RECENT EVOLUTIONS OF AGRIFOOD ROMANIAN TRADE

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Abstract. The present paper is empirically analyzing the evolution of the Romanian post-accession agrifood trade with EU, and its placement among the other Member States. In the EU statistics, for international comparisons, only the trade with non-member states (extra-community trade) is considered as external trade.

Introduction

The present paper is empirically examining the evolution of the Romanian post-accession agrifood trade with EU, and its position among the other Member States. Since accession, all trade among Member States is recorded separately, as intra-community trade, while trade with non-member states is considered as external trade (extra-community trade), and this is the figure used in international comparisons.

Method

The calculations have been made using multiple sources, such as Eurostat and FAO databases, in SITC rev.4 classification, down to group and subgroup divisions. For detailed data, the Romanian trade database (HC classification, down to 8 digits) has been used. The analysis is focusing on the main agri-food product groups, in terms of volume (quantities and values), as well as directions: dispatches and arrivals, for intra-community trade, and export and import data for extra-EU trade.

Dispatches are defined as goods in free circulation within the European Union which leave the statistical territory of a given Member State to enter another Member State.

Arrivals are defined as goods in free circulation within the European Union which enter the statistical territory of a given Member State.

Results and discussions

The world general and agri-food trade – the main players

No other sector is able to better and more promptly reflect the upward or downward trend of the economic activity in a country or even at regional and world level rather than trade. The economic position of a country (or a group of countries, such the EU) on the world scene is directly influenced by its presence and weight in the world trade.

Since the enforcement of in the Common Agricultural Policy 1962, EU aimed at increasing its agri-food production in order to maximize the coverage of the domestic demand and export the surpluses.

The end of the XX-th century saw a growth in the total world value of trade flows (exports + imports), to reach more than 9,300 billion EUR in 2000. Its evolution during the first decade of the XXI-st century had a slight cyclical evolution, with 2-3 years of growth, followed by several years of contraction, so as to reach a value of about 13,000 billion EUR in 2009.

The last decade has seen some significant changes on the world trade scene. In 2003, EU became the largest contributor to world trade (with a share of 19.4%); USA stepped down to the second position, and in 2007, stepped down to the third position, being replaced by China (table 1).

Table 1 – Top 10 players in the world trade (billion EUR)

	Total trade				Agri-food trade			
	2005		2008		2005		2008	
	Export	Import	Export	Import	Export	Import	Export	Import
EU	1053	1180	1557	1626	52	63	123	126
USA	727	1392	1030	1736	42	56	95	66
China	612	530	1349	1098	19	8	24	54
Japan	478	415	626	610	2	40	2	45
Canada	289	253	365	335	17	14	30	21
Hong Kong	235	241	296	314	2	7	5	11
South Korea	229	210	338	348	2	8	3	15
Russia	194	100	377	233	3	12	6	25
Singapore	185	161	259	276	3	4	5	7
Mexico	172	178	233	255	9	9	12	18

Source: author's calculations using Eurostat and Faostat data

In 2005, EU had a share of 18.5% in the world trade, and 17% in 2009. It must be noted that the rise of the EUR/USD exchange rate starting 2001 influenced as well the value of trade. The world economic crisis that started in 2008 had a strong impact upon trade, influencing negatively the volume of trade of USA, EU as total and each EU member state, while the increased volatility of the USD/EUR exchange rate and the continuous weakening of the EUR due to internal financial crisis did not help at all.

Table 2 – Top 10 players in the world trade: position, deficit and share of agri-food in total trade

	2005				2008			
	Trade balance (billion EUR)		% agri-food in total		Trade balance (billion EUR)		% agri-food in total	
	Total	Agri-food	Export	Import	Total	Agri-food	Export	Import
EU	-127	-11	4.9	5.3	-69	-3	7.9	7.7
USA	-665	-14	5.8	4.0	-706	29	9.2	3.8
China	82	11	3.1	1.5	251	-30	1.8	4.9
Japan	63	-38	0.4	9.6	16	-43	0.3	7.4
Canada	36	3	5.9	5.5	30	9	8.2	6.3
Hong Kong	-6	-5	0.9	2.9	-18	-6	1.7	3.5
South Korea	19	-6	0.9	3.8	-10	-12	0.9	4.3
Russia	94	-9	1.5	12.0	144	-19	1.6	10.7
Singapore	24	-1	1.6	2.5	-17	-2	1.9	2.5
Mexico	-6	0	5.2	5.1	-22	-6	5.2	7.1

Source: author's calculations using Eurostat and Faostat data

Although they take leading positions in terms of trade value, EU and USA still show trade deficits. EU has a constant deficit, though limited, that did not go over 9% of the total trade volume. Both EU and USA reduced their agri-food trade deficit, moreover, USA managed to shift to a positive agri-food trade balance in 2008. China seems to have 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 agri-food exports, most probably as a result of increasing domestic consumption, coming from the continuous economic development in the last decade.

EU intra-community and extra-community trade

The two enlargements, in 2004 and 2007 had significant impact upon the EU trade. Although the total volume of the EU international trade increased in real terms, its weight on world markets diminished, due to some opposing trends:

- in 2004, EU increased from 15 to 25 member states, and in 2007, to 27 member states; that meant a significant increase in area, population, economic, labor and land resources:
    - the total area of EU increased (from EU-15 to EU-27) by 45%, reaching 4576 km2;
    - the total population increased by 31.5%, reaching 500 million consumers;
    - the total Utilized Agricultural Area (UAA) increased by 41.5%, reaching 184 million hectares;
    - the agricultural labour (measured in 1000 Annual Work Units – 1000 AWU) doubled, reaching 11.5 million AWU;
- 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;
- the period 2004-2007 has been a general economic expansion period, and both OMS and NMS increased their trade volumes in absolute terms;
- the NMS added their trade with non-EU to the general „extra-EU” trade volume;
- the overall continuous growth in both exports and imports since 2002 has been temporarily reversed in 2008-2009 due to the world economic crisis.

Eventually, the total result of enlargement has been positive in terms of trade volume (figure 1).

The top 5 countries exporting outside EU accounted in 2009 for 62% of the total extra-EU exports and have been Germany, Netherlands, France, Belgium and Italy. The top extra-EU importers have been the same countries, accounting together for more than 2/3 of the total imports.

In terms of trade balance, Germany, Ireland, Sweden, France and Austria are the top 5 with extra-EU positive balance; among the NMS Estonia, Slovenia and Lithuania had also a positive trade balance in 2009.

The main contributors to the EU trade deficit have been in 2009 Netherlands, UK, Spain, Greece and Poland.

In terms of agri-food trade, imports increased immediately after the two enlargement waves, as well as the agri-food trade deficit, as a consequence of negative extra-EU trade balances of the NMS.

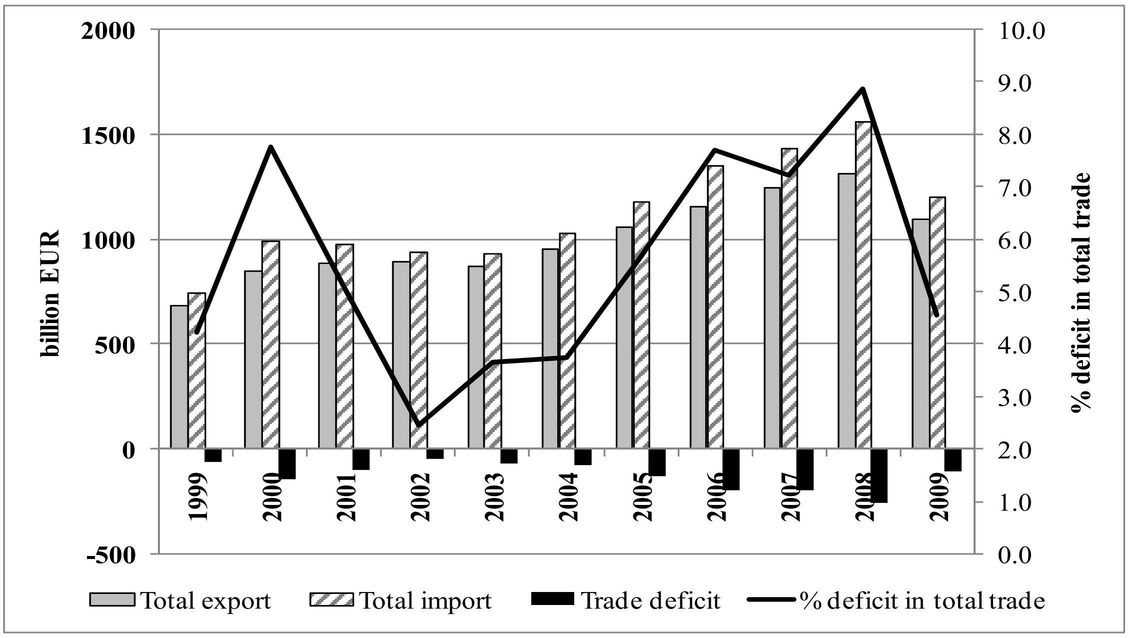

Figure 1 – Extra-EU 27 trade in the decade of last two enlargements

Source: Eurostat

Table 3 – Extra-EU 27 agri-food trade in the decade of last two enlargements

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exports (billion EUR)	47.7	49.3	50.1	48.5	48.5	52.0	57.9	62.0	68.4	62.6
Imports (billion EUR)	54.8	58.1	58.1	57.3	58.9	63.0	67.8	75.6	80.8	73.7
Deficit (billion EUR)	-7.1	-8.8	-8.0	-8.8	-10.4	-11.0	-9.9	-13.6	-12.4	-11.1
% 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

Source: Eurostat

When looking at the main destinations of extra-EU agri-food exports, 6 countries account for 45% of the volume (USA – 15%, followed by Russia – 10%, Switzerland – 8%, Japan – 5%, Norway – 4% and Canada – 3%). Beverages only account for almost 25% of the agri-food products, followed by cereals, fruit, vegetables and dairy products.

The first 6 non-EU countries where from imported agri-food products are coming into the EU account for 38% of the imports only (Brazil – 11%, Argentina – 8%, USA – 6%, China – 5%, Norway and Turkey – 4% each). As opposed to the rather less concentrated exports, the top 5 imported products (coffee, tea, fruit, vegetables and fish) account for almost 2/3 of the total imported agri-food products.

Intra-community trade

The main dispatches from Romania increased constantly between 2005 and 2008, by 23%; then, as a consequence of the economic crisis, dropped in just one year (2009/2008) by 19%.

The total intra-community dispatches, as well as arrivals have been about 2,150 billion EUR in 2009. The top 5 countries, amounting 44% of the total intra-EU dispatches are Germany, France, Italy, UK, Netherlands, while Romania is taking rank 18 (figure 2).

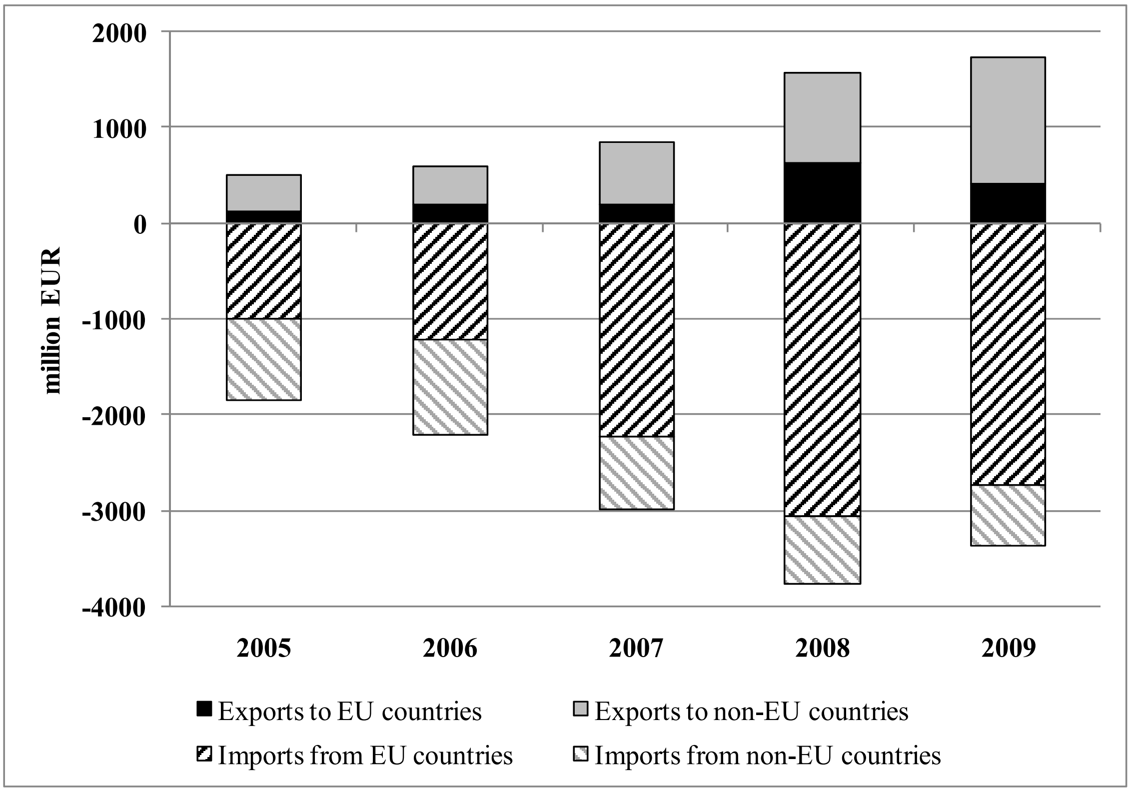

Figure 2 – Romanian agri-food trade

Source: Eurostat

The top 5 countries receiving intra-EU goods (almost half of the total) are Germany, UK, Netherlands, Italy, France, while Romania is taking rank 18 again.

The agri-food intra-EU trade, representing 8.1-8.9% of the total intra-EU trade, saw a higer increase rate (+28%) in 2005-2008. The economic crisis, most severe in 2009, resulted as well in a diminished agri-food intra-EU trade, but the drop has been far less dramatic: by 5% only (as compared to 19% in total goods). Consequently, the crisis pushed up the share of agrifood products in total trade to about 10.5%.

In the post-accession years in Romania, the intra-EU trade increased significantly: dispatches tripled, and arrivals increased 2.5 times (2008/2006), resulting in a deficit that reached 2.4 billion EUR. In trade with non-EU countries (2008/2006), exports increased 2.5 times, while imports only 2.3 times, resulting in a positive trade balance (table 4).

Table 4 – Share of intra-EU agri-food trade in Romania (%)

	2005	2006	2007	2008	2009
Exports / dispatches	26.3	33.8	24.4	40.3	23.8
Imports / arrivals	53.9	55.2	74.5	81.1	81.3

Source: calculations using Eurostat data

Interestingly, the economic crisis pushed up the exports (extra-EU) and reduced both intra- and extra-EU imports, resulting in a diminished agri-food negative trade balance.

The share of agri-food extra-EU exports decreased significantly in the post-accession years, from 74% to 60% (2005-2008) and increased back to 76% in 2009; while for imports, the decreasing trend continued in 2009 as well (from 46% in 2005 to 19% in 2009).

Conclusions

Since 2003, EU-27 became the largest contributor to world trade; USA stepped down to the second position, and in 2007, stepped down to the third position, being replaced by China.

The EU agri-food sector has been among the economic sectors that took a less severe hit by the economic crisis, since the drop in the intra-EU trade has been only 5% in agri-food products as compared to 19% in total goods.

In the total intra-EU trade, Romania is ranking 18 (a middle position) both for dispatches and arrivals; nevertheless, despite a significant increase during post-accession years, it takes only 0.6% of the intra-EU agri-food dispatches and respectively 1.2% in arrivals in 2009.

In the post-accession years in Romania, the intra-EU trade increased significantly: both in dispatches and arrivals, resulting in a high deficit. At the same time, that reached 2.4 billion EUR.

In post-accession trade with non-EU countries, exports increased more rapidly than imports, resulting in a positive Extra-EU agri-food trade balance.

Interestingly, the economic crisis pushed up the exports (extra-EU) and reduced both intra- and extra-EU imports, resulting in a diminished overall agri-food negative trade balance.

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