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MAIN TRENDS OF THE ROMANIAN AGRI-FOOD TRADE WITH TURKEY

ABSTRACT

The paper empirically examines the evolution of Romanian pre- and post-accession agri-food trade with one of its main partners – Turkey. Facilitated by the geographic proximity and by successive trade concessions (free trade agreements, customs union), the trade flows increased almost continuously. The main product flows are analyzed in terms of values, quantities and directions. The results show that after accession, the Romanian agri-food trade with Turkey shifted to a positive balance, but despite the increasing trend of exchange values, the product diversification remained very low.

Key words: agri-food trade, Turkey, trade balance.

JEL Classification: F14, Q17.

1. INTRODUCTION

Turkey has been historically a traditional trade partner for Romania. The present research paper aims at analyzing the main developments and trends in the Romanian agri-food trade with Turkey in the pre-accession and post-accession periods. Its importance lies in the fact that Turkey is one of the main destinations for the Romanian agri-food exports: before accession, it was in the top four destinations, and after 2007 it was in top two extra-EU exports destinations (Gavrilescu, 2012). In the post-accession period, the trade flows significantly increased in value terms: in 2015, exports were 4.6 times higher than in 2006, while the import value doubled in the same period.

2. MATERIAL AND METHODS

The calculations have been made using Eurostat (Comext database), in CN (Combined Nomenclature) down to 2-digits (chapters 01–24 of the Harmonized System). The analysis focuses on the main agri-food product groups, in terms of volume (quantities and values), as well as directions: exports and imports. In studying

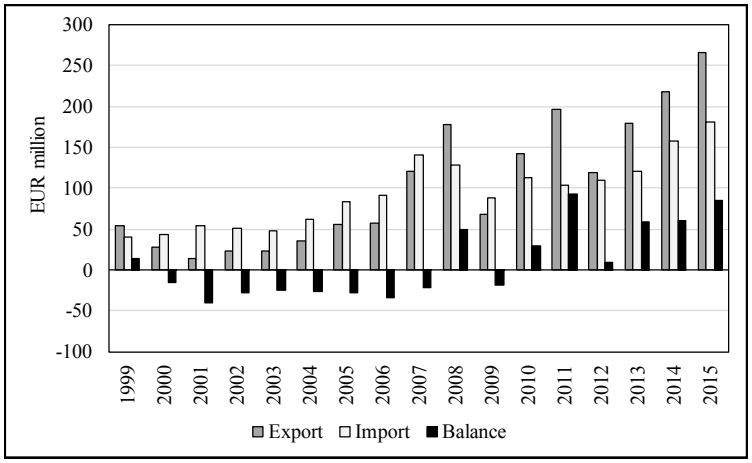
the trade composition by product groups, in order to have a better picture and to eliminate sharp variations (due to variations in the domestic productions mainly caused by unfavorable weather conditions, or to fluctuations in the exchange rates, or to unfavorable macroeconomic conditions such as the economic crisis of 2009, causing disruption of normal trends), trade flows were analyzed using 4-year averages (1999–2002 and 2003–2006 in the pre-accession period; 2007–2010 and 2011–2015 respectively in the post-accession period.

3. RESULTS AND DISCUSSIONS

After 1990, trade relations between the two analyzed countries intensified, and were facilitated by the free trade agreement enforced since 1998. The relative geographic proximity has been another favouring factor.

In the first couple of years after the enforcement of the new trade facilities, Romania's agri-food exports to Turkey significantly diminished (by 75% between 1999 and 2001), while imports slightly increased, resulting in a growing deficit. In the pre-accession period (2002–2006), exports increased again, but at a slower pace than imports, and thus the deficit ranged between EUR million 25–34 (Figure 1).

Although the free trade agreement came to an end at the time of Romania's accession to the EU, the "rules of the game" changed, at least for the agri-food products. Turkey is part in the Customs Union with the EU, but the free circulation of goods did not apply to agricultural products, but to processed agricultural products only. Agricultural products were submitted to some quantitative restrictions that decreased in time, but did not completely disappear.



Source: Author's calculations based on data from Comext database.

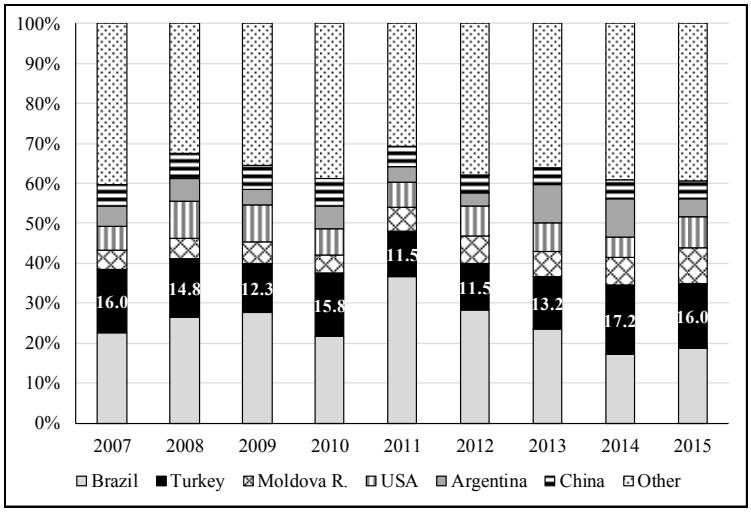
Figure 1. Romanian agri-food trade with Turkey.

After accession, the agri-food trade balance turned positive (except for the year 2009 only – year of the economic crisis). Since 2012, exports continuously increased, so that in 2013 the value was 3.1 times higher than in 2006 (last year before accession); in 2014 it was 3.8 times higher, and in 2015 respectively, 4.6 times higher than in 2006, to reach an all-time peak of EUR million 266.

Imports significantly increased immediately after accession (reaching EUR million 142 in 2007), and dropped sharply by 38% in the crisis year (2009). The imports value recovered subsequently, but although it reached an all-time peak (EUR million 181, which is double the 2006 value), it did not surpass the exports value any more, resulting in a continuous positive balance.

In the pre-accession years (2004–2006), Turkey ranked fourth in the top export destinations, with a share of 6.1–8.4% in the total Romanian agri-food exports value. In the first two years after accession, the share of Turkey in total export value increased to 8.2–10.7%, ranking second after Italy, and first among the extra-EU countries. In 2009–2011, Romania increasingly adapted to the Single Market, so Turkey descended in the hierarchy, ranking 7–10, as the main EU partners (Italy, Hungary, Bulgaria, the Netherlands, Germany) absorbed more and more exports from Romania; but it still remained first in the non-EU export destinations. Since 2012, Romania penetrated the Egyptian cereal market, and Turkey ranked second among Romania's extra-EU export destinations.

In terms of imports, in the pre-accession period, Turkey ranked 9–10, with a share ranging from 3.6 to 4.2% of the total Romanian imports. Among the extra-EU import origins, it always ranked second after Brazil, both before and after Romania's accession to the EU (Figure 2).

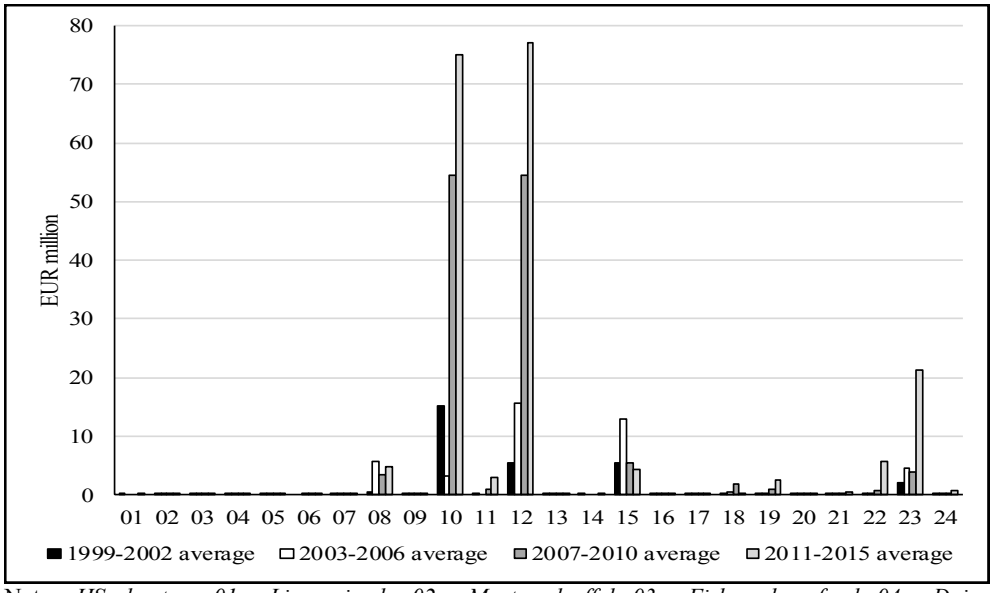


Source: Author's calculations based on data from Comext database.

Figure 2. Share of top agri-food import origins from extra-EU countries.

Figure 3 illustrates the composition and evolution of the Romanian agri-food exports to Turkey in time, by product groups (HS chapters 01–24). The main exports have been oilseeds and cereals. These products prevailed in the export pattern both before and after Romania's accession to the EU, with a spectacular increase in value terms after 2007.

The export growth is noticeable in quantity terms as well: oilseeds exports to Turkey increased from 77 thousand tons (2003–2006 yearly average) to 163 thousand tons (2007–2010 average) and to 202 thousand tons (2011–2015 average), while cereals exports increased from 14 thousand tons (2003–2006 yearly average) to 331 thousand tons (2007–2010 average) and more than doubled to reach 711 thousand tons in the next period (2011–2015 yearly average).



Notes: *HS chapters: 01 – Live animals; 02 – Meat and offal; 03 – Fish and seafood; 04 – Dairy products, eggs, honey; 05 – Other animal products; 06 – Flowers, bulbs, trees; 07 – Vegetables; 08 – Fruits; 09 – Coffee, tea and spices; 10 – Cereals; 11 – Milling products (flour, malt, starch); 12 – Oilseeds; 13 – Lac, gums and resins; 14 – Other vegetable products; 15 – Fats and oils; 16 – Meat and fish preparations; 17 – Sugar and confectionery; 18 – Cocoa and cocoa preparations; 19 – Bakery and pastry products; 20 – Vegetable and fruit preparations; 21 – Miscellaneous edible preparations; 22 – Beverages, spirits and vinegar; 23 – Animal feed; 24 – Tobacco and tobacco products.*
Source: Author's calculations based on data from Comext database.

Figure 3. General pattern of the Romanian agri-food exports to Turkey, by HS chapters.

Other important product groups exported to Turkey were: HS23 – animal feed (which increased spectacularly in the latest years), and group HS15 – Fats and oils, for which the average exported quantities to Turkey declined due to reorientation of the exports to EU after Romania's accession.

The range of exported products to Turkey is rather narrow: cereals and oilseeds together account for 78% of the total agri-food export value, while the top 5 exported products account for 94% of total exports (Table 1).

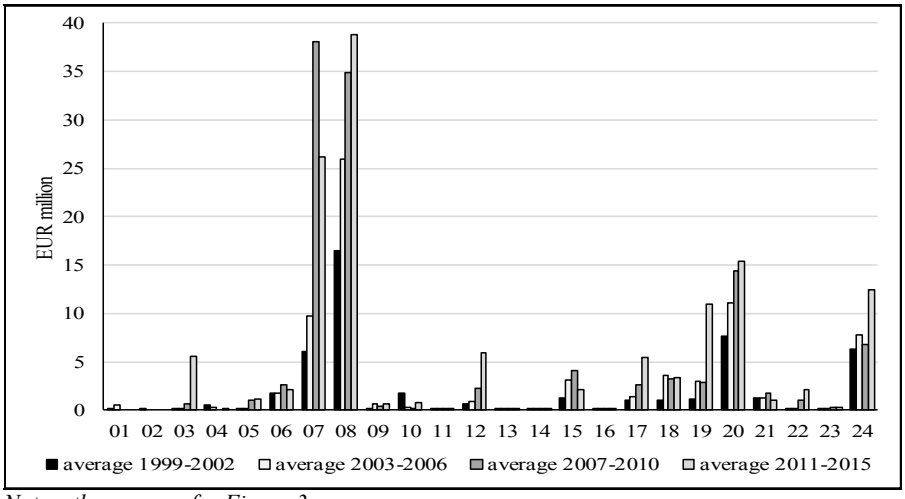
The imported products range is a bit larger than that of exports. By far, the main products imported from Turkey are fruit and vegetables, followed by HS 20 – Vegetable and fruit preparations, HS24 – Tobacco and tobacco products and HS19 – Bakery and pastry products (Figure 4).

Table 1

Top five product groups in the Romanian agri-food trade with Turkey (2011–2015 average)

EXPORT			IMPORT		
Product group	**Export value (EUR million)**	**Share in the total export value (%)**	**Product group**	**Import value (EUR million)**	**Share in the total import value (%)**
Total agri-food products exports	195.85	100.0	Total agri-food products imports	134.22	100.0
12 – Oilseeds	77.10	39.4	08 – Fruit	38.79	28.9
10 – Cereals	74.99	38.3	07 – Vegetables	26.12	19.5
23 – Animal feed	21.32	10.9	20 – Vegetable and fruit preparations	15.32	11.4
22 – Beverages	5.61	2.9	24 – Tobacco and tobacco products	12.49	9.3
15 – Oils and fats	4.44	2.3	19 – Miscellaneous edible preparat.	10.93	8.1
Concentration ratio – CR5		**93.9**	**Concentration ratio – CR5**		**77.2**

Source: Author's calculations based on data from Comext database.



Notes: the same as for Figure 3

Source: Author's calculations based on data from Comext database.

Figure 4. General pattern of the Romanian agri-food imports from Turkey, by HS chapters.

Romania imported about 40 thousand tons of vegetables in 2015, worth about EUR million 34.3. Out of these vegetables, half were tomatoes, about 40% were eggplants, peppers and zucchini and 6% cucumber and gerkins (Table 2).

Table 2
Structure of Romania's vegetables and fruit imports from Turkey

Item	Share in total import value (%)		
	2006	**2010**	**2015**
07 – Vegetables	**100.0**	**100.0**	**100.0**
0702 – Tomatoes (fresh or chilled)	50.6	80.2	47.9
0709 – Other vegetables (e.g. eggplants, peppers, zucchini (fresh or chilled)	16.3	6.9	39.5
0707 – Cucumbers and gherkins (fresh or chilled)	4.4	5.5	5.9
0706 – Edible roots (e.g. carrots, turnips, radishes, etc.) (fresh or chilled)	20.3	5.2	3.2
0703 – Alliaceous vegetables (e.g. onions, shallots, garlic, leeks) (fresh or chilled)	4.9	1.2	2.3
0710–0714 – Vegetables, semi-processed	0.1	0.8	1.1
0704 – Edible brassicas (cabbages, cauliflowers, kohlrabi, kale) (fresh or chilled)	0.3	0.0	0.1
0701 – Potatoes (fresh or chilled)	3.1	0.0	0.0
0705 – Lettuce and chicory (fresh or chilled)	0.0	0.3	0.0
0708 – Leguminous vegetables (fresh or chilled)	0.0	0.0	0.0
08 – Fruit and nuts	**100.0**	**100.0**	**100.0**
0805 – Citrus fruit (fresh or dried)	84.2	85.2	77.5
0810 – Strawberries, raspberries, blackberries, back, white or red currants, gooseberries (fresh)	2.3	5.1	8.3
0809 – Apricots, cherries, peaches, nectarines, plums and sloes (fresh)	2.8	1.4	3.8
0804 – Dates, figs, pineapples, avocados, guavas, mangoes (fresh or dried)	2.2	1.5	3.5
0806 – Grapes (fresh or dried)	4.1	2.8	2.6
0807 – Melons, watermelons and papayas (fresh)	1.1	1.3	2.4
0808 – Apples, pears and quinces (fresh)	0.9	1.3	0.7
0802 – Other nuts (fresh or dried, whether or not shelled or peeled) (excl. coconuts, brazil nuts and cashew nuts)	1.9	0.6	0.6
0811–'0814 – Fruit and nuts, semi-processed	0.5	0.8	0.6
0801 – Coconuts, brazil nuts and cashew nuts (fresh or dried, whether or not shelled or peeled)	0.0	0.0	0.0
0803 – Bananas (fresh or dried)	0.0	0.0	0.0

Source: Author's calculations based on data from Comext database.

The value of imported fruit and nuts was even higher, i.e. EUR million 48.5, for about 72 thousand tons. More than ¾ are citrus fruit, about 8% various types of berries, almost 4% apricots, peaches, nectarines and plums, and another 3.5% Mediterranean and tropical fruit (dates, figs, pineapples, avocados), except for

bananas, since the customs union with the EU foresees strict legal provisions concerning the rules of origin.

The strategies for the Romanian agri-food sector development on medium and long term have in view the strong diminution of vegetables and fruit imports (those that are produced locally) by restoring the proper functioning of the domestic supply chains.

Currently, Romania has a good domestic vegetables production (which can be increased by better and more efficient technologies), but the downstream part of the chain (collection, refrigerated storage, conditioning and good contractual relations with distribution and retail) does not properly operate, mainly due to the absence of producer organizations (Gavrilescu, 2016).

For fruits, the same type of problems can be found in the downstream part of the supply chains, but increasing domestic production is more difficult than in the case of vegetables, since the necessary investments in more productive and efficient orchards are far higher. For this reason, a support program for fruit-tree growing is foreseen in the current (2014–2020) National Rural Development Plan (MARD, 2016).

4. CONCLUSIONS

Turkey is a traditional trade partner for Romania, and over time various trade facilities (the free trade agreement with Romania in the pre-accession period, and the customs union with the EU afterwards) allowed for an important development of the trade flows. After the accession to the EU, Romania significantly increased its agri-food exchanges with Turkey. The value and volume of exports exceeded those of imports, and, consequently, the agri-food trade balance turned positive after 2007.

The expansion of trade with Turkey and the increasing positive balance contributed as well to the decrease of the Romanian agri-food trade deficit and eventually the shift to surplus, first in the extra-EU trade (since 2010) and later (in 2013–2014) in the total (intra-EU + extra-EU) trade.

The foreseen development on medium and long-term for the domestic vegetables and fruit supply chains is expected to result in the diminution of the import dependency ratio, and to allow for an increased supply of vegetable and fruit products with higher value-added (semi-processed and processed products).

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