



NATIONAL CONVENTION ON THE EUROPEAN UNION IN THE REPUBLIC OF NORTH MACEDONIA



NEWSLETTER 8

WORKING GROUP 1 AGRICULTURE AND RURAL DEVELOPMENT



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Tenth Session from the Second cycle of Working Group 1 – Agriculture and Rural Development (Chapter 11)

“AGRICULTURAL-FOOD MARKETS AND FOOD SECURITY IN THE CONTEXT OF THE CURRENT GLOBAL CRISIS”

The tenth session of WG 1 - Agriculture and Rural Development (Chapter 11) was held on April 11, 2022, in the MP's Club. The topic of the session was: “Agricultural-food markets and food security in the context of the current global crisis”. According to the existing COVID protocols, the number of participants for that particular hall was limited to around 30 attendees. Among them there were representatives of the ministries of agriculture, economy, foreign affairs and European affairs, chambers of commerce, non-governmental organizations and other international organizations. Both print and electronic media and portals covered the session, and during the break there was a press conference where several television crews recorded statements from the most prominent participants.

Professor **Mileva Gjurovska**, national coordinator of NCEU-MK and president of the European Movement, in the opening address, as well as in the invitation to the session, pointed out that the current crisis caused by the

Russian-Ukrainian armed conflict has in a short period of time plunged the whole world into a food crisis, the likes of which are unknown in the recent world history.



Uncertainty for the provision of agricultural food products has increased due to the difficulties in procuring seeds, as well as the high prices of fertilizers, fuels, pesticides and other raw materials necessary for agricultural production. Food security is becoming a major issue for our country, Europe and the world as a whole. Disruption of the market structures of agricultural products, especially in the provision of grain and other basic agricultural crops, prompted an initiative by the EU with an urgent action plan to define measures to face the developing crisis.

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North Macedonia, like the European market of agricultural and food products, is faced with the loss of some of its traditional markets in Russia and Ukraine. This creates a pressing need to explore the possibilities for new foreign markets. Furthermore, it is possible that there will be a disruption in the continuity of food production due to the increased production costs and the uncertainty of product placement is an additional demotivating effect for the agricultural sector. According to Professor Gjurovska, the current global crisis related to agricultural-food markets and the issues of food supply will hopefully contribute to a more open discussion at the session which in turn will produce concise and pointed recommendations. She underlined that attending this session are numerous representatives of the most relevant stakeholders and policy makers, experts, academic circles, civil society organizations, and producers. The questions before everyone at the session are: how to stimulate farmers to produce food, in conditions where it is not known where they will market their products; whether it will be possible to implement the stimulus measures on time; as well as whether the EU (as in the case of the COVID19 pandemic) will include candidate countries in their measures.

The Minister of Agriculture, Forestry and Water Management **Ljupcho Nikolovski** began his address by praising the subject choice for the session, because as he reiterated the topic is of vital importance. The country is faced with the crisis caused by the military conflict in Ukraine, as well as the remaining issues of the long COVID-19 pandemic. These are immense challenges that can create serious long-term consequences. The prices related to agricultural production are constantly increasing and causing disruptions in terms of economic and financial planning.



Throughout the world, the unfolding agricultural crisis demands a long-term strategy for finding the answers to all problems. Currently, the agricultural industry encounters a number of problems related to production and placement on the domestic and foreign markets. It is therefore essential to focus everything in order to stabilize production, and provide all necessary conditions for a smooth sowing of harvests for the coming year. The government has prepared a National Plan for food production, which should ensure sustainable and increased production of agricultural crops that are of strategic importance.

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A program is also being prepared for finding ways to place surplus agricultural products through new mechanisms. Furthermore, the minister emphasized that in times of crisis, no arable agricultural area can and will not remain unplanted. That is why the publication of a new public announcement for the allocation of state agricultural land under lease for the production of wheat, barley, sunflower and animal feed is included in the government procedure. The demands and proposals of the farmers, as well as the recommendations, suggestions and ideas from the debates, such as this session, are designed to be included in the government's action plans in the crisis situation, for which he expects they will receive the necessary support from the members of parliament.

The representative of the EU Delegation in RNM **Stefan Hudolin** argued that the problems in the last three years resulting from the pandemic, and currently imposed by the Russian-Ukrainian conflict, have led into a situation of economic instability, greater than any in the past ten-year period. However, he also argued, it is important to also analyse the problems which existed before the crisis, as that shows the underlining vulnerability of the food chains. This production needs to be transformed into a production cycle that is sustainable. Changes are

also necessary in terms of shopping habits, proper storage and preventing the food waste. The COVID-19 pandemic forced manufacturers to adapt their habits to hygiene and other sanitary measures. In the food chain, problems stemmed from a lack of employees (due to the quarantine), as well as changes in terms of demand, transport and logistics. Now we are faced with a bigger challenge - the war in Ukraine which has led to major cuts in agricultural and food production. There are supply difficulties, panic buying of food, price hikes and inflation. But we should all be concerned that as much as 1/3 of the food produced is wasted. In Europe, 88 million tons of food are thrown away, while 55 million people in the world go hungry. Because of the shortened opportunities for purchasing food products, an adjustment is needed that will ensure better storage, consumption and purchase of food. The EU's global orientation is to support and finance activity related to adaptation projects in the field of agriculture. The farmers in RNM, on their part, will continue to be supported through IPA and other programs.



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The ambassador of Slovakia, **Henrik Markus**, pointed out that the conflict caused by Russia forced the world with serious changes. The focus is on the food supply chain and the need to find ways to help the agricultural sector survive this crisis. It is important, he argued, that Economic diplomacy is on the move, as its role has considerably increased in the crisis period. That concept is understood by the competent institutions in RNM, which have undertaken a series of initiatives and projects in this direction. It is especially important to overcome the existing crisis and come out of it even stronger, especially when it comes to the food production chain.



In their introductory address, the experts presented analyzes resulting from their research, which included considerable amount of collected data. Further, they discussed a number of relevant aspects affecting the disruption of agricultural and food markets, on a global and regional level. They emphasized the need in this area to carefully approach transformations in order to ensure sustainable production. At the same time, special attention is to

the activities (in accordance with the response to the present challenges by the EU) which are undertaken at the national level in the Republic of Macedonia and Slovakia.

Tatjana Veta from the Department for the European Union at the MAFW emphasized that RNM, as a country with a small national market, is open and integrated in the regional and global trade. Relations are regulated by free trade agreements with the countries that are members of CEFTA, EFTA, as well as bilaterally, such as with Turkey and Ukraine. Globally, the country has been a member of the World Trade Organization since 2003, and the Stabilization and Association Agreement regulates trading with the EU. In the last five years, the share of agricultural and food production ranges from 9% to 11% in exports, and in imports from 9.5% to 11.5%, from the total trade of the country. A gradual increase in the export of agricultural products is noticeable, with an exception due to the pandemic in 2020. The most significant exported product is tobacco with 20%, and the largest import is food products.



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Exports of agricultural products to the EU are duty-free, except for wine, sugar and (baby) beef. For wine, it is significant that almost all of the allowed quotas are moving from bulk quantities into the export of bottled wine. Due to the crisis situation, there is a revision of some contracts, which is especially noticeable in the export of apples to Russia, which reached 50% of the total placement of this product, in the amount of 8.6 million euros. Russia and Ukraine are the world's main granaries and their lack of grain is felt everywhere, including here, even though the main import of these products in our country comes from Serbia. Efforts are underway to provide the necessary quantities, but disruptions in production and transportation costs lead to an enormous increase in the prices of food products. There is an urgent need to find new export markets for agricultural and food products.

The Director of the Department of Agriculture and Services of the Slovak Chamber of Agriculture and Food, **Jan Baršvari**, informed that they have taken a series of measures to deal with the impact of the COVID-19 pandemic and the war in Ukraine. Primarily, the measures focus on providing the so-called green energy for farmers and milk producers, facilitating the purchase of gas and electricity, support for the substitution of oil-based produc-

tion, and what is particularly significant is the discussion on the creation of a special risk fund.



At the EU level, there are three particularly significant measures that have been adopted: ensuring the food supply, humanitarian aid of 93 million euros for Ukraine and Moldova, and a proposal - a program for support in emergency cases in favor of Ukraine in the amount of 330 million euros. The situation in their national economy is particularly complex due to their dependence on Russian gas (85%) and oil (100%). They find themselves in a contradictory situation - on the one hand, they finance Russia's aggression by buying oil and gas from them, and on the other hand, they send humanitarian aid to the Ukrainian people.

The global crisis caused a series of disruptions: the only producer of fertilizers is one of the biggest consumers of gas; farmers who do not have enough agricultural land to produce food for cattle now have to buy it at a high price; they face a problem with cooking oil (although they have enough sunflower), as well as with regard to grains which, due to higher prices, are exported in increasing volume, causing a shortage in relation to their usual needs.

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The global trade crisis causes temporary and possibly longer-term disruptions, whereby the increase in the prices of imported food products can have significant negative effects on the standard of living of the majority of the population. They believe that the most important thing in agricultural policy is to ensure sustainable food production. For this purpose, the countries of the Visegrad Group (Slovakia, the Czech Republic, Poland and Hungary), as well as countries with access to the sea (Estonia, Lithuania, Croatia, Romania and Bulgaria), at the meeting in April this year, in Bratislava adopted a joint Communiqué with a series of demands for additional financial support, and the delayed implementation of some EU strategies related to ecology and the replacement of fossil fuels.

The Professor of the Faculty of Agricultural Sciences and Food, **Dragi Dimitrievski**, gave an extensive presentation which addressed the cycles of crises in the agricultural and food market, predictions regarding the current crisis, the structural weaknesses of Macedonian agriculture that especially come to the fore in the current crisis, as well as about the possible activities to stabilize and improve the situation. Occurrences of cyclical crises in agriculture have been established since ancient times. This phenomenon is also present in the 21st century for

several reasons: in 2000 it was connected with the increase in crude oil prices; 2007-2008 due to the global financial crisis; 2020 - 2021 due to the COVID pandemic and the latest year 2022 due to the Russian-Ukrainian conflict. Professor Dimitrievski believes that we can always expect crises, but that is why we must always be prepared.



Crises were and are the reason for the existence of agricultural policies as mitigators. A key political reason for the existence of the agricultural policy is the provision of food for the population. For food security, it is important to support domestic production, which provides income for farmers, as well as food for the population. It can be expected at the state level that the current crisis will cause a significant increase in inflation. If the crisis drags on, agriculture will be hit hard and the sector itself (without adequate support) will be unable to cope with the crisis. In the current situation, all the known structural weaknesses of the Macedonian agriculture have come to the fore: small fragmented holdings; economic reasons for the impossibility of providing the necessary quantities of basic products (wheat, barley, corn, sunflower);

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depopulation of rural areas and abandonment of the basic resource - agricultural land; weak links in the agricultural producer - processor - trader - consumer chain; low investments and lack of rural financing; insufficient application of new technologies and innovations.

Professor Dimitrievski further argued that the war in Ukraine will not have a more serious role in terms of food security, but it will indirectly affect the price of agricultural and food products. In the short term, there is no room for more serious intervention, except to normalize the traditional imports from Serbia of wheat and edible sunflower oil. In agriculture, there are no solutions in the short term, but only temporary supports such as: abolition of VAT for artificial fertilizers, protective means and animal feed; finding alternative markets; allocation of state agricultural land and pastures for producers of necessary products; introduction of rice as a crop in the Law on State Reserves and the like. In the medium and longer term, serious analyzes and a strategy for sustainable agricultural and food production should be made, as well as a program for the functioning of the entire system in crisis conditions. . Agriculture with low-accumulative and slow turnover of capital cannot withstand a crisis for a long period. Fast and efficient support from the state is necessary.

It is especially important to intervene in the replacement of significant imports with increased domestic agricultural and food production. In order to overcome crisis situations, it is of outmost strategic importance to provide this sector support in the construction of new structures in agricultural production such as cooperatives, producers' organizations and inter-sectoral organizations. The elements that should enable the immediate modernization of the national policy, according to Professor Dimitrievski, are: increasing the flow of knowledge and strengthening the connections between research and practice; strengthening advisory services and interactive cooperation within the system of knowledge and innovation; the digital transition, as well as a system for mandatory training and education in agriculture.

The introductory presentations on the topic and the consideration of the proposed recommendations stirred up a debate followed by a series of comments, questions and proposals. Professor **Alexandra Martinovska - Stojchevska**, permanent expert of NCEU-MK, emphasized that every country has its own particularities and the measures taken should take into account these specificities.



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A series of measures have been taken in relation to the crisis, but the real challenge is their implementation and implementation in practice. So, for example, estimates are that about 30% of food in our country ends up as waste. These extremely large amounts of food must be used. This is possible if the problems in the food chain are overcome in terms of applied agrotechnics, the chain of distribution, storage and use. All these processes are possible only if such a system is better organized at all levels.



The member of the European movement, professor **Trpe Stojanovski**, reminded that last year's fires caused great damage, and farmers felt unable to manage this problem. Farmers face numerous problems and they require the proper legal regulations, appropriate road infrastructure to their agricultural lands, the supply of energy and a facilitated way of access to the agricultural cooperatives.

Goce Gjorgjievski clarified that the MAFW has new investments and is actively working on the issues of access to agricultural land. He stressed that the public is not sufficiently informed about the established and implemented changes. They believe that this issue should be redirected also to local government who should also invest in solutions.



The co-chair of WG 1, **Maja Lazarevska - Joveska**, in relation to agricultural cooperatives, informed that in the project for agricultural cooperatives, a grant of 1 million euros was awarded for mechanization and support of activities of 23 agricultural cooperatives. There are measures for stimulation, but the farmers are the ones who should, for their own interest, initiate the grouping in cooperatives. Otherwise, it appears that the association will last as long as the grant exists.



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Co-chairman of WG 1 **Vasko Hadzievski** pointed out that we need new laws and measures, but the problems we have are not only a product of the Russian-Ukrainian war. We must take bold measures to solve the known problems in the agricultural and food sector in our country, if necessary even in a selfish way. Our foreign trade stands on glass legs and it is necessary to use economic diplomacy, especially in terms of securing new markets.

The coordinator of WG 1, **Nikola Todoski**, emphasized that the proposal-recommendations affect all relevant and current issues that have become the subject of debate. However, the actors who should adopt and implement the recommendations are often not indicated. The National Convention has no commanding power. The Convention can only address the recommendations specifically and directly to the holders of executive power who have capacity to implement them.



The project manager of the International Organization for Migration in the country, **Vanja Lazaridis**, spoke about their activities related to migration processes and climate change. It is well known that depopulation or rural-urban migration causes one of the more serious negative effects of agricultural development. Data from last year's census show that 200 villages have disappeared since the previous period. There is a lack of active measures and promotion of activities aimed at attracting people to return and stay in rural settlements. For this worrisome phenomenon, measures taken only in times of crisis are not enough, but long-term sustainable solutions are necessary. Their organization started with the implementation of a financial instrument focused on investments for renewable energy sources, whose beneficiaries can also be farmers. This new initiative was launched under the motto "Utilizing A Systems Approach to Assess the Nexus Between Air Pollution and Human Mobility and Mainstream the Nexus into Policy Development in the Republic of North Macedonia".



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In the next 18 months, in cooperation with the Government, through this project, which is part of the European Green Agenda for the Western Balkans, they will work on the complex connection between migration, air pollution and clean energy.

Memet Seljami from the Federation of Farmers emphasized that the most urgent problem this year is the placement and price of wheat. Almost every year the sales price is the same or lower than the production price. If we want to have wheat next year, an intervention in the purchase for state reserves is needed. The Federation of Farmers requested that the state be involved in providing a solid price that would enable farmers to survive. According to the existing legal solution, the buyout is carried out in the autumn months, but now it is necessary to start already from July this year.



The permanent expert of WG 1, **Biljana Petrovska-Mitrevska**, continuing from what the previous speaker touched upon, stated that for 5 years

they have seen a real problem in that the intervention purchase for strategic products in our country is reduced to only wheat and barley. If the production price is higher than the sales price, according to the law, the state should help through the purchase of commodity reserves, but this does not happen. There is a legal noncompliance with the implementation of the intervention purchase and one of the recommendations of the session should certainly refer to this issue. It is also very important to regulate the grey economy, which causes problems through unregistered buyers and unfair competition, which is especially noticeable when it comes to the sale and purchase of wine.



The presented opinions ignited the discussion, and **Dimitrievski** interjected to clarify that when there is a greater supply, such as at the time of harvest, intervention measures should be implemented to regulate the price, and when there is a crisis, prices should be reduced, if they previously were higher. **Goce Georgievski**, referring to abuses on the market, stated that the inspectors function either through regular routine controls or

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through reports, which are mostly missing. **Biljana Petrovska - Mitrevska** reiterated that the problem with registration stems most likely from distrust in institutions.

Participating in the discussion and closing the session, **Mileva Gjurovska** pointed out that the problem of corruption is present in many segments and affects the market structure of agricultural food and a number of other products. The topic related to the grey economy is something that can be discussed at length in a future session. The recommendations will be supplemented with the comments and suggestions from the session and will be distributed to all participants electronically for adoption. Gjurovska reminded that all texts and analyzes of the experts will be posted on the website of the National Convention. In relation to the future activities of WG 1, there are hints about the possibility of some foreign supporters being involved, who have notable experience in the EU accession process in the field of farming, as is the case with Spain.



The tenth session of WG 1 was held in a particular atmosphere, marked by the war of aggression of Russia against Ukraine, which caused global economic, political and security instability. Everybody expressed solidarity with the citizens of this friendly country, as well as the hope that through dialogue and by peaceful means a solution could be found for the resulting state of war, which has catastrophic humanitarian consequences. The current crisis has forced the world to consider questions of vital importance such as: can the crisis caused by the war in Ukraine lead to the emergence of food shortages and even hunger in the world, and in our country; how high will the price increases of agricultural and food products be; and what is the limit so that the standard of living of the population is not threatened?

The war in Ukraine, in general has only an indirect impact on us due to the increase in prices, caused by the disruption of the global market with food products. The main market for these products for us is related to the countries of the region - Serbia, Croatia, Hungary and Bulgaria. At this moment, it is especially important to normalize the import of wheat and cooking oil from Serbia, and this is already being regulated. The main issue is the export of some agricultural products such as apples (dominantly exported to Russia

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with direct agreements), for which now new markets must be provided. For the medium and longer term, the country must provide a serious analysis and food strategy, as well as a program for the functioning of the entire agricultural-food system in crisis conditions.

There is expected to be a continuous increase in the lack of fertilizers, seed material, energy, pesticides and other raw materials whose price is continuously increasing. The rise in food prices is also caused by panic buying. The well-known, long-term present problems in agricultural and food production in our country (small farm areas, low productivity, etc.) also came to the forefront. A series of urgent measures to support and subsidize agricultural producers have been adopted or are in the process of being adopted. The goal of the National Food Production Plan is to increase the production of strategic agricultural crops and reduce import dependence.

In this session, which was dedicated to the urgent needs of the citizens to overcome the problems directly related to their standard of living, as well as finding adequate solutions to support the farmers faced with the crisis situation, the participation of Minister Nikolovski was particularly useful. He was able to provide concrete and reassur-

ing information for the public, communicating the various Government measures or plans aimed to overcome the crisis in the food production and supply chain. This was transmitted by the radio, television and print media. At the same time, the expressed willingness of the Minister to consider the suggestions, ideas and recommendations that will be presented at the session acted as an incentive to all participants of the session.



The recommendations from the Tenth session of WG 1 were focused on the issues arising from the current crisis situation and on possible solutions for mitigating and overcoming it. It was recommended: activities for the immediate preparation of an analysis as well as a plan for providing food to the domestic market in crisis conditions; increasing the capacities for the production of strategic crops by offering the unused state agricultural land, as well as exemption from rent compensation; an advance of at least 30% to producers in terms of direct payments and support for the increased costs of fertilizer, energy, pesticides and seed material; consideration of measures to encourage domestic agricultural

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products and primary processing on farms, i.e. door-to-door sales; the reduction of food losses in the entire chain from production to consumption; activation of local self-government in the food production system; request that the agricultural intervention funds of the EU for urgent measures be applied to the candidate countries for EU membership. It is worth noting that shortly after the session, the recommendations for the establishment of the Agency or fund for farmers were entered into the procedure (enactment of the legal documents), as well as for supplementing the list of products that are kept as commodity reserves.

At the session of WG 1, it was emphasized that the current crisis situation in an urgent form indicates the necessity of adopting intervention measures to deal with a series of negative consequences for farmers, the food production chain and the standard of citizens. The historical experiences related to the cyclical occurrences of crises also impose the need for the transformation of agricultural production and food supply into a sustainable chain, in agreement first of all with the national needs, but also with the solutions that are undertaken by the EU.

