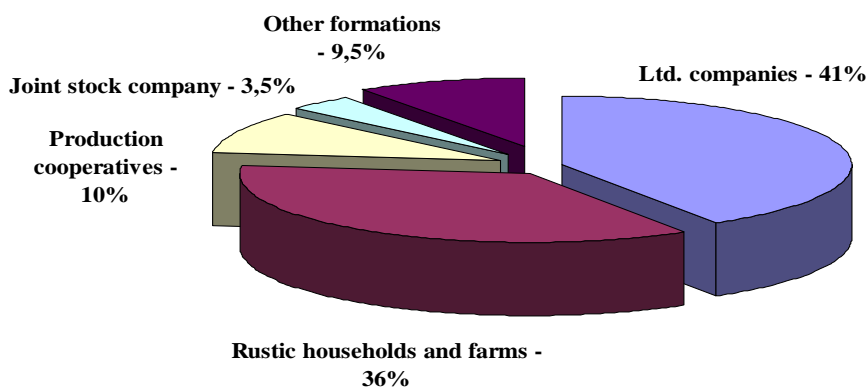


MOLDOVAN AGRICULTURE – GENERAL OVERVIEW

In the Republic of Moldova agriculture has been traditionally regarded as the cornerstone of the national economy: agricultural output accounts for 15% of GDP and together with the processing industry represents over 30% of GDP and approximately 50% of total exports. At the same time, agriculture constitutes the most important sector of the national economy, using over 40% of country's labor force.

The entire agricultural lands cover 2518.2 thousand ha or 74.2%, including arable land – 1833.2 ha (73%) and perennial plantations – 299.0 thousand ha. The black soils amount to around 75% of the overall territory.

Structure of farmsteads holding agricultural land in breakdown by category (in % of total area)

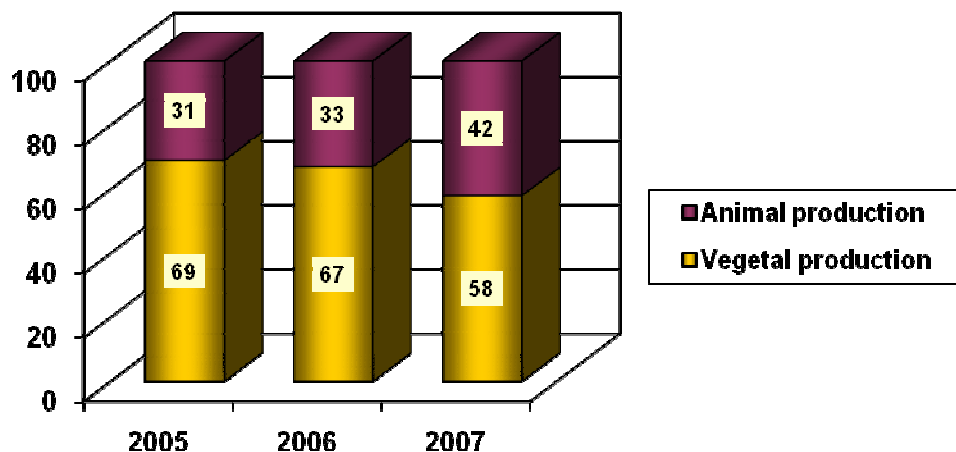


The agricultural economy of Moldova has four generally accepted major advantages. Firstly, due to favorable geographical location and climate, it is possible to grow early varieties of vegetables, which is a competitive advantage for Moldova. Secondly, Moldova has good humus soils and sufficient water resources. Thirdly, Moldova's population accumulated affluent experience and knowledge in growing fruits and vegetables, tobacco, as well as in viticulture and wine production. Fourthly, Moldovan research institutions acquired solid knowledge and experience, which significantly contributes to the development of agriculture. The country has moderate continental climate with short and relatively mild winters and long summers. The fertile soil and adequate labor force are able to ensure efficient specialization in growing products for export with high profitability and productivity.

Appropriate policies provide the creation and promotion of an open and competitive economy based on private ownership principles that supports the development of this sector. Traditionally, the agriculture and processing industry represented the main branches of the national economy, placing Moldova among the main suppliers of agricultural products and foodstuffs on the huge ex-USSR market.

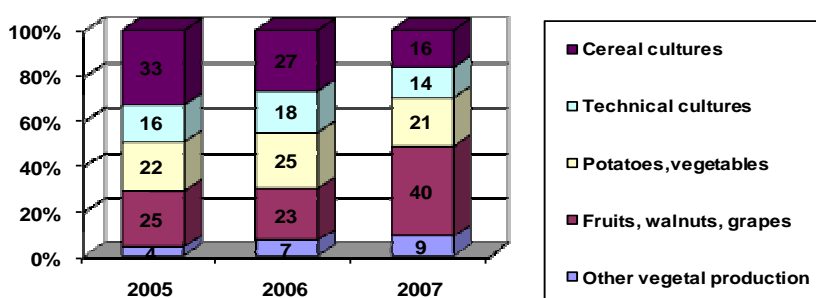
The structure of agricultural goods in breakdown by branches over the last years demonstrated stable trends, with no significant fluctuations and considerable deviations. Thus, in 2007 the share of vegetal and animal products in the total volume of agricultural production accounted for 58% and 42%, respectively.

Structure of agricultural output in breakdown by branch (all categories of farmsteads, in comparable prices of 2000, %)



Due to the fact that in 2007 there was a serious drought in Moldova, there were some changes in the structure of the vegetable production. Fruits, walnuts and grapes have a share of 40%, potatoes and vegetables – 21%, technical crops – 14%, while cereals are 16%, and 9% to other products.

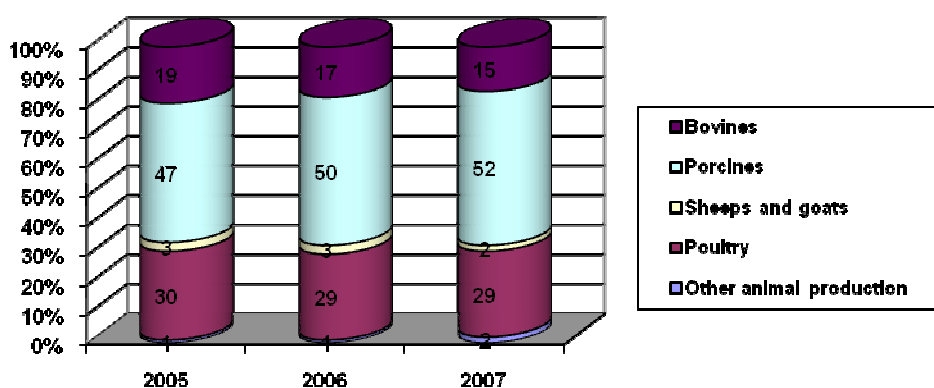
The structure of vegetal products, %



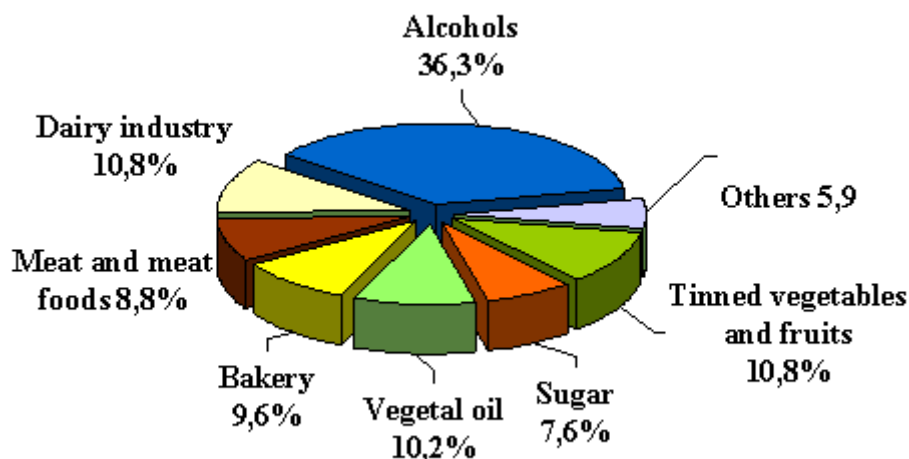
Source: National Bureau of Statistics

The livestock production implies the following structure: cattle – 15%; pigs – 52%; sheep and goats – 2%; poultry – 29%; and other productions – 2%.

Structure of livestock production, (%)



Main branches of agriculture



- **Viticulture and Wine Industry.** Wine industry represents an essential branch of the Moldovan economy. Approximately 15% of the national annual budget is formed of incomes generated by viticulture. Grapevine has been cultivated on this territory for at least 5000 years. The main wine-producing areas are placed at the latitude of 46° – 48°, which is similar to the one in the French regions of Bordeaux and Bourgogne, famous for vine cultivation. The total area of wine-producing plantations is 156 thousand ha of vineyards, including 119 thousand ha of yielding plantations. Over 95% are under private ownership. The annual vintage is 400 – 500 thousand tons. The Moldovan viticulture can be characterized as including a large variety of species, of which 90% represents European ones.

The Republic of Moldova has four wine-growing regions: the Southern region, the South-Eastern region, the Central region and the North region. Currently, 193 wineries hold the relevant license to perform relevant activities. Moldova produces nowadays 20 – 25 million of dal of wine materials.

The wine-producing industry supplies the market with a large variety of products: table wines, dry wines, sweet wines, demi-sec wines, semi-sweet wines, special wines with 14%-20% alcohol, sparkling wines, cognacs from distillates (divines), the oldest one aging 50 years (“Prezident” produced by JSC “Barza Alba” from the municipality of Bălți). The wine production is classified as in accordance with relevant requirements of the World Wine Organization. Moldova produces annually 300 – 350 million bottles of wine, 20 million bottles of sparkling wine and 400 thousand dal of divines. Around 10% of produced wine is consumed by the domestic market and 90% is exported, which amounts to US\$ 313 million.

The wine collections of Moldova incorporate and demonstrate the long history of a nation, which traditionally deals with viticulture and wine production. The collection wines and divines mature slowly in dark cellars at constant low temperatures, thus acquiring subtle bouquets and aromas: the golden essence of white wines and the copper-colored and scarlet hints of red wines scenting fruits and berries.

- **Fruits, Vegetables and their Processing.** Fruit-growing represents one of the main strategic branches of the national economy, accounting for around 40% of the agricultural production value. The area under fruit plantations in 2007 totaled

111 thousand ha, including: Orchards – 104 thousand ha or 96% of total area; Walnut plantations – 5, 3 thousand ha or 3.7% of total area.

According to the International Trade Center from Geneva, the Republic of Moldova is one of the largest European exporters of walnuts shelled and nut kernel after USA, Mexico and China, accounting for a total volume of 9 thousand tons and amounting to Euro 29, 8 million. The walnut growing area constitutes around 5000 ha, and is constantly expanding over the last years, especially through plantation of walnut industrial orchards.

All relevant activities are supported by a specific legal framework promoting walnut-tree development and the National Program of Walnut Development, which provides the expansion of nut areas up to 14, 5 thousand ha by 2015. The sector has an enormous non-used potential in terms of extension of orchards' areas. To make this potential efficient and operating, an adequate storing and processing infrastructure, as well as relevant market diversification are needed.

The annual harvest totals, on an average, around 370 thousand tons, including: tomatoes – 26.5%; cabbage and dry onion – 14.7%; pumpkins and marrows – 12.5%; carrots and sweet peppers – 5.5%; eggplants – 2%; and other vegetables – 18.6%.

Within the total volume of vegetables, 4.7% of vegetables are exported as fresh vegetables, 8% are used as raw material within the processing industry, and 87.3% are traded in fresh condition in the domestic market. Vegetables are exported into 23 countries of the world.

The traditional range of goods produced by processing enterprises includes fruit and vegetable juices (from apples, grapes, peaches, apricots, cherries, blackberries, tomatoes, carrots, etc.), concentrated juices, in particular from apples, processed and canned fruits (jams, marmalade, preserves, etc.), canned vegetables (cucumbers, tomatoes, sweet peppers, etc).

- **Cereals and Bakery.** The cereals sector has a vital importance for the country. The main crops cultivated in Moldova include wheat, barley, corns, etc. The main trade markets are in Ukraine, Switzerland, Puerto Rico, Romania, etc. The majority of products produced within this sub-sector are provided for the domestic market, except for insignificant quantities of biscuits, which are also exported.

- **Confectionery.** The confectionery sub-sector includes 4 factories: JSC “BUCURIA”, JSC “FRANZELUTA”, JSC “NEFIS” and JSC “BOMSETTI”. “BUCURIA” is the main confectionery enterprise, offering an impressive variety of exceptional confectionery products, supplying the market with more than 250 articles of high-quality confectionery products in original and modern packing.

These products are made from natural raw and auxiliary materials. JSC “BUCURIA” is the only producer of sugar-free products in the Republic of Moldova. Confectionery products are traded both in the domestic market, as well as in international markets, in particular in Russia, Romania, Latvia, Estonia, Germany, Greece, Israel, etc. These products won various and multiple awards at international fairs, getting appreciated for their quality and variety.

- **Sugar Industry.** Within the national economy of the Republic of Moldova the sugar industry has specific social impact and is assigned strategic importance. The complex includes three main segments – producers of sugar beet, which is cultivated mainly in the North and Center of the country; sugar beet producers; and producers and traders of sugar beet seeds. Currently, sugar beet in Moldova is processed by two companies – JSC “Sudzucker Moldova” (incorporating the sugar factories from Drochia, Făleşti, Alexăndreni and Donduşeni) and “Marr Sugar Moldova” ltd. (incorporating the sugar factories from Cupcini, Glodeni and Ghindeşti), which supply sugar in the domestic market; the sugar surplus is exported. The annual domestic market demand totals around 85 – 90 thousand tons of sugar; the country export potential is around 50 – 60 thousand tons.

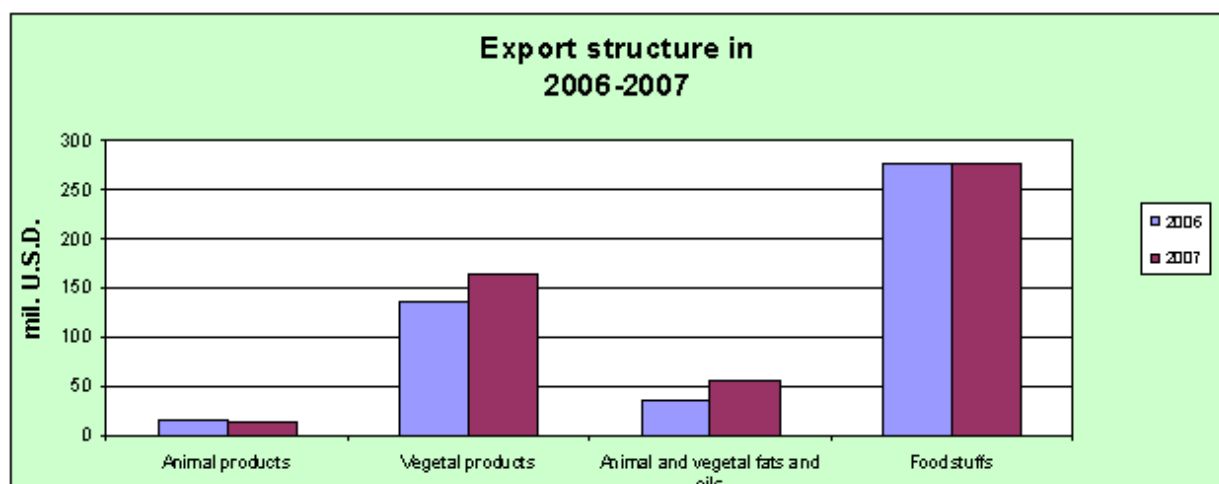
- **Oleaginous Plants and Industry.** The main oleaginous plants in Moldova are the sun-flower, soy and rape. The overall volume of these plants in 2006 totaled 408 thousand tons, 88.4 thousand tons, and 7 thousand tons, respectively. The oleaginous sector includes around 542 small- and medium-sized enterprises (oil mills), which annually process approximately 55 – 60 thousand tons of sun-flower, partially satisfying the domestic market demand. The JSC “Floarea-Soarelui” is the main oil producer (of both sun-flower and soy oil), having a production capacity of 262 thousand tons per year. Moldova has, as well, 4 enterprises processing essential oil for the fragrance industry: Ltd. companies “Aroma”, “Eurosalia”, “Aromiplant”, “Cioara”. Essential oils are used within the fragrance and cosmetics industry of Moldova, and partially are exported to France, the Netherlands, Russia etc.

Foreign Trade with Agricultural and Agro-Food products

In 2007, Moldova’s foreign trade in agricultural and agro-food products covered over 100 countries. The total value of foreign trade in agro-food products amounted to US\$ 973, 8 million, increasing by 24, 9% (+ 194, 2 mil.USD) compared with 2006.

In 2007 agricultural and agro-food products were exported to 80 countries in a total value of US\$ 507,8 million, which is by US\$ 43,8 million more than in the previous year.

The main categories of agro-food products exported in 2006 – 2007 years are shown below.

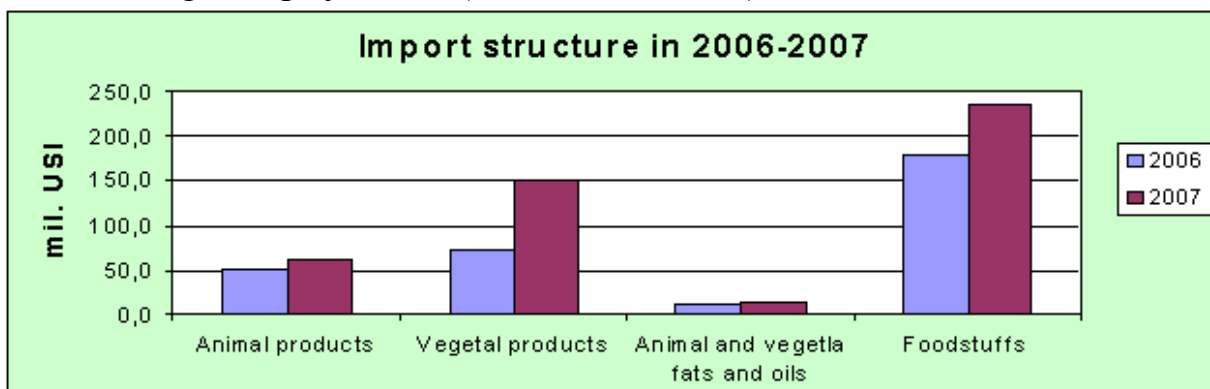


Within the total export of the Republic of Moldova in 2007 the largest share is held by foodstuffs, alcoholic drinks, tobacco and tobacco articles, which account for 54,4% (US\$ 276 million), being at nearly same level as in 2006.

Plant products totaled US\$ 162.9 million or 32.1% of total exports. Sun-flower seeds, walnuts, apples, grapes and soy beans account for the largest share.

Animal oils and fat form 10.9% (US\$ 55.3 million) of total export. This group of goods increased its share by US\$ 20, 4 million. Exported livestock products totaled US\$ 13.6 million (2.7% of total value).

Over 2007, the Republic of Moldova imported agro-food products in a total value of US\$ 466 million, surpassing by 47.7% (US\$ 150.4 million) the 2006 indicator.



Within the total volume of imports, foodstuffs, alcoholic drinks, tobacco and tobacco products prevail, accounting for 56.9% (US\$ 179.7 million), enlarging by US\$ 32.3 million from 2006.

Imported plant products totaled US\$ 72.7 million, accounting for 23% of total imports.

Animal and plant oils and fat imported in the Republic of Moldova constitute 3.5% of total imports and amount to US\$ 11.1 million.

Imported livestock products totaled US\$ 51.9 million, or 16.4% of total import value.

Foreign Investments

Foreign investments play an important role in the process of national economic reforms promoted by the state authorities. Starting with 1992, the Republic of Moldova acts as member of the Multilateral Investment Guarantee Agency (MIGA). The Agency is open for all investors at any time and represents a warranty against political risks, thus essentially contributing to the promotion of foreign investments in Moldova. The national priority is the promotion and maintenance of a transparent business environment for both local, as well as foreign investors.

The main investment priorities and opportunities in the agricultural sector are the fertile soil and favorable climacteric conditions – the main conditions required to develop intensive agriculture, as well as processing industry with a stable basis of high-quality raw materials; high efficiency of a profitable agro-industrial sector, which significantly exceeds the efficiency ratio of neighboring countries; large popularity of Moldovan brands in CIS markets; high quality of Moldovan products recognized in all former USSR regions. It is to mention that Moldovan products are ecologically pure and have remarkable gustative quality provided at exclusively accessible prices; the production capacities of the agro-industrial complex are located at short distance from raw material location and are placed uniformly within the country territory; the reduced labor force

and availability of qualified staff; existent legal framework governing the economic activity of international organizations; numerous market niches and possibilities to obtain highest-quality agricultural products etc.

Moldova offers, also, good opportunities for investing in the food industry, in particular in viticulture (establishment of new vineyards, grape processing), fruits and vegetables growing (establishment of new plantations, storage, production processing), zoo technical sector (revitalization of meat production and processing enterprises), food industry (canning industry) etc.

General Fiscal Facilities

As in accordance with the legislation in effect in the Republic of Moldova, the enterprises registered in Moldova benefit from fiscal investment facilities as follows:

- Enterprises, in which regulatory capital the share of foreign investments exceed the amount equivalent with US\$ 250 thousand, are exempted from 50%-income tax for a 5-year period;
- Enterprises, in which regulatory capital the share of foreign investments exceed the amount equivalent with US\$ 2 million, might be income tax exempted for a period of 3 consecutive years.

The Strategy for the Sustainable Development of the Agroindustrial Complex

In March 2008 the Government approved a new Strategy for the Sustainable Development of the Agroindustrial Complex for 2008-2015. It comprises the basic political, economical and social actions for improving the agroindustrial sector, including the evaluations of the national agro food sector on the level of adjustment to the market economy mechanisms, the main modernizing directions and tools of the agrarian sector, the state's role in the agro food sector development at the post privatization stage, economical results expectations and implementation risks decoding.

The objectives of the Strategy are in conformity with the EC Regulation 1698/2005 and guidelines of the European Community. The Strategy contains also a social-economic policy component, directed towards Moldovan agroindustrial sector's renewal and development, comprising the basic goals and priorities stated in the Government Program for 2005-2009 "Country's modernization - people's welfare", Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), National Program "Moldovan village", Republic of Moldova-EU Action Plan and National Plan for Development (2008-2011).

The Strategy confirms the commitment of the Government to integrate the Republic of Moldova's economy and agro food sector in the European economy, and according to the Republic of Moldova – EU Action Plan, prepare for EU accession negotiations, complying with economic and institutional conditions to obtain the EU candidate member status and monitor the WTO commitments in agricultural trade and domestic support as a WTO member.

The main objective of the strategy is to ensure the sustainable growth of the agroindustrial sector, as well as a consistent improvement of life quality in the rural areas by increasing its competitiveness and productivity.

The achievement of the general objective is expected to be accomplished by the following actions, mechanisms and tools: identification of the priority directions to be modernized, based on the scientific and economic justifications, as well as on public consultations; the agricultural sector's modernization by strengthening private agricultural exploitations; the use of the national component of the value chain by directing production and selling towards primary and processed products; support the cooperation and integration of agricultural producers with the processing industry and marketing, within republican associative and regional structures; promote a well developed policy on domestic support, using clear and transparent mechanisms for distributing the subsidies; the access of agricultural producers to financial resources etc.