



Thematic
analysis/diagnosis:
Agriculture

Executive Summary

Agriculture is an extremely important sector in North Macedonia. About 50% of the total territory of the country is agricultural land (49.7%, according to own calculations). This land is managed by the agricultural sector, i.e. a total of 176,125 agricultural holdings, of which 177,845 from the individual sector and 280 business entities.

The strategic and program framework of agriculture and rural development consists of a number of documents that directly or indirectly set development directions and goals. The following are the key sector strategic and program documents: National Strategy for Agriculture and Rural Development for the period 2021-2027, National Program for Agriculture and Rural Development for the period 2018-2022, Instrument for Pre-Accession Assistance for Rural Development – IPARD III Program (2021– 2027), National Plan for Organic Production 2013-2020 and others.

The legal framework is based on the Law on Agriculture and Rural Development and numerous pieces of specific legislation, the most important of which are: the Law on Agricultural Land, the Law on Consolidation of Agricultural Land, the Law on Quality of Agricultural Products, the Law on Organic Production and the Law on Livestock Breeding.

The key stakeholder is the Ministry of Agriculture, Forestry and Water Management (MAFWM), as well as the agencies related to the Ministry: the Agency for Financial Support of Agriculture and Rural Development, the Food and Veterinary Agency, as well as other bodies and authorities.

The sector is very well adapted to the European Union in terms of both strategic and institutional framework as well as from the legislative point of view, as well as in terms of the measures similar to those implemented under the Common Agricultural Policy of the European Union, with direct payments and support for rural development. However, so far direct payments differ significantly in relation to the Common Agricultural Policy of the European Union (CAP) according to the type of payments and eligible sectors/beneficiaries, with production-related payments and payments per quantity purchased for the purchase of certain products being dominant among the processors.

The indicative financial plan for state support in agriculture and rural development envisages a gradual increase of the total support from 142 million euros in 2021 to 215 million euros per year in 2027. The share of direct payments in the total budget is planned to be gradually reduced from 70% in 2021 to 50% in 2027, by increasing the budget support for rural development measures, market regulation and the system for transfer of knowledge and innovation.

About 63% of the agricultural land belongs to the lower quality classes, i.e. they are characterized by poor fertility and low production yields. In addition to poorly fertile soils, agricultural production is also limited by adverse climatic conditions. The low quantities of precipitation in the main production regions cause lack of water for the normal course of crop production, due to which in our country the yields are limited by such lack of water. High temperatures, especially in summer, cause heat stress in both crops and livestock, which further reduces the productivity. Most of the agricultural land consists of pastures – as much as 59% of agricultural land. Arable land is spread

over about 518 thousand hectares, meaning that 40.9% of the agricultural land is arable. As much as 80.6 percent of the arable land belongs to arable fields and gardens, and 11.5% are meadows. Viticulture covers 4.6% of the arable land, and fruit growing only 3.2%.

Structural research in agriculture indicates that agricultural holdings are extremely small, and as many as 60.8 percent of them have less than 1 ha of agricultural land. The average size of the farm and the number of livestock units is 1.8 ha and 2.14 livestock units per agricultural holding in 2016.

The most important crops according to the representation of arable land are cereals with about 157 thousand hectares of harvested area in 2020. The most important cereal crop is wheat (mostly winter wheat) with about 70 thousand hectares. The most important industrial crop is tobacco with 16,591 ha of harvested area in 2020. Peppers on about 9.2 thousand hectares and tomatoes on about 5.5 thousand hectares are the most important vegetable crops. Livestock production is based on 252,936 cattle, 175,172 pigs, 717,244 sheep and 121,359 goats.

In the last ten years, the share of this sector in the creation of the total gross domestic product has been around 9% on average.

About three-quarters of agricultural output comes from crop production. The main sub-sectors for agricultural production are: vegetables (accounting for about one third of the value of the total output of the agricultural sector), followed by fruits, cereals, industrial crops (tobacco), grapes and wine. Milk and meat (beef, pork and lamb) are the most important livestock products.

The Republic of North Macedonia is a net importer of agricultural and food products. According to the data on foreign trade relating to the agricultural sector in 2020, total exports amounted to 589.97 million euros, while total imports amounted to 819.90 million euros, equaling the total deficit of 186.46 million euros.

The number of employees in the agricultural sector is around 95 thousand and in the last 5 years, this number has decreased by over 20%. The level of education in the agricultural sector is very low. Around 45% of the persons engaged in agriculture have primary education or lower level of education, and as much as 2.4% without any education, unfinished primary education 8.1% of the employees, and with completed primary education 34.6%. About 46.7 percent have completed secondary education, but only 4 percent have secondary education in the area of agriculture. Only 0.6% of those hired are agricultural engineers, and 0.2% have completed second and third cycle studies in agriculture.

There are a number of challenges related to agriculture. Low capacities of land and livestock of the agricultural holdings, small economic size of the agricultural holdings, aging population, depopulation of rural areas, unfavorable conditions for agricultural production (poor fertility of soils, droughts, extremely limited yields due to lack of water, etc.), low level of education, neglect of the profession and expertise due to the very small number of engaged persons who have any education in agricultural production, low level of knowledge and low level of transfer of knowledge and innovations, poor competitiveness of economies and the sector as a whole, etc. In addition to this, climate change, desertification and land degradation, poor utilization and bad condition of irrigation

systems have a negative impact, and all these factors cause additional reduction of productivity which, in combination with low adaptive capacities, makes the sector more vulnerable and less competitive.

One of the most significant challenges is certainly the membership in the European Union. In the agricultural sector in the European Union, the Common Agricultural Policy is mandatory for all member states. The new EU Common Agricultural Policy, in line with the Green Agreement and the Farm-to-Fork Strategy, sets out a series of priorities, some of which have been already included in the National Strategy for Agriculture and Rural Development.

Based on the consulting activities, several priority areas can be identified for establishing the vision: Modern and improved rural environment, stable and satisfactory income for agricultural producers, production of sufficient quantities of safe and high-quality food, capacities and knowledge sufficient for application of state-of-the-art production technologies, sustainable management of natural resources and others.