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## ANALYSIS OF AGRICULTURAL TRADE BETWEEN HUNGARY AND THE VISEGRAD COUNTRIES

*ANALIZA HANDLU PRODUKTAMI ROLNYMI MIĘDZY WĘGRAMI  
A POZOSTAŁYMI KRAJAMI GRUPY WYSZEHRADZKIEJ*

**Key words:** agricultural trade, Visegrad group, trade transaction

*Słowa kluczowe:* handel produktami rolnymi, grupa Wyszehradzka, transakcje handlowe

**Abstract.** The enlargement of the EU in 2004 imposed new possibilities and threats for the Central and Eastern European countries which had so far successfully protected their markets. The presenting paper tries to explore that how the agricultural foreign trade of Hungary changes in relation to the countries of the Visegrad group and what are the trends? Although the foreign trade balance is positive in total (except for Poland), the specific indices have not yet changed after the enlargement, thus the trade turnover increased by value added, has not been realized and Hungary could not develop advantageous conditions (value orientation instead of quantity) in the first years of integration which may have considerable competitive consequences.

### Introduction

It is a key aspect in the evaluation of our access to the European Union in 2004 how the individual countries can be successful on the agricultural markets of the other member countries in addition to the success of the adaptation measurements within the member states. In regards to agricultural trade, the priority for the countries integrated after 2004 is not only the active participation and maintenance of trade positions on the unified internal market of the EU, but also the trading activities in relation to the other Central and Eastern European countries which have similar conditions.

The newly accessed countries have different qualities concerning the role of agriculture in national economy, as well as its efficiency and competitiveness. These countries were at a disadvantage to EU in terms of the subsidy level both on the external as well as the internal markets. But their own markets were also protected against the great volumes of import products. The agricultural sectors of these countries had to be adjusted more than the other sectors during EU integration.

The adaptation required basically the specialization on competitive agricultural products with comparative advantages, as well as the shift of attitudes towards more processed products. Extremely important role was given in this process to the improvement of efficiency, to development of competitive production structures and systems, restructuring, better adjustment to market demands, as well as to the implementation of environmentally friendly technologies, observation of EU regulations and rules and the development of trade and marketing technologies.

Considering the above facts, it is still the question, how the Hungarian agricultural sector could perform in this process?

### Material and methods – influencing factors

As regards the starting point of agro-trade process, the relation with EU and the interaction of new member states among themselves was decisive.

From the early 1990's – on the basis of European Treaties – the main elements of *acquis communautaire* had been gradually adapted and parallel gradual trade liberalization had been realized between the European Union and the Central-Eastern European countries. As against to industrial free trade, there was a concession system in the agricultural sector with fixed, limited,

mutual but asymmetrical trade favours. Prior to the integration, the new Trade Treaty approved in July 2000 was a significant progress in the liberalization of agro trade relations and it also affected the agricultural markets. Besides the elimination of custom duties, the degree of these preferences has significantly increased by 2000 and the volume limits decreased<sup>1</sup>. Following this, the preferential trade has actually become equal part of internal market and market competition.

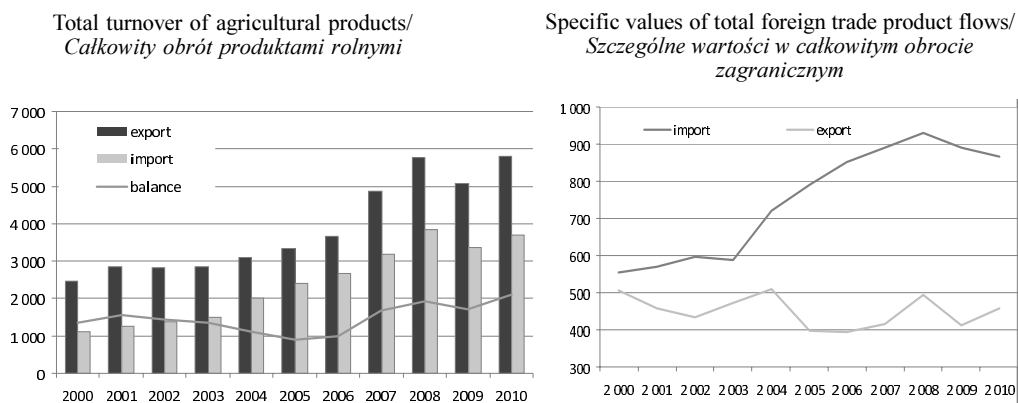
On the other hand, considerable integration has been realized before the integration both in agricultural trade and the agricultural markets, due to the trade agreements of new member states with each other (CEFTA)<sup>2</sup>. A lot of EU-10 agricultural producers were supported by the permanent liberalization of agricultural trade in EU relations. The bilateral trade agreements on agricultural products were made in the frames of the European Treaty, which was the basis of trade relations between EU and the candidate states and targeted the elimination of trade barriers.

## Results

Compared to the 2.4 billion EUR of 2000, the export increased by about 50% to 3.3 billion EUR by 2005, then grew again and reached 5.8 billion EUR by 2010. The changes are most obvious in relation to import: the volume was 1.1 billion EUR at the turn of the millennium, then it increased to 2.4 billion in five years, which was an extremely high rise, about 218% (Fig. 1). This trend continued until 2010, when the volume of import reached 3.7 billion EUR with a further 154% – growth. As the result of changing dynamics, the moderation of positive foreign trade balance of agriculture was clear. It is a specific feature especially during the period following the integration. It is obvious that the volume of export highly decreased after entering the unified internal market and only a slight increase could be observed in the balance. It is positive that the economic crisis has resulted only 11% decline in exports, although it was a 206 million EUR drop.

The changes of specific trade volumes clearly describe the underlying tendencies of product flow. The figure shows that the export per one ton is decreasing or stagnating. Together with this, in case of the import, there was a drastic value growth following the integration.

The export-import evaluation according to the level of procession belongs to the food industry foreign trade. There have been considerable changes in the foreign trade of – processed and half-processed – food products since 2003. The main feature of changes is that the export of these



**Figure 1. The whole EU foreign trade and its specific changes (current prices) (2000-2010)**  
**Rysunek 1. Handel zagraniczny UE i jego zmiany (ceny bieżące) (2000-2010)**

Source: own study based on Mezőgazdasági számlák... 2010, Vidékfejlesztési Minisztérium 2010

Źródło: opracowanie własne na podstawie Mezőgazdasági számlák... 2010, Vidékfejlesztési Minisztérium 2010

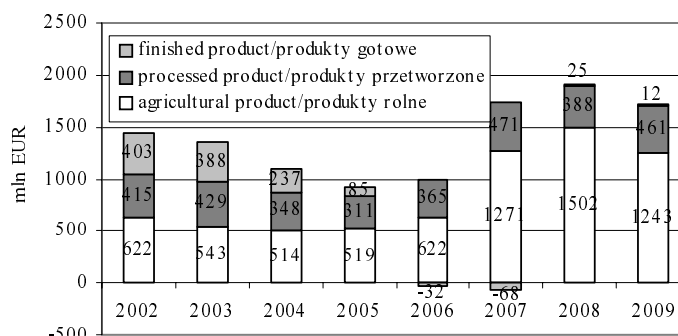
<sup>1</sup> The treaty divided the concerned agricultural and food products into three groups. The „double null solution” products the customs were eliminated mutually by both parties without any quantity limits, e.g. in Hungary: breeding stock, ham, oil seeds, etc. In case of „four null solution” products, both parties eliminated both the customs duties and the export subsidies. This category included poultry, pork, cheese and wheat. And the „classic list” contained customs preference quotes similar to the Access Treaties of 1991. The significant items of Hungarian export: maize, honey, mushroom, plum, etc.

<sup>2</sup> The Central European Free Trade Agreement (CEFTA) was signed on December 12, 1992 and one of its key objectives was to increase trade among each other.

**Figure 2. Foreign trade balance of Hungarian agriculture and food industry divided according to the elements**

*Rysunek 2. Bilans handlu zagranicznego produktami rolnictwa przemysłu spożywczego na Węgrzech*

Source/Źródło: Wagner 2009



products has increased more slowly than the import. This process goes in negative direction because the ratio of more processed products – with higher value added – has decreased in the export but strongly increased in the import.

In the structure of agricultural foreign trade, the export growth of agricultural raw materials – especially cereals – far surpassed the export growth of processed products between 2004 and 2009. The European Union occupies an important place both in the national export and import. In 2009 its share from the Hungarian export was almost 85%, while from the import it was 93%.

The examination of trade transactions within EU25 and out of EU-25 was very illuminating, too. It has been confirmed that there was a significant increase in turnover of agricultural products after 2004, following the elimination of customs limits: compared to 2003 (and also to 2001 because the export volume was almost the same) the turnover expanded by almost 128% in the second year following the membership. As against to it, the ratio change of import was a lot more drastic. In relation to 2003 and 2004, there was a 168% growth. The degree of expansion was more than twofold, 217% by 2005. The strong trade surplus of the 1990s started to diminish in 2002 and this tendency has continued in the first two years following the integration. The result was that the balance of agro-trade decreased to a mere 2 million EUR in 2006. Figure 2 demonstrates that parallel with this, the trade with external member states also declined. In relation to the third countries, the decline can be explained with the integration of the neighbouring states. The sharp rise of import volume was clear and very dominant (Fig. 2). It can only partly be explained by the statistical impact of integration. These countries and some former member states strongly activated, but at the same time the Hungarian export got stuck. It is obvious that the Hungarian food industry and agriculture could not utilize the possibilities offered by the internal market. The impact of the world economy crisis, however, was very serious because the foreign trade decline within the EU was at about 10%. Although it is less obvious, but on the markets out of EU, this figure was almost 29% in case of export and 39% in case of import partly due to the low base values.

In the frames of this, in the average of 2000-2010, 45% of national export to EU12 went to these countries, while 80% of the import of EU 12 came from Slovakia, the Czech Republic and Poland. The volume of import in these countries has grown significantly, almost exploded after the enlargement. They could utilize the home market possibilities that opened thanks to the unified internal market more successfully in this regard. In spite of the fact that we could reach some improvement and positive trend in the V3 relation, in regards to its value there has been a deficit for 56 years (Fig. 3).

In regards to the above relation it is necessary to make further analysis to explore how the product turnover of Visegrad countries<sup>3</sup> contributed to the development of this dynamics.

Poland has the most determinant role among V3 in regards to value and volume<sup>4</sup>. Although the impact of the crisis is very much obvious in the product turnover, the trade activity in the direction of Poland is significant and decisive, even considering the great liabilities in trade turnover (the loss was 252.7 million EUR in 2010).

<sup>3</sup> The Visegrad Treaty (Visegrad countries that is V4) is the regional organization of the Czech Republic, Poland, Hungary and Slovakia. The objective of the cooperation is to set up a joint representation of economic, diplomatic and political interests of these Central and Eastern European countries, harmonization of their possible steps, in relation to EU with special regard to common agricultural policy, structural and cohesion funds, joint foreign and security policy, as well as the Schengen system.

<sup>4</sup> Once in 2010 in Slovak relation there was a 260.4 million positive balance (basically due to maize and sugar trade) which can explain the balance improvement towards the country group (Fig. 3).

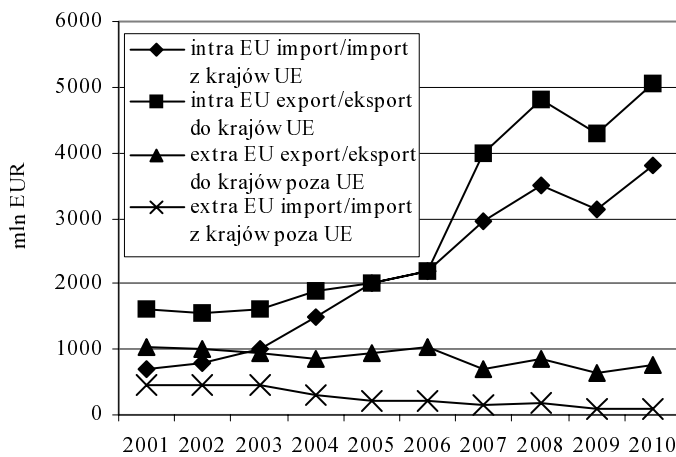


Figure 3. Agricultural foreign trade of Hungary with EU and non-EU countries (2001-2009)

Rysunek 3. Handel rolny artykułami rolnymi Węgier z krajami UE i poza UE (2001-2009)

Source/Źródło: EUROSTAT 2010, Vidékfejlesztési Minisztérium 2010

ish relation increased by 50%, while the export grew only by 30% and the biggest difference was 1189 EUR/ton (2007) (Fig. 6)<sup>6</sup>.

In case of the 10 most important products, the export of cheaper, large quantity of products clearly increased during the examined period, while the situation is just the opposite in case of import: the ratio of the 10 most important products decreased, the market presence became more balanced and the quantity compared to total import also declined.

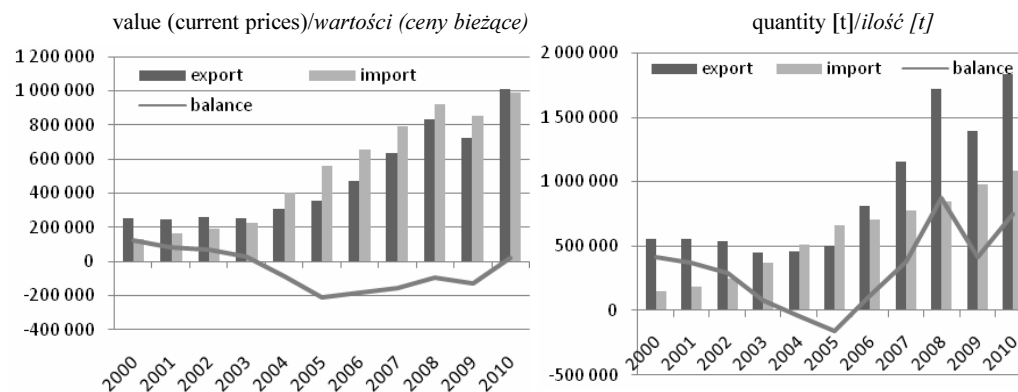


Figure 4. Turnover of agricultural and food industry products with V3 countries

Rysunek 4. Obrót produktami rolnymi i przemysłu spożywczego między Węgrami a 3 pozostałymi krajami grupy wszechradzkiej

Source: see fig. 1

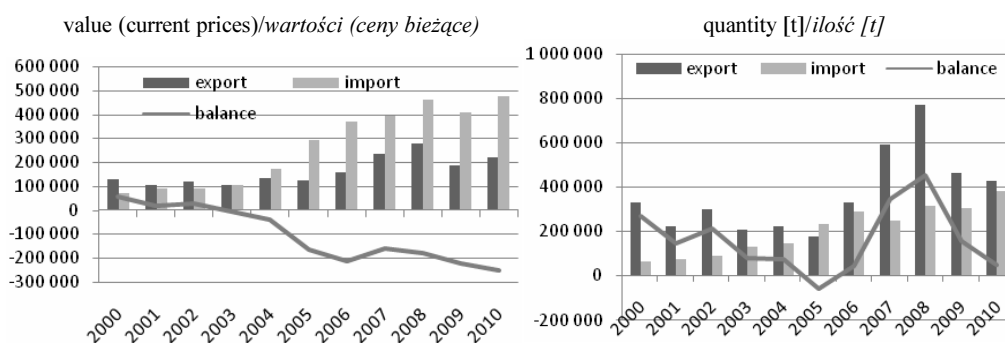
Źródło: jak na rys. 1

<sup>5</sup> Quotient of value and volume of trade turnover, which gives the average value of one ton of goods.

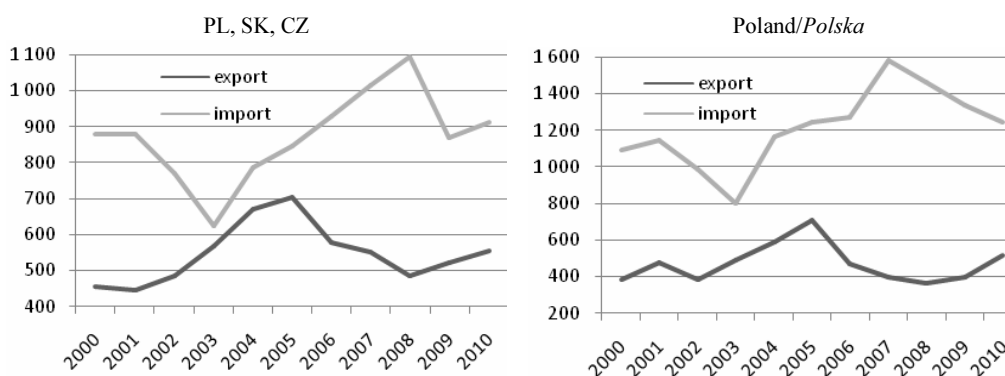
<sup>6</sup> It is important to add to the explanation of the previous processes that the country-structure of import is also influenced by the methodology of statistics, because from the accession the calculation is made on the basis of the sending country and not the country of origin, in accordance with the EU regulations. It means that considerable part of the import beyond the EU is accounted as shipment from the member country which makes customs clearance or acts as go-between [EUROSTAT 2006].

If we examine the specific values per unit, the picture is much clearer: it can be declared that the specific value of import products has obviously and strongly increased<sup>5</sup>.

The Hungarian export basically shipped only 23% more goods (2003: 567 EUR/tons; 2005: 702 EUR/tons) than before the accession. As against to this, following the elimination of well-protected market positions in 2004, the value from V3 countries increased by 75% and from the starting 624 EUR/ton value it reached 1098 EUR/ton by 2008 (Fig. 5). This trend was influenced mostly by the Polish trade data. The specific value of import in Hungarian-Po-



**Figure 5. Trade of agricultural and food industry products with Poland**  
**Rysunek 5. Obrót produktami rolnymi i przemysłu spożywczego między Węgrami a Polska**  
 Source: see fig. 1  
 Źródło: jak na rys. 1



**Figure 6. Specific foreign trade value of agricultural and food industry products (2000-2010)**  
**Rysunek 6. Szczególne wartości w obrocie zagranicznym produktami rolnictwa i przemysłu spożywczego (2000-2010)**  
 Source: see fig. 1  
 Źródło: jak na rys. 1

**Table 1. Some market relations of the ten products with the most important value and volume (2000, 2004, 2010)**  
**Tabela 1. Relacje rynkowe 10 najważniejszych produktów z punktu widzenia wartości i ilości (2000, 2004, 2010)**

Specification/ Wyszczególnienie	Export/Eksport			Import/Import		
	2000	2004	2010	2000	2004	2010
Value of the first 10 products [thous. EUR]/ Wartość pierwszych 10 produktów [tys. EUR]	123 794	171 348	523 710	80 349	194 486	484 826
Ratio to total/Udział w całości	0.49	0.55	0.52	0.61	0.48	0.49
Quantity of the first 10 products [thous. EUR]/ Ilość pierwszych 10 produktów [tys. euro]	236 210	230 262	1 083 102	60 410	167 259	403 110
Ratio to total/Udział w całości	0.42	0.50	0.59	0.40	0.33	0.37

Source: own study  
 Źródło: opracowanie własne

The restructuring of the main sectors is another important tendency in agricultural foreign trade. Animal products gave 34% of export before the accession, while the share of plant-related products was 55%. Following the accession the share of animal products has permanently decreased, it was only 25% by 2010, while the ratio of plant products reached 63%. Out of the main export groups of agricultural and food industry products, the group of cereals was outstanding between 2004 and 2010, the meat, slaughtering by products and giblets occupied the second place. The main sector of vegetables and fruit products has suffered significant position losses in the export ranks.

### Conclusions

The foreign trade of agricultural products has considerably changed after the enlargement of EU in 2004. In connection with this, the EU membership has imposed great threat and possibility for the highly protected and supported markets of the new member states. The trade of new member states among each other is especially important because it shows significant value and volume changes. It can be stated, that the Hungarian agricultural export could not or could only moderately utilize the possibilities of the common market in most of the markets. The quantity and value of export has increased but at a specifically decreasing pace, resulting even trade balance depreciation in some cases. As a result of this, it can be declared that the Hungarian agricultural and food industry could not or only partly utilize the impacts of accession – in terms of foreign trade. In case of a lot of products the value added has not or only slightly increased. It refers to the fact that the nature of the Hungarian agricultural sector remains the same and it preserves the existing features thus hampering the possibility of transformation and development of a more competitive production.

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### Streszczenie

*W pracy podjęto próbę analizy handlu produktami rolnymi między Węgrami a pozostałymi krajami grupy Wyszehradzkiej. Stwierdzono, że mimo pozytywnego bilansu handlowego, poszczególne wskaźniki nie uległy zmianie po integracji w ramach Unii Europejskiej.*

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