

INTERNATIONAL TRADE IN AGRICULTURAL FOOD PRODUCTS AND ITS IMPLICATIONS ON THE ECONOMIC DEVELOPMENT OF ROMANIA

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Abstract: The purpose of this paper is to present the evolution of Romania's international food product trade in the period 2002 – 2008. The structural changes are presented and the external balance of payments deficit is determined both for the food products as a whole, as well as for the main groups of food products. The import of the main products is compared with the domestic production and the negative effect of the lack of a Romanian policy on economic development is underlined.

JEL classification: F12, F59

Key words: foreign trade; export; import; food products; trade deficit

1. INTRODUCTION

The economic development of a country should be analysed against the international background, due to the fact that foreign trade drives significant structural alterations, either as a result of the product demand for in various foreign markets, or due to the provision of the resources required for the domestic economy of the state.

Romania's integration into the EU structures has led to structural changes both in the pre-adhesion period, as well as, and especially after its adhesion, when the effect of the liberalization of the foreign trade was reflected in the economic development of our country. This is the reason why this study concerning the evolution of the Romanian foreign trade was carried out.

Foreign trade has always been and will always be one of the activities leading to the closest relationships among nations, the ferment which amplifies and maintains the relationships created among them.

Globalization has determined not only structural and managerial economic changes at the national and global level, but also innovations in the economic and commercial national, regional and global policies.

The increase in the potential of national economic competition becomes vacillating and unstable, and is strongly influenced by the evolution of technological progress and by its implementation in the economic and social life.

The international trade of any country should not be a purpose in itself; it should be carried out for the economic development of the participant countries, for the improvement of the standard of living for all the inhabitants of such countries.

Starting from these reasons, we analysed the Romanian foreign trade in agricultural food products, and we tried to assess its effects of the economic development of the country.

2. CRITICAL ANALYSIS ON THE INTERNATIONAL TRADE IN AGRICULTURAL FOOD PRODUCTS

The Romanian foreign trade had a spectacular evolution in the past two decades. From a foreign trade volume of 18576 mil. USD, out of which export and 8402 mil. USD import, recorded in 1985, it came up to a total volume of 89,965 million Euros in 2008, out of which exports of 33,628 million Euros and imports of 56,337 million Euros, which represents an increase of 384% percent per total, of 232% percent at the export and 570% percent la import.

The structural changes in the Romanian foreign trade occurred not only between the export and the import, but also on geographical areas, states, economic categories, products, etc.

Table no.1 emphasizes the evolution of the Romanian international trade as a whole, and in the areas of the foods and beverages (according to MCE), in the period 2002 – 2008.

Table no.1

International and food and beverage trade between 2002 and 2008 (mil. Euros)

Specification		2002	2003	2004	2005	2006	2007	2008
Romanian international trade	Total	33356	36815	45176	54823	66596	80871	89965
	Export	14675	15614	18935	22255	25850	29549	33628
	Import	18881	21201	26281	32568	40746	51322	56337
Out of which: Foods and beverages	Total	1335	1637	1763	2113	2656	3498	-
	Export	386	431	464	538	736	804	-
	Import	949	1206	1299	1575	1920	2694	-
out of which: I. Staple commodities (basic)	Total	547	790	733	717	927	1289	-
	Export	274	297	310	364	519	528	-
	Import	273	493	423	353	408	761	-
- mainly for household use	Total	186	215	239	306	359	451	-
	Export	65	76	83	86	82	85	-
	Import	121	139	156	218	277	466	-
II. Processed products	Total	788	847	1030	1396	1729	2209	-
	Export	112	134	154	174	217	276	-
	Import	676	713	876	1222	1512	1933	-
- mainly for household use	Total	586	623	797	1151	1401	1876	-
	Export	104	120	134	152	185	246	-
	Import	482	503	663	999	1216	1630	-

Source: Romanian Statistical Yearbook

The data point out that in the period 2002 – 2008 the total international trade activity increased 2.7 times, i.e. the export increased 2.3 times, and the import 3.0 times, which led to the increase in the trade deficit.

While this deficit amounted to 4,206 million Euros, in 2008, the balance of trade deficit reached the value of 22,709 million Euros in 2002, i.e. there was an increase by

18,503 million Euros in the deficit. Under these circumstances, the balance of international payments continuously went from bad to worse, and the Romanian foreign indebtedness was increased.

The different pace of the export as compared to the import led to structural alterations in the foreign trade. While, in 2002 the export accounted for 44% of the total foreign trade, and the import accounted for 56%, in 2008 the export percentage in the total foreign trade went down to 37.4 %, and the import percentage reached 64.6%.

Given the fact that Romania has a high agricultural potential, we aimed at assessing the extent to which this potential was turned to good account for the increase of the international trade. For this purpose, we analysed the evolution of the international trade in foods and beverages which is closely related to the development of agriculture and food industry.

The statistical data underline the fact that this group of products had a somewhat slower rate of growth. In what the total foreign trade in foods and beverages is concerned, in the period 2002-2007 the export increased 2.6 times, and the import increased 2.1 times, while the import of these products increased 2.8 times.

The Romanian foreign trade in foods and beverages was studied on these two main sub-categories, i.e. staple (basic) commodities and processed products.

The export of staple commodities was increased from 274 million Euros in 2002, to 528 million Euros in 2007, while the export of processed products was increased from 112 million Euros in 2002, to 276 million Euros in 2007.

Whilst the export of staple commodities for foods and beverages was increased by 254 million Euros, the export of processed products was increased by only 164 million Euros, which means that a structural change occurred to the detriment of highly processed products made from agricultural products.

In the period 2003 – 2006, the import of staple food and beverage has a downtrend, but in 2007, as a result of Romania's inclusion among the EU member states and to the elimination of customs duties for the foreign trade activity performed within EU, the import of staple food and beverage commodities had a spectacular increase, from 408 million Euros in 2006, to 761 million Euros in 2007.

The import of processed food and beverage products was continuously increased, from 676 million Euros in 2002 to 1933 million Euros in 2007, i.e. an increase by 1,257 million Euros.

The export of staple commodities has the disadvantage that, due to the fact that such products have a low processing level, they will also have a low contribution in foreign currency per unit of product. Consequently, for a certain increase in the export value, a bigger quantity of products will be exported than in the case when the products exported would have a higher processing degree.

In the case of the imported staple commodities, the question is whether they have been strictly necessary, or they were imported to the detriment of the products that could also be found on the domestic market. The import of staple commodities should have usually led to a steep growth of the staple agricultural commodity processing industries, but this did not happen.

In the case of the processed products, the import can only be justified if the domestic production is not able to provide the agricultural food products required.

The staple commodities as well as the processed ones are dedicated to the food consumption of the population or to the productive consumption. It would be preferable

that the products in question be mainly used for the productive consumption, and only to a lower extent for the household consumption.

Table no. 2 indicates the percentage of the household consumption and the percentage of the productive consumption in the total food and beverage import.

Table no.2

Percentage of the household consumption in the total import of staple commodities and processed products from the Food and Beverage Group

Year	% import of household consumption products in the total import of staple commodities	% import of household consumption products in the total import of processed products
2002	44.3	71.30
2003	28.19	70.54
2004	36.88	75.68
2005	61.76	81.75
2006	67.89	80.42
2007	61.23	84.32

The evolution of the percentage of the products dedicated to the household consumption proves that the foreign food and beverage trade increased to the detriment of the domestic production. While at least one third of the imported staple commodities were used as raw materials in the food and light industries, most of the processed products were used for the household consumption, which came to account for over 84% of the import of processed products from the food and beverage group.

Under these circumstances, the food product traders, i.e. most importantly the HYPERMARKET companies preferred imported products and contributed to the deterioration of the domestic production.

The international food product trade in the period 2002 – 2007 is shown in Table no.3

The statistical data prove that only in the case of livestock the export has had an increase to the detriment of the import. This would have been a positive aspect if productive livestock had been delivered.

On the contrary, the export of livestock for slaughter is detrimental to the economy, due to the fact that products with a low processing degree are exported, which has a negative effect on the domestic meat product industry in terms of raw material, thus decreasing the number of jobs in this field.

On the other hand, the import of meat and meat products has increased significantly, as compared to the export of this group of products that has had a relatively slow increase.

If in 2002 the foreign meat and meat product trade recorded a deficit amounting to 177 million lei, in 2007, the balance of payments deficit for these products came up to 517 million lei.

The international cereal and cereal-based product trade increased, in the period 2002 – 2007 more than 3.5 times. The export of these products was bigger than their import in 2002 (a 9 mil. Euros surplus), and during the six analysed years the structure was altered to the detriment of exports, thus 2007, the import had increased 5.25 times and generated a balance of trade deficit of 268 million Euros.

The foreign vegetable and food export tripled in 2007 as compared to 2002, coming up to 666 million Euros, but the relation between export and import became worse,

from 0.5 in 2002, to less than 0.2 in 2007, though Romania had been a big vegetable exporter until 1990. Currently, Romanian vegetables became very rare in big food product shops, and they have been replaced by vegetables brought from countries like Turkey, Italy, Spain, France, etc. Are these imported vegetables better, in terms of quality, than the domestic products, or do they prove that there is no trade policy meant to stimulate domestic production?

Table no.3
Agricultural food product import and export in the period 2002 – 2007

-million Euros-

Specification		2002	2003	2004	2005	2006	2007
Livestock	Total	159	156	165	178	190	228
	Export	115	136	141	143	153	181
	Import	44	20	24	35	37	47
Meat and meat products	Total	215	187	302	624	548	625
	Export	19	24	32	34	37	54
	Import	196	163	270	590	511	571
Dairy products and eggs	Total	40	41	46	59	72	179
	Export	9	10	14	17	16	21
	Import	31	31	32	42	56	158
Cereals and cereal-based products	Total	183	422	364	241	318	646
	Export	96	38	67	123	173	189
	Import	87	384	297	118	145	457
Vegetables and fruit	Total	225	166	295	386	447	666
	Export	74	86	93	108	89	109
	Import	151	80	202	278	358	557
Sugar and sugar and honey-based products	Total	128	146	139	153	232	187
	Export	18	26	22	18	37	24
	Import	110	120	117	135	195	163
Food for animals	Total	101	91	110	118	126	196
	Export	18	15	20	24	16	34
	Import	83	76	90	94	108	162
Various food products and preparations	Total	81	89	110	139	180	265
	Export	4	5	7	12	18	28
	Import	77	84	103	127	162	237
Beverages	Total	58	62	75	85	137	211
	Export	31	28	28	27	36	55
	Import	27	34	47	58	101	156
Tobacco	Total	164	174	216	254	271	295
	Export	15	9	3	4	10	139
	Import	149	165	213	250	261	156

Data source: Romanian Statistical Yearbook

What is more surprising is the fact that the import of products used as food for animals has increased, though the number of bovines is decreasing, while the number of pigs and birds has increased rather, the number of animals per 100 ha is lower in Romania as compared to the other countries in Europe.

In what beverages are concerned, the trade balance had a surplus of 4 million Euros in 2002, and in the following years the import exceeded the export, and in 2007 a balance of trade deficit of 101 million was recorded. Did Romanians need foreign

beverages in order to live decently? Wasn't the domestic production of beverages sufficient?

The international tobacco trade has mainly been limited to imports. The situation was critical in the period 2002 – 2007, in which the trade deficit for this product ranged between 134 million Euros and 251 million Euros, and in 2007 the situation improved, because the import was reduced by 105 million Euros as compared to the previous year, and the export was increased from 10 million Euros to 139 million Euros, and the trade deficit was only 17 million Euros.

3. ARGUMENTS FOR THE DECREASE OF IMPORTS

For a correct assessment of the food product import requirement, the agricultural food product consumption will be compared with the Romanian production (table no. 4)

Table no. 4

Main agricultural food product production and consumption

Specification		2002	2003	2004	2005	2006	2007
Cereals (wheat and rye) – thousand tonnes	Requirement	4882.5	4665.5	4769.7	4639.7	4388.9	4448.4
	Production	4441.1	2486.5	7877.4	7389.7	5561.9	3065.1
	Surplus	-	-	3107.7	2750.0	1173.0	-
	Deficit	441.4	2179.0	-	-	-	1383.3
Legume, leguminous plants and melons - thousand tonnes	Requirement	3205.1	3856.1	3977.6	3499.2	3906.6	3528.2
	Production	4028.7	4745.1	4886.2	3705.5	4210.5	3153.0
	Surplus	823.6	889	908.6	206.3	303.6	-
	Deficit	-	-	-	-	-	375.2
Potatoes - thousand tonnes	Requirement	1955.2	2070.2	2124.4	2116.8	2094.1	2066.2
	Production	3696.7	3568.3	3818.1	3738.6	4015.9	3712.4
	Surplus	1741.5	1498.1	1701.3	1620.8	1921.8	1646.2
	Deficit	-	-	-	-	-	-
Fruit- thousand tonnes	Requirement	985.2	1293.3	1679.6	1639.4	1788.8	1457.7
	Production	952.0	2088.5	1744.4	1647.0	1464.4	1085.8
	Surplus	-	795.2	64.8	7.6	-	-
	Deficit	33.2	-	-	-	324.4	371.9
Meat (live) - thousand tonnes	Requirement	1813.0	2013.1	2186.7	2269.7	2312.1	2206.2
	Production	1503.0	1659.0	1561.0	1508.0	1401.0	1503.0
	Surplus	-	-	-	-	-	-
	Deficit	310	354.1	625.7	761.7	911.1	703.2
Milk– thousand hl.	Requirement	46655	48825	51841	51667	53019	54352
	Production	48325	50600	53386	53852	57886	54991
	Surplus	1670	1775	1545	2185	4867	639
	Deficit	-	-	-	-	-	-
Eggs – million pieces	Requirement	5164.6	5186.3	6271.3	6134.4	5955.5	5762.0
	Production	6432.0	6641.0	7381.0	7310.0	7429.0	6522.0
	Surplus	1264.7	1454.7	1109.7	1175.6	1473.5	760.0
	Deficit	-	-	-	-	-	-

The cereal consumption includes maize (maize flour), but only the requirement and production of wheat and rye were compared. Even under these circumstances, the deficit corresponding to 2003 and 2007 alone amounts to 2,179 and 1,383.3 thousand tonnes.

If, in 2003, the import of cereals and cereal-based products could be justified by the fact that in the previous year a deficit had been recorded, for 2007 the import is no

longer justified, because in 2004, 2005 and 2006 Romania had had a substantial wheat surplus, which had allowed for the possibility to build up the official reserves for unforeseen situations, such as the droughty years.

The only product for which there was permanent deficit was meat (live). Taking into account that the requirement constantly increased from one year to another, the production went down.

Due to the fact that the domestic production was not supported, the livestock reared for meat decreased, which led to an increase in the import, especially for the production of meat products.

For all the other products included in the study, the Romanian production exceeded the requirement; nevertheless, there were massive food product imports, which increased the balance of trade deficit. Thus, in 2007 in what the international agricultural food product trade, the balance of trade deficit went up to over 1.9 billion Euros.

4. CONCLUSIONS

Following this study several conclusions can be drawn, the most important being the following:

- one cannot talk about a Government policy on the trade in agricultural food products able to lead to Romania's economical development and to a decrease in the deficit of the balance of payments.

- although we have the conditions required for the development of agriculture, this field has not been paid enough attention, and many large arable areas remain wasted in Romania every year.

- although for most agricultural food products, the requirement was provided from the domestic production, large quantities of food products were imported, thus increasing the balance of trade deficit.

- the main purpose of the investors in huge chain stores was to trade in food products made in their countries of origin, to the detriment of the Romanian products, even if, in many cases, the latter are better.

- the decrease in the domestic food industry production affected the producers of agricultural raw material and other resources, as well as the number of jobs, thus contributing to the increase of unemployment in Romania.

- there is no economic policy and strategy meant to stimulate the production of the food products necessary for the domestic consumption or demanded on the international market, which contributed to the increase in the imports and in the balance of payment deficit.

- the import of agricultural food products was made to the detriment of the domestic farmers, and the natural climate and soil conditions were not turned to good account

- the Romanian agriculture can contribute to the expansion of the overall trade relationships, especially those with the member states of the European Union while also making full use of our soil production capacity and of our labour force.

- the trade in agricultural food products should be oriented in two main directions: the export of agricultural produce as raw material as well as agricultural products for consumption; the import of agricultural products which cannot be obtained in Romania, but are necessary in the processing industries (food industry, tobacco, textiles, furs etc).

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