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AGRI-FOOD TRADE OF HUNGARY WITH EU MEMBER COUNTRIES AND WITH THE MOST SIGNIFICANT COUNTRIES OUTSIDE THE EU

HANDEL ZAGRANICZNY ARTYKUŁAMI ROLNO-SPOŻYWCZYMI WĘGIER Z PAŃSTWAMI UE I WYBRANYMI KRAJAMI TRZECIMI

Key words: European Union, agricultural, foreign trade, integration, target market
Słowa kluczowe: Unia Europejska, rolnictwo, handel zagraniczny, integracja, rynki docelowe

Abstract. In this study my aim was to examine and analyse the most significant markets of the Hungarian agricultural and food industry goods, concentrating on whether these markets offer stability and expansion for our products.

Introduction

In the comparison of Hungary's target markets I chose the 10 most important food export target markets of Hungary. I carried out a research of each of these countries which includes both the general review of the given countries, the situation of the Hungarian food export towards those countries and also our market prospects there.

For our country the agri-food export trade with the EU member countries is still a key issue since it is the only productive sector that can still produce a durative positive external trade balance.

The aim and method of the research

Because of the character of the study I mainly used Hungarian sources in my research for example data of the Central Statistics Office (CSO) and the Agricultural Economic Research and Information Institution (AKII). Besides I also used some older studies.

I examined a six-year interval between 2004 and 2009. Although due to our joining the EU, 2004 cannot be considered a typical year. I took this into account in the analysis. With the data from 2009 I can assure the latest data available and in this way I can provide a more complete picture of the processes that have taken place.

According to Róthné and Sugár with the help of the distribution ratios a multitude and also its structure can be characterized concisely according to criterion varieties. And it is also possible to compare the structures of two or more multitudes.

The data – even after putting them in tables, which was the main arranging principle – are usually available with their original measures. On the basis of this, the extent of the multitude was generally possible to show, and also draw the conclusions with the help of the tables. I have used ratios to draw deeper conclusions.

The main objective of this examination is to establish results from a Hungarian point of view and, in addition, to analyse the most important processes of the Hungarian agricultural foreign trade and compare them with the EU; furthermore, to perform an analysis of the changes in the foreign trade relationships with the most significant countries outside the EU.

The EU integration of Hungarian agriculture

Both the preparation of the Hungarian agricultural economy and the experience and results of our EU membership have been unmatched. We can say that our joining has more effects that endanger the future of our agricultural economy than positive consequences. In addition these positive effects only apply for only a few sectors. The reorganization of the Hungarian agricultural economy has not been finished yet; our current situation is far not the same as that of the Western-European countries.

We have several disadvantages in competitiveness coming from our past that became even more polarized after the joining.

We lost markets, structural tensions arose and agricultural manufacturers gave up farming in large numbers due to the former weaknesses, the low level of organization, the out-of-date technical standards, the incomplete logistic systems, the frittered land structure and the exaggeratedly differentiated production (farming) level.

The increase in our food import after joining the EU can be explained with the purchasing policy of big store chains. Together with the joining the administrative burdens ceased as it was made easier to purchase goods coming from the EU. It is true even for products that previously had very little duty and also for duty free goods, because administration itself meant transactional costs for the companies and in this way it had dissuasive effect. However, the price competitiveness of goods coming from the EU member countries increased at the internal market due to the customs union. The other reason for the increase of the import was that the home suppliers were disorganized and both the quantity and the quality of their products were unsatisfying [Udovecz, Popp, Potori 2007].

Tendencies in the Hungarian agricultural trade

From Table 1 it can be seen that the export still exceeded the import in 2009, to be more precise it is about 150% of our import. Therefore we can say that the slight decrease of the import would endanger our net agricultural exporter position.

Hungarian agricultural export fluctuated and increased in a small compass during the years before the joining. After our joining the EU our export developed steadily except for 2008. At the same time the fluctuation of the import was smaller but the tendency was explicitly and strongly increasing except for 2009.

Our export markets are highly characterized by being Europe-centred. The rate of goods that we exported from Europe was between 90-94% during the last 15 years and this tendency continued in the new millennium. The transportation radius has not extended due to the facts that the rate of the products with high transportation costs stayed low and our foreign trade relations did not develop.

Therefore Hungarian products are very rare at distant markets, for example in the USA, and also the very dynamically developing South-Eastern Asian area is missing from our target markets. If we want to get a picture of the effects of the joining on our food export, it is worth analysing the tendencies in our food industry foreign trade with the old EU members, with the countries that joined together with us (EU-10), with the ones that joined in 2007 (EU-2) and also the countries outside the EU concentrating on the year of the joining and the period after that.

Table 1. Changes in Hungary's food foreign-market in different regions [mln EUR]

Detailed list	Years					
	2004	2005	2006	2007	2008	2009
Export						
EU-15	1676	1749	1878	2518	2763	2651
EU-10	451	498	631	843	1064	908
EU-2				642	909	768
non-EU	971	1077	1166	860	1046	785
Total	3098	3324	3675	4863	5782	5112
Import						
EU-15	1253	1561	1685	1936	2394	2110
EU-10	417	580	704	859	976	959
EU-2				107	107	74
non-EU	330	267	291	286	383	252
Total	2000	2408	2680	3188	3860	3395
Balance						
EU-15	423	188	193	582	369	541
EU-10	34	-82	-73	-16	88	-51
EU-2				535	802	694
non-EU	641	810	875	574	663	533
Total	1098	916	995	1675	1922	1717

Source: own calculation and www.aki.gov.hu.

The difference between the export and import figures is primarily due to the fact, that our competitors in the EU – with their competitive advantage – have been able to utilize the benefits of the open market in Hungary in a stronger way, than Hungarian exporters did on respective markets. Especially on the import side, the purchasing policy of multinational companies added further pressure.

Our food export to the EU-15 countries was 54% of the total in the year of the accession while in 2009 it was 51.8%.

Our export to the countries that joined the EU with us doubled between 2004 and 2009. At the same time it shows a 20% decrease to non-EU countries. The largest expansion of the market happened in the EU-15 countries with 58%, it was above average to EU-12, and well below average to non-EU countries.

The 10 most important agricultural target markets of Hungary

In order to avoid the distortion of a data by peaks in a single year, I did my calculation on the basis of the average of the 2004-2009 period.

This characterizes the fairly centralized Hungarian agri export fairly well, as these amount to more than 65% of the total.

I have done a more detailed comparison of the 10 largest target markets. There you may conclude, that the expansion of these markets, that is the dynamics of our export shows significant differences. The largest market slice, Germany, with one sixths of our export showed smaller expansion than other large but still smaller markets. It is worth mentioning, that the market which shows the most significant growth in the average is Italy, the third on the list, used to be second in 2005-2006. As far as market stability is concerned you can see, that our most significant partners are consistently maintaining their rank, which indicates stability.

Germany is the largest export market for Hungarian food products with

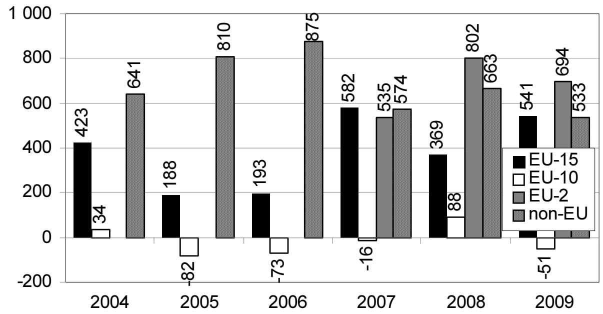

Figure 1. Changes in Hungary's food foreign market in different regions [mln EUR]
Source: own study.

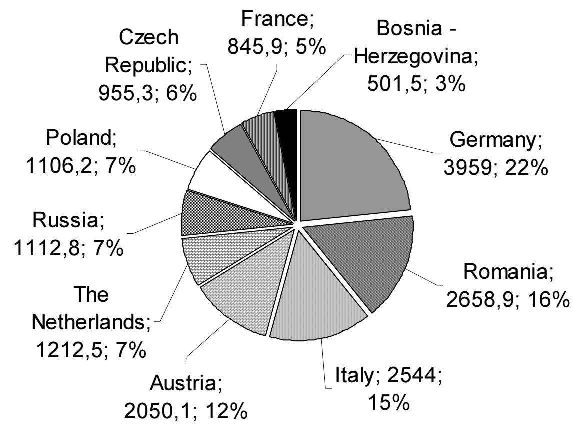

Figure 2. The shares of the 10 largest export markets for Hungarian agri-products (million EUR and % of the total)
Source: own study.

Table 2. The order of the 10 largest agri export markets of Hungary, ordered by the revenues (million EUR)

Rank	Countries	Years							
		2004	2005	2006	2007	2008	2009	Total of 6 years	Average of 6 years
1	Germany	555.3	508.1	546.2	685.0	858.3	806.1	3959.0	659.8
2	Romania	174.2	196.1	210.5	573.4	812.4	692.3	2658.9	443.2
3	Italy	231.4	287.0	349.8	553.8	549.2	572.8	2544.0	424.0
4	Austria	254.8	269.4	306.6	350.9	464.3	404.1	2050.1	341.7
5	The Netherlands	160.9	145.9	148.2	273.0	234.4	250.1	1212.5	202.1
6	Russia	174.6	208.6	209.5	179.7	193.7	146.7	1112.8	185.5
7	Poland	131.1	124.1	154.9	234.7	274.4	187.0	1106.2	184.4
8	Czech Republic	114.7	116.4	149.7	179.5	206.8	188.2	955.3	159.2
9	France	125.5	120.5	96.0	160.0	176.3	167.6	845.9	141.0
10	Bosnia - Herzegovina	81.9	79.4	74.2	71.0	124.5	70.5	501.5	83.6
	Total (1-10)	2004.4	2055.5	2245.6	3261.0	3894.3	3485.4	16 946.2	2824.4
	Total agricultural export	3098.0	3324.0	3675.0	4863.0	5782.0	5112.0	25 854.0	4309.0

Source: own calculations and www.aki.gov.hu.

15-17% of the total. The following are the most important product segments: poultry, sunflower oil, maize, pet food, rape seed, canned fruit, sausages, canned vegetables, fruit juice, processed meat products, fresh vegetables and wine. Examining the market position of these products shows that the most insecure is the poultry, although being one of the most traditional ones.

Romania is the second most significant export market of Hungary, 216.6 mln EUR short of the first one in the 6-year average. In 2009 13.5% of our food export was to this country. In the case of Romania a very important product is pork, which can significantly affect the figures. The most important product is pet food, which continues to maintain its position on the Romanian market.

Italy has always belonged to our important agricultural trade market, but after the accession it became the third market; mainly being a raw material market. In 2009 11.2% of our export went there. From the Italian point of view our export is only marginal although it has been showing a strongly increasing tendency ever since.

Austria is also a traditional market for Hungary. It has been the third or fourth with Italy, in 2009 giving 7.9% of our food export. Main products: rapeseed, poultry, sugar, fruit juice, maize, fresh vegetables, bakery products, wheat, pet food, live cattle, and pork.

Out of the examined products the condition of fruit and vegetable juice and fresh vegetable export is instable, which does not give reason for much optimism.

The Netherlands Export to this country has been growing dynamically and in a stable manner. Even our market share grew reaching 250 mln EUR in 2009.

The four products with the best market potential and growing market share and growing turnover are: maize, fresh beef, dried beans and peas, and seeds. In the case of those products that have a stable supply on our side and demand on the Dutch side, alongside with significant Mid-Eastern-European involvement, I can see the potential for expansion. Such products are pork, sunflower oil, live cattle, fresh and frozen vegetables, chocolate, canned fruit, fruit and vegetable juice.

Russia has not been one of our most significant export markets in the last three years, but it is still in sixth place in the 6-year average. In 2009 food export to Russia was 146 mln EUR, giving 2.9% of our foreign agri-trade.

Most important export products: canned vegetables, pet food, and maize. Wine is on a rising curve again. In the case of canned vegetables market expansion may provide optimism, but even in the bear future strong competition is expected from the dumping of Chinese goods.

Poland was our seventh most important target markets on the basis of revenue in 2004-2009. In 2009 3.7% of our food export went there. There is a steady market segment for our cereals. Pet food may remain one of the most significant products, but strongly influenced by the policy of multinational chains. There are strengths in the canned vegetable segment, but with strong competition from Germany and Spain.

The Czech Republic is the eighth largest export market for Hungary based on the average revenue in the 2004-2009 period. Its share was 3.7% from our food export in 2009. The development of the Czech economy primarily favours the export of highly processed products, like pet food, chocolate, and wine. Our wine has to compete with New World wines that gain ever larger significance on the European market.

France has been a traditional market for Hungarian products, but in our order it is only the ninth. In 2009 its market share was barely over that of Russia's (2.9%). Both the 6-year average and the 2009 figure was 3.3%.

Main products are poultry, pet food, honey, maize, canned vegetables, and pork. As far as the dynamics of the export is concerned, the position of pork and maize has proven to be the most fragile. Canned vegetables, honey and pet food are on the rising curve, though.

Bosnia-Herzegovina is tenth based on the average revenue of the 2004-2009 period, but our export dropped since 2003. (Except 2008) in 2009 its market share from our food export was only 1.4%. Wheat, sunflower oil and sugar are the most significant products in that segment, sugar having the best projects.

Conclusions

Although agri-market processes are mostly governed by the market figures (leading producers, processors, food chains, and banks) a realistic evaluation is needed in order to properly orient confirmity pressures, which is the best method of meeting new challenges. To be successful in utilizing national resources in an optimised way, we would have to foresee the future, which is obviously impossible.

One premise of my research is that the primary long-term purpose is expansion of our agri-food export, in spite of the fact that some circles have doubts referring to economic reasons. The production potential of Hungarian agriculture and food industry is well beyond the domestic needs, so in order to be able to sustain or even increase the level of production we need to export markets. On the other hand the Hungarian economy cannot afford to neglect an agri-food industry with positive foreign balance, in view of the long term foreign debt.

For this reason I have always evaluated the foreign targets of our agri-food industry with this premise in mind.

Our agri-food export has increased significantly since the millennium. Between 2004 and 2009 it grew to more than 150%. Based on this we may say we have made a huge step compared to ourselves. The 10 largest export markets of our agri-food industry was Germany (15%), Romania and Italy (10% each), Austria (8%), Holland (5%), Russia, Poland and the Czech Republic (4% each), France (3%), and Bosnia-Herzegovina (2%). These 10 countries amount to 65% of our agri-food export.

But if we investigate whether our share on these markets grew, the picture is not so positive any more. The fact that we were only able to increase our market share in two of the examined countries (Holland and Italy) is an alarming warning. In the other eight countries our share dropped, or stagnated. Our competitors have got ahead of us with more efficient practices on our most significant markets.

It is important to note, that in order to improve our competitiveness we need first of all investments that increase our efficiency and market introduction, potent producer organisations, motivating regulatory measures, coordination between government and NGO organizations, and cooperation.

It is beyond doubt, that as the efficiency of agricultural production improves, labour needs decrease. But as long as we are able to increase our output, we are able to increase direct and indirect employment connected to the agricultural and food industry.

A further token of the development of Hungarian agriculture and food industry is the formation of production systems and structure that facilitate the sustainability of producers and processors on the long run. It is inevitable to strengthen those producers who by the virtue of their size and structure will most likely survive.

The future is determined by the consumers. Winning them and dominating the European market should be the primary and foremost venture. We have to invest much more both from government and company sources to find new market opportunities, to market research and well aimed marketing projects.

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Streszczenie

W artykule dokonano analiz handlu zagranicznego wybranymi artykułami rolno-żywnościowymi Węgier z państwami UE i wybranymi krajami trzecimi. Zwrócono uwagę na znaczenie eksportu artykułów rolno-żywnościowych do państw UE.

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