COMPETITIVENESS OF THE ROMANIAN AGRIFOOD TRADE AND THE NEW AGRICULTURAL POLICIES

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Introduction

- Empirically examining:
  - the evolution of the Romanian pre- and post-accession agri-food trade with extra-EU countries
  - comparison with the general trends of the EU extra-European trade flows
- Since accession:
  - **intra-community trade -** all trade among Member States (is recorded separately)
  - **extra-community trade** (as external trade with non-member states) - this is the figure used in international comparisons

Material and method

- **Databases:**

  Eurostat + INS (National Institute of Statistics)

- **Classification:**

  CN (Combined Nomenclature) and SITC rev.4, down to 2-digits, respectively group and subgroup divisions, using the correspondence tables

- **Focus of analysis:**

  main agri-food product groups, in terms of:

  - volume: quantities and values
  - directions: exports and imports

Since setting up the CAP …

- EU aimed at increasing its agri-food production
- in order to maximize:
  - the coverage of domestic demand
  - export of surpluses

Main players in world general and agri-food trade

- end of XX-th century:
  - ➚ growth in the total world value of trade flows (E+I)
  - 2000 = more than 9,300 billion EUR
- first decade of the XXI-st century:
  - slight cyclical evolution
  - 2-3 years of growth + several years of contraction
  - 2009 = about 13,000 billion EUR
- China grows fast (it is not the only country)

Main players in the world - exports

	2006	2007	2008	2009	2010	2011	2011/ 2006
Total world exports (Billion USD)	***721,3***	***873,3***	***1063,0***	***950,2***	***1080,0***	***1313,9***	***1,82***
Share of top 10 exporters (%)							
EU-25/27	11,9	10,4	10,2	9,9	10,0	10,1	1,55
USA	9,9	10,6	11,1	10,6	11,0	10,6	1,96
Brazil	4,8	4,9	5,2	5,6	5,7	6,1	2,30
China	3,6	3,7	3,4	3,7	4,0	4,0	2,00
Canada	3,4	3,4	3,5	3,3	3,2	3,1	1,66
Australia	2,9	2,4	2,3	2,3	2,5	2,5	1,54
Argentina	2,7	3,1	3,3	2,8	3,0	3,3	2,21
Thailand	2,1	2,1	2,2	2,2	2,4	2,8	2,44
Indonezia	2,0	2,0	2,6	2,2	2,8	3,2	2,93
Mexico	1,9	1,6	1,5	1,6	1,6	1,6	1,56

Main players in the world - imports

	2006	2007	2008	2009	2010	2011	2011/ 2006
Total world imports (billion USD)	***754,2***	***912,8***	***1117,9***	***987,4***	***1104,0***	***1350,7***	***1,79***
Share of top 10 importers (%)							
EU-25/27	11,7	11,5	11,4	10,6	10,1	10,3	1,58
USA	9,6	8,7	7,8	7,9	8,1	7,9	1,48
China	6,3	6,5	7,2	7,4	9,0	9,5	2,70
Japan	5,6	5,0	5,1	4,8	4,9	5,1	1,62
Russian Federation	2,6	2,7	2,8	2,7	2,9	2,8	1,93
Canada	2,6	2,5	2,3	2,5	2,5	2,3	1,61
Mexico	2,1	2,1	2,1	1,8	1,8	1,9	1,63
S. Korea	1,6	1,6	1,7	1,5	1,7	1,7	1,87
Saudi Arabia	1,2	1,3	1,2	1,1	1,5	1,4	2,10
Hong Kong	1,2	1,2	1,2	1,4	1,5	1,5	2,19

EU and USA ….

- take leading positions in terms of **trade value**
- still show trade deficits
- reduced their agri-food trade deficit
- **EU:** has a constant deficit, limited to max. 9% of the total trade volume
- **USA:** shifted to a positive agri-food trade balance in 2008
- **China:**
  - increased its general trade surplus
  - but went on deficit in agri-food trade (due to a relative increase in agri-food imports along with a contraction in exports)

The 2004 and 2007 enlargements ….

- had significant impact upon the EU international trade:
  - **the total volume trade:** increased in real terms
  - **the weight on world markets:** diminished, due to contradictory trends

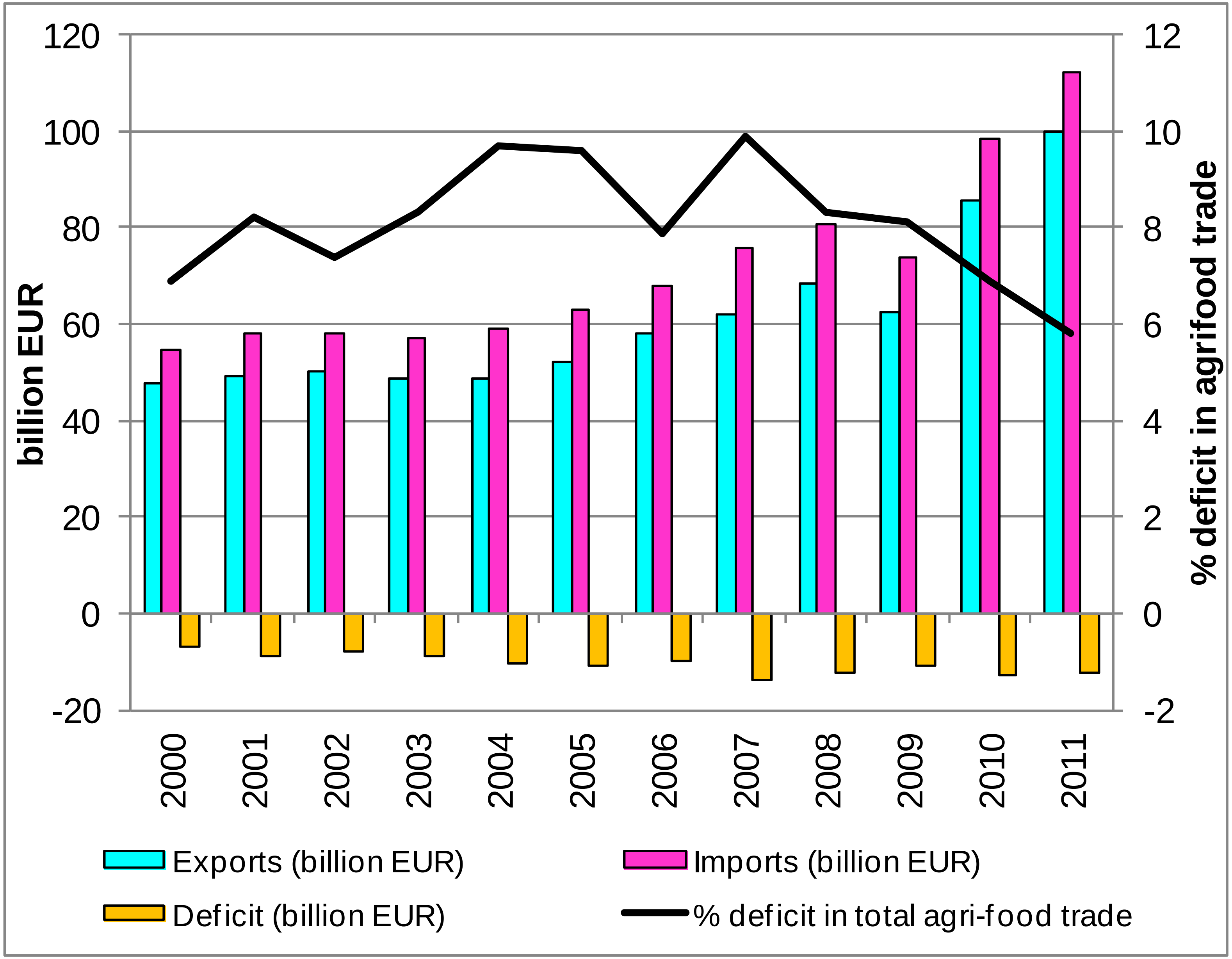
This particular evolution due to some opposing trends:

1. in 2004-2007, EU increased from 15 → 25 → 27 MS;
2. the total volume of trade between the old member states (OMS) and new member states (NMS), as from NMS accession became „internalised", since from „extra-EU" became „intra-EU" trade; consequently, the presence of EU on the world markets („extra-EU trade") decreased;

More opposing trends:

3. the period 2004-2007 has been a general economic expansion period, and both OMS and NMS increased their trade volumes in absolute terms;
4. the NMS added their trade with non-EU to the general „extra-EU" trade volume;
5. the overall continuous growth in both exports and imports since 2002 has been temporarily reversed in 2008-2009 due to the world economic crisis.

Extra-EU 27 trade in the decade of last two enlargements



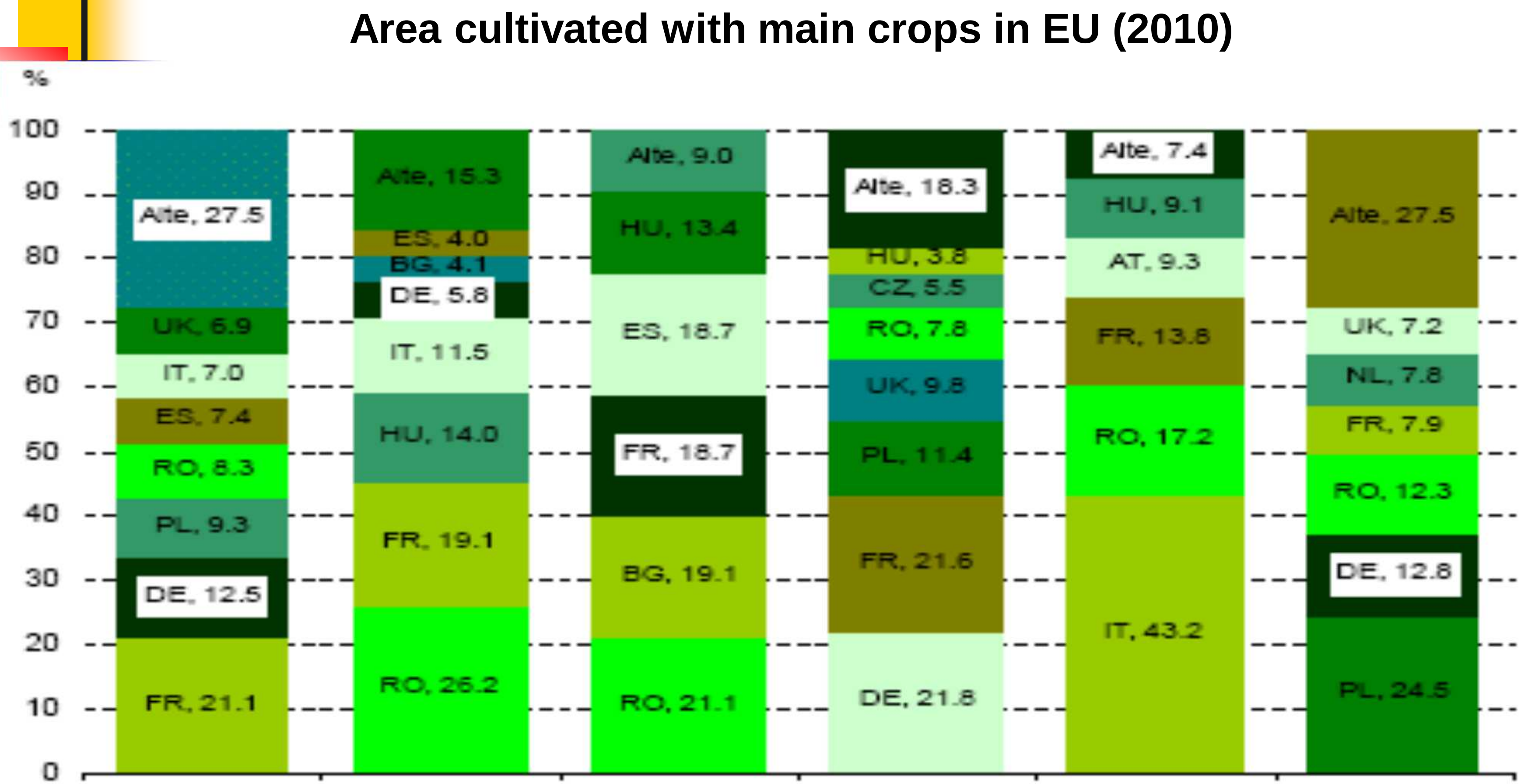
Extra-EU 27 agri-food trade in the decade of last two enlargements

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports (billion EUR)	47.7	49.3	50.1	48.5	48.5	52.0	57.9	62.0	68.4	62.6	85.8	99.8
Imports (billion EUR)	54.8	58.1	58.1	57.3	58.9	63.0	67.8	75.6	80.8	73.7	98.6	112.2
Deficit (billion EUR)	-7.1	-8.8	-8.0	-8.8	-10.4	-11.0	-9.9	-13.6	-12.4	-11.1	-12.8	-12.4
% deficit in total agri-food trade	6.9	8.2	7.4	8.3	9.7	9.6	7.9	9.9	8.3	8.1	6.9	5.8

The total result of enlargement: positive

- in terms of agri-food trade volume of EU-27:
  - increased agri-food **exports**
  - increased EU-27 agri-food **imports**
  - increased the agri-food **trade balance deficit** (negative extra-EU agri-food trade balances of the NMS)
  - Increase in both exports and imports due mostly to increase in volume (quantity of goods), and at a lesser extent to change of prices

EU "ACTORS"



Source: INS, 2011, Producţia vegetală la principalele culture în anul 2010, ISSN: 1842-0575, ISSN-L:1842-0575 (Based on Eurostat New Cronos Data)

Note: Collumn 1 = Wheat, Collumn 2 = Maize, Collumn 3 = Sunflower, Collumn 4 = Rape seeds, Collumn 5 = Soybeen, Collumn 6 = Potatoes

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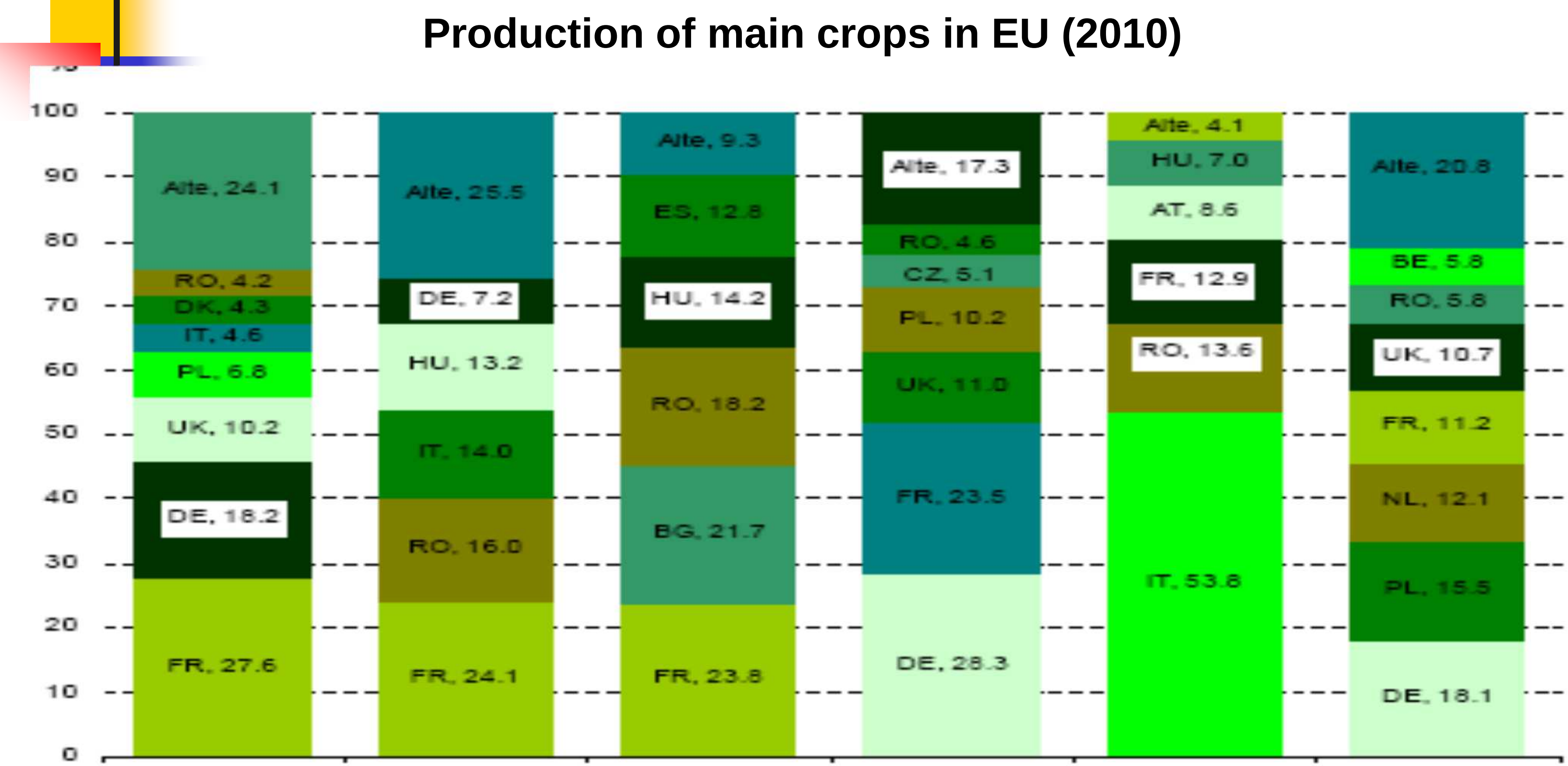

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EU Production of main crops

- 2010:

-75,9% <u>Wheat</u>: *FR,DE,UK,PL,IT,DK,**RO**;*

-74,5% <u>Maize</u>: *FR,**RO**,IT,HU,DE;*

-90,7% <u>Sunflower</u>: *FR,BG,**RO**,HU,ES;*

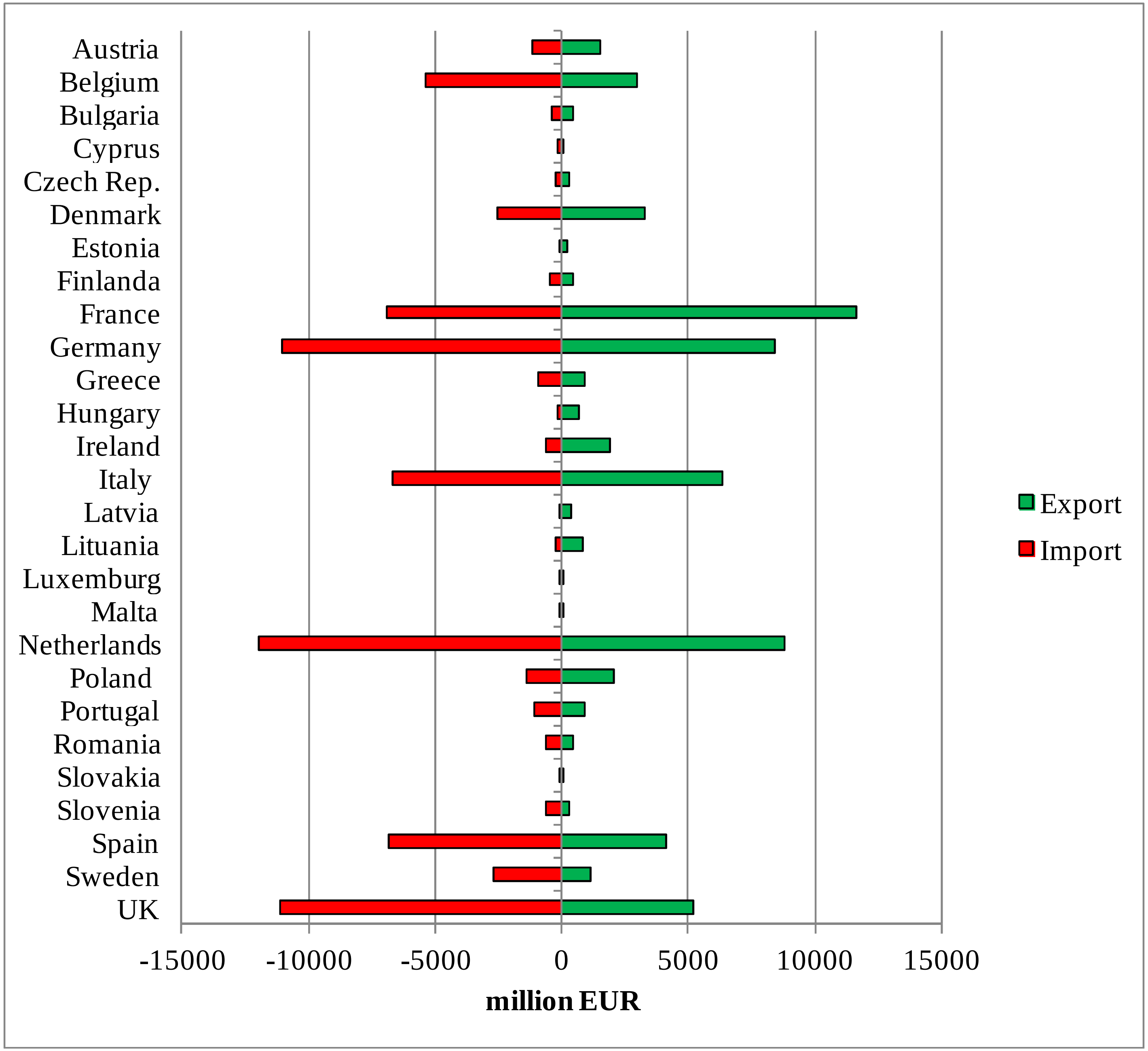
-82,7% <u>Rape seed</u>: *DE,FR,UK,PL,CZ,**RO**;*

-95,9% <u>Soybean</u>: *IT,**RO**,FR,AT,HU;*

-79,2% <u>Potatoes</u>: *DE,PL,NL,FR,UK,**RO**,BE.*

Source: INS, 2011, Producţia vegetală la principalele culture în anul 2010, ISSN: 1842-0575, ISSN-L:1842-0575 (Based on Eurostat New Cronos Data)

Agri-food trade by member states (2009)



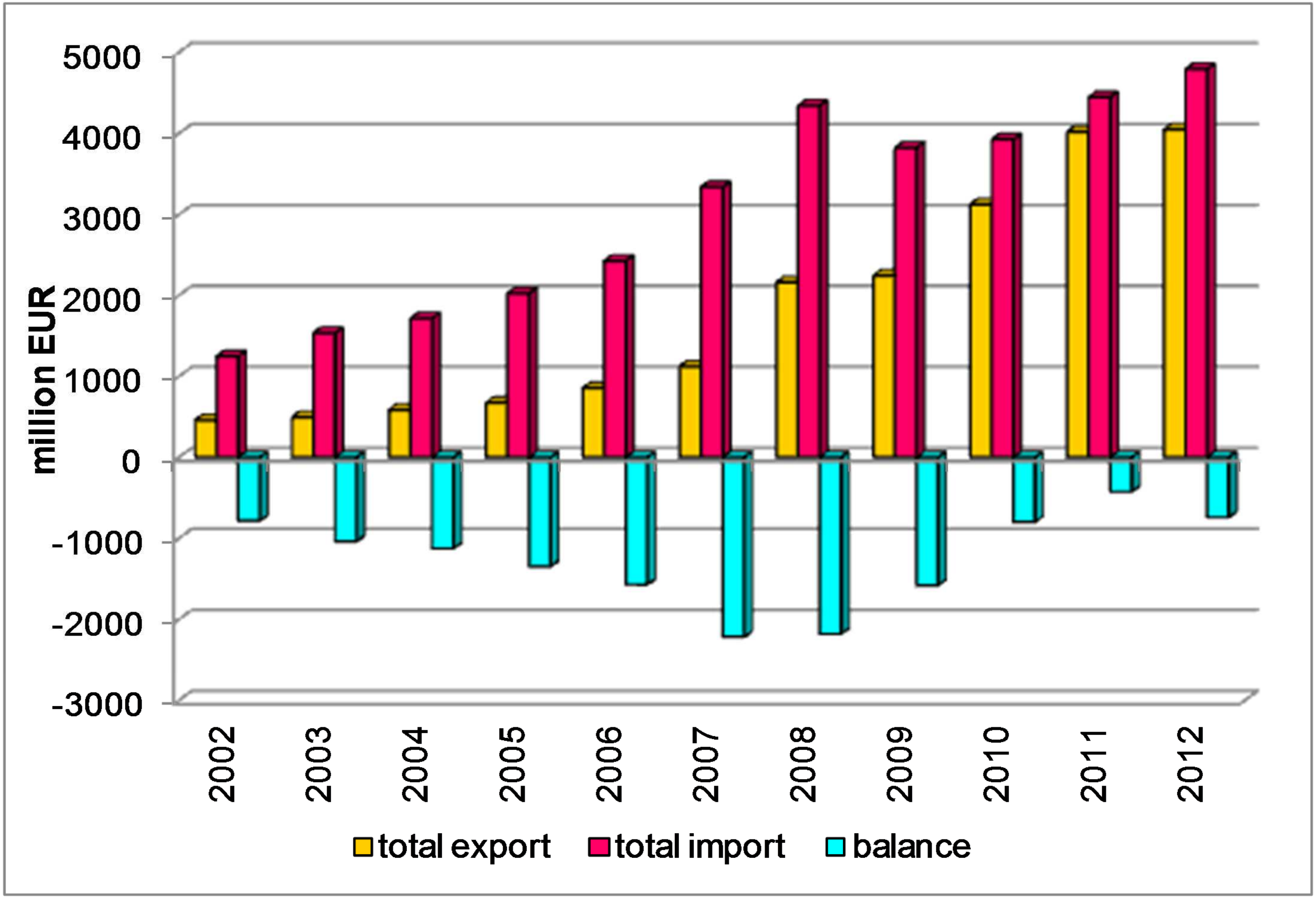
Directions of agri-food trade

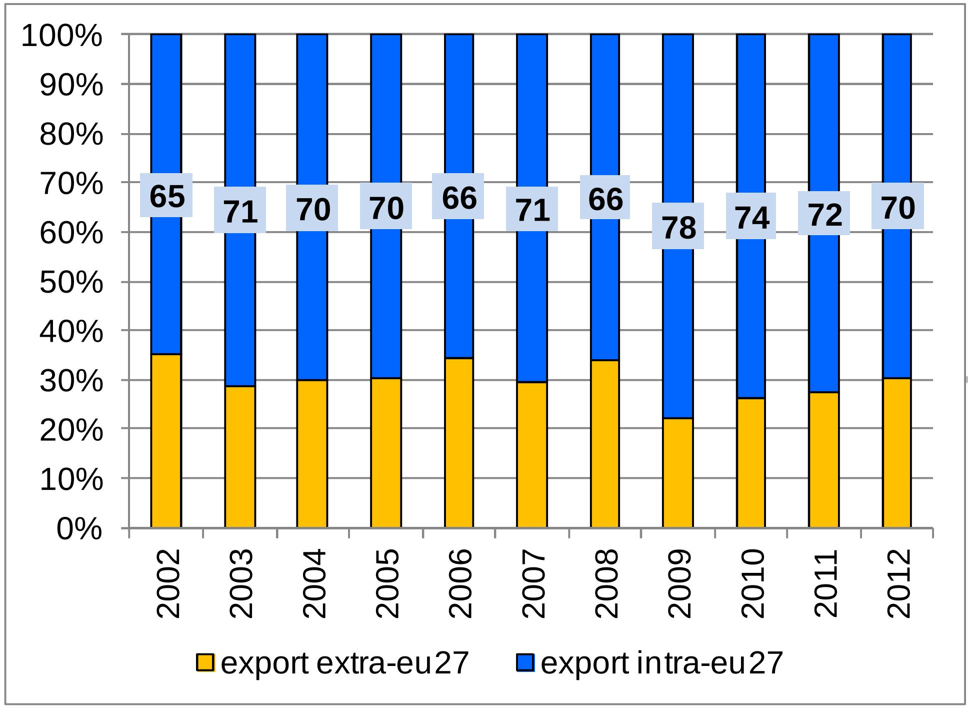
- The Romanian extra-European agri-food trade flows are relatively **different** from those of the EU in terms of share of product destination and origin countries

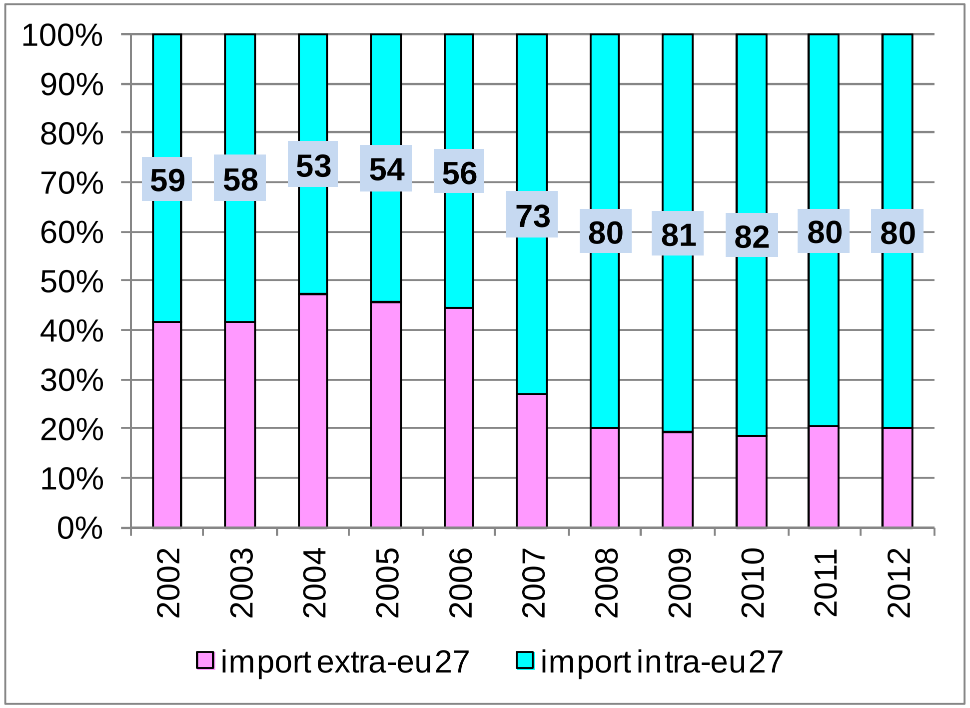
Why are they different ?

1. during the 90's, Romania **lost** some important markets for agri-food products – the ex-COMECON (or CMEA - Council of Mutual Economic Assistance) member countries, mainly Russia;
2. entering new markets proved to be **difficult**;
3. entering the EU Single Market was quite **slow** (decreasing quotas - imposed by the Association Agreement);
4. a significant part of animal products, mainly meat and meat products were unable to enter the EU Single Market due to **non-tariff** barriers, mostly sanitary and veterinary

Romanian agri-food trade (2002-2012)



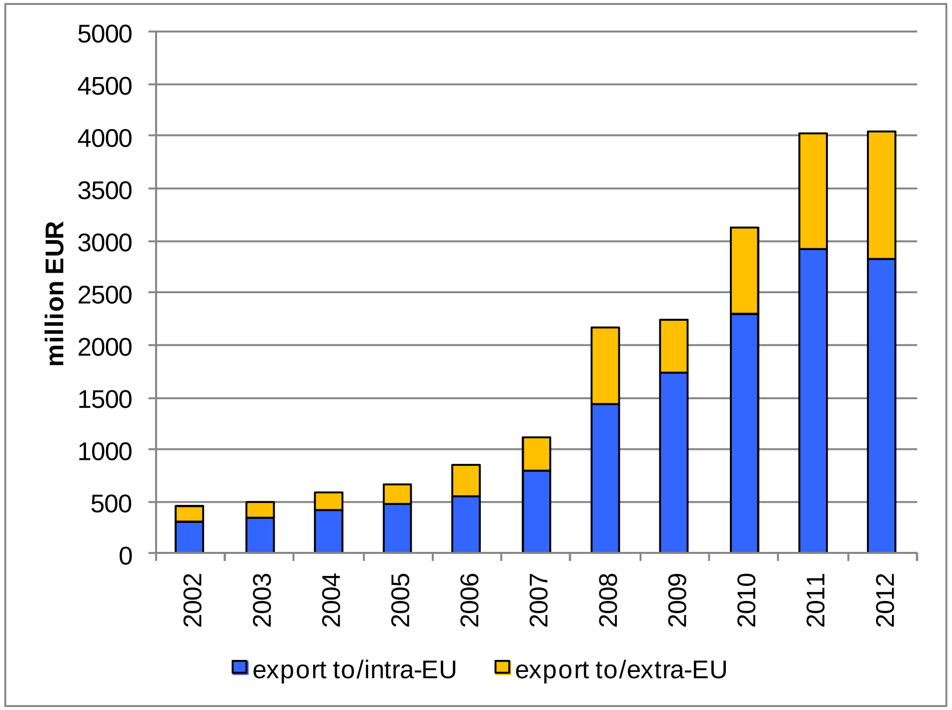


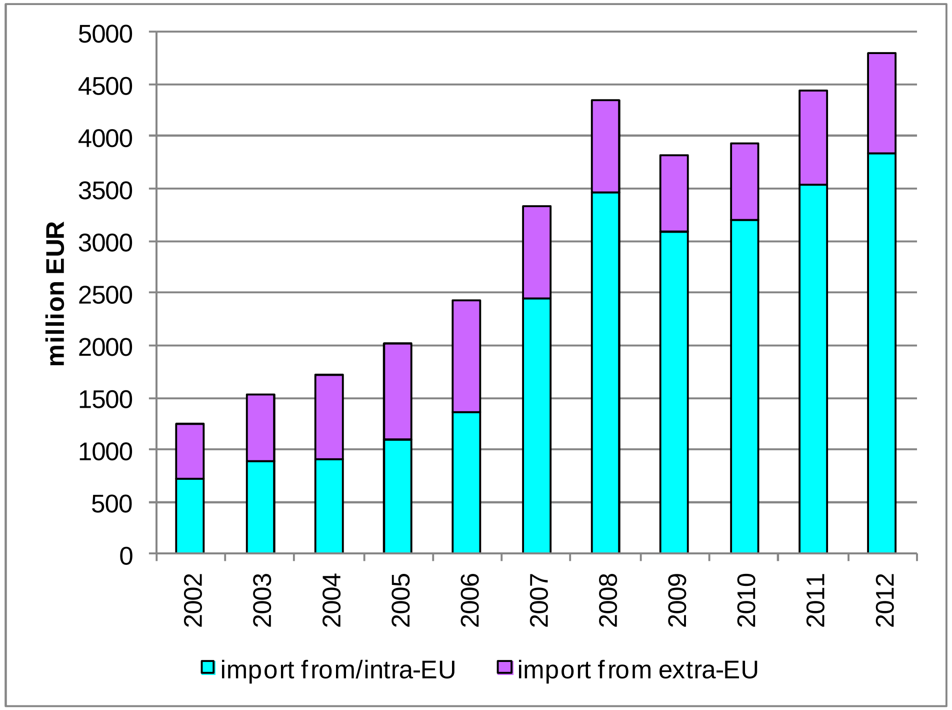


Romania: Share of intra-EU agri-food trade in total trade

- After 2007:
  - Exports: 70-78% (similar to pre-accession)
  - Imports: 73-82% (increased by >20% compared to pre-accession) ➔ community preference principle

Romanian agri-food trade intra-EU vs. extra-EU





- Strong increase in imports
- Slower growth in exports

Romania and EU Intra-trade

% of Romanian exports in EU intra-trade (FOB)

Product	2004	2007	2008	2009	2010	2011
Cereals	0.3	1.0	1.2	3.7	4.2	3.8
Oilseeds	1.6	1.7	5.8	5.5	6.6	7.2
Honey	7.4	5.3	5.8	**10.1**	9.4	8.4
Sheep	31.8	26.5	32.4	33.7	32.0	**36.5**
Wheat	0.07	0.8	1.3	3.9	3.7	3.4
Maize	1.2	1.8	1.9	5.5	7.3	6.7

Source: Calculations from exporthelp-europa

“Winner/Loser” Products

% of products in total agri-food export (FOB) – “Winners”

Years	1991	1995	2000	2004	2007	2010
Sheep (+ Goats)	9.8	11.2	14.8	**20**	11.6	4.7
Honey	0.6	0.8	3.2	4.4	1.8	1.7
Wheat	5.7	**27.3**	4.9	0.9	7.1	19.9
Barley	0.03	0.2	3.4	1.2	4.1	5
Maize	0.2	7.4	5.1	8.5	11.6	**20.9**
Rape seeds	0.04	0.03	5.2	1.9	12.1	**17.1**
Sunflower seeds	0.04	0.8	7.1	15.4	**16.1**	11.5
Sunflower oil	2.4	16.5	5.2	11.4	5.4	6

Source: Calculations from INS Database (National Institute of Statistics)

“Winner/Loser” Products

% of products in total agri-food export (FOB) – “Losers”

Years	1991	1995	2000	2004	2007	2010
Cattle	18.3	7.1	**20.2**	12.5	14.1	**5.4**
Pork	**21.2**	12.5	0.2	0.1	**0.04**	0.3
Apple, Pear (+Quince)	4.5	1.9	0.01	0.02	0.7	0.3
Wine	7.5	6.1	7.2	5.2	2.5	0.8

Source: Calculations from INS Database (National Institute of Statistics)

Top destinations of Romanian extra-EU agri-food exports

Rank	2003		2006		2010		2012	
	Country	%	Country	%	Country	%	Country	%
1	Croatia	18.1	Turkey	19.6	Turkey	17.3	Egypt	13.9
2	Turkey	16.0	Croatia	14.8	Korea	10.6	Turkey	9.7
3	Syria	14.2	Pakistan	9.2	Syria	6.5	Saudi Arabia	7.9
4	Moldova	10.4	Moldova	6.4	Israel	5.5	Libya	7.4
5	Pakistan	7.9	Russian Fed.	5.2	Saudi Arabia	5.4	Iran	6.0
6	USA	4.5	Bosnia &Herzegovina	5.1	Philippines	4.9	Korea	5.6

Top destinations of Romanian extra-EU agri-food imports

Rank	2003		2006		2010		2012	
	Country	%	Country	%	Country	%	Country	%
1	Brazil	20.6	Brazil	25.3	Brazil	21.5	Brazil	28.2
2	USA	13.0	USA	12.6	Turkey	15.6	Turkey	11.5
3	Russia	9.3	Turkey	8.5	USA	6.8	USA	7.3
4	Turkey	7.5	Canada	7.6	China	6.7	Moldova	7.1
5	Canada	5.6	Moldova	5.3	Argentina	5.7	Zimbabwe	5.8
6	Moldova	5.5	Ecuador	5.0	Moldova	4.4	China	4.6

Top 10 products of Romanian extra-EU agri-food exports

Rank	2003		2006		2010		2012	
	Product group	%	Product group	%	Product group	%	Product group	%
1	01 - Live animals	36.0	12 - Oilseeds	22.9	10 - Cereals	55.7	10 - Cereals	61.9
2	12 - Oilseeds	20.1	01 - Live animals	20.8	12 - Oilseeds	16.3	01 - Live animals	13.9
3	22 - Beverages	8.5	10 - Cereals	20.8	01 - Live animals	8.3	12 - Oilseeds	7.2
4	08 - Fruit	7.4	15 - Fats & oils	6.9	24 - Tobacco	2.5	21 - Edible preparations	2.2
5	10 - Cereals	5.4	22 - Beverages	5.9	22 - Beverages	2.3	23 - Animal feed	2.2
6	15 - Fats & oils	5.3	08 - Fruit	4.5	08 - Fruit	2.0	24 - Tobacco	1.9
7	04 - Milk & dairy prod.	3.3	17 - Sugar	3.7	02 - Meat	2.0	22 - Beverages	1.8
8	19 - Bakery & pastry	3.0	23 - Animal feed	3.7	21 - Edible preparations	1.9	08 - Fruit	1.6
9	23 - Animal feed	2.8	24 - Tobacco	2.2	23 - Animal feed	1.6	19 - Bakery & pastry	1.5
10	20 - Veget.& fruit prepar.	1.8	19 - Bakery & pastry	1.5	19 - Bakery & pastry	1.4	17 - Sugar	1.1

Top 10 products of Romanian extra-EU agri-food imports

Rank	2003		2006		2010		2012	
	Product group	%	Product group	%	Product group	%	Product group	%
1	10 - Cereals	18.1	02 - Meat	22.1	23 - Animal feed	16.4	17 - Sugar	23.4
2	17 - Sugar	15.0	24 - Tobacco	14.1	17 - Sugar	15.7	23 - Animal feed	18.6
3	24 - Tobacco	13.2	17 - Sugar	13.7	08 - Fruit	9.9	24 - Tobacco	10.2
4	08 - Fruit	8.5	08 - Fruit	11.2	07 - Vegetables	7.9	12 - Oilseeds	6.7
5	02 - Meat	7.8	09 - Coffee & tea	4.6	24 - Tobacco	7.4	08 - Fruit	5.3
6	09 - Coffee & tea	5.6	03 - Fish	4.2	21 - Edible preparations	6.4	21 - Edible preparations	5.2
7	12 - Oilseeds	4.6	20 - Veget.& fruit prepar.	4.1	12 - Oilseeds	5.9	09 - Coffee & tea	5.0
8	15 - Fats & oils	4.2	21 - Edible preparations	3.8	09 - Coffee & tea	5.4	15 - Fats & oils	4.6
9	23 - Animal feed	3.9	15 - Fats & oils	3.3	15 - Fats & oils	5.0	07 - Vegetables	4.0
10	20 - Veget.& fruit prepar.	3.7	07 - Vegetables	3.0	03 - Fish	4.0	05 - Other animal prod.	2.6

Extra-EU trade balance by product groups

Product group NC2	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
01 - Live animals	+	+	+	+	+	+	+	+	+	+	-
02 - Meat	-	-	-	-	-	-	-	+	+	+	-
03 - Fish	-	-	-	-	-	-	-	-	-	-	-
04 - Milk & dairy prod.	+	+	-	-	+	+	+	+	+	+	-
05 - Other animal prod.	-	-	-	-	-	-	-	-	-	-	-
06 - Flowers, bulbs, trees	-	-	-	-	-	-	-	-	-	-	-
07 - Vegetables	-	-	-	-	-	-	-	-	-	-	-
08 - Fruit	-	-	-	-	-	-	-	-	-	-	-
09 - Coffee & tea	-	-	-	-	-	-	-	-	-	-	-
10 - Cereals	-	-	+	+	-	+	+	+	+	+	-
11 - Flour, malt, starch	+	+	-	-	-	+	+	+	+	+	-
12 - Oilseeds	-	-	+	+	+	+	+	+	+	+	-
13 - Lac, gums, resins	-	-	-	-	-	-	-	-	-	-	-
14 - Other vegetable prod.	-	-	-	-	-	-	-	-	-	-	-
15 - Fats & oils	-	+	+	-	-	-	-	-	-	-	-
16 - Meat & fish preparations	-	-	-	-	-	-	-	-	-	-	-
17 - Sugar	-	-	-	-	-	-	-	-	-	-	-
18 - Cocoa	-	-	-	-	-	+	+	+	+	+	-
19 - Bakery & pastry	+	+	-	-	-	-	-	-	-	-	-
20 - Veget.& fruit prepar.	-	-	-	-	-	-	-	-	-	-	-
21 - Edible preparations	-	-	-	-	-	-	-	-	-	-	-
22 - Beverages	+	+	+	-	-	+	+	+	+	+	-
23 - Animal feed	-	-	-	-	-	-	-	-	-	-	-
24 - Tobacco	-	-	-	-	-	-	-	-	-	-	-
Grand Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**+**	**+**	**+**	**-**

Conclusions (1)

- Main players in the general and agri-food world trade arena: EU-27, USA, China
- EU-27 has a constant extra-community agri-food trade deficit of about 9% over the years
- USA became net agri-food exporter, while China net importer
- The general effect of the EU last enlargements has been positive in trade
- EU has successfully absorbed the enlargement shocks

Disfunctionalities within the Romanian agri-food sector result in …

- low competitiveness of agri-food products;
- competition by similar imported products with lower prices;

- lack of domestic supply organization (fresh fruits and vegetables)

  ↓

- substantial imports of such products, despite the fact that the domestic production is quite high and excellent quality (ex. 2011)
- high transaction costs.

Conclusions (2)

- In trade, the crisis diminished the trade flows for one year only (2009)
- The intra-community general trade is 3 times larger than the extra-community and 4 times larger for agri-food →stronger barriers
- The Romanian extra-European agri-food trade flows are relatively **different** from those of the EU in terms of share of product destination and origin countries

Conclusions (2)

- for the Romanian extra-EU agri-food products:
  - main export destination: Turkey
  - main import source: Brazil, then Turkey
  - exports: mostly basic (agricultural) unprocessed products (cereals, oilseeds, live animals)
  - imports: sugar, fruit, vegetables

Conclusions (3)

- The crisis shifted significantly the agri-food trade volume trends:
  - Imports + arrivals decreased severely
  - Exports + dispatches increased continuously
  - Trade balance deficit diminished since accession from 2.2 billion EUR (2007) to 0.425 billion EUR in 2011
  - First time since 1989 when a major section of the agri-food trade shows a surplus - extra-EU trade:
    - 100 million EUR (2010)
    - 192,7 million EUR (2011)

Conclusions (4)

- The new CAP will allow further development of the Romanian agri-food output
- Investments in farms will result in better quality of agricultural products and raw materials,
- Investments in processing units will improve availability of high quality and competitive processed products

Work under

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Thank you !

International comparison of product supply chains in the agro-food sector