacle in the realization of the planned and expected activities in agriculture.

Establishing registration systems such as the Agricultural market information system, establishing integrated administrative and control system (IACS) which also includes system for identification of farmland plots, then already mentioned FADN system, make up the key tools for the Macedonian agriculture, if one wants to analyze its strength and level of competitiveness and adopt right policies and decisions at the right time.

Failing to invest in HR, knowledge and DR, in the end, could represent a setback for the Macedonian agriculture, in spite of the ample financial support to this sector of the Macedonian national economy.

9.3. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations

Generally, it can be concluded that the September 2008 – September 2009 period was marked by agriculture events and activities that show progress in this field. In addition to granting subsidies, good progress was made also in the field of rural development.

Nevertheless, the very aim of such subsidies should not be the very price support as such per kilogram of per liter, since this manner directly encourages farmers to continue in the future as well to make farm products with rather uncompetitive prices.

The 2007-2013 Rural development program was harmonized with the IPARD Program, which in turn would enable having greater opportunities to use the available financial resources from that program. The management and control system of the IPARD funds has already been put in place, while the said Payment Agency, as well as the authority for managing these funds, has received national accreditation. Adoption of systematization of procedures for proper implementation of that program has well progressed, while administrative capacities have been enhanced. Bylaws have been passed for introduction of systems of management and control of the IPARD funds. The rural development policy has been gradually adjusted to the EU requirements.

Recommendations for further development of agriculture can be aimed at:

- Promotion and development of the market for buyout of farm products by formation of regional buyout and distribution centers (i.e., regional commodities exchange for farm products) and by supporting organizing joint market for farm products and encouraging export of these farm products,
- Transfer of latest know-how through foreign investment in agriculture, strengthening education and training (formal and informal) in this sector, and further capacity building of providers of advisory services by publish and professional institutions which will assist in better flow of information to famers as end-users. By such activities, there should be higher capacity to receive and use the IPA funds of the EU.

Investing in information system development for better and timely analysis of market information and data, production costs, type and quantity of arable and farm land, potentials and capacities of farming, cattle breeding and alternative crops (including organic production as well).