Gains and losses of Romanian agri-food products on EU intra-trade market

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ABSTRACT

The paper attempts to highlight the evolution of the main Romanian agri-food products on EU intra-trade market, in the last two decades. We would like to analyse the products which lost the markets and those which have had a positive evolution. The paper approaches both the theoretical aspects and the practical aspects from the market, following the studies and analysis mentioned bellow.

This analysis used the data provided by National Institute of Statistics (INS), EUROSTAT, internet databases and articles periodically published by the institutions specialized in economic analysis, as well as other specialty works, studies and working papers done by different researchers across Europe. Last but not least, we use the partial results from the FP7 Project COMPETE (*International comparisons of product supply chains in the agro-food sectors: determinants of their competitiveness and performance on EU and international markets*), financed by European Communities and National Ministry of Education and leaded by IAMO (Halle/Saale-Germania).

By present paper we would like to put in evidence and in balance, the weakness of the policies elaborated by Romanian governments in the last decades, the lack of investments and protection in some important and traditional branches and like a consequence, the disappearance of many Romanian products from the EU market and in the same time, the "partial success" of a few products which are still on the market.

Keywords: Agri-food products, competitiveness, EU market, Romania

INTRODUCTION

By present paper we would like to analyse the evolution of the Romanian trade in the last decades, especially after EU accession. We focus on the agri-food trade and have in view the intra-EU trade.

There are a few Romanian products which "survived" on EU market and among them there are a few agri-food products, as well. Their existence is not absolutely correlated with accession into EU market. In the same time, many Romanian "traditionally" products disappeared, including agri-food products. There are lost markets but also gain markets. In this way, we can separate the analysis in winners, when we have in view the products (producers) still on the market and losers, when we have in view the products (producers) not on the market, at all. We want to analyse the dynamic evolution of the products on the market in close connection with their competitiveness.

The meaning of the term “competitiveness” is “to be able to withstand market competition” (EU, 1999 a). For firms or companies, “competitiveness” as a measure of economic viability is broadly accepted. Here, in a competitive market, “competitiveness is the ability to produce the right goods and services of the right quality, at the right price, at the right time. It means meeting customers’ needs more efficiently and more effectively than other firms do.” (DTI, 1994, in Thomson&Ward, 2005).
For nations, the term competitiveness is defined by the OECD as “the degree to which [a nation] can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real income of its people over the long term.” (DTI, 1994, in Thomson&Ward, 2005).
In the same time, we can have in view the European Union’s Sixth Periodic Report on the Regions (EU, 1999a) which specifies “Regional Competitiveness” as “‘the ability of a region to generate, while being exposed to external competition, relatively high income and employment levels’. In other words, for a region to be competitive, it is important to ensure both quality and quantity of jobs.” (EU, 1999 b).
The list of different definitions, to approach the term “competitiveness”, as well as the list of different competitiveness indices and indicators could be expanded by a huge number of studies and papers, all of which have their strengths and weaknesses. However, it also becomes clear, that the idea of productivity and employment runs like a red thread through more or less all of the concepts of competitiveness, most of all in connection with the living standard of the regional population (Schaller, L., Kapfer, M., Kantelhardt, J., Boris van Zanten, Verburg, P., Amsterdam, 2012).
Not the last, it is obvious the link between the products (firms) “lost in transition” and the lack of a clear and stable policy in this field.

1) Romanian agri-food trade and consumption

National economy, including Romania’s foreign trade in the last two decades, passed on a difficult stage through essential characteristic of the transition period to market economy. Worldwide, one of the most important problems was ensuring the competitiveness of products, “their survival” on the new open and global market, in other words the development of trade. Accordingly thorough knowledge of international economic relations, including in terms of theoretical and practical trade policies which have influenced, is a strict requirement of current economic and political.
Romania's foreign trade has undergone major changes with the collapse of “iron curtain” in 1989 and after with the entry into the European Union in 2007. Positive steps have been taken, especially lifting trade barriers, have led the free movement of goods, services and capitals. Thus, the single European market which resulted through economic integration has helped increase trade flows, but also to increased cross-border economic size (Bojnec S., Fertő I., 2009).
In Romania, these measures have caused a shift in exports for 83% of total trade for the European space. Imports hit a little less high, and yet they were oriented at a rate of over 68% for the European continent (Miţuko-Vlad I., 2012). Our main focus is on the agro-food trade in Romania and its competitiveness, also comparative advantage in the European area**.** As regards the concept of revealed comparative advantage, we mention that it was introduced by Liesner in 1958 and it was redefined by Balassa in 1965, in order to identify the country´s weak and strong export sector. Thus, Stern and Deardoff in 2006 argued that the non-involving countries in the global trade arrangements are more likely to lose then the others countries.

Generally, the trade volume meets a positive growth rate and the private sector is much highlighted. The total Romanian export has had an increasing trend and the decisive “jump” was done in 2007, when Romania joint EU. Nowadays, the Romanian export to EU market is bigger than 70% in total Romanian exports, but also the Romanian imports from EU reached 70% from total Romanian imports (in terms of value and volume). Unfortunately, there is no agri-food product in Top 10 Romanian exports in last decade.
If we have in view the share of agri-food products in total Romanian exports, in the last two decades, we can say that it was not constant and was characterized by fluctuations close correlated to weather conditions. For instance, the evolution in a few years of transition and after accession into EU (FOB) was: 1991 = 4.9%; 2000 = 2.4%; 2007 = 2.2%; 2010 = 5.1% (calculations based on INS database).
After this short characterization of the Romanian trade, we can conclude that Romania is integrated (and dependant) of the EU intra-trade, but the agri-food products are not important in the balance of trade.
The Romanian agricultural balance of trade (see Figure 1, Figure 2) increased but reflects the dependency of natural conditions (especially precipitations), and it is correlated with the national productions.

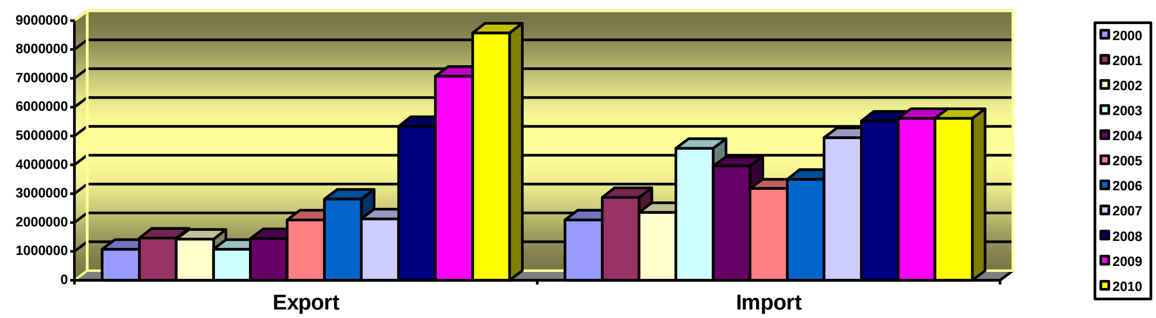

Figure 1. Agricultural balance of trade (Tons)
Source: INS

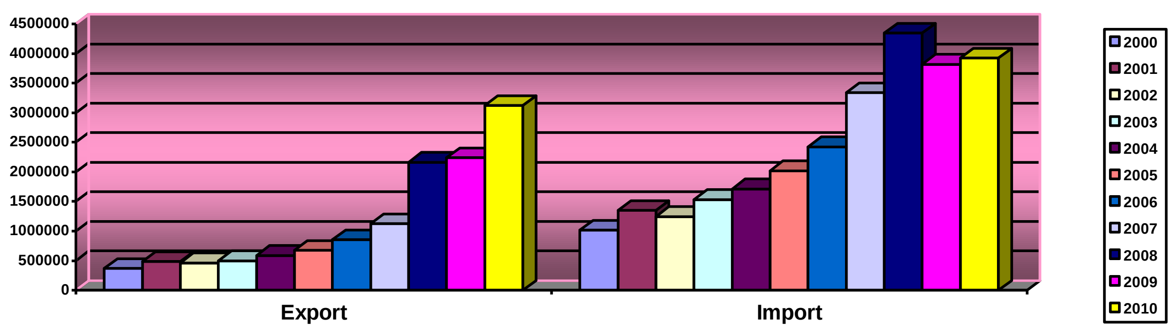

Figure 2. Agricultural balance of trade (Value-Thou.EUR)
Source: INS

From both figures, other conclusion can be draw: Romania exported cheap and imported expensive. It means that, even if the exports increased in the last years faster than imports (in volume), we see that in terms of value the imports are higher than exports, in other words, we export raw materials and import value added products.
In the next two figures, we present the balance of trade in case of vegetables (Figure 3, Figure 4).

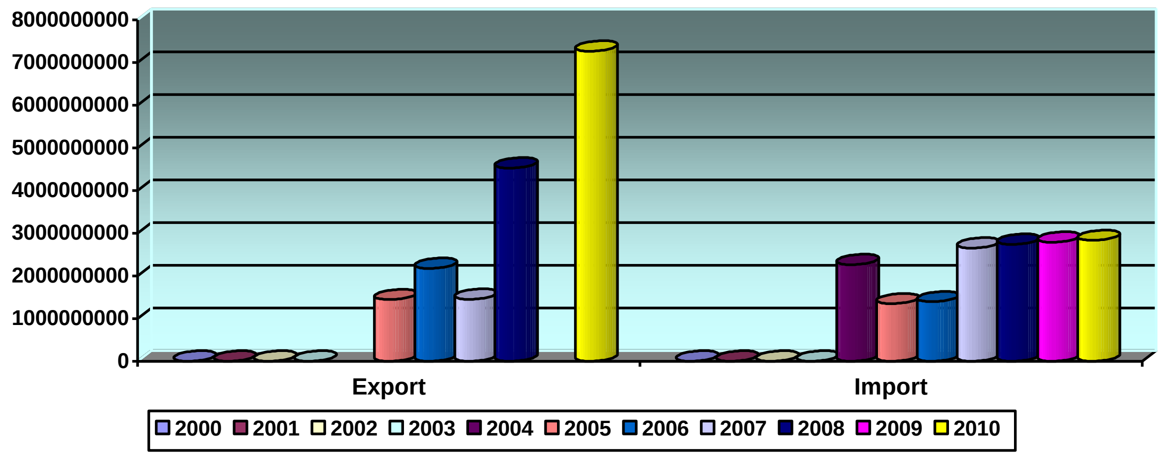

Figure 3. Vegetables balance of trade (Tons)
Source: INS

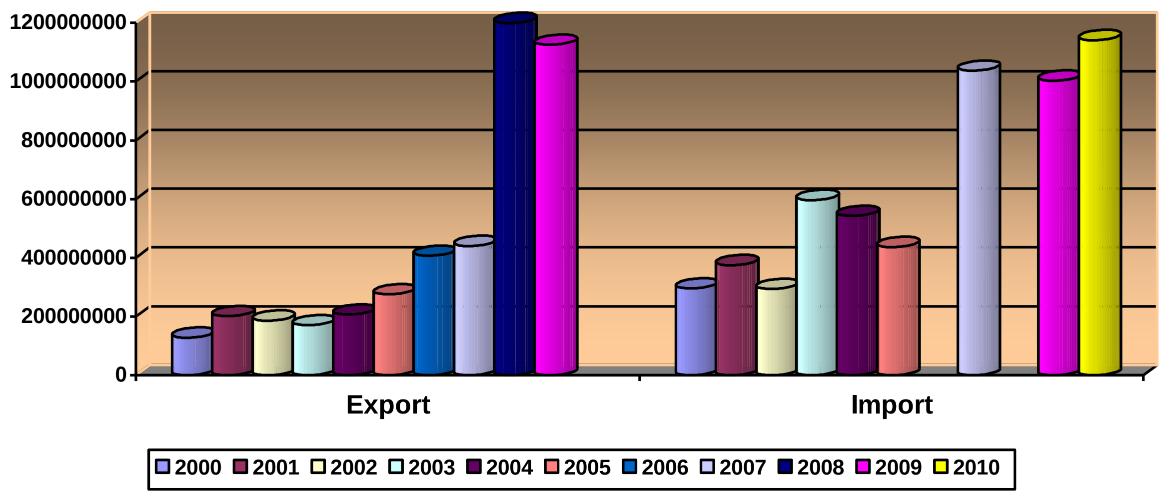

Figure 4. Vegetables balance of trade (Value-Thou.EUR)
Source: INS

In this case, the political moment when EU decided “the road map” for Romania and Bulgaria and their accession into EU in the “second wave” (2007) was decisive and the trade increased. In recent years, the exports are bigger than imports in volume. On the other side, if we have in view the value, the trade increased after 2007, the moment of accession into EU. The same conclusion, like in the case of agricultural trade, we can draw for vegetable trade: Romania exports raw materials and imports value added products, but the differences are not so evident.

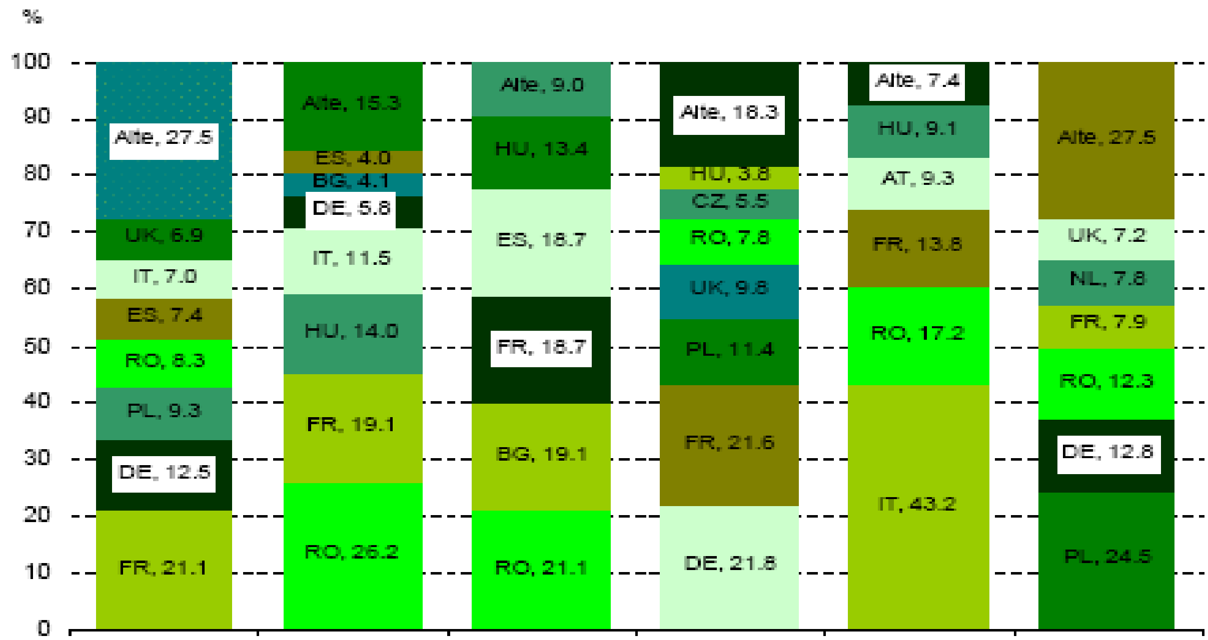

Figure 5. Area cultivated with main crops in EU, in 2010
Source: INS, 2011, Producţia vegetală la principalele culture în anul 2010, ISSN: 1842-0575, ISSN-L:1842-0575, ISSN-L:1842-0575 (Based on Eurostat New Cronos Data)
Note: Collumn 1 = Wheat, Collumn 2 = Maize, Collumn 3 = Sunflower, Collumn 4 = Rape seeds, Collumn 5 = Soybeen, Collumn 6 = Potatoes

Among vegetables, cereals play an important role. We admit that the national performances in cereal sector are not the best among EU countries, and the competitiveness is low, but still the cereal sector has its importance in national economy, even at Euro-regional and EU level. If we compare the area cultivated with the main Romanian cereals (wheat and maize) with the area allocated for the same crops in other EU countries we must recognize this (Figure 5).
Despite of important areas allocated to cereals crops, the production and yields are weak. Not the same we say about other EU countries. That is why, the competitiveness of Romanian cereals sector is low and, in the same time, we can put in evidence that the consumption of cereals in Romania is close connected to “import-export game”.
At EU level, only a few countries concentrate the majority production of main crops (data for 2010: INS, 2011):

-75.9% Wheat: FR, DE, UK, PL, IT, DK, RO;
-74.5% Maize: FR, RO, IT, HU, DE;
-90.7% Sunflower: FR, BG, RO, HU, ES;
-82.7% Rape_seed: DE, FR, UK, PL, CZ, RO;
-95.9% Soybean: IT, RO, FR, AT, HU;
-79.2% Potatoes: DE, PL, NL, FR, UK, RO, BE.

It means that only country like France, Germany and Romania are the main providers of principal crops (Figure 6).

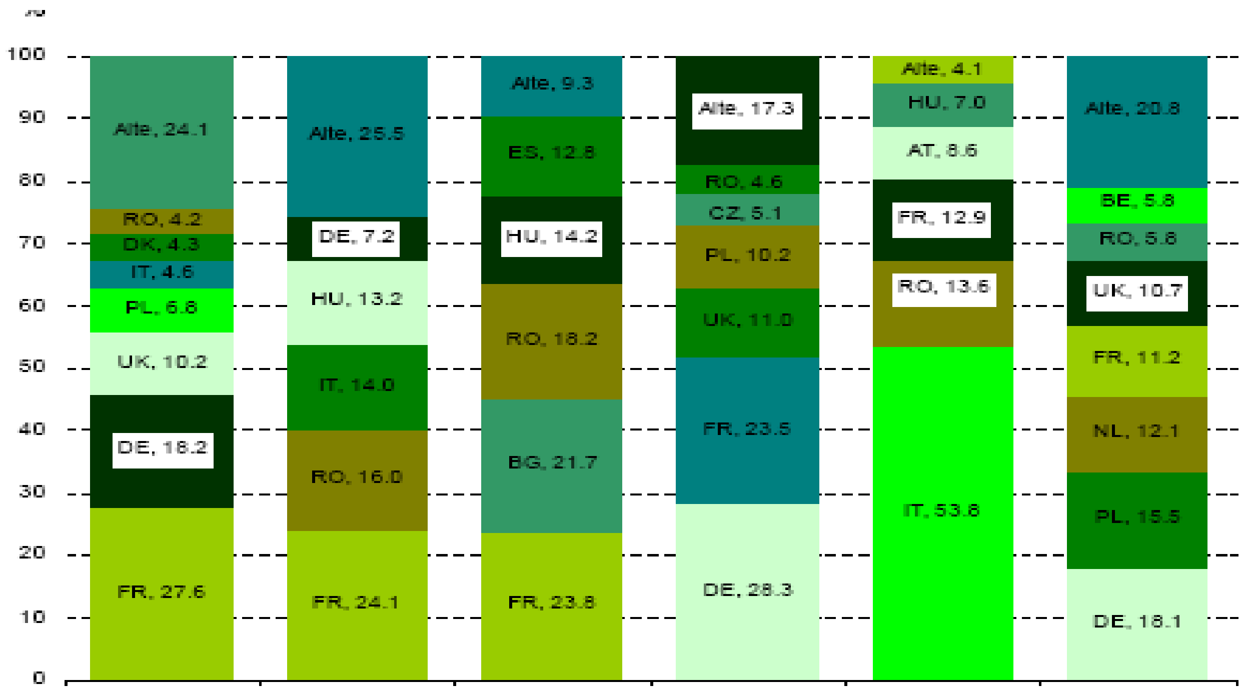

Figure 6. Production of main crops in EU, in 2010
Source: INS, 2011, Producţia vegetală la principalele culture în anul 2010, ISSN: 1842-0575, ISSN-L:1842-0575 (Based on Eurostat New Cronos Data)
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Generally, the consumption declined, as a result of diminution of population (if we speak at national level, about total national consumption) and due to the degradation of the standard of life (in some areas or social structures) or the reorientation of the consumers to other food. The consumption was lower and lower for all products analyzed both at national and regional level.
The balance of trade shows us the main destinations and sources of cereals and the main foreign partners (countries) for Romania. As a particularity, for imports the main partners are the neighbours and for exports countries from EU (West) or from other continents.
Climatic conditions remain a major factor for cereals default to have as a bakery. For instance, year 2008/2009, excessively dry year, had a very significant positive influence on all quality parameters like: mass per storage volume, protein content, gluten content, index gluten index of deformation and rate of fall than in 2007/2008 taken as a witness. It should be noted that excessive drought resulted in the production of very low, which could lead to the conclusion that high values of quality parameters is negative relationship just because, well known, the production and quality. Year 2009/2010, year of excessive rainfall, significantly influenced positive content gluten, gluten index and index zelleny, slightly influenced the rate of deformation, and decrease was recorded on protein content, indicating the loss and the mass hectoliter, compared to the control.
If we considered the influence of technologic factor, the experiences and practices give us an idea about their importance and influences. Generally, additional dose of fertilizer translates into a very significant positive from the basis, the following indices increased: protein content, containing gluten, indicating gluten, sedimentation index, index of deformation-growth.

In the end, we would like to add that in the context of development and management process of the National Strategy for Export (SNE), appeared more and more evident the necessity of regional approach, or local, as regards the export competitiveness. The main reasons are:

- Romania is situated below the European average in terms of regional development and competitiveness; the gap is found at national and regional level, as well;
- The degree of internationalization of Romanian companies, from the regional perspective, is modest;
- There are significant disparities between regions in terms of economic performances export and inequalities between different counties and areas of a region.

Consequently, for all Romanian regions, developing public-private partnership (PPP), regional competitiveness strategies, involving associative structures of business and local authorities is necessary to increase the region's competitiveness in international trade.
Having in view all these reasons, we can say that SNE is also the result of the collaboration between the entities interested in export and associative structures of both businesses and public authorities.

2) ROMANIA IN EU INTRA-TRADE

In this subchapter we want to analyse the Romanian trade with agri-food products in EU zone. For this, we calculated the share of the main Romanian agri-food products in the total Romanian agri-food exports, and the share of the Romanian agri-food products in the EU intra-trade.
In this way, we want to determine the "winners" and "losers" of the pre-accession and post-accession period among Romanian agri-food products.
If we have in view the main Romanian agri-food products exported during the mentioned period, we can identify the "winners", which are products still competitive (Table 1).

Table 1 - % 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)

We can say that important for Romanian agri-food trades are products like: cereals (wheat, maize), sheep/mutton/goats, oilseeds (rape and sunflower). Secondary, are products like: honey and sunflower oil.
When we try to identify the losers, those products which lost the markets and are not important in exports nowadays, we find a few traditional products which did not remain at a competitive EU level (Table 2).

Table 2 - % 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)

From the table above we can conclude that important for Romanian trade were: cattle, pork, fruits (apple, pears) and wine. The dramatic negative decrease was in case of cattle and pork. The other two lost the markets and became less competitiveness.

In the end, we want to know the share of the Romanian agri-food products in EU intra-trade market, in FOB prices. This is another estimation of the competitiveness of the Romanian agri-food products at EU level (Table 3).

Table 3 - % of Romanian agri-food exports in EU intra-trade market (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 www.exporthelp.europa.eu

Having in view the data presented, we identify two types of products: active (honey, sheep) and passive (cereals, oilseeds). Among cereals, we underline wheat and maize and among oilseeds only rape. The active products have an ascendant trend and very good perspectives (competitiveness) and the passive products have a linear evolution under the pressure of different factors.

CONCLUSIONS

The results of the research can be summarizing as follows:

- A few traditional agri-food product lost the markets because of the less of competitiveness (pork, cattle), fruits (apple, pear) and wine;
- There are a few products which are still on the market and have a good potential with perspectives of grow like: cereals and sunflower oil;
- Competitive products are: sheep/goats, honey and oilseeds (rape).

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