



# Agricultural Policy Forum 2020

## *Agriculture and rural development policy in North Macedonia in times of pandemic*

**WORKING GROUP 1: Impact of COVID-19 on agriculture, food and rural areas in the Western Balkans**

12 October 2020  
Online meeting



# Objectives of the assignment



- To assess the multiple impacts of COVID-19 on the agriculture and rural development, respective policy measures taken and their effects, as well as future policy recommendations for overcoming the consequences of the crisis in North Macedonia as well as in all Western Balkan countries
- To propose respective strategic approaches and policies, as well as joint actions of Western Balkan countries for overcoming the consequences providing stimuli to accelerate the recovery and to build resilience



# COVID-19 Country context



- The COVID-19 pandemic was confirmed to have reached North Macedonia in **February 2020**
- On **18 March**, the President of North Macedonia, Stevo Pendarovski, declared a state of emergency for the entire territory of North Macedonia, initially for 30 days, it was later extended until 22 June 2020
- The **12 April** general elections have been postponed over concerns about the COVID-19 and took place on the 15 July 2020
- **4 packages of measures were undertaken by the Government** to mitigate the negative effects of population protection measures on the economy



# Policy responses



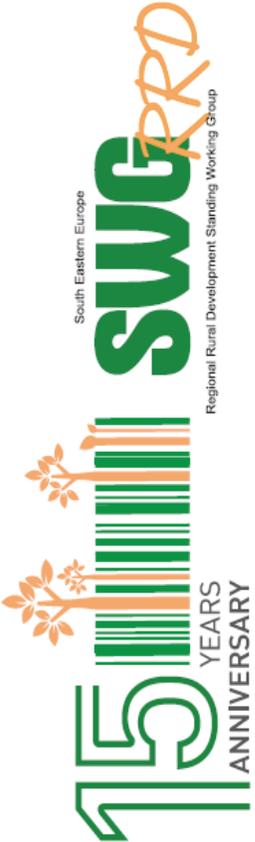
- First and second packages of measures introduced by the Government were focused on rapid response on the most vulnerable sectors that were reached negatively by the Covid crisis
- The third package of measures supporting agriculture will mobilize up to EUR 76.1 million which includes:
  - *Support to micro enterprises and SMEs active in the sector;*
  - *Direct support to green oil farmers - (EUR 4.6 million);*
  - *Support to grape processors and wineries with over three years to stimulate alcoholic distillate production (EUR 3.5 million)*
  - *Long-term lease of pastures to support cattle breeders*
  - *Program for financing micro-agricultural companies for processing equipment and marketing (mapped capacities will be renovated and modernized for processing tobacco and fruit and vegetable production)*



# Impact on agri-food sector



- During this health and economic crisis COVID-19, the work of the agri-food sector was not stopped or banned, but only slowed down due to the new traffic restriction rules that were introduced by Government of North Macedonia in response to the pandemic
- The biggest challenge that agriculture and food sectors were faced was related to organization and logistics the import and export of its products, as well as the organization of current agricultural and production processes in enterprises due to limited working hours and movement
- The estimated losses of the agri-food sector in the first quarter of 2020 compared to the first quarter of 2019 are estimated at about 22-40%, and for that account sector in 2020 expects reduced profitability by 41-60%



# Impact on agri-food sector

## - Purchase and sale -



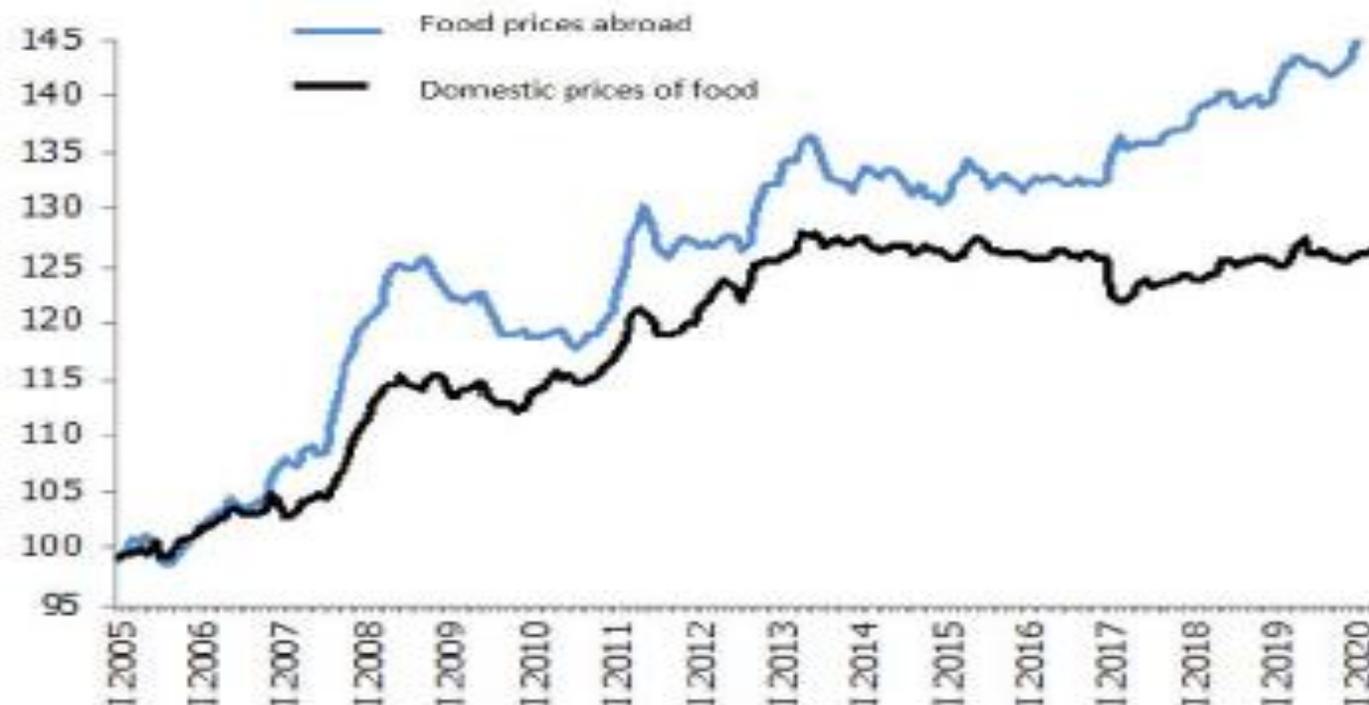
- Purchase and sale of agricultural products in the first quarter of 2020 was 4.3 Billion denars (€ 69.8 Million) and compared to Q1 2019 decreased by 2.9%
- It mainly reflects the drop in crop production by 4.5% and livestock production by 8.9%
- Socially, the share of the agriculture and food industry sector in the employment rate is over 20%
- However, official statistics show only part of the role of agriculture because informal and traditional transactions are rarely recorded



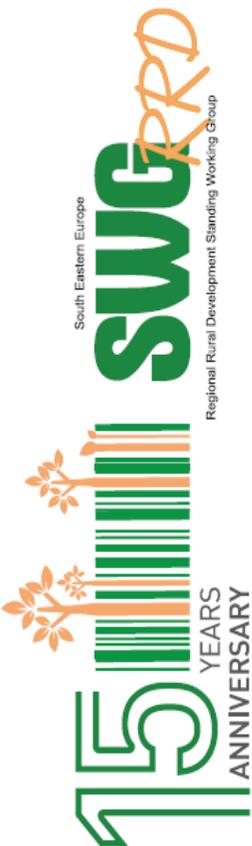
# Impact on agri-food sector - Prices -



## Domestic prices of food vs. food prices in main trading partners



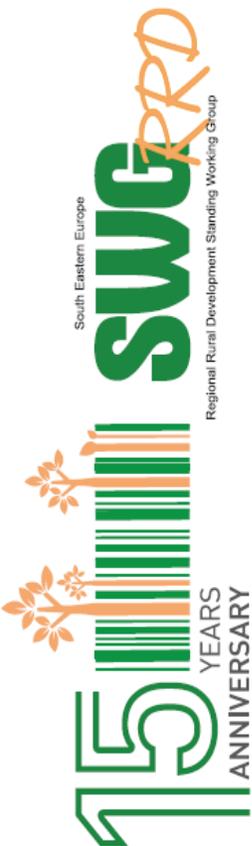
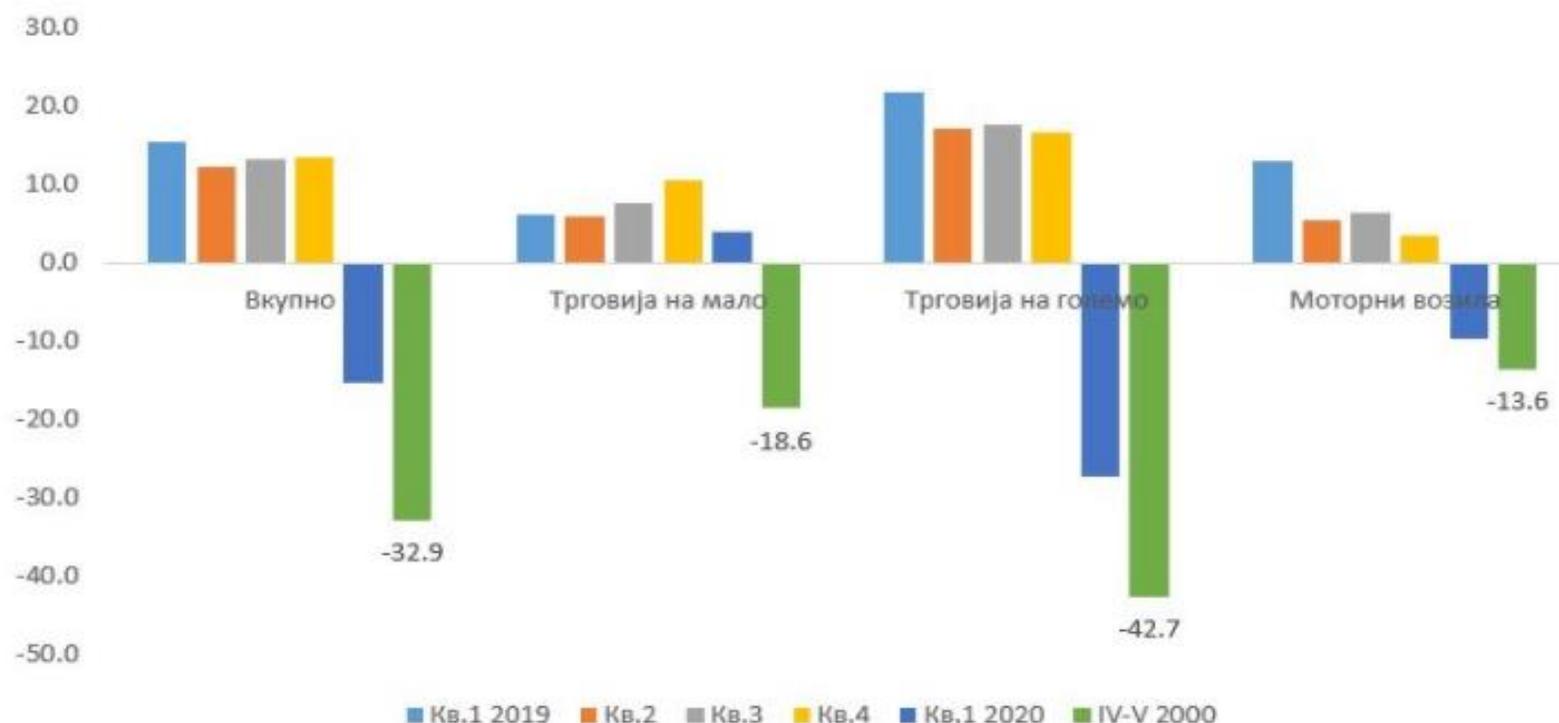
Source: National Bank (April 2020).



# Impact on agri-food sector - Internal trade -



Trade, rates of change

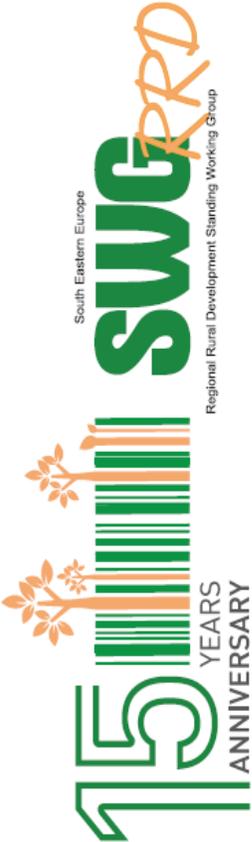


# Impact on agri-food sector

## - HO-RE-CA -



- Two scenarios are envisaged
- First scenario:
  - If the crisis ends by the end of this year, depending on the effect of the measures that will be taken, 2,000 to 12,000 people would be fired. The decline in tourism will be over \$ 200 million or over 50 percent of the planned projections, and the recovery from the crisis would be in 2023;
  - According to the second scenario, if the crisis continues after 2020, 4,000 - 20,000 jobs will be lost, the inflow will be over 80% and the recovery can be expected in 2027
- The analysis of the E-Commerce Association shows that the citizens of North Macedonia in e-shops in the first three months of this year spent a total of EUR 28.9 million online, and only in March EUR 10.1 million
- The data show that e-commerce, in March this year, grew by 99% compared to March last year



# Rural communities and Covid 19



- On the side of **OFFER** in agriculture we have:

- ➔ *Reduced production and delay in planting in agricultural production;*
- ➔ *There is no currently significant impact on crop production;*
- ➔ *The global outlook for cereals for 2020 is generally favourable;*
- ➔ *The impact on the livestock sector is more noticeable;*
- ➔ *Transport restrictions and quarantine measures;*
- ➔ *Restriction of markets and points for direct placement of products;*
- ➔ *Lack of labour (especially of a seasonal nature) will disrupt production and food processing, especially for heavier crops;*
- ➔ *Disrupted food supply chains will result in increased levels of loss of food*



# Rural communities and Covid 19



- On the **DEMAND** side we have:

- ➔ *At the beginning of the pandemic a significant increase in food demand and creating stocks;*
- ➔ *Food demand is generally inelastic and has an impact on total consumption;*
- ➔ *Possible disproportionately larger decline in meat consumption, as well as other higher value products that caused a decline in prices;*
- ➔ *Consumer behaviour (fear of infection) will have effect on food consumption, through reduced visits to food markets;*
- ➔ *Change in food procurement modalities and restrictions: closed restaurants, increased e-commerce delivery and increased consumption at home*



# Conclusions



- During this health and economic crisis COVID-19, the work of the agri-food sector was not stopped or banned, but only slowed down due to the new rules for restriction of movement that were introduced by the Government of RSM in response to the pandemic
- A high 50.98% of companies are saved by canceling / postponing concluded orders, which shows the great impact of the COVID-19 crisis on companies
- Big uncertainty and decline in economic benefits from product sales in March, April and May 2020



# Conclusions



- The adopted measures for crisis response so far are in accordance with the answers of public policies in most countries of the EU, but the initial conditions in the country are different, so the hence what is obtained and what is lost as a result of the implementation of such policies is different
- Rural population especially women are much more affected from negative effects of the crisis in socio-economic mean, so the gender gap is becoming bigger and bigger
- The close-down of the HoReCa (Hotel/Restaurant/Café) segment of the market is having substantial implications on the agri-food sector. Although new sales channels were activated (online ordering, home delivery) they managed to achieve only a small portion of the pre-corona sales. It has resulted in reduced sales of wine, meat, vegetables etc
- A big opportunity for development of rural tourism



# Recommendations



- **Economic recovery is needed!**(restarting and restructuring – resilient - businesses, investments, infrastructure) in order to ensure sustainable, inclusive, and accelerated growth especially in rural areas in order to have stable agricultural production, stable market, competitive prices which will lead to economic sustainable family framing household
- **Modernization and consolidation of agriculture production** in order to have stable and larger growth of production and to become more competitive on domestic and foreign trade
- **Improving and encouraging the competitiveness of family farming** by implementing programs to support the consolidation of production areas and facilities, from consolidation of agricultural land to vertical integration of the food chain



# Recommendations



- **Reform in the subsidy system and direct payments by the state are needed.** The reforms should be done in order to direct the subsidies towards increasing the production capacities and consolidation of the agricultural areas by revising the system of scaling subsidies
- **Utilization of the capacity and increase of the cooperation with the faculties and institutes** in agricultural and rural development sector
- **Adaptation of the education system** according to the real needs of the sector by introducing additional customized practice for students according to the current trends, needs and requirements of the sector in the part of production, processing and the needs of the companies



# THANK YOU VERY MUCH!

National expert: Liljana Jonoski, MSc.

E-mail: [liljana.jonoski@gmail.com](mailto:liljana.jonoski@gmail.com)

Phone number: +389 78 303 735

