

TRADE AND DEVELOPMENT?

LESSONS FROM THE HUNGARIAN EU ACCESSION

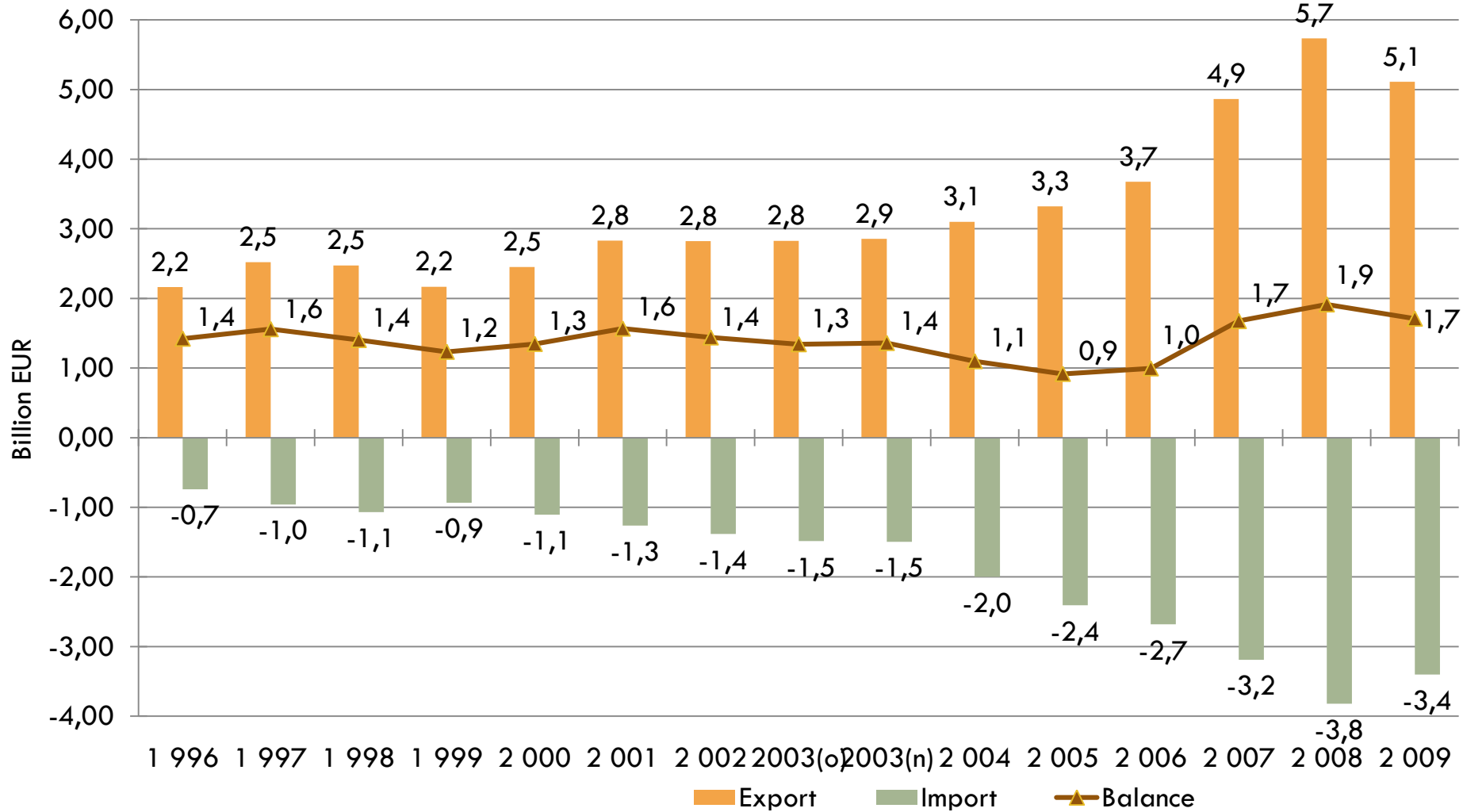
*„Wasting your time building shelters instead of windmills when you see the storm coming is bad decision.”
Missing the signs of the coming storm is even worse!*



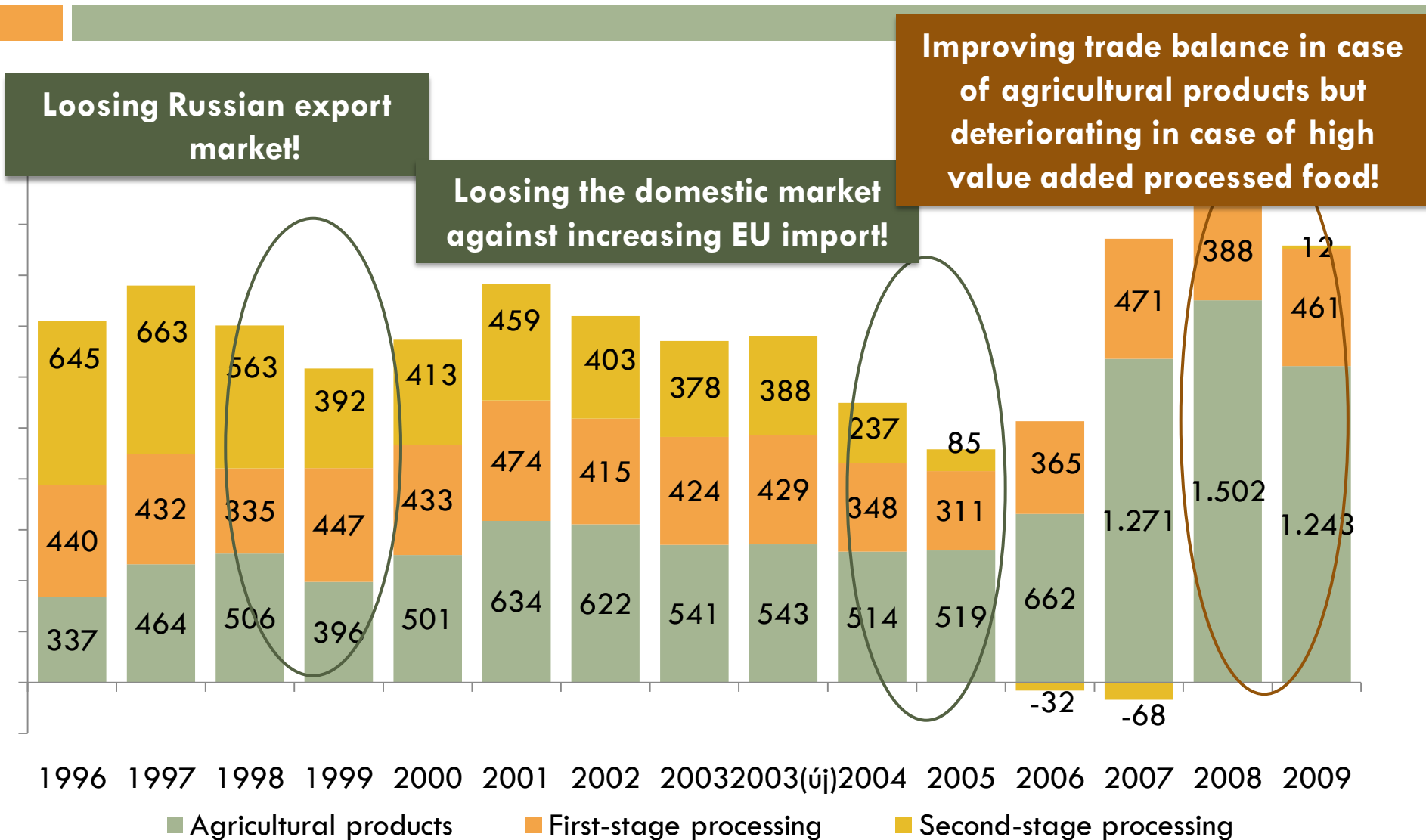
FOREIGN TRADE TENDENCIES OF THE HUNGARIAN AGRICULTURE-FOOD SECTOR

**MACROECONOMIC IMPLICATIONS: DID WE LOSE OR
GAIN FROM EU ACCESION?**

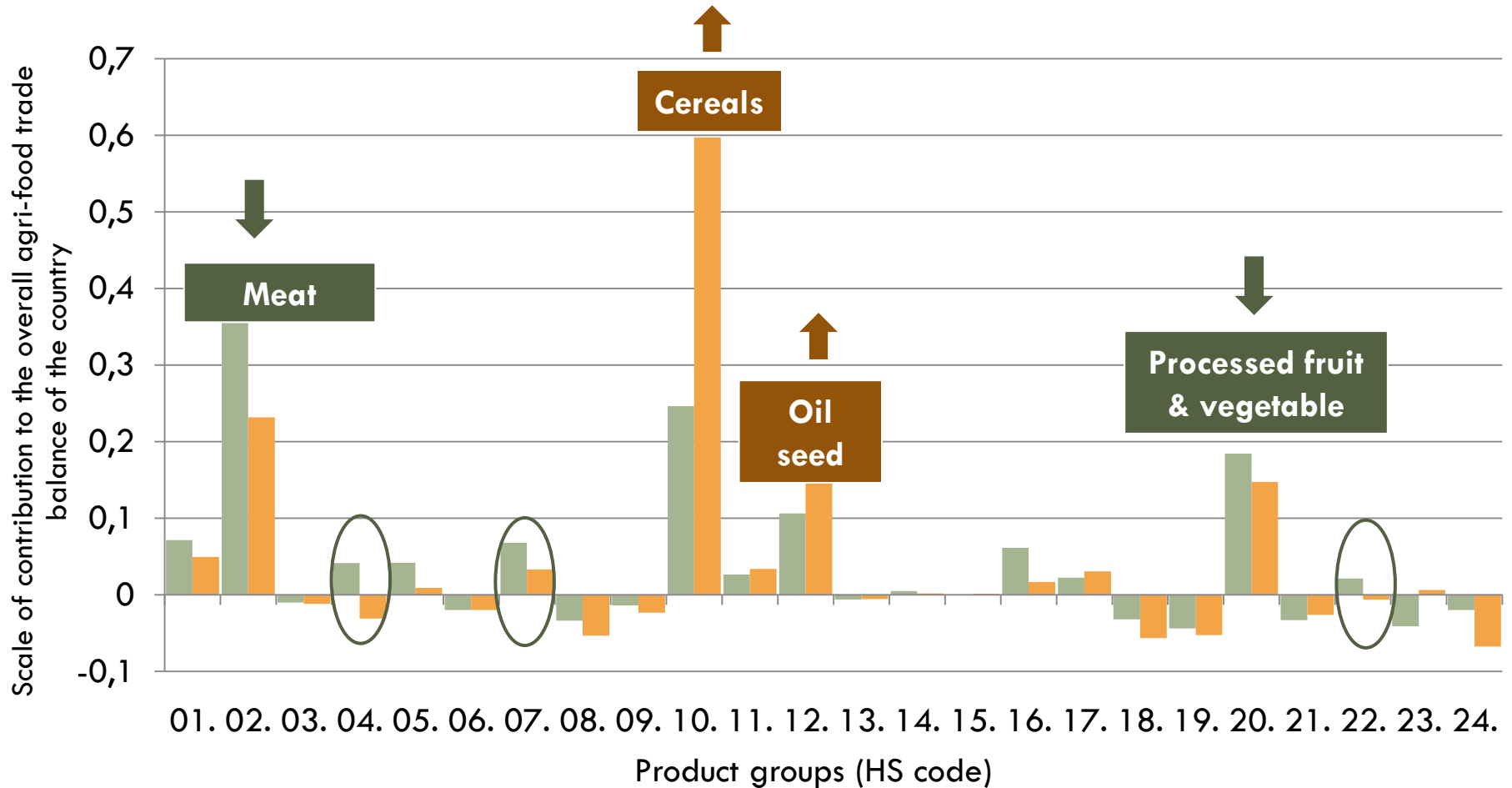
Foreign trade of Hungarian agri-food sector



Trade balance of the Hungarian agri-food sector split by the level of value-added



Threat: becoming dependent of volatile and low value added product markets

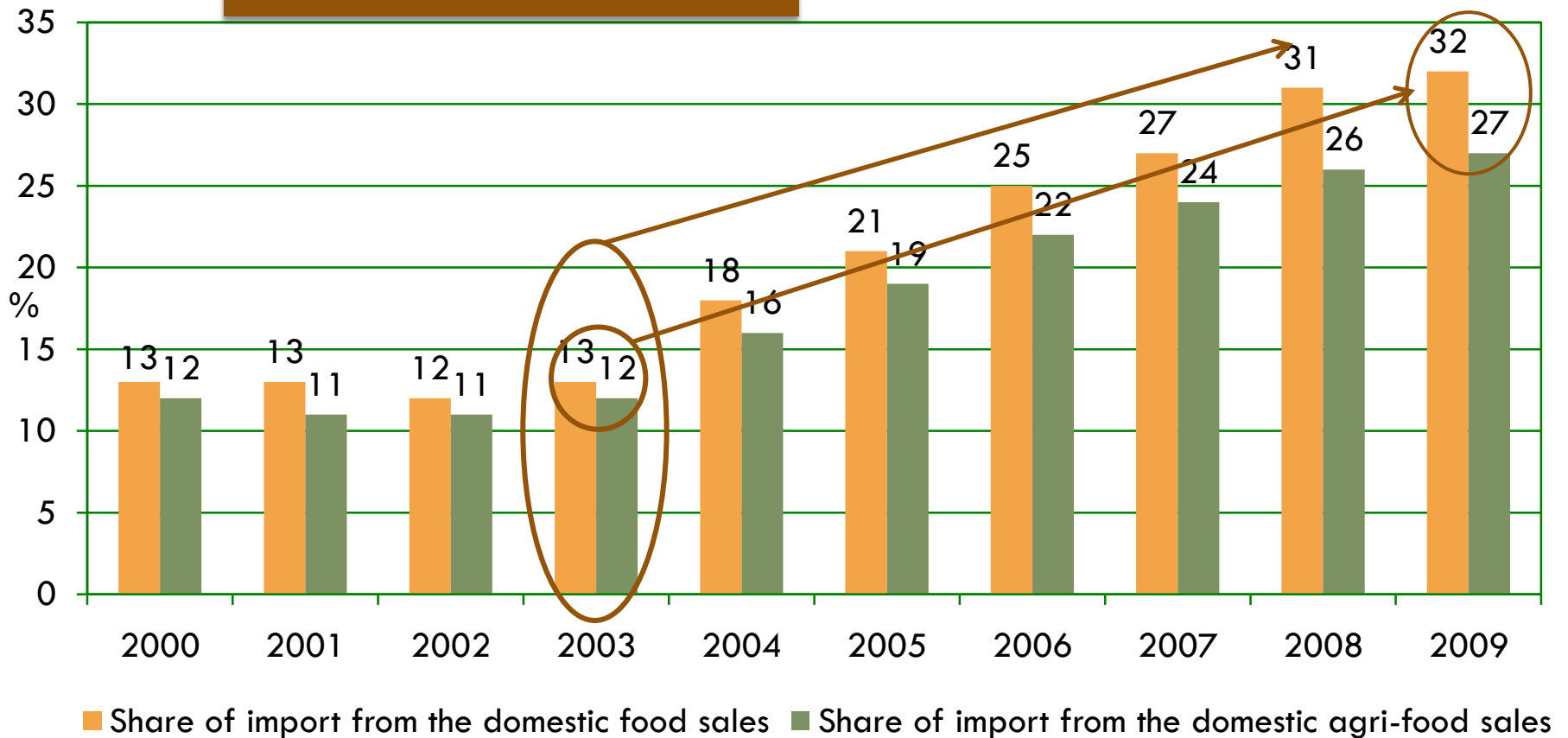


Position deteriorating categories: meat, dairy, fresh and frozen vegetables, processed f&v, drink

Threat: loosing ground on the domestic market

Import share growth starting after EU accession

Stronger effect on the processed food market





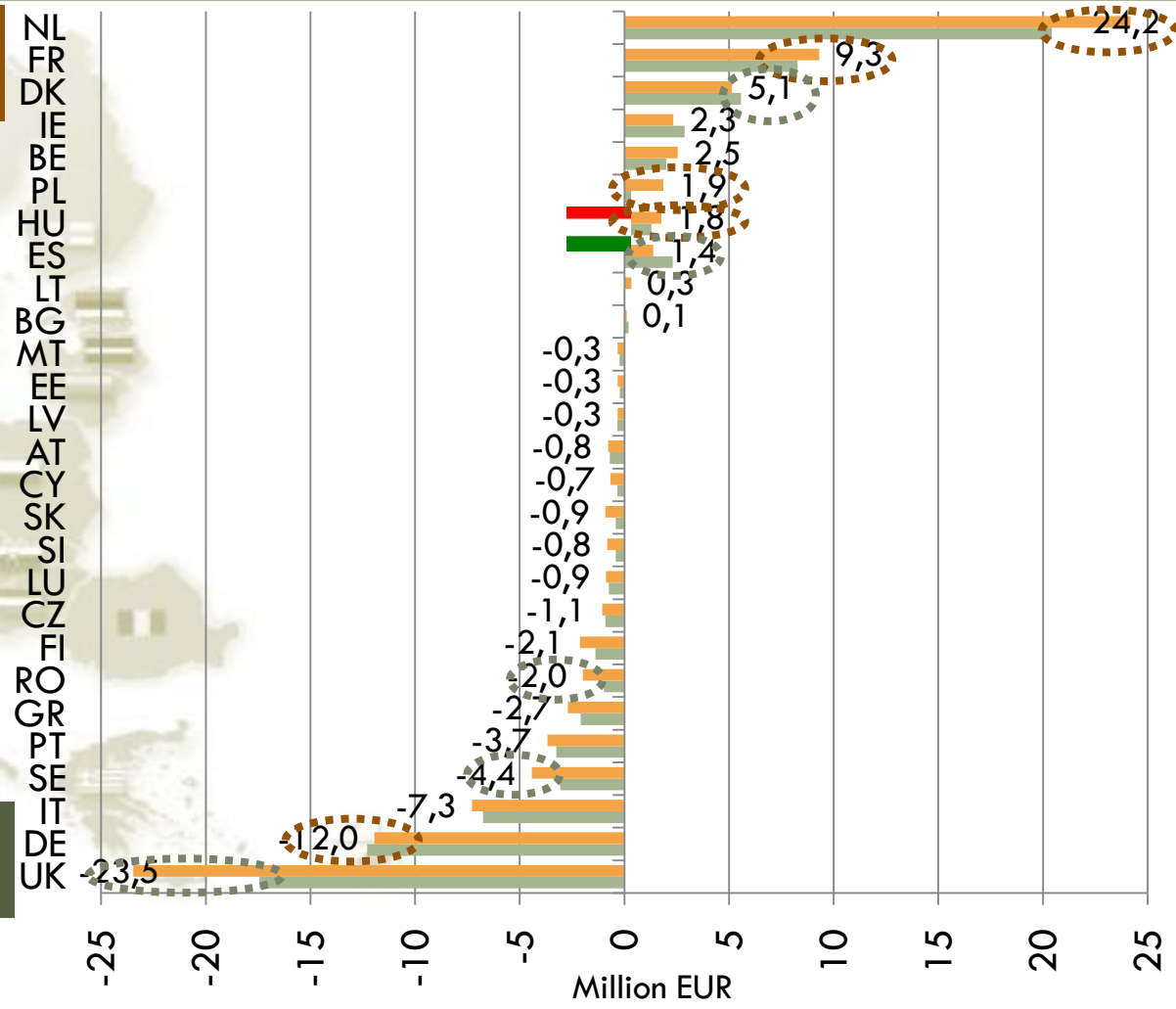
FOREIGN TRADE TENDENCIES OF OTHER MEMBER STATES

**MACROECONOMIC IMPLICATIONS: WHERE ARE THE
WINDMILLS?**

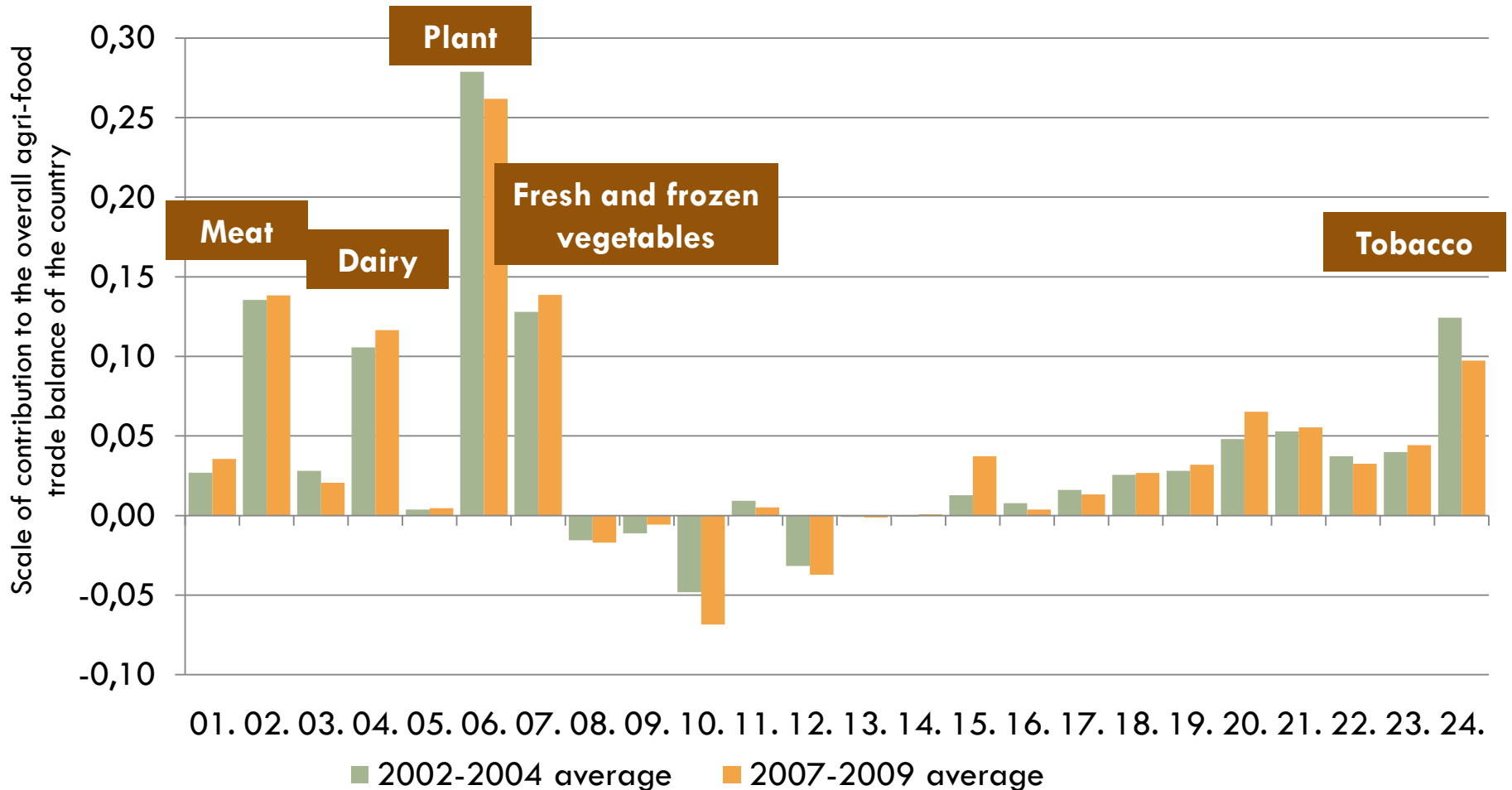
Agri-food trade balance of the EU-27 member states

Improving:
NL, FR, PL(!), HU, DE

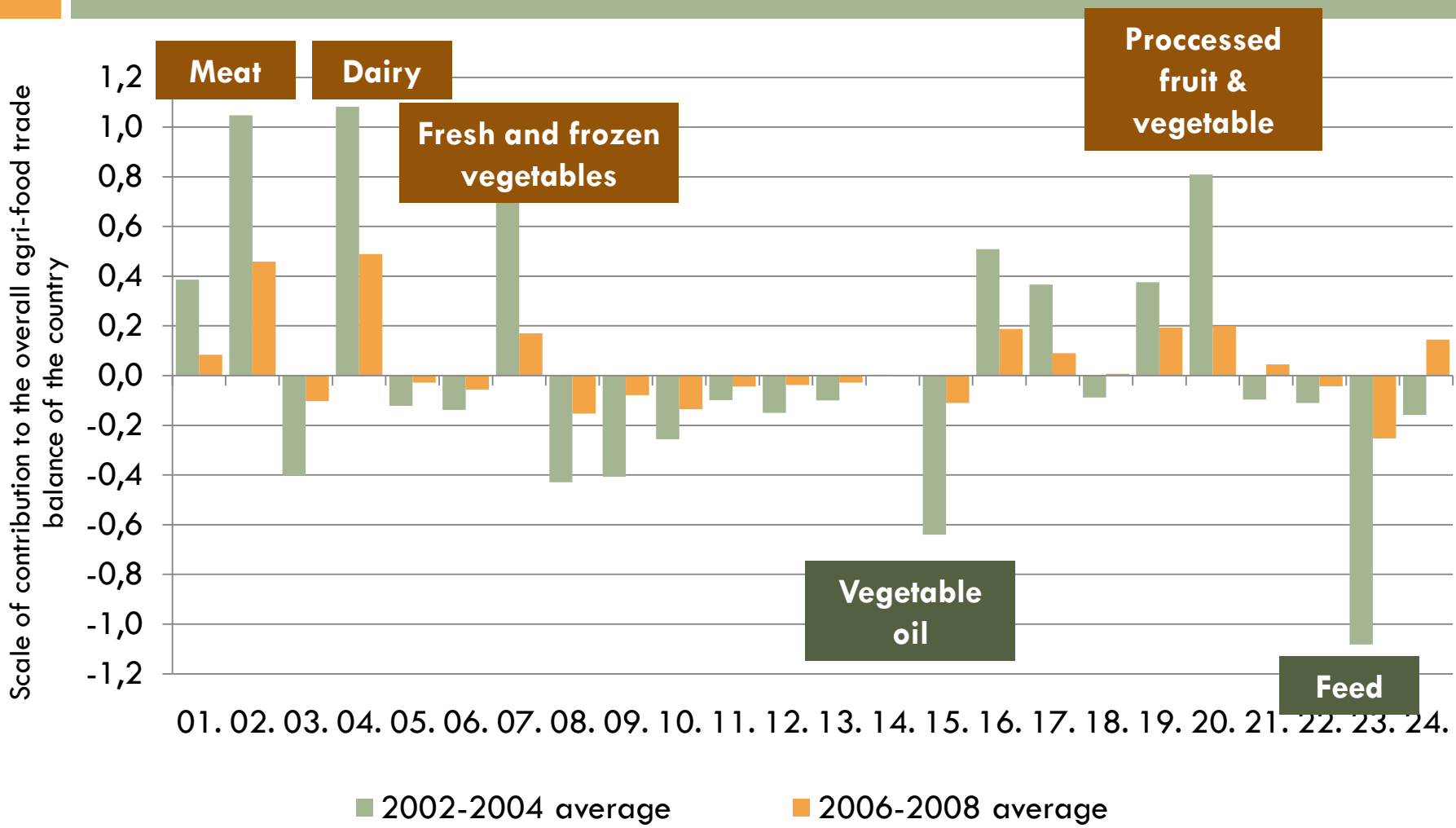
Declining:
DK, ES, RO(!), SE, UK



First type of improving: Netherlands keeping diversity

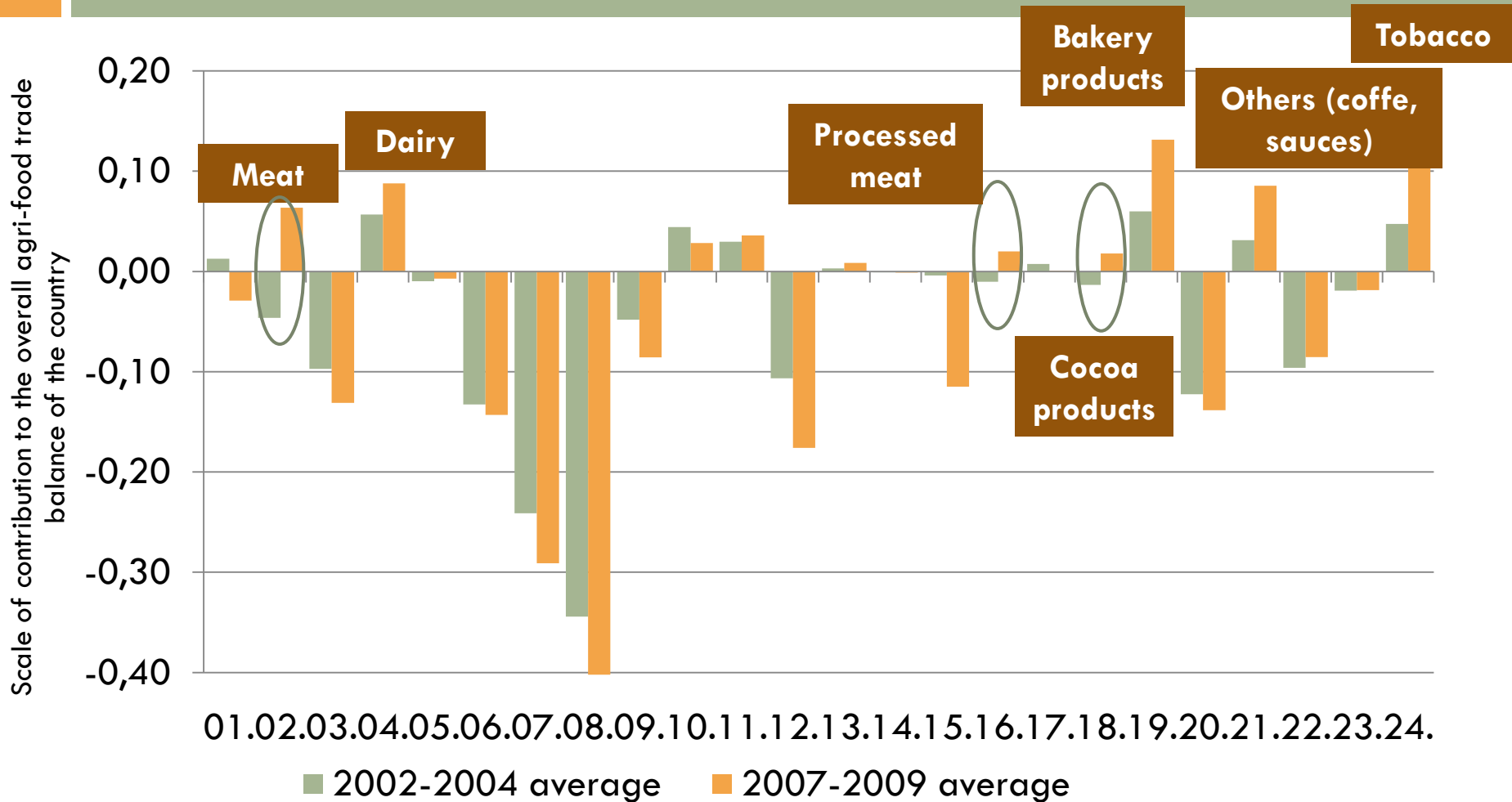


Second type of improving: Poland smoothing out extremes



Source: Trade and Market Department, AKI

Third type of improving: Germany focusing on product groups





RETAIL TRADE TENDENCIES IN HUNGARY

**MICROECONOMIC IMPLICATIONS: HOW CAN YOU BE A
SUCCESFULL SUPPLIER?**

Why is it so difficult to built sustainable food supply chains?

2-3 GENERATIONS EARLIER: SHORT AND SIMPLE

Gatekeeper: 1 fulltime „food supply manager” in every family



Agricultural products



Household



Food

„Wartime virtues”

- Economical
- Recycling
- Direct relations (TRUST!!!)
- Knowledge
- Honest dishes

Disadvanteges

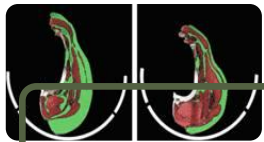
- Time consuming
- Heavy workload

TODAY: LONG AND COMPLEX

Regulations and institutions

New gatekeeper: Retail sector

Crisis forced us to have old virtues but without disadvantages!



Input providers



Agricultural producers



Food processing



Retail trade



Consumers

Foreign trade: Export és Import

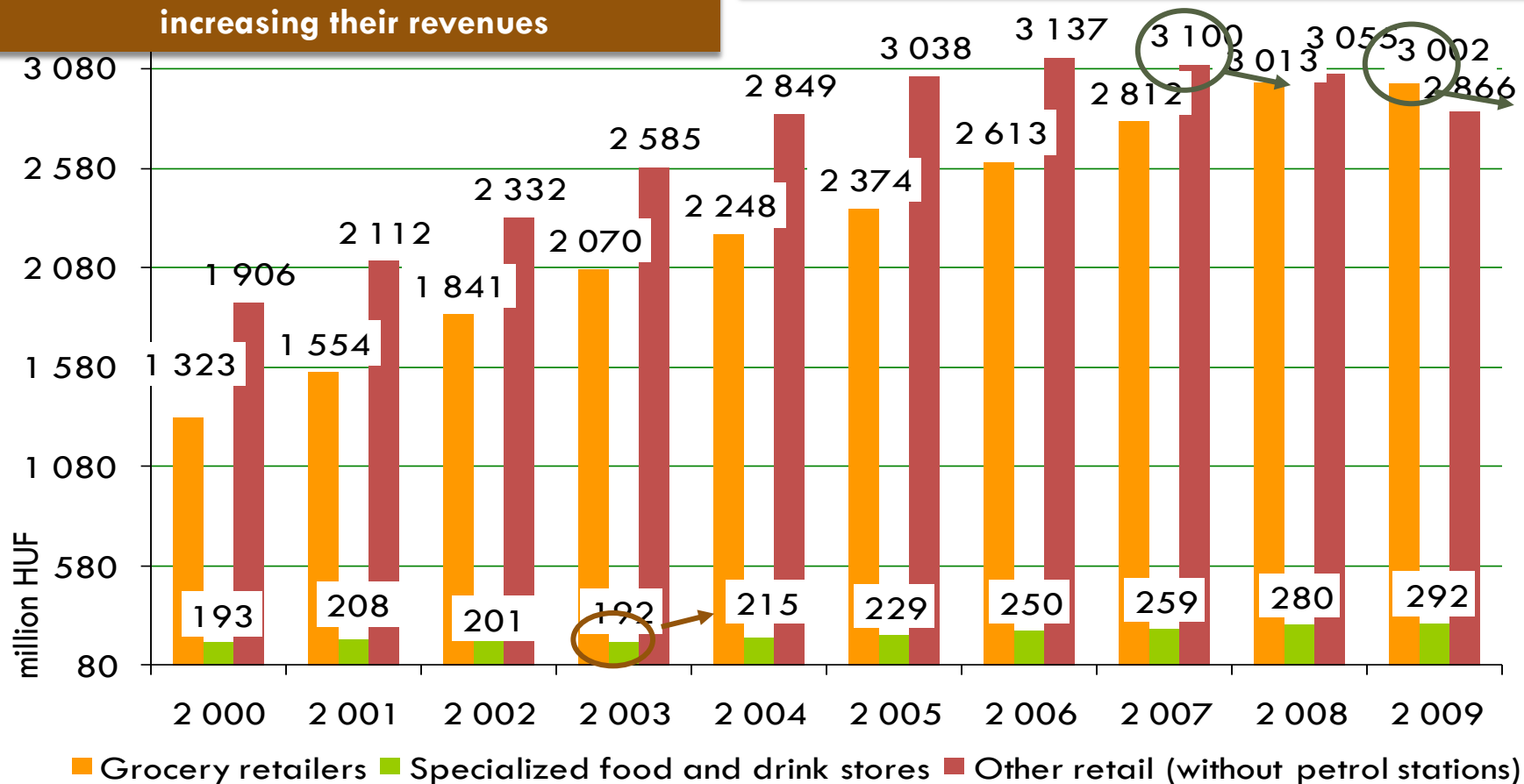
Why is it important to think about the reasons behind supply chain regovernance?

- „Supermarkets and direct investments in food companies have more impact than WTO and trade policy on developing and transitions countries.” (Reardon, 2003)
- „69% of the 35 billion USD credit in the Brazilian agri-food system is supply-chain credit.” (Alcantara, 2004)
- „Farm assistance paradox: Small poor farms may be best off if they are in an environment which is dominated by poor farms.” (Swinnen, 2005)
- The consumers becoming shoppers changed the nature of the supply chain themselves.
- Thus learning from the economically successful complex chains is vital for the survival or reemergence of traditional chains

It is difficult for the food suppliers because: retail trade is effected by crises

Specialized food and drink stores are increasing their revenues

Non-grocery retail is decreasing from 2007 from 2009 even grocery retail started to have negative trend

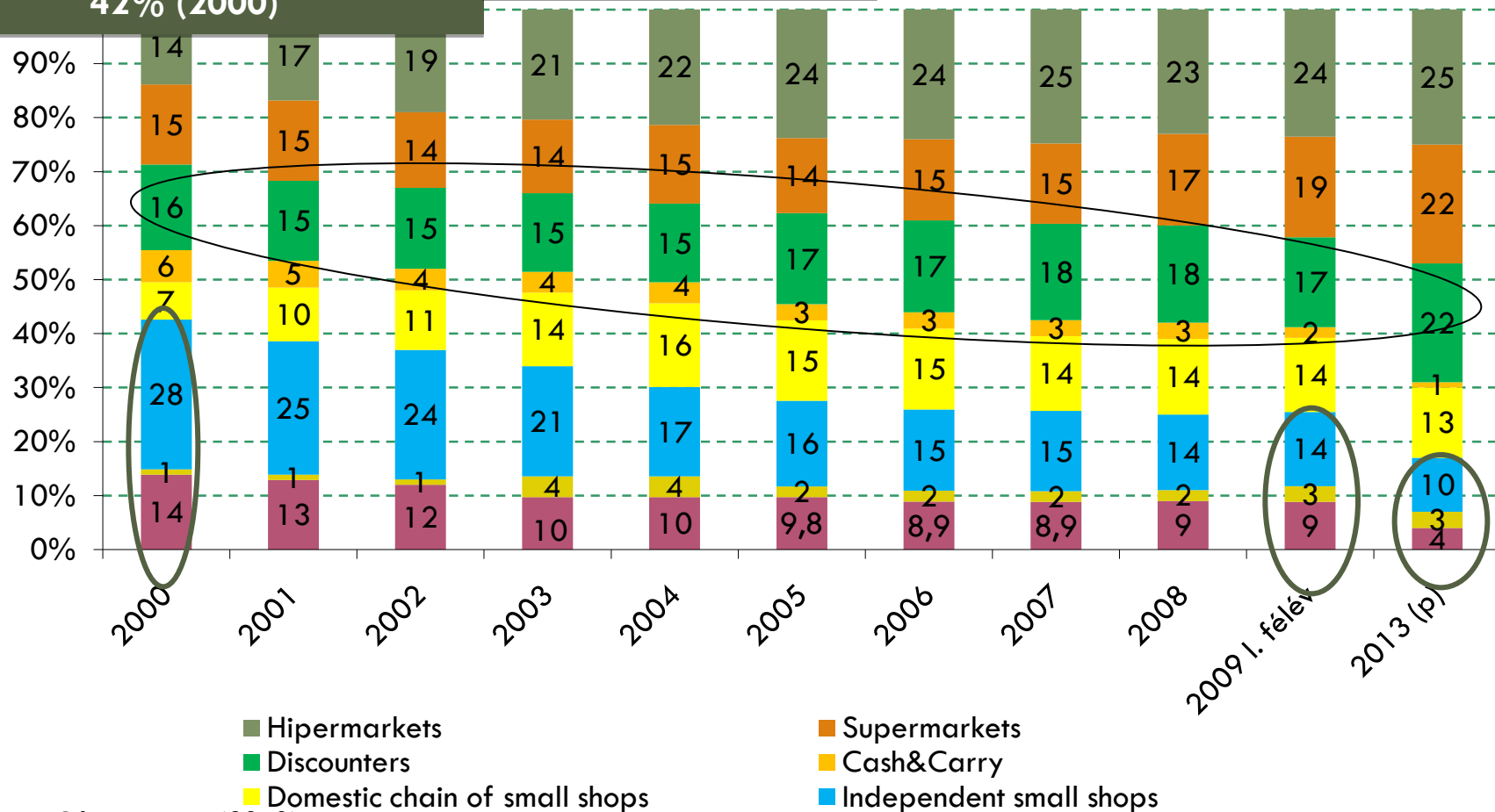


It is difficult for the food suppliers because: the market is concentrating

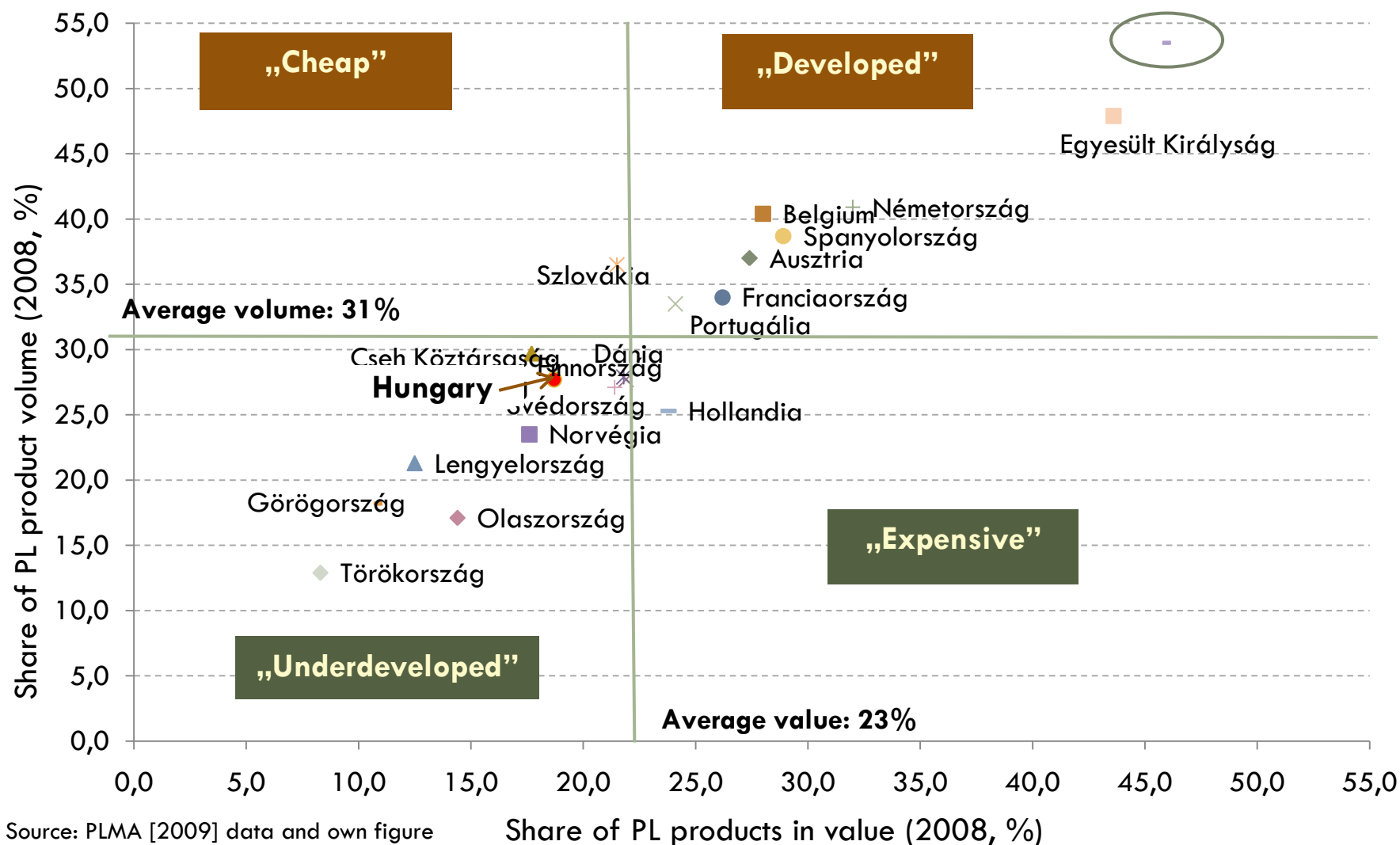
NOT modern retail forms had a share from the FMCG shopping activity of Hungarian consumers = 42% (2000)

Hard discounters (Aldi, Lidl) gaining ground with import PL products as strategy

While in 2009 only 23%, with a further assumed decrease to 14% (2013p.)



It is difficult for the food suppliers because: even food tends to become replaceable



Source: PLMA [2009] data and own figure

It is difficult for the food suppliers because: us the consumers

The differences between Hungarian consumers

„Top plus” (4%)

„Top classic” (2%)

„Successful intellectuals” (14%)

„Hedonist youngsters” (17%)

„Low-middle town dwellers” (7%)

„Poor pensioners” (25%)

„Poor workers” (13%)

„Underclass” (18%)

Source: GfK-TÁRKI (2008)

Buying anything is no problem 6%

Good target group of conscious food products 20%

Buying food is no problem 38%

Even buying food is a problem 56%

And what is common....

Ethnocentrism paradox (Szakály, 2009):

- Our preference for traditional and Hungarian food products is very high in international comparison 95% BUT only 35% of the consumers buy these foods regularly.
- From the generally committed ethnocentric clusters only those are attached also to traditional local food which groups are in poor financial situation („disappointed villagers”, „old patriots”).

„The poor people need price promotions the rich love it.” (Colruyt)



IMPLICATIONS FOR DCs

DO WE HAVE ADAPTABLE LESSONS OF DOMESTIC AND FOREIGN TRADE DEVELOPMENT?

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QUESTIONS?