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Dynamics and performances in the international trade of Romania's agri-food products, by the processing level

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DYNAMICS AND PERFORMANCES IN THE INTERNATIONAL TRADE OF ROMANIA'S AGRI-FOOD PRODUCTS, BY THE PROCESSING LEVEL

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Summary: *The research aims at analyzing the factors of export growth of Romania's agri-food products on the world market during the period 2001-2013. The analysis used statistics for Romania's foreign trade and world trade in nominal terms, by main groups of products aggregated by codes 01-24 of the Harmonised System. The results show changes in the structure of agri-food trade flows of import and export by processing degree, evolution of trade balance and structure of export growth, highlighting the comparative performance of pre-accession Romanian and post-accession.*

Keywords: *agri-food trade, processing sector, post-accession.*

INTRODUCTION

The agricultural sector worldwide has been facing lately with the highest increase of the agricultural prices' level and price volatility of the period following the years '70, as a consequence of an increasingly strong influence of certain factors outside agriculture, such as the macro-economic shocks or the variation of agricultural markets in correlation with energy and other commodities and the great uncertainty in relation to climate changes (EC, 2012).

Although the trade policies generally have the greatest effect upon the agri-food trade, as regards the high-value products such as the processed products, the trade flows are also influenced by other factors affecting the consumers' preferences and the agri-food production factors.

Until the recent financial crisis and the subsequent collapse of the world trade, the agricultural trade experienced consistent growth, favoured by the incomes and population growth, the decrease of transport costs and a greater access to the market, having in view the opening of markets by the application of the Uruguay Round Agreement on Agriculture (URAA).

Food industry globalization enabled the firms to have an easier access to capital and technology, two of the most important inputs used in the production of many processed products. Consequently, the food trade practices adapted as structure, partners and net commercial positions for many of these products (Liapis, 2011).

The capacity of a given country to perform as a player in the agricultural and food trade increasingly depends on the way it gets integrated into the sectors of processed products. It depends to what extent the countries get specialized and export these products, using the more plentiful national inputs. The increase of processed products export has a key importance for the socio-economic security, having the potential to extend the labour employment and income gaining opportunities beyond the farm gate.

Thus, the general tendency in the global food trade system to gradually move to an open market is a desirable process in the broader sustainable development context. However, among the countries that joined the European Union in the year 2007, Romania has been confronted with a strong competition pressure in the food processing sector.

In this context, the purpose of the present approach is to deepen the research work on Romania's trade performance on the world markets, continuing the previous approaches (e.g.: Rusali, 2014; Rusali, 2013; Steriu & Otiman, 2013), while focusing on the segment of processed products.

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MATERIALS AND METHODS

The research has been used the methods of statistical analysis in foreign trade and synthesis of the outcome resulted from the evaluations of relevant indicators, by comparing the periods related to Romania's pre- and post-accession to the European Union (EU).

The results provide the evaluation of the contribution of products, aggregated according to sections and chapters, in the foreign trade flows and trade balance, by analyzing the structure of the exports and imports of processed agrifood products in evolution on the international markets.

The statistical material has been provided by NIS – The Romanian Statistical Yearbook and the Statistical Bulletin of International Trade from the corresponding data base of the period of time under review between 2001-2013, comprising the codes of the Combined Nomenclature (CN), respectively chapters 01-24 of the Harmonized System (SA).

RESULTS AND DISCUSSIONS

Romania's agrifood trade had a general increasing trend within the period of time 2001-2013, especially in exports, however, Romania had a small contribution in the total agrifood trade quantum of the 27 Member States, both in exports (0.8%) and in import (1%) (Rusali, 2015).

In the year 2013, the market share of the Romanian exports in EU registered the highest value of the analyzed period of time, of 1.2%.

Nevertheless, Romania's agrifood trade balance developed a balanced trend, mainly after the accession to the EU, although recorded significant deficits, of -1.1 billion Euro as an average of the period of time 2001-2006, it has been deepened to -1.4 billion Euro within 2007-2013, but (fig. 1).

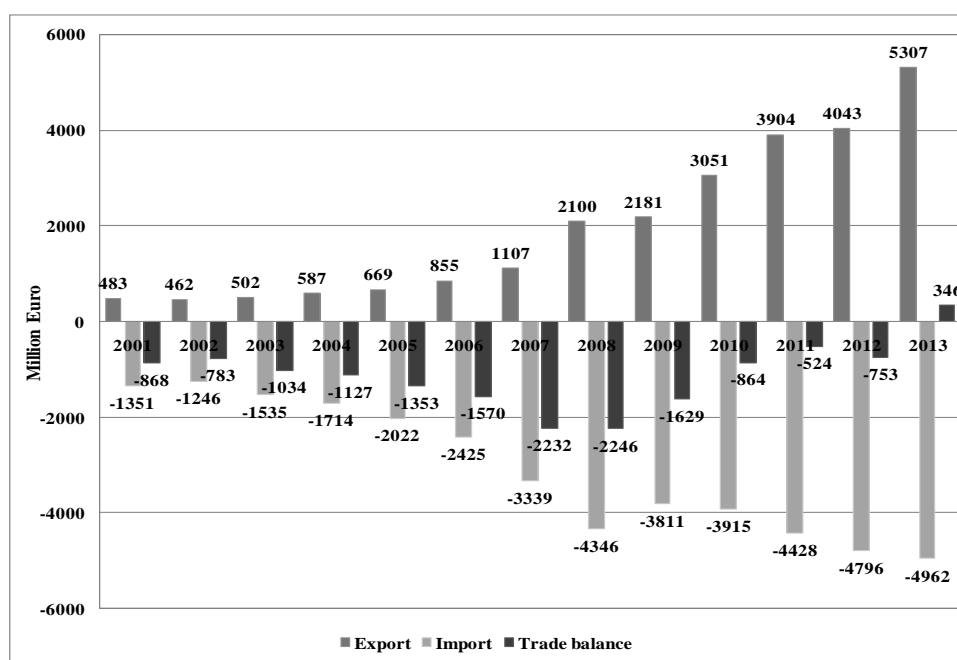
In the period 2001-2013, Romania's total agrifood trade cumulated 65 billion Euro, of which 23% deficit, exports grew 11 times, while imports 4 times.

Following the year 1989, when the agrifood sector was producing a net trade of 139 million Euro, only in the year 2013 Romania's agrifood trade achieved a positive sold, in amount of 346 million Euro (fig. 1), an unique performance in the last quarter of century (Rusali, 2015).

The evolution and structure of the agrifood trade, by the main groups of products of the CN sections, indicating the trade flows and balance are explicitly presented in table 1.

The main contributors to the trade deficit have been the sections IV- *Food, beverages and tobacco* (44% in import), cumulating -862 million Euro in the year 2013 and section I- *Live animals and animal products* (30% in import), responsible of a deficit of -371 million Euro.

The greatest share in exports had the products included in section II – *Vegetable products* (49%), being the single section that recorded an exceeding trade during 2008-2012 and was responsible of the positive sold in the year 2013, of a 1.5 billion Euro value, followed by the section IV - *Food, beverages and tobacco* (29%).



Source: M.A. Rusali, processing of data from NIS.

Figure 1: Romania's agrifood trade flows and balance, 2001-2013

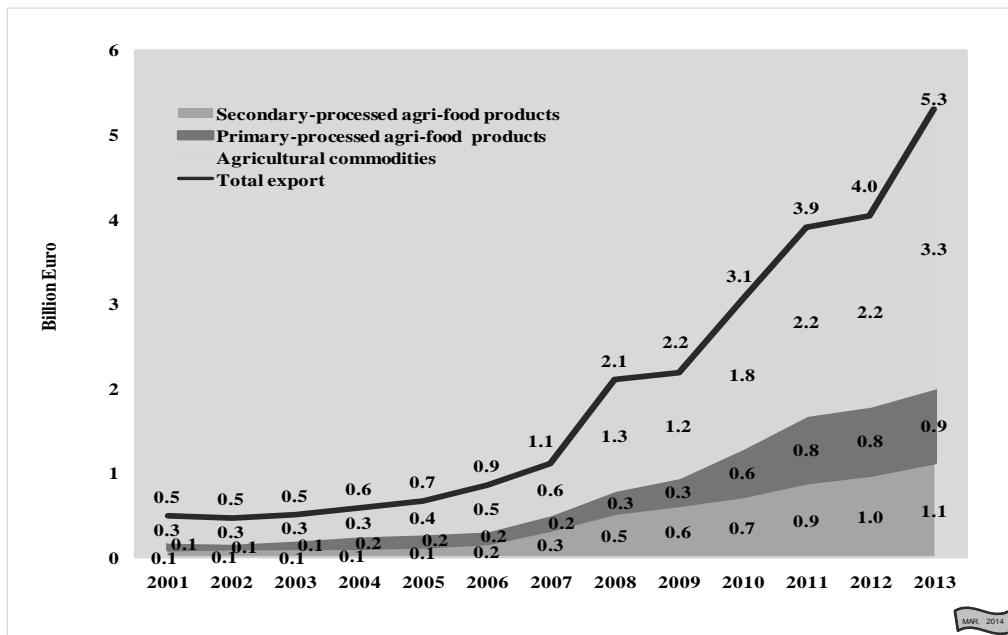
The section III – *Vegetable and animal oils and fats*, although in deficit in almost all the years, had the smallest share in trade (5%), had an increasing trend of export values, in order that registered a net trade in 2013.

Table 1: Romania's agrifood trade flows and balance, by CN sections: structure and evolution 2001-2013 (million Euro)

	I – Live animals and animal products			II – Vegetable products			III - Vegetable and animal oils and fats			IV - Food, beverages and tobacco		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
2001	146	-314	-168	202	-375	-174	28	-38	-10	108	-624	-516
2002	153	-312	-159	188	-294	-106	10	-70	-60	111	-569	-458
2003	189	-261	-72	174	-596	-422	28	-55	-27	111	-623	-512
2004	200	-389	-189	208	-543	-335	64	-52	12	115	-730	-615
2005	195	-662	-468	274	-437	-163	62	-59	4	138	-864	-726
2006	211	-707	-496	408	-538	-130	57	-74	-17	179	-1106	-927
2007	248	-870	-622	436	-1037	-601	67	-144	-77	356	-1288	-932
2008	261	-1191	-930	1157	-1259	-102	106	-227	-121	576	-1669	-1093
2009	313	-1108	-795	1092	-998	94	87	-160	-73	689	-1544	-855
2010	416	-983	-568	1606	-1138	469	162	-217	-55	867	-1577	-710
2011	562	-960	-398	2027	-1322	706	240	-246	-6	1074	-1900	-826
2012	728	-1035	-307	1971	-1418	553	183	-239	-56	1161	-2104	-943
2013	747	-1118	-371	3004	-1458	1547	240	-208	32	1316	-2179	-862

Source: M.A. Rusali, processing of data from NIS.

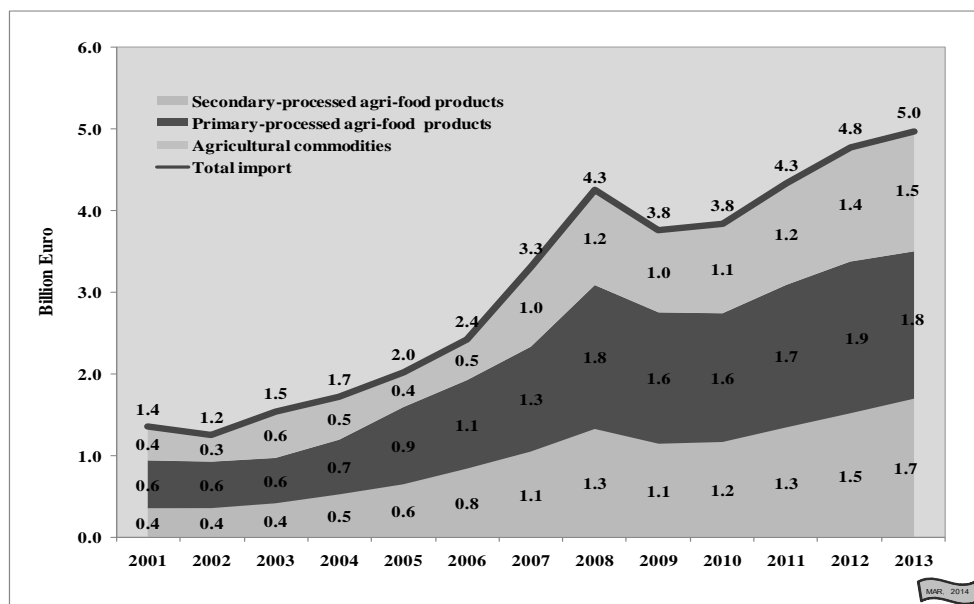
As it can be observed from fig. 2, in Romania's exports of processed products from the agrifood sector, including the primary and secondary processed products, have been continuously increased, from 185 million Euro, in the year 2001, reaching of over 2 billion Euro in the year 2013. However, their share in the agrifood export had a more reduced increase, from 39%, to 42%.



Source: M.A. Rusali, processing of NIS data.

Figure 2: Structure of agrifood exports, by the processing level: 2001-2013

Exports of secondary processed products had the most rapid yearly increasing rate, of 23%, respectively from 88 million Euro, to 1.126 billion Euro. Comparatively, the primary processed products had an increasing rate of 20%. The basic products evaluated closed to Romania's total agrifood exports increasing rate, of 22%.



Source: M.A. Rusali, processing of NIS data.

Figure 3: Structure of agrifood imports, by the processing level: 2001-2013

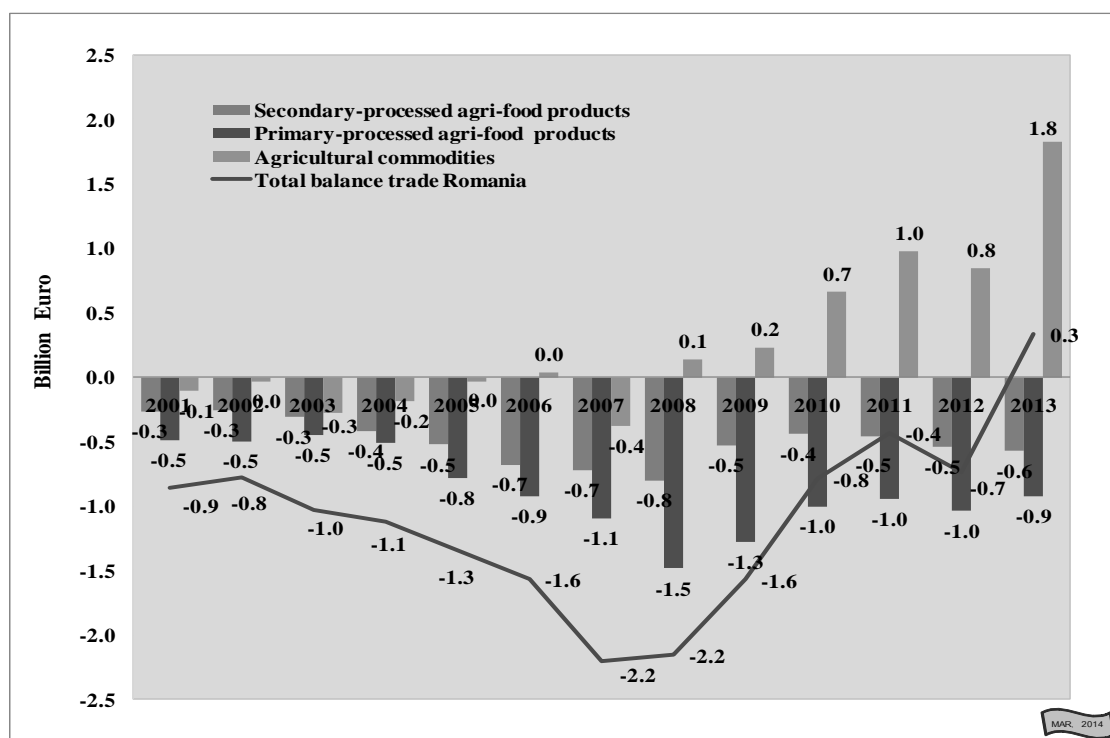
At the same time, the agrifood imports had a lower yearly increasing rate, of 11%, in the period 2001-2013, growing from 1.3 billion Euro, to 4.9 billion Euro, although having comparable high values on all products (fig. 3).

As well, the basic agricultural products prevailed in exports, rising from 289 million Euro, in 2001, to 3.3 billion Euro, in 2013.

It should be noted that exports of basic agricultural commodities, the growth gained momentum after accession, the annual growth rate being 33% versus 12% in the previous period of

analysis, while imports had an annual rate of higher growth in the period 2001-2006, 15% versus 7% in 2007-2013.

As shown graphically (fig. 4), the trade balance varied significantly during the periods under review, the inflection point was 2007.



Source: M.A. Rusali, processing of NIS data.

Figure 4: Romania's agri-food trade balance, by the processing level of products: 2001-2013

Major benefits were brought by the agricultural products that were surplus since 2008, the balance cumulating 1.8 billion Euro in 2013. In contrast, primary processed products were responsible for most of the deficit, amounting together with secondary processed products a deficit of 1.5 billion Euro.

The main Romanian products aggregated in chapters 01-24 according to CN that have performed during 2001-2013 are those which have registered a positive balance in foreign trade.

In table 2 are shown Romania's agrifood products changes in the net trade between pre-and post accession periods, including a selection of the most recent years, and the related amounts of earnings from foreign trade, as well their evolution as a share in exports.

Table 2: Changes in the net trade income of Romania's agri-food products, by chapters CN

2001-2006		2007-2013		2011		2012		2013	
Code CN / Denomination	mil. €	Code CN / Denomination	mil. €	Code CN / Denomination	mil. €	Code CN / Denomination	mil. €	Code CN / Denomination	mil. €
01-Live animals	96	10 -Cereals	656	10-Cereals	741	10-Cereals	965	10-Cereals	1658
12-Oil seeds	33	12 Oil seeds	319	12- Oil seeds	566	24- Tobacco and prod.	217	12- Oil seeds	546
14-Other vegetable prod.	1	24 -Tobacco and prod.	173	24-Tobacco and prod.	242	12- Oil seeds	209	24- Tobacco and prod.	271
		01 Live animals	115	23- Residues, wastes of food industry	241	01- Live animals	165	15-Fats and oil	32
		14- Other vegetable prod.	0	01- Live animals	132	14-Other vegetable prod.	0,5	16- Meat and fish preparations	6
				14- Other vegetable prod.	0.5			14- Other vegetable prod.	0.2
Share in export	28%	Share in export	38%	Share in export	42%	Share in export	38%	Share in export	50%

Source: M.A. Rusali, processing of NIS data.

Net trade income summed had decreased sharply in total agri-food exports of Romania after accession, respectively, from 39% in 2006 to 19% in 2007, but the trend has recovered in the next years, so that comparing to the 2001-2006 average of 28%, the average share in exports grew to 38% in 2007-2013. Net trade was recorded only for cereals, oilseeds and live animals, and processed products from CN chapters including tobacco and other vegetable products.

In 2013, due to an outstanding production of cereals, but also of products in the chapters including tobacco, fats & oil, meat & fish preparations and other vegetable products and plaiting materials, the net trade revenue accumulated 2.6 billion Euros, achieved through the contribution of mentioned products, their net trade income sharing 50.4% in export.

There have to be underlined the maintaining of specialization in post-accession period of cereals, oilseeds and tobacco, and a loss in 2013 on the products included in the live animals chapter.

The matrix of products surplus as well notes a growing trend of processed products, from 4% average of period 2001-2006 to 13% in 2007-2013 and a diversification of the supply.

CONCLUSIONS

During the review 2001-2013, there were recorded increases both of the values of exports and imports of agricultural products in Romania, under the impact of political changes of preparation and then join the single European market. The main positive effect in trade was the downward trend of the deficit and regaining in 2013 of the net agri-food exporter position.

During this period Romanian exports of processed products have a continuous growth, although their share in world agrifood exports had a modest increase. Meanwhile, secondary processed products had the fastest growth compared to the primary processed. However, exports of basic agricultural products, as well with an increasing trend, consistently prevailed in Romania's foreign trade.

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