

Industrial Processing Companies in the Moldovan Agri-Food Sector: A Case Study*

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* Presented at the 43th IBIMA International Conference, 26-27 June 2024, Madrid, Spain.

Abstract

This case study explores the evolution of the food industry's industrial value in the Republic of Moldova, focusing on the role of small and medium-sized enterprises (SMEs) and their impact on the national economy. The study examines the competitive landscape, revenue growth, and key sectors within the agri-food industry, utilizing a variety of data sources including national statistics, economic reports, and relevant legislation. The analysis reveals significant growth in both the number and revenue of SMEs in the food industry, highlighting the sector's contribution to economic development and market competitiveness. Key findings indicate substantial revenue increases in sectors such as vegetable/animal oils and fats, meat processing, and dairy products.

The study concludes that the agri-food sector is crucial for Moldova's economic progress, advocating for continued support and innovation to maintain growth and competitiveness in both domestic and international markets.

Keywords: Enterprises, Competition, Food industry, Republic of Moldova.

Introduction

The economic growth of a country is the main factor which determines the future actions of the state's policy. The agri food sector's expansion results in welfare, food security and safety. The process of creating food involves several factors and is constantly changing to meet the needs of consumers (Stanciu 2017).

Therefore, it is a multifaceted phenomenon that necessitates ongoing transformation. These instances are evident in the sphere of the agricultural industry, where dietary products originate from farming (like fruit, vegetables, grains, etc).

The continuity of the process extends to food processing, which includes the preparation of food products for consumption, the chain of stages continuing with the food industry, quality control, distribution and logistics, sustainability, and reaching the globalization stage, with food products being sold globally (Munteanu Pila and Stanciu 2019).

Food production for commercialization purposes eventually reaches either the national or the international market and is in a continuous state of competitiveness.

Cite this Article as: Alexandru GHENCEA and Silviu STANCIU, Vol. 2024 (2) "Industrial Processing Companies in the Moldovan Agri-Food Sector: A Case Study " Communications of International Proceedings, Vol. 2024 (2), Article ID 4337024, <https://doi.org/10.5171/2024.4337024>

Thus, it causes the involvement of economic and innovative factors, in which market players, i.e., economic agents, face each other regarding aspects related to quality and innovation of the food products offered, to generate their own revenue (Ghencea, Zanet and Stanciu 2023).

The competition between economic agents encourages them to strengthen their business and innovative spirit, whereas the consumers receive their preferred goods at an affordable price (Moșteanu 2000).

The lack of competitors on the market creates the necessary conditions for some economic agents to be able to dictate prices on the market. This phenomenon causes the increase in prices of various food and non-food products (Zanet and Stanciu 2020).

Materials and Methods

Open access articles from the Clarivate, SCOPUS, Google Scholar, ResearchGate databases were used for the bibliographic documentation. The study drew on specific legislation in the competitive field, which was obtained through various sources such as the Ministry of Economy, statistics from the National Statistical Institute's website, press releases from European Commission, and public information from national statistical databases. The information was statistically processed, using spreadsheets. The results were graphically represented and interpreted.

The economic role of economic agents within the agri-food market

The economic market system is composed of various components that interact on a competitive basis, representing the national economy to some extent. National economies are the result of historical processes over the years (Crețoiu 2003) and include a series of elements which are dependent on each other (Figure no. 1).

In this context, the national economy factor, and the involvement in the competitiveness of economic agents have an essential role on the market, and finally, on the agri-food market.

The economic players on the agri-food market can be grouped according to the type of involvement in the economic activity which aims for the finished product to reach the consumer.

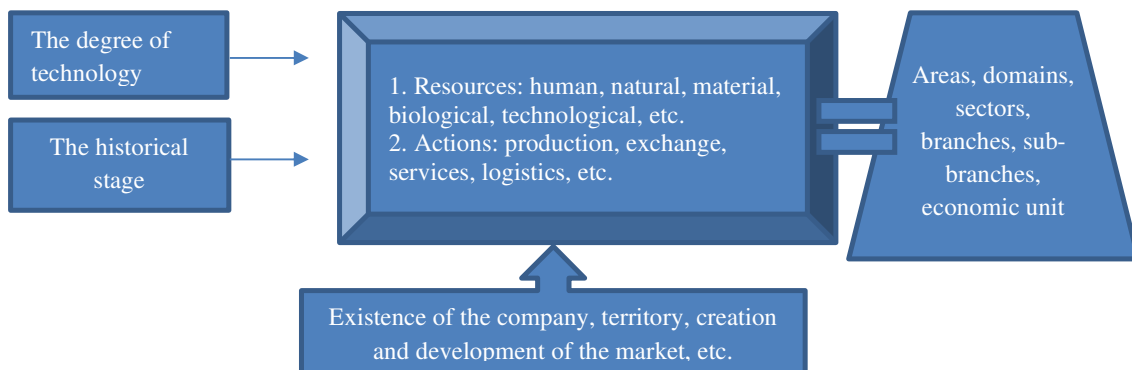


Fig. 1. Essential factors of the national economy

Source: Authors' contribution

In Figure no. 2, certain general nuances of the agri-food market are highlighted; in terms of economic relations, it can also continue in import and export trade, including in various branches, thus creating the connection between food and non-food branches, etc.

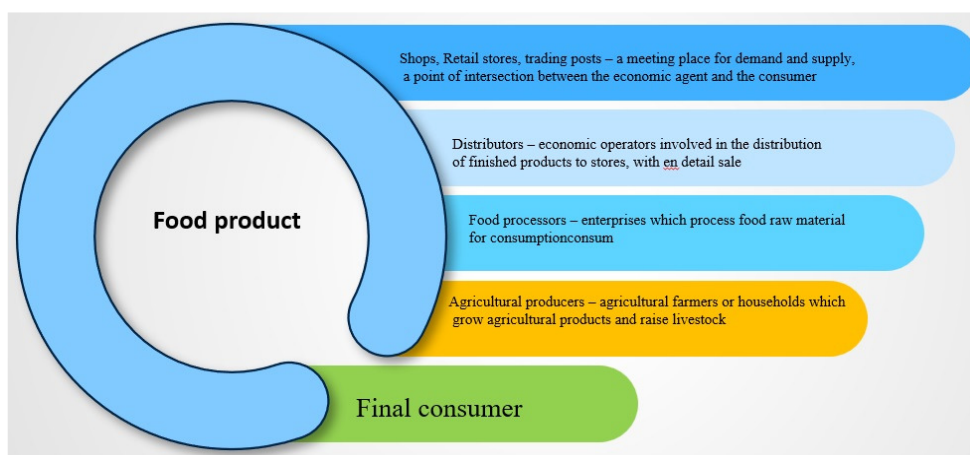


Fig. 2. General stages of the food product.

Source: Authors' contribution

In these aspects, the agri-food market is guided by the research and development in the field, investments and investors who contribute to the agri-food process and, last but not least, by government regulations.

Traits of businesses in food industry in Republic of Moldova

The enterprise, defined as "the basic cell of the national economy" (Crețoiu 2003), plays an important role in the national economy. This development increases the number of economic operators on the market, thereby making all sectors competitive. Moldova's national market is dominated by small and medium-sized enterprises, which make up 99,2% of the total number of companies in 2022, as per the National Bureau of Statistics' website (Table 1).

Table 1: Number of small and medium-sized enterprises (2022)

Companies	The number of units	
	Thousands of entities	Share in total enterprises, %
Small and medium-sized enterprises	62,1	99.2
Medium-Sized Enterprises	1,2	1.9
Small Enterprises	6,0	9.6
Micro Enterprises	54,9	87.7

Source: Authors, by National Bureau of Statistics (2022)

According to the provisions of the national legislation, economic entities are divided into two categories: *large*, respectively *small* and *medium-sized*. Small and medium-sized businesses are further subdivided into micro-enterprises, small businesses, and medium-sized businesses. In this regard, statistical data on the total number of food industry-related businesses that operate on national territory and submit reports to the statistics office indicates that, as of the year 2022, there are 980 commercial units, of which 942 are small and medium-sized businesses (figure 3).

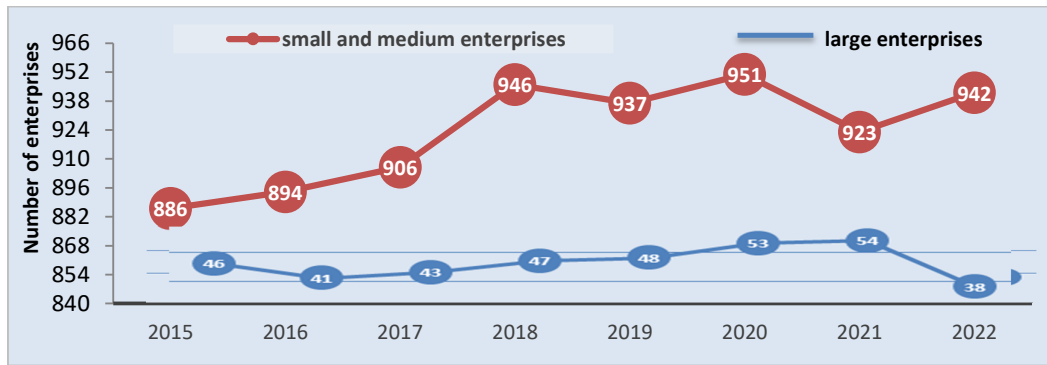


Fig. 3. Development of food industry enterprises.

Source: Authors, by National Bureau of Statistics (2022)

The national/domestic market saw a significant increase in revenue for small and medium-sized enterprises from the three mentioned groups in 2022.

The statistics bureau's website provided a revenue growth indicator for small and medium sized businesses in the food industry chapter, which was shown in Figure no. 4.

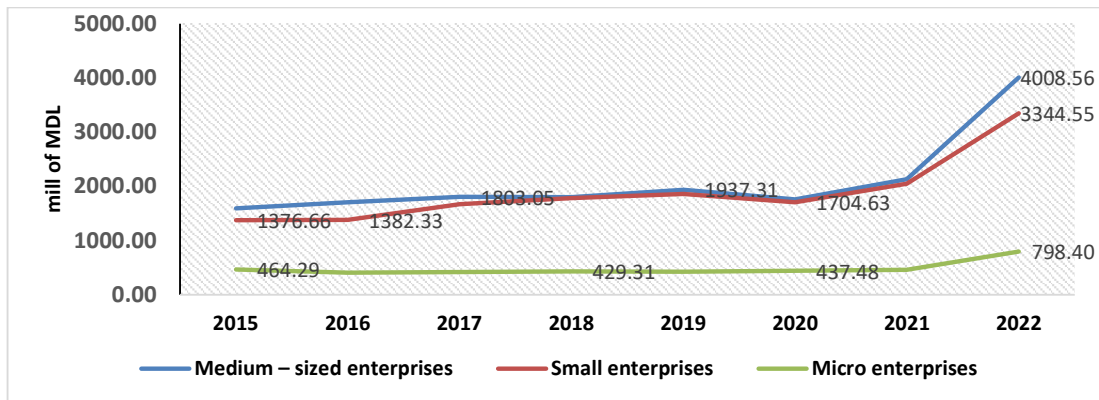


Fig. 4. Revenue evolution of small and medium-sized enterprises in the food industry

Source: Authors, by using National Bureau of Statistics (2022)

All three groups of enterprises had fabulous increases compared to the previous year: 187.8% for medium-sized enterprises, 173.5% for micro-enterprises, and 163.4% for small enterprises.

The same positive revenue evolution is also recorded in the case of large enterprises in the food industry (Table no. 2).

Table 2: Revenues of major corporations operating in the Moldavian food sector

	2015	2016	2017	2018	2019	2020	2021	2022
Large Enterprises	46	41	43	47	48	53	38	38
Sales revenue (mill MDL)	11858.27	13146.43	14019.60	14415.91	15322.43	16251.60	18766.18	28267.5

Source: Authors, by using National Bureau of Statistics (2022)

Although in the 2021-2022 period, compared to the year 2020, we notice a decrease in the number of large enterprises on the market, in terms of revenue in the year 2022, a significant increase of 150.6% is noted compared to the previous year.

Thus, we can conclude that 2022 was generally beneficial from the point of view of revenue for businesses operating in the food industry.

The food processing industry in the Republic of Moldova

The definition of food product in the national normative acts (Law no. 306/2018) encompasses all human products and foods. Agri-food products are classified into major groups in specialized literature on an international level. Agriculture provides raw materials and manufactures or processes food products. The main food groups are cereals, vegetables, sugar products, milk, eggs, meat, and fish. The basis of these products began in the agricultural industry, moved to the processing industry, and continued with the food industry, which is one of the most important components of the global economy.

The Moldovan food industry can be divided into four main groups: meat and products made from meat processing, milk and dairy products, fish production, including fish, fruits, and vegetables destined for consumption, breadstuffs and milling products manufactured by bakeries, and other food products or beverages.

Among the food industry's main products, we highlight four industrial processing sectors: the processing of meat, fruits and vegetables, vegetable/animal oil and fats, and dairy products.

After a detailed analysis of the relevant statistical indicators for these industries, we notice that these critical sectors are exhibiting a constant expansion trend. The value of industrial production shows phenomenal growth for vegetable/animal oils and fats compared to the previous year.

According to the data in Figure No. 5, all four areas selected for research clearly show an increase in food productivity for 2021-2022. The most significant one is the manufacturing of vegetable/animal oils and fats, given that in the year 2022, it increased by 267% compared to the previous year.

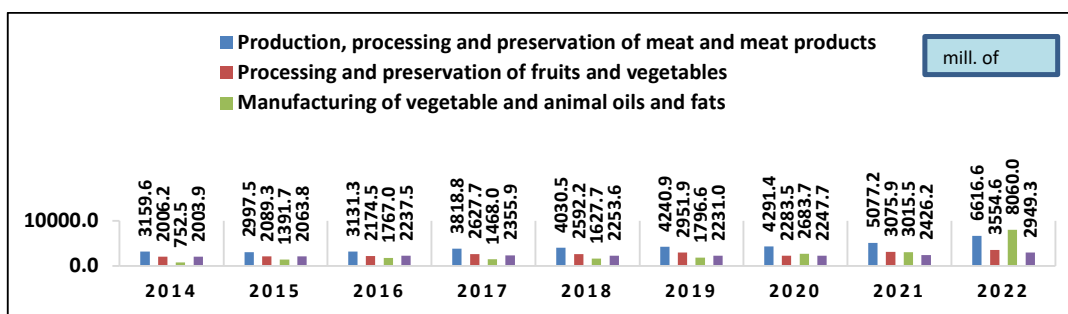


Fig. 5. The value of industrial production for four components of the food industry

Source: Authors, by using National Bureau of Statistics (2022)

According to the information on the portal of the National Bureau of Statistics, in the chapter "Food industry", sub-chapter "Production, processing and preservation of meat and meat products" (CAEM-2/The Classification of Economic Activities in Moldova-2), and the information gathered from the statistical databases presenting financial statements, we reiterate the fact that in the year 2022, on the Republic of Moldova market, 122 economic agents were operating in the respective field. Of these, 57 were in the field of meat production, processing and preservation, nine being authorized to process poultry meat (here, we can name the biggest producers, such as S.R.L. "Floreni", with a revenue for the year 2022 of 642 mill. MDL, being followed by S.C. S.R.L. "Axedum", with a revenue of 174 mill. MDL); the rest of the specified agents are involved in the manufacturing of meat and cold meat products, among the most important economic players on this market being F.P.C. S.R.L. "Rogob", with 811 mill. of MDL, followed by S.R.L. "Carnez-Processing", has a revenue for the year 2022 of 703 million. MDL, respectively S.R.L. "Salamer-Com", with 496 mill. of MDL, and F.C.P. A.R.L. "Pegas", with 467 mill. of MDL.

Regarding the processing and preservation of fruits and vegetables, on a statistical basis, we identify 153 economic agents, of which 2 in the processing and preservation of potatoes, while the rest, according to the CAEM code, are operating in the field of manufacturing fruit and vegetable juices, namely 19 economic agents. In terms of revenue for the year 2022, S.R.L. "Orhei-Vit" is emphasized, with the amount of 418 mill. MDL, followed by S.A. "Alfa-Nistru", with 320 mill. MDL. In the field of fruit and vegetable processing and preservation, out of 132 economic agents operating in the given field according to the statistical bases, the first place for the year 2022 is occupied by S.R.L. "Maestro-Nut" with a revenue for the previous year of 669 mill. MDL. In the activity of

manufacturing vegetable/animal oils and fats, on the researched market, according to statistical data, 76 economic agents are active, among them in the top position, with a revenue for the year 2022 of approximately 2.116 mill. S.A. "Florea Soarelui", followed by Î.M. S.R.L. "Trans Oil Refinery", with a revenue of approximately 1.241 mill. MDL.

Based on statistical data from the National Bureau of Statistics, 34 economic agents are identified in the respective market for dairy product production. The top place in terms of revenue for the year 2022 is occupied by S.A. "JLC", with a revenue of 1.085 mill. MDL, followed by S.A. "Incomlac" the income obtained for the year 2022 being 748 mill. MDL. The food sector holds a crucial role in the nation's economic landscape. It is key as it bolsters the budget with its tax and duty contributions, stimulates job growth, and aids the progression of the national economy. The amount of industrial production manufactured at the food industry position is made for the national market or exported. It can be used either directly or some being raw materials processed in order to be consumed. National statistical data indicates that the rise in value of food industry product production reflects both the domestic and foreign market's value within the chain.

According to Figure no. 6, from 2014 up to 2022, the value of products in the food industry category, delivered on the domestic market, increased by around 236 %, and on the foreign market, by 206%.

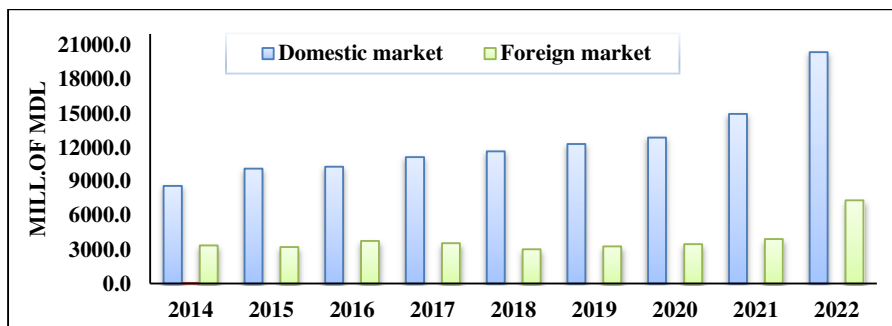


Fig. 6. Market value by destination of food industry products

Source: Authors, by using National Bureau of Statistics (2022)

This phenomenon is due to the fact that both the domestic and the foreign markets are active. By analysing the product market for the 4 selected categories of food industry products, namely meat, fruit and vegetables, vegetable/animal oil and fats, and dairy products, in terms of the value of the respective products delivered on the domestic and foreign markets, as observed. Figure no. 7 and no.8, illustrates the value of food products delivered for the four components selected for this research.

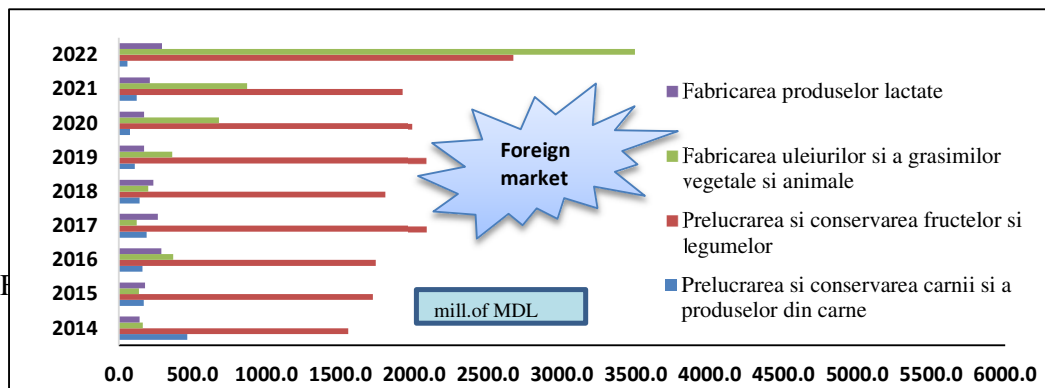


Fig. 7. Foreign food market in Republic of Moldova

Source: Authors, by using National Bureau of Statistics (2014-2022)

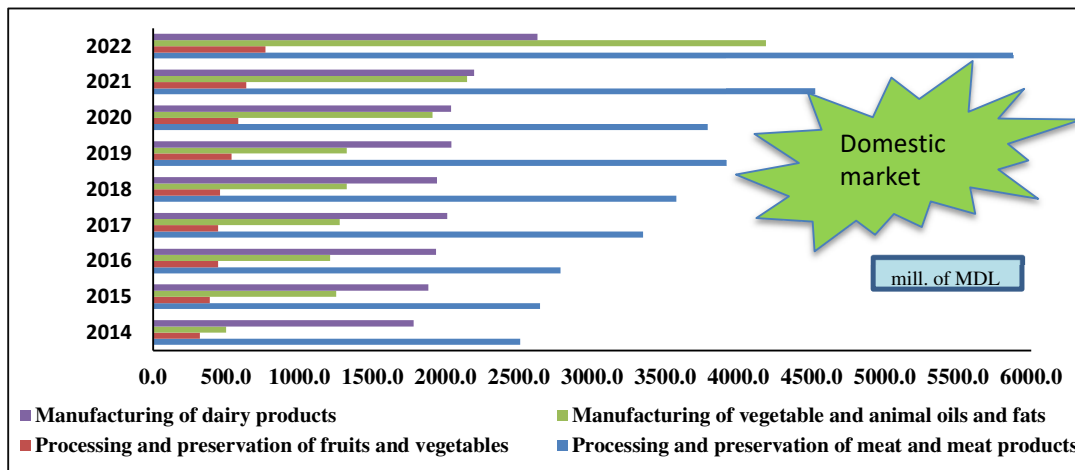


Fig. 8. Domestic food market in Republic of Moldova

Source: Authors, by using National Bureau of Statistics (2014-2022)

All these increases and decreases of food products on the market are predominantly influenced by a number of factors, such as the state's policy, the implementation of development programs, the degree of support of economic players via food programs, the innovative character, etc.

Conclusions

The food industry is a fundamental sector for the economy of a country. The development of small and medium-sized enterprises ensures a competitive role on the national market. Thus, the process which ensures that economic development and "cosmic" pricing are not monopolised is confirmed. In the agri-food sector, although there are certain tendencies for some large companies to take over the market, the competitive balance is ensured by increasing the number of small and medium-sized enterprises.

The competitive environment fosters long-term economic advancement and well-being among the population, while also elevating national income. However, the food industry must adapt to changes in the economic and social environment. The key priorities are promoting innovative practices, managing resources, and maintaining the quality of food products. The food industry is the engine of economic growth through relations with the consumer at national and international levels.

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