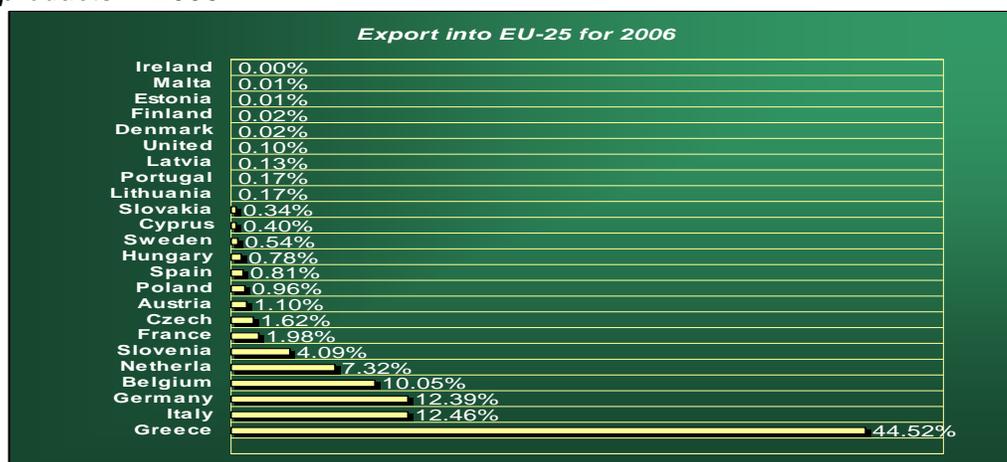


ANNEX No. 2 Analysis of agri-food trade trends with EU-25

The positive development (+12%) of the Republic of Macedonia's agro-food products exports to EU-25 in 2006 in relation to 2005, despite the minimum increase in imports (+0.7%), contributed to reduction of agro-food and fishery products trade deficit by 91.8% (from 15.9 million € in 2005 to 1.3 million € in 2006).

In 2006, the largest share of the country's agro-food and fishery exports to EU-25 was realized in Greece (44.52%). Most important exported products into Greece were tobacco, lamb meat, prepared or preserved molluscs, fresh tomatoes, milk and other products. Italy followed with a share of 12.46%. Most important exported products were lamb meat, dried vegetables, mushrooms, vegetables - uncooked or cooked, tobacco and other products. Next is Germany, with a share of 12.39%. Most important exported products are wine, tobacco, vegetables - uncooked or cooked, vegetables prepared or preserved, sugar confectionery products and other products. Belgium follows with a share of 10%, Netherlands with share of 7.32%, Slovenia with share of 4.1% and other countries cover the balance.

Figure 2: Share by countries from EU-25 in export of agro-food and fishery products in 2006

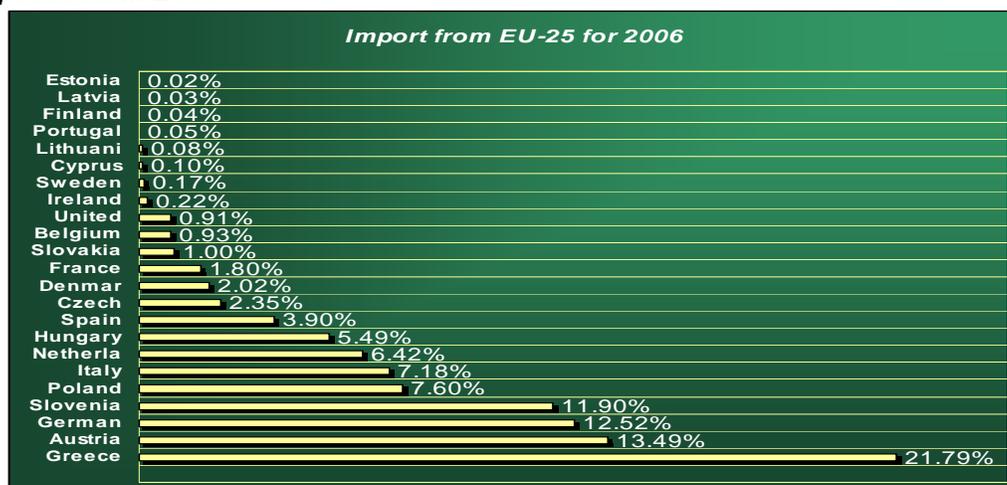


Source: SSO

In 2006, most of EU-25 agro-food and fishery products imports into the country was from Greece, with a share of 21.8% in the total imports from EU-25. Most important products were animal feed, vegetables prepared or preserved, olives, and sunflower oil, prepared or preserved molluscs, poultry meat, fresh citrus fruit and other products.

Austria, with share of 13.5% of total import from EU-25, imported mostly sugar, bovine meat, water including mineral waters - containing added sugar, pig meat and other products. Germany, with share of 12.5% mostly imported cheese, food preparations not elsewhere specified or included, chocolates, pasta whether or not cooked and other products. Slovenia, with share of 11.9%, Poland with share of 7.6%, Italy with share of 7.2% and other countries.

Figure 3: Share by countries from EU-25 in import of agro-food and fishery products in 2006



Source: SSO

The trade exchange of fish and fishery products group reflects the dependence of the country on sea fish and fishery products, as a result of geographical features of the country (land locked).

The share of fish and fishery products in total import of agro-food and fishery products from EU-25 into the country for 2006 was 3%.

Share for fish and fishery products in total export of agro-food and fishery products into EU-25 from the country for 2006 was 4%, and the share in total export was 4%, mainly as a result of export of Molluscs fresh and prepared (Tariff code 0307 60 00 00 and 1605 90 30 10).

Other agricultural products, i.e. tariff lines after Chapter 24 defined as agricultural products according to the Uruguay Round Classification, also had insignificant participation in trade exchange with EU-25, with import share of around 4%, for 2006 and with export share of 1%.

Therefore, the most of the trade, for 2006, between the country and EU-25, belongs for the Chapters between 1 and 24, with share of 93% in total import and share of 96% in total export.

According to the EU Classification, Chapters of Basic Agricultural products, for 2006, had share of 87% in total export and share of 65% in total import and Chapters of Process Agricultural products, with share of 9% in total export and with share of 28% in total import.

The export of agro-food and fishery products from the country to EU-25 for 2006 compared to 2005, increased by 12% (from 129.5 million € in 2005 to 145.1 million € in 2006).

This was as a result of increased export of tobacco by 5.8% (from 54.9 million € in 2005 to 58.1 million € in 2006), then increased export of water including mineral waters - containing added sugar from 0.04 million € in 2005 to 6.1 million € in 2006, increased export of fresh tomato by 66.6% (from 2.7 million € in 2005 to 4.5 million € in 2006), increased export of watermelons from 0.5 million € in 2005 to 2.4 million € in 2006, then increased export of vegetables

uncooked or cooked, frozen by 46.6% (from 2.8 million € in 2005 to 4.1 million € in 2006) and other products.

In 2006, the biggest share of the country's agro-food exports to the EU-25 was from un-manufactured tobacco (40.1%), followed by lamb meat (9.2%), wine (8.9%), water including mineral waters - containing added sugar (4.2%), molluscs prepared (4.2%), other vegetables, fresh or chilled (3.8%), fresh tomato (3.1%) and other products.

The import of agro-food and fishery products from EU-25 into the country, in 2006 compared to 2005, increased only by 0.7% (from 145.6 million € in 2005 to 146.4 million € in 2006). There was increase of poultry meat import by 25.5% (from 5.5 million € in 2005 to 6.9 million € in 2006), than increase of sugar import by 28.8% (from 8 million € in 2005 to 10.3 million € in 2006), increase of margarine import from 1 million € in 2005 to 2.9 million € in 2006, increase of other vegetables import prepared or preserved by 30.3% (from 3.3 million € in 2005 to 4.3 million € in 2006), increase of food preparations import not elsewhere specified or included by 19.7% (from 11.7 million € in 2005 to 14 million € in 2006) and other products.

Worth to mention is decline of import of some products like bovine meat by 47% (from 11.7 million € in 2005 to 6.2 million € in 2006), than decline of wheat import by 64.7% (from 3.4 million € in 2005 to 1.2 million € in 2006), decline of sunflower oil import up by 57.6% (from 3.3 million € in 2005 to 1.2 million € in 2006) and other products. The biggest share in import of agro-food products, for 2006, from EU-25 to the country, had food preparations import not elsewhere specified or included (9.6%), sugar (with share of 7.1%), meat of swine, fresh, chilled or frozen (with share of 5.7%), poultry meat (with share of 4.7%), bovine meat (with share of 4.2%), chocolate and other food preparations containing cocoa (with share of 3.5%), other vegetables prepared or preserved (with share of 2.9%), cheese and curd (with share of 2.9%), other prepared or preserved meat (with share of 2.8%), sausages and similar products (with share of 2.7%), animal feed (with share of 4.7) and other products.

Positive trend of trade deficit decline, in 2006 compared with 2005, in trade with agro-food and fishery products between the country and EU-25, was mainly as a result of increased export of some agro-food and fishery products from the country to EU-25 and decreased import of some agro-food products from EU-25 to the country and with the decline of 91.8% (from 15.9 million € in 2005 to 1.3 million € in 2006)

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