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THE WINE FOREIGN TRADE OF SLOVAK REPUBLIC

HANDEL ZAGRANICZNY WINEM NA SŁOWACJI

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Abstract. The aim of the article is to identify the impact of foreign trade with wine for the wine market in the Slovak Republic and identify the trends of its development. Slovakia is among the small wine producers. Wine areas are constantly reducing and wine consumption of the population of the Slovak Republic is not covered. The negotiation process has granted a quota allocated to Slovakia cultivable area of 22 000 hectares of vineyards. At present it is not filled, and Slovakia is not self-sufficient in wine production. Producers are aiming for the production of quality wines and demand for cheaper table wines is covered by import. From the analysis of wine import in the Slovak Republic, we notice that the wine import, is currently dominated by the growing tendency to import wines and sparkling wines in small packages (up to 2 l). The export of wine is currently focused on the export of wine in larger packages (over 2 l) in Slovakia. To assess the competitiveness of Slovak producers of wines in foreign markets are used the factors of comparative advantage and export-import coverage ratio.

Key words: competitiveness, export, foreign trade, import, wine.
Słowa kluczowe: eksport, handel zagraniczny, import, konkurencyjność, wino.

INTRODUCTION

Slovakia belongs among the advanced wine countries, although viniculture deals with many problems, nowadays. Vineyard acreage is still decreasing and the demand of domestic wine producers is not covered. In comparable conditions for the cultivation of grapes, Slovak producers achieve less amount of harvested per hectare than countries in neighborhood. Foreign trade with wine is not engaged into the foreign agriculture trade significantly, but the viniculture belongs to the traditional export commodities. Slovak wine have problem with competitivnes on the European and world markets. The dominance has traditional wine countries like Italy, France and Spain.

MATERIAL AND METHODS

The aim of this article is to analyze the development of foreign trade with wine and determine the competitiveness of Slovak wine producers in foreign markets. In assessing of the competitiveness of the wine on the foreign markets are used the following factors:

– Trade Coverage Ratio:

Exim coefficient = volume of export Q_i / volume of import Q_i

Exim coefficient > 1, industry shows a surplus of balance of trade
E*xim coefficient* < 1, industry shows a deficit of balance of trade

– *RCA* (Revealed Comparative Advantage):

$RCA = \ln\{(X_i/M_i)/(X/M)\}$

where:

X_i – Export value of selected commodities in a country,

M_i – value of the selected import commodities from a country,

X – value of total agri-food exports from a country,

M – value of total agri-food imports from a country,

$RCA > 0$, commodity has a comparative advantage,

$RCA < 0$, commodity has not a comparative advantage,

RCA = 0, commodity has not a comparative advantage or disadvantage.

RESULTS AND DISCUSSION

Development of foreign trade with wine

Foreign trade of wine had not positive development in 2003–2008 for the Slovak Republic and contribute to the negative balance of foreign agri-food trade in this period. Import of wine continuously increased in all evaluated years, while in the year of entry into the EU rose by up to 69%. Import of wine has had significantly higher dynamic into the Slovak Republic, since 2003. In 2004, export slowed down, but in subsequent years has showed an upward trend. While the value of exports from 2003 to 2008 increased by 122 millions SK (24.4 millions SK average annual), the total increase in value of imports is 1.08 billions SK. This corresponds to the average annual increase by 216.6 millions SK. Import were almost 9 times higher than the parallel annual growth of exports. In the period 2003–2008, our territory exported wine in the average value of 316 millions. SK per year. Import with the average value of 880 millions SK per year compared with 2003 has increased more than four times. This situation is documented by Table 1.

Table 1. Development of foreign trade with wine in SR in thousands of Sk

Item	Year						Index 2008/07 (%)
	2003	2004	2005	2006	2007	2008	
Export	336 275	204 911	225 455	280 945	390 475	458 227	117,35
Import	332 686	561 962	719 693	967 429	1 279 700	1 415 828	110,64
Balance	3 589	–357 050	–494 238	–686 484	–889 225	–957 601	107,69

Source: VÚEPP, ŠÚ SR.

The positive trade balance of wine was reported only in the first reporting year in the value of 3.5 millions Sk, but this was not due to the higher exports, but by higher export price of wine. Since the accession of Slovak Republic to the EU, the balance of foreign trade with wine became consistently negative, as it is illustrated in Fig. 1.

In 2008, exported value of wine was 458.2 millions Sk in SR which is compared with the previous year by 17%, respectively. 67.8 billions Sk more. So far the highest import, in the amount of 1 415.8 millions Sk with an increase of 10.6%, or 136.1 millions Sk, caused fall of trade deficit with wine up to – 957.6 millions Sk. In comparison with 2007 the deficit balance increased by 7.7%, about 68.4 millions Sk. Foreign trade with wine does not largely affect foreign-trade balance of agricultural commodities. The share of wine export for export of agro-commodities represented an average of 0.74% and import were assessed during the years with contribution of 1.3 % (average). The passive trade balance of agricultural and food products had 2.6 % of the wine contribution.

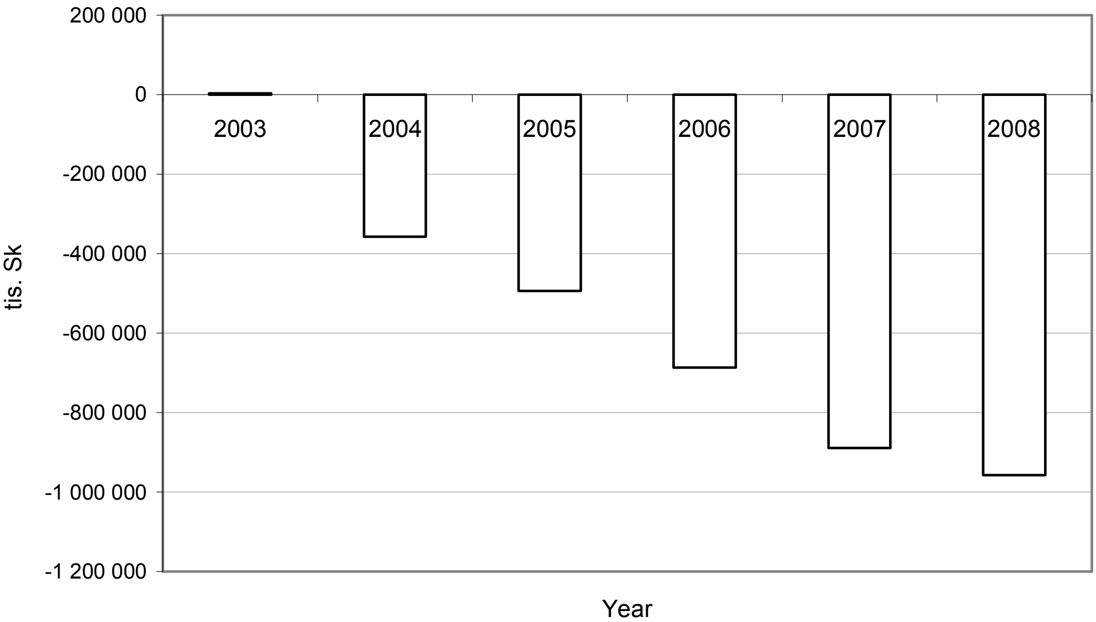

Fig. 1. Development of the balance of foreign trade in wine
Source: VÚEPP, ŠÚ SR, own calculations.

Competitiveness of wine according RCA

The Slovak wine producers have two important competitive disadvantages, which include the unfavorable age structure of Slovak vine producers, where 52% of them are more than twenty years old. Another disadvantage is the low proportion of cultivars which are suitable for the markets, so the low representation of blue cultivars for the production of red wine and aromatic cultivars. The common organisation of wine trade in the EU is focusing on increasing the competitiveness of wines produced in the EU on world markets. Common market element of this effort is to increase the specificity of regional wines which is depending on natural conditions of each wine-growing area. Comparative advantage respectively disadvantage of Slovak foreign trade with wine according to the RCA index which presents Table 2.

Table 2. Competitiveness of wine according to the RCA index

Competitiveness of wine commodities	Year					
	2003	2004	2005	2006	2007	2008
Total	0,47	–0,63	–0,80	–0,96	–0,82	–0,73
With EU countries 27	0,41	–0,52	–0,70	–0,80	–0,41	–0,69
With third countries	0,60	–1,08	–1,82	–1,62	–2,06	–0,91

Source: VÚEPP, own calculations.

According the RCA index was development of wine competitiveness from a comprehensive perspective of the period of the years negative, which shows a very low competitiveness of our wines in foreign markets. We achieved a comparative advantage of the commodity only in the year before. This can be explained by the conservation measures that were part of the commercial policy of the Slovak Republic before the year 2004. Protective measures might by those who will enhance the competitiveness of the industry, but only temporarily.

In recent years, komparative disadvatage has been demonstrated. Lowest comparative disadvantages has the trade with the countries of the European Union. Czech Republic acts as a stabilizing factor again. RCA Index in the period showed a positive value in the Czech Republic. On this basis, it can be noted that our wine has a komparative advetage on the Czech market. There is the absolute uncompetitiveness of Slovak wines on the markets of third countries. The exception is Ukraine, where the value of the indicator of comparative advantage was relatively high. The reduction in imports of wine from third countries and the current increase in exports to these countries in 2008 resulted in the improvement of the indicator from –2.06 to –0.91. On the other hand, intensification of wine imports from the EU caused deterioration of RCA index and the decline in its value to –0.69 betwen terms. An overview of the development of competitiveness presents Fig. 2

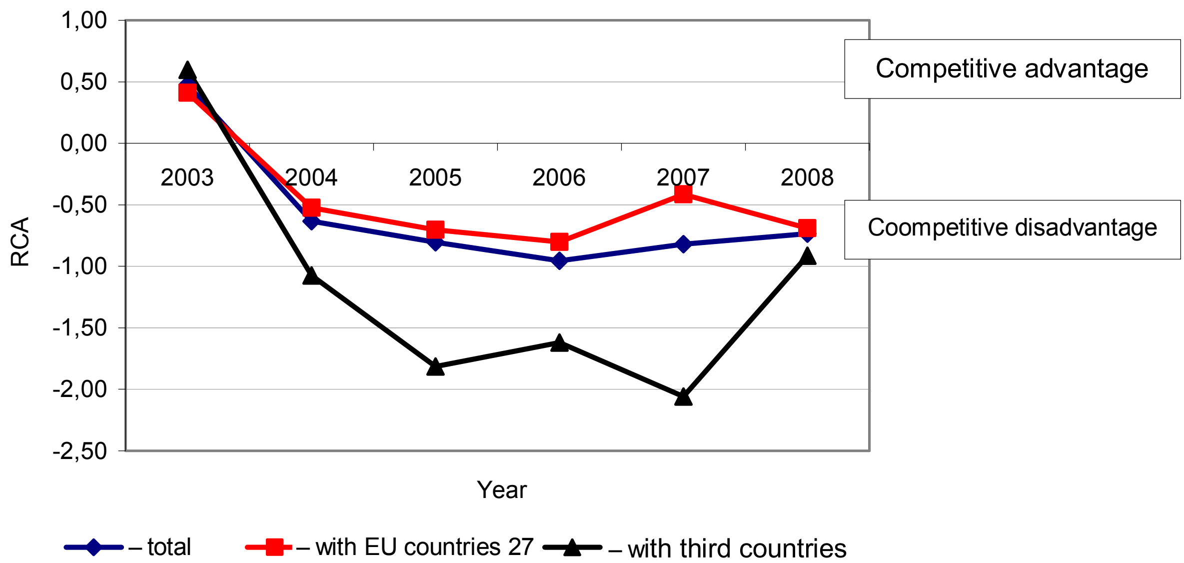

Fig. 2. Competitiveness of wine according to the RCA index
Sources: VÚEPP, ŠÚ SR, own calculations.

The degree of coverage of imports of wine exports

To ensure the effective functioning of foreign trade are required to cover import of goods by export of one another. The share of the realized export and import of wine expresses Table 3.

Values of the coefficient of import-export coverage confirm that we are in the main importers of wine. While in 2003 the situation looked favorably in recent years has substantially deteriorated. Total export of wine is covered by import of wine in the last reporting period – approximately 30%. The degree of coverage with European Union countries ranged from 36 to 49%. This empower the value of our benefit, in particular trade with the Czech Republic. Realized wine exports to third countries participated in the importation into the SR, on average, only 7%, except for the first year, which contributed 73%.

Table 3. The coefficient of import-export coverage

Item	Year					
	2003	2004	2005	2006	2007	2008
Total	1,01	0,36	0,31	0,29	0,31	0,32
Countries of EU 27	1,03	0,45	0,37	0,36	0,49	0,42
Third countries	0,73	0,11	0,07	0,09	0,04	0,07

Sources: VÚEPP, own calculations.

CONCLUSIONS

Wine sector in Slovak Republic is long term uncompetitive. It was confirmed by analysis using the indicator of comparative advantage. Slovak wine was competitive only in 2003, when noticed a positive trade balance. Competitiveness of wine did not evolve favorably in other times. The lower comparative disadvantages had trade with EU countries. Despite these negative findings the Slovak wines have because of given uniqueness and originality its potential.

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Streszczenie. Celem artykułu było określenie wpływu handlu zagranicznego winem na Słowacji i wskazanie tendencji rozwojowych. Słowacja jest małym producentem wina. Obszar winnic zmniejsza się systematycznie, a zapotrzebowanie ze strony ludności Słowacji jest większe niż produkcja. Unia Europejska przyznała Słowacji dotację dla winnic na obszarze 22 000 ha. Do tej pory Słowacja nie była w stanie wykorzystać przyznanych kwot ze względu na mniejszą produkcję wina. Producenci są nastawieni na produkcję win wysokiej jakości, a wina stołowe są importowane. Z analizy importu wina do Słowacji wynika, że obecnie przeważa tendencja sprowadzania win w małych opakowaniach (do 2 l). Z kolei eksport jest nastawiony na wysyłanie win w większych opakowaniach (powyżej 2 l). Do oceny konkurencyjności słowackich producentów wina na rynkach zagranicznych zastosowano czynniki przewagi konkurencyjnej oraz miernik pokrycia eksportu i importu.