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9. Agriculture

9.1. Planned and (not) implemented activities in the reporting period

In the reporting period, the Government of RM adopted the following substantial measures and activities in specific areas in agriculture:

a) Financial support in subsidies for agriculture

The Government of RM took the obligation in the period of 2008-2012 to provide subsidies for the agriculture in a total amount of 460 millions of euros. Within that program, 45 millions of euros were provided for 2008, and 70 millions for 2009. 100 millions of euros are projected for 2010. That is a great step forward in giving financial support to farmers and to companies who do farming. There is where the challenge comes from for all of them about finding ways and mechanism for redistribution of those financial means.

According to the information from the Paying Agency, within the end of 2009 (one month before the deadline for application), 84 percent or 58.8 millions of euros were paid out from the projected 70 millions for 2009. Until the closure of this report, no information were announced about whether during January 2010 were redistributed the rest 11.2 millions of euros or not.

b) Crediting through the Agricultural Credit Discount Fund

The main role in the promotion of the work of the individual farmers, as well as the work of small and medium-sized enterprises, which basic activity is processing and export of agricultural products, has the Agricultural Credit Discount Fund (ACDF) through which they can receive appropriate loans. Depending on the target group of the credit users, there are three credit categories. The first one is reserved for loans for the primary production, which are granted in total amount of 100.000 euros. Then, loans are granted for the procession of agricultural products that are limited to 500.000 euros, except for the mill facilities where the limit is up to 200.000 euros. The last category refers to loans for businesses that deal with export of agricultural products with a maximum amount of 200.000 euros.

The granting of those loans is being done with the mediation of “NLB Tutunska Banka” JSC. Skopje, “Invest Banka” JSC Skopje, “Komercijalna Banka” JSC Skopje, “Stopanska Banka” JSC Bitola, “Starter Banka” JSC Kumanovo, “Stopanska Banka” JSC Skopje, “Uni Banka” JSC Skopje. The interests of the granted loans equal 4 percent a year for agricultural products producers and 5 percent for those who deal with processing and export of agricultural products. If the loan is granted through a mediation

of a savings bank, the interest is higher for one percentage score than the previously mentioned ones.

c) Land Policy

The process of granting land and concluding adequate agreements continued in 2009 as well. The Ministry of Agriculture, Forestry and Water Economy (MAFWE) is the responsible institution for the creation and implementation of that land policy. According to the available data, as of January until September 2009, a total of 486 agreements have been concluded for a total land for use of about 117.388 hectares. The control of the agricultural inspection shows that almost half of the agreements are not followed, thus the inspectorate submitted 181 proposals for breaking the agreement, with a total area of 35.762 hectares or one third of the total land in landholding. It can be concluded that a number of oversights and mistakes have been made in concluding these agreements, and thus breaking of the bulk of them has been proposed and conducted.

By that redistribution, the former agricultural combines were given lands for use with an area of 87.968 hectares, and for them they signed 98 contracts, while 29.407 hectares were distributed to 388 users.

According to the new rules, legal entities who will usurp agricultural land shall be fined with 10.000 to 20.000 of euros, and the physical entities with 3.000 to 6.000 of euros. Fines are as well foreseen for all those who had their contracts terminated, however they do not give the land back under the authority of the country.

d) Enhancing the agricultural structure and the quality of the Macedonian agricultural economy

According to the Program of the Government of RM for the period of 2008-2012, concentration of the agricultural parcels is necessary to be done, as well as modernization of the national agribusiness. Some of the more substantial measures of that activity for that period have not been implemented.

The system for registration of the land parcels had to be enlarged from the pilot-municipalities and to be established country-wide. The single registry of the agricultural economies is currently being renewed, and in the same time the integration of the rest of the registries within MAFWE is also being conducted: The System for Identification and Registration of Animals, the Registry of Vine Plantations and the System for Identification and Registration of Land Parcels.

The Law on Quality of Agricultural Products has not been adopted yet; however its preparation is in an advanced phase.

e) Enhancing the revenues of the agricultural producers

The program for financial support of the agriculture for 2009 was published in October 2009. It offers financial support to industrial garden crops that are sold to the processing facilities, for produced and sold grapes in the registered wine cellars, for domestic production in certified national wine cellars, for domestic production of certified seeds and seedlings, for produced and sold milk in the period from May to September 2009 and for bred and sold cattle. The measures for financial support embrace cattle fattening and chickens in the registered slaughterhouse facilities, for born calf through artificial insemination, procured breeding cattle, sheep, goats and pigs, produced one-day broilers and eggs-laying hybrids and for procurement of queen bees and elevating new areas with honey grass. The due date for submitting requests for the measures from cattle production was 25 October, and for the seedlings was 5 November 2009. The payment of the financial means will be done through the Agency for Financial Support in Agriculture and the Rural Development after the end of the procedure. Until the closure of this report, there was no available information concerning the realization of that activity.

In the reporting period the pay out to the tobacco producers was conducted. In 2009, the number of licensed companies for tobacco purchase was increased, which started earlier at a request of the tobacco producers. The subsidy of 60 denars a kilogram was paid on time. In that part, the direct measures for support (the subsidies) are achieved according to the planned dynamics, but the results from the measures for increased competitiveness (greater production, lower expenses and better quality and marketing) are falling behind and for changes in the so far schemes of production were intensified and more profitable. The problems with the purchase of apples and grapes are still present.

In 2009 the indirect support of the agriculture was not realized (stimulating innovations, scientific researches, affiliation of producers and organizing different agricultural events). MAFWE did not respond to more than 200 applications and it is not known what will happen to the projected financial means for those purposes.

f) Enhancing the placement and marketing of the agricultural products

In the function of enhancing the placement and marketing of the agricultural products should have been the establishment of appropriate purchase centers and thus entering foreign money. However, because of the activity of the economic crisis, the Croatian "Agrokor", probably temporarily restrained itself from more intensive investment in establishing such previously planned centers in RM. According to the available information, in the reporting period "Agrokor" invested about 500.000 of euros only in the wine cellar "Vizba" in Valandovo.

The establishment of the Joint Company "Agrilend" for purchase and export of agricultural products, in cooperation with the Israeli company "Soli", had to start work in the course of 2008; however until the end of the reporting period that did not happen.

With the aim of overcoming the crisis of tomatoes that were not bought out, the processing facilities in November, 2009, bought out the excessive consumer tomatoes on the market at a price of 3.5 denars a kilogram, and not 6 denars that they pay for the industrial tomatoes. The price difference was paid by the country, which as a measure,

alleviated not only the problem with the buy-out of the tomatoes, but it also alleviated the rest of the problems with the placement of the agricultural products that serve as a raw-material for the processing industry.

g) Strengthening the organizations of the agricultural workers

In the reporting period as well, there was not done so much about the establishment of organizations that should be capable of ensuring a wide scope of services for their own members in the direction of enhancing their production technologies, management, raw-materials procurement, packing, sorting, calibrating, transport, crediting, providing or using information, doing marketing, etc.

f) Optimal use and management with the natural resources in an ecologically sustainable manner

There are not available information about the activities in that sphere in the reporting period, except for the announcement of the draft Law on Organic Agriculture, which first reading passed in the Parliamentary Commission for Agriculture in October 2009. That Law foresees fines up to 3.000 of euros for manipulations in labeling organic products and a prohibition on conducting activities. With those law amendments, RM becomes the first country in the region that will regulate the organic production with legal solution adapted to the newest European legislation.

g) Institutional strengthening of the public institutions and increasing the quality of the services in the agricultural sector

In the reporting period there were no information about the realized activities in that area.

h) Integrated policy of rural development

The program for financial support of rural development for 2009 presents distribution of budget means of about 7 millions of euros for the realization of measurements adopted by the Decree of the Government determining measures for rural development and conditions for financing that should be fulfilled by the beneficiaries of those financial means if they want to qualify for receiving that kind of support. Besides the national program, the IPARD program became prevalent. In the analyzed period, the accreditation of the Paying Agency was approved, and more specifically the Agency for Financial Support of the Agriculture and Rural Development-AFSAED (which shall administrate the measures for direct assistance, i.e. the direct payments). The competition for the use of financial means from the IPARD program was announced in December 2009. It is about financial means of 24 millions of euros and 320.000 of euros. The interest about using those means is great. The farmers and companies are intensively preparing business plans, however they do have problems in ensuring the necessary documentation for application because farmers are still insufficiently informed in that

direction. The competition for applications for receiving financial support of that program ends by 23 February, 2010.

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

In order to make conditions for a functional market-orientated agriculture, the policies for agriculture and rural development should be consistently implemented. Normatives should be adopted, and implemented practically. Before taking further steps on that plan, more serious analysis of the particular activity should be done. For example,

the non-realization of the program for indirect support in 2009 shall exist as a problem in 2010 and from then on.

The non-investment in human capacities, in knowledge, science and in their development can, in a longer-term, bring the Macedonian agriculture back despite the great financial support of that sector of the Macedonian economy.

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

Generally, it can be concluded that in the period from October 2009-January 2010, there were activities that happened in the agriculture that had no key encouragement for progress in that area. The accreditation of the Paying Agency is perhaps the most significant activity in that period.

The observed weaknesses and problems that were mentioned before should be used, and be worked upon their overcoming in future. The example with the spontaneous production of certain cultures (industrial tomato, grapes, apples) cannot be dealt with partially and with the inclusion of the country in the buy-out or with subsidizing because farmers will continue to produce products with uncompetitive prices.