

EVOLUTION OF AGRICULTURAL TRADE IN THE PERIOD 2010-2017. CASE STUDY - ROMANIA

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Abstract

The trade deficit itself is not a danger to the economy of a country, given that it is determined by imports of equipment, capital goods or other goods that contribute to economic competitiveness. If, however, the budget deficit is determined by the import of consumer goods, then this situation can be worrying. According to the data published by the National Institute of Statistics, Romania's budget deficit resulting from the commercial activity increased in January-May 2019 by 30.1 percentage points compared to the same period last year, under the conditions in which the value of exports increased. Therefore, in this article we intend to analyze the situation of the trade deficit in Romania, focusing on the agricultural trade in order to determine the factors that have contributed to the increase of this deficit that increases from year to year.

Key words: agricultural trade, imports, exports, trade deficit, Romania

INTRODUCTION

Adam Smith has shown that international trade has positive effects on the growth and development of the world's economies [4]. These effects can be demonstrated by taking into account the value of exports, imports and trade balance. Often, this balance is deficient, and reducing the trade deficit is an objective pursued by the economy of a country. This can be achieved either by accelerating exports or by reducing imports. However, an increase in imports of equipment, capital goods or other goods that contribute to economic competitiveness may contribute to reducing the trade deficit. There may also be trade deficits with some countries, but trade surpluses with others, which leads to trade balance [6].

A favorable situation does not necessarily mean a permanently surplus trade balance, but a balanced dynamic balance. But a trade balance that is chronically deficient can be rebalanced by resorting to various restrictive trade policy measures, both in terms of exports and in terms of imports. In this way, competitiveness can be annihilated for macroeconomic reasons, which leads to the avoidance of excessive, long-term external

debt as well as the pressures exerted on the respective country's currency [7].

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Romania has been confronted with a trade deficit situation since 1990, the permanent negative balance highlighting the chronic character of the imbalance situation that Romania's foreign trade suffers [8]. This deficit is also due to food imports, given that Romania is considered a producing country that would be able to produce food for 50 million people. However, Romania is an importing country. Statistical data for 2019 show that these imports provide about 60% of domestic consumption, but this situation is valid for the entire post-accession period. In these circumstances, in this paper, we set out

to analyze the situation of imports and exports from 2010-2017, with the purpose of highlighting the trade balance deficit, seeking to explain the causes and to propose solutions that could contribute to the improvement of this situation.

MATERIALS AND METHODS

The working methodology consisted in taking, processing, analyzing and interpreting some indicators starting from the data published by the INS, as well as by the international databases. The indicators used were: the price of FOB (Free on Board) which is represented by the price from the border of the exporting country and is represented by the price of the good, as well as other costs related to transport, as well as the taxes related to the shipment; the CIF (Cost, Insurance, Freight) price, which represents the price used for imported goods, at the border, and which includes the FOB price, as well as international transportation and insurance costs; the balance of the trade balance (FOB / CIF) is determined that the difference between FOB and CIF may be negative, which shows the trade deficit or positive indicating the trade surplus.

RESULTS AND DISCUSSIONS

Analyzing the situation of Fob Export we find that during 2010-2017 they increased from year to year, the increases being 22 percentage points in 2011 compared to 2010, 28 points in 2012 compared to the same year, 39 points in 2013, reaching 64 points, respectively 82 points in 2016 and 2017 (Table 1).

Table 1. Evolution of FOB Exports

Year	million lei	million euro	million USD
2010	157,436	37,360	49,494
2011	191,986	45,292	63,042
2012	200,790	45,069	57,921
2013	219,120	49,562	65,879
2014	233,247	52,466	69,886
2015	242,686	54,596	60,603
2016	257,701	57,392	63,589
2017	286,123	62,644	70,629

Source: own processing [3].

With the increase of exports, there was also an increase of imports, even though in percentage terms the increases are smaller from one year to the next, these being 18 percentage points in 2011 compared to 2010 and 53 points, respectively 75 percentage points in 2016 and 2017. From a value point of view, however, the imports exceed the value of the exports (Table 2).

Table 2. Evolution of CIF Imports

Year	million lei	million euro	million USD
2010	197,458	46,869	62,098
2011	232,868	54,952	76,540
2012	243,777	54,703	70,285
2013	244,569	55,317	73,519
2014	260,135	58,522	77,907
2015	279,867	62,962	69,852
2016	302,462	67,364	74,627
2017	345,395	75,604	85,325

Source: own processing [3].

In these conditions, the budget deficit is recorded throughout the analyzed period. However, its decrease is noted in 2013 and 2014. Thus, the smallest value of the dedicated budget was recorded in 2014 when it reached the value of 5.755 million euros, after which it started to grow to reach 12.960 million euros in 2017. Although the statistical data for the year 2018 have not been published, the monthly NIS bulletins show that in the first five months of 2019 the budget deficit deposited 5,000 million euros, when the exports had values of more than 23,900 million euros, and the imports were of over 28,000 million euros.

Table 3. Evolution of FOB/CIF trade balance

Year	million lei	million euro	million USD
2010	-40,022	-9,509	-12,604
2011	-40,882	-9,660	-13,498
2012	-42,987	-9,634	-12,364
2013	-25,449	-5,755	-7,640
2014	-26,888	-6,056	-8,021
2015	-37,181	-8,366	-9,249
2016	-44,761	-9,972	-11,038
2017	-59,272	-12,960	-14,696

Source: own processing [3].

This budget deficit is the biggest since 2010 and so far, due to less imports, but lower export dynamics. Also the depreciation of the exchange rate, as well as the rebalancing of the internal economic policy.

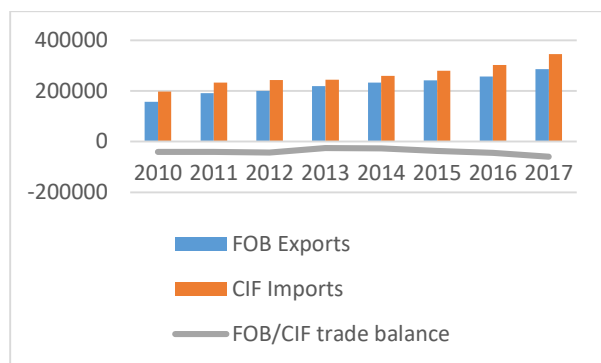


Fig. 1. The evolution of the trade deficit in 2010-2017
Source: own processing [3].

Although the development of an economy cannot be achieved only through the use of short-term invoices, such as agriculture and exports, trade in agricultural products has an important place in the Romanian economy [2]. The published data show that one of the most important deficits is registered in food products. That is why we will continue to analyze the situation of agricultural trade in Romania, analyzing both imports and exports both in/from the countries of the E.U. and in/from the non-E.U. countries.

Fig. 2. Evolution of CIF import with agricultural products in E.U. and non E.U.

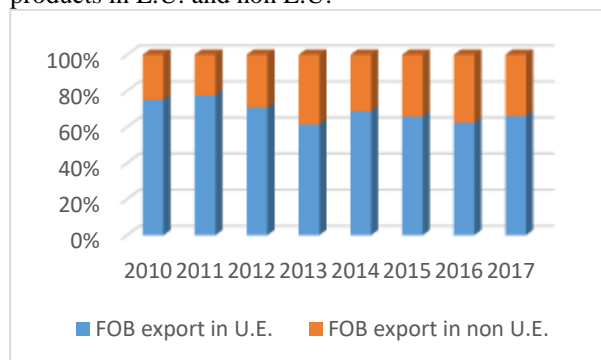


Fig. 2. Evolution of CIF import with agricultural products in E.U. and non E.U.
Source: own processing [1].

Thus it is found that the export of agricultural products to the countries of the E.U. had weights between 57-73 percentage points over the whole period analyzed, while exports to

non-E.U. countries. They represented between 27-43 percentage points.

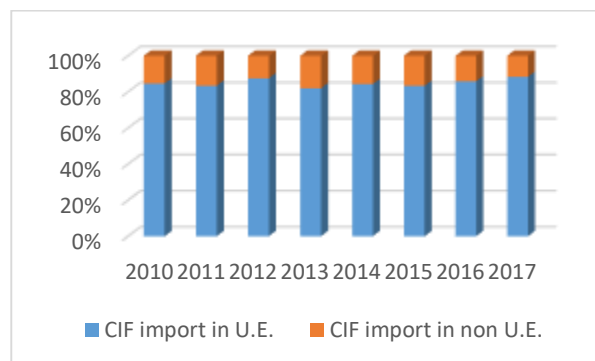


Fig. 3. Evolution of FOB export with agricultural products in E.U. and non E.U.
Source: own processing [1].

As far as imports are concerned, Romania imports a lot from the countries of the E.U. that is between 78 and 85 percentage points of the total of the imports, the difference being covered by imports made from the non-E.U. countries.

For the year 2017, the analysis for agricultural trade was carried out by product categories, in total, and broken down, in U.E and non-U.E countries.

Table 4. Situation of exports with agricultural products in 2017 (Million Euro)

Product category	Trade with the E.U. countries	Trade with the non E.U. countries	Total trade
Product	2,085.3	1,553.7	3,639.1
Other primary products	663.4	383.2	1,046.6
Processed products	257.1	24.6	281.7
Food	366.4	101.7	468.0
Drinks	68.7	28.4	97.2
Product no.	824.9	85.5	910.4
Total agriculture products	6,443.0	2,177.1	6,443.0
% of total exports	9.0	14.4	10.3

Source: own processing [1].

Thus we find that out of total exports, exports with agricultural products represent 10.3 percentage points. Exports to E.U. countries have a percentage of 14.4 percentage points,

while exports by other countries hold 9 percentage points of total exports. The largest share is held by commodities, followed by other categories of primary products. Also non-edible products represent 15 percent of total exports. However, we find that Romania exports very few processed products.

Table 5. Situation of imports with agricultural products in 2017 (Million Euro)

Product category	Trade with the E.U. countries	Trade with the non E.U. countries	Total trade
Product	1,081.8	536.2	1,618.1
Other primary products	1,952.1	267.1	2,219.3
Processed products	826.7	56.6	883.3
Food	1,293.7	148.8	1,442.6
Drinks	296.6	26.7	323.2
Product no.	682.8	194.0	876.8
Total agriculture products	6,133.7	1,229.4	7,363.3
% of total imports	10.7	6.7	9.7

Source: own processing [1].

As far as imports of agricultural products are concerned, they represent 9.7 percentage points of the total imports, 10.7 percentage points being those imported from the USA, and 6.7 percentage points by those imported from outside the EU.

Table 6. Situation of the trade balance with agricultural products in 2017 (Million Euro)

Product category	Trade with the E.U. countries	Trade with the non E.U. countries	Total trade
Product	1,003.5	1,017.5	2,021.0
Other primary products	-1,288.6	116.1	-1,172.6
Processed products	-569.6	-32.0	-601.6
Food	-927.3	-47.1	-974.5
Drinks	-227.8	1.8	-226.1
Product no.	142.0	-108.5	33.5
Total agricultural products	-1,867.8	947.7	-920.4

Source: own processing [1].

The first place in which they concern the imports of agricultural products is the primary products, followed by goods and food preparations. The last place was the drinks. In total food imports, imports from the countries of the E.U. it represents 84 percentage points, the difference being covered by countries outside the E.U.

In these conditions, the trade deficit in agricultural products amounts to 920.4 million euros. This deficit is determined by the negative value of the trade balance with agricultural products from the countries of the E.U. with a value of - 1,867 million euros and a surplus balance with food products for countries outside Romania.

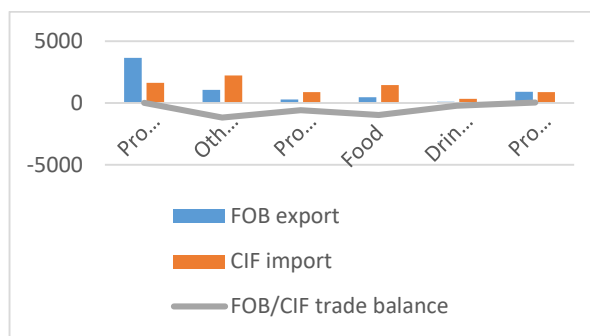


Fig. 4. Evolution of the trade deficit with agricultural products in 2017

Source: own processing [1].

Analyzing the weight of each category of agricultural products in the total of imports and exports, we find that those regarding exports made by Romania to the countries of the E.U. on the first place are the goods (48 percentage points), followed by the non-edible products (19 percentage points) and other primary products (16 percentage points) (Fig. 5).

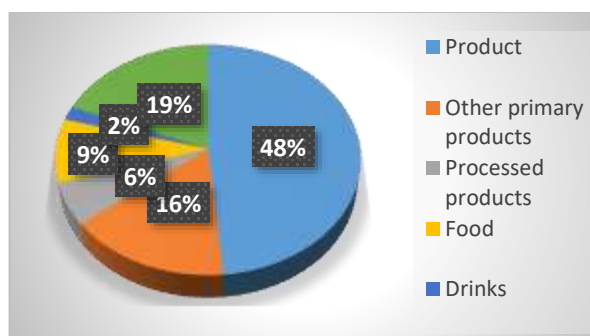


Fig. 5. Exports structure in the E.U. countries in 2017

Source: own processing [1].

As far as exports to countries outside the EU are concerned, in the total agricultural trade, the export of goods holds 71 percentage points, and other primary products exported have the share of 18 percentage points (Fig. 6).

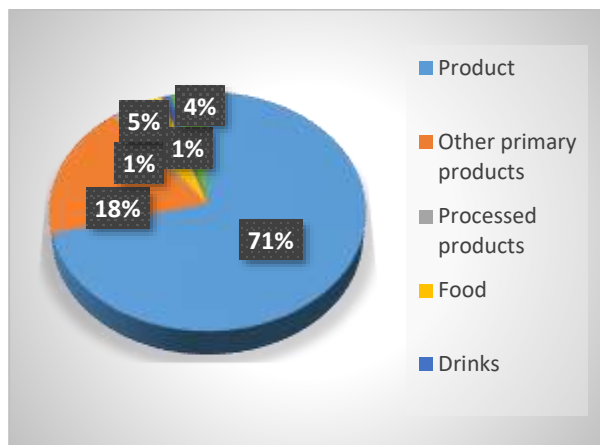


Fig. 6. Exports structure in the non E.U. countries in 2017

Source: own processing [1].

Analyzing the imports we find big differences related to the ones realized from the countries of the E.U. and those from countries outside the E.U. Thus from the E.U. Romania imports primary products representing 32 percentage points, while outside the E.U. these represent 22 percentage points. In the first place in the category of imports of agricultural products from other countries are the goods with 43 percentage points, while for those from the countries of the E.U. the percentage is 18 points.

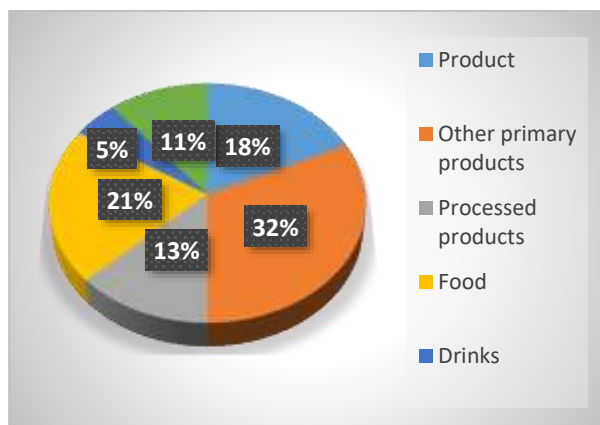


Fig. 7. Imports structure in the E.U. countries in 2017

Source: own processing [1].

Food preparations have a weight of 21 percentage points for those imported from the E.U. and by 12 percentage points for those imported from other countries.

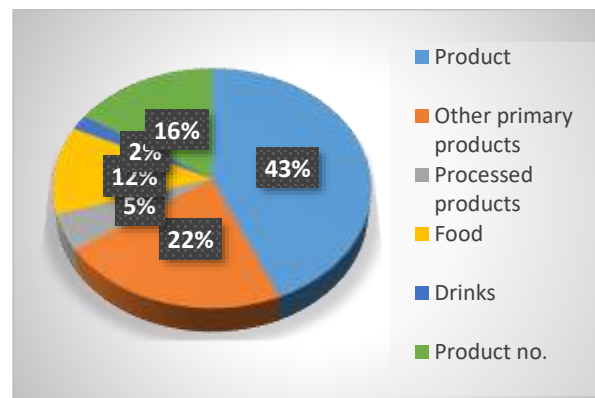


Fig. 8. Imports structure in the non E.U. countries in 2017

Source: own processing [1].

The last place in the category of imports is the drinks, both those from the E.U. (5 percentage points), respectively 2 percentage points those from non-E.U. countries.

CONCLUSIONS

What the study shows is that in the budget deficit recorded in the period 2010-2017, a high share has agricultural trade. Among the causes contributing to this are: the value of subsidies granted to Romanian farmers which are lower than those received by farmers from other countries of the E.U. and which thus generates unbalanced competition; reduced storage capacities that cause farmers to sell [5], in unfavorable conditions, agricultural products; the lack of associations between farmers to facilitate their access in the large networks of stores; the quality conditions and the provision of sufficient quantities that the farmers did not receive for sale products in certain networks of stores; low prices of imported products, which are most often manufactured under standards, and which are sold first in large commercial chains.

A reduction of the trade balance deficit can be achieved by making investments and developing the infrastructure that will contribute to a commercial development of Romania. Also the realization of some

associations of producers that can negotiate in much more favorable conditions the prices of agricultural products exported or marketed through the internal trade. In turn, the economic development could contribute to a stabilization of the exchange rate which in turn will positively influence the Romanian trade.

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