

4. Development policies and sectors

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4.1. External trade of agro-food products

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4.1.1. Introduction

Economic theory predicts and international experience shows that when there is economic growth, imports also grow. This is the result of an increase in household consumption and, possibly, public sector consumption. Greece had a relatively weak growth in 2017, 1.4%. However, total imports (including petroleum) rose by 14% to €50.26 billion while total exports rose by 13.4% to €28.83 billion. The total trade deficit grew by 14.9% to €21.43 billion.

It is customary in the literature to take out petroleum when studying trade. This is particularly the case when dealing with non-petroleum-producing countries, like

Greece. The reason is that petroleum imports and exports are a significant part of the total trade and they distort the picture of the trade of all other goods. Moreover, the significant fluctuations in the price of petroleum over the years also distort the picture of the total trade. Greece is a net importer of petroleum products. However, a large part of these gets processed in the Greek refineries and is then exported. In 2017, petroleum imports were €12.21 billion whereas petroleum exports were €8.97 billion. The difference –€3.24 billion– is the contribution of the petroleum trade deficit to the overall trade deficit. It is worth noting that in 2008, the year with the largest trade deficit for the Greek economy, the agro-food products trade deficit was €3.01 billion.

4.1.2. Agro-food trade in comparison to total trade (excluding petroleum)

Table 4.1.1 shows the evolution of agro-food trade in comparison to total trade (now excluding petroleum products) for the period 2008-2017. The calculation

TABLE 4.1.1 Total trade and agro-food products trade (in billion €)*

	2008	2010	2012	2013	2014	2015	2016	2017	% annual change rate	% change 2016-2017
Imports										
Total	48.60	36.49	30.21	29.64	31.66	31.24	34.34	38.05	5.0 ('13-'16)	10.8
Agro-food	7.05	6.30	6.34	6.54	6.49	6.31	6.62	7.00	0.8 ('10-'16)	5.7
Agro (%)	14.5	17.3	21.0	22.1	20.5	20.2	19.3	18.4		
Exports										
Total	15.46	14.46	16.73	16.67	16.84	17.90	18.53	19.86	5.2 ('09-'16)	7.2
Agro-food	4.01	4.41	5.24	5.42	5.18	5.72	6.14	6.10	6.3 ('09-'16)	-0.5
Agro (%)	25.9	30.5	31.3	32.5	30.7	31.9	33.1	30.7		
Deficit										
Total	33.14	22.04	13.48	12.98	14.82	13.34	15.81	18.18	6.8 ('13-'16)	15.0
Agro-food	3.04	1.89	1.09	1.12	1.31	0.60	0.49	0.90	-20.3 ('10-16)	84.6

Source: Hellenic Statistical Authority (ELSTAT), own calculations.

* Excluding petroleum.

of the average annual rate of change is not based on the same year for each case. The reason is that 2008 was a year of relatively high values (and volumes) of trade. Then as the global financial crisis hit and as it evolved into a full-blown economic crisis in Greece, trade changed dramatically. Total imports, total exports, agro-food imports and agro-food exports took different times to adjust to the new economic conditions.

Specifically, after total imports hit an all-time high of €48.60 billion in 2008, they shrank 39% by 2013, reaching €29.64 billion. Since then total imports have been increasing, particularly during the last two years. During the period 2013-2016 the average annual rate of imports growth was 5.0%, while last year they accelerated up to a 10.8% rate of growth (Table 4.1.1).

Total exports adjusted to the crisis by declining 15.7% in 2009 (€13.03 billion), down from €15.46 billion in 2008. They have been increasing since, albeit not as fast as the Greek economy would require for a faster growth. Between 2009 and 2016 total exports grew at an annual average rate of 5.2%, while last year they grew at 7.2%.

The total trade deficit mostly follows imports' changes because imports are far larger than exports. After an historical high of €33.14 billion in 2008, the total trade deficit reached a low of €12.98 billion in 2013, which is a cumulative decrease of 60.8%. Since 2013 the trade deficit has been on the rise at an average annual rate of 6.8%, while in 2017 the growth rate jumped to 15.0%.

Agro-food products, as this column has repeatedly written, are necessity goods, rather than luxury goods (such as vehicles and other industrial goods). This means that agro-food products have low elasticity and their imports cannot decrease as much as all other goods. Agro-food imports declined in 2009 and 2010, cumulatively by a mere 10.7%, down to €6.30 billion from a high of €7.05 billion in 2008. They have since been exhibiting a rising trend which has intensified during the last two years, thus reaching again €7 billion in 2017 (Table 4.1.1).

Agro-food exports remained stable in 2009 (marginal decrease of 0.3%) and have been increasing since at an average annual rate of 6.3%, except in 2014 when agro-food exports declined by 4.4%. Last year, 2017, there was a marginal decrease by 0.5%. It should be noted that the cumulative growth of agro-food exports between 2009 (€4 billion) and 2016 (€6.14 billion) is 53.5%.

The result of these developments is that the agro-food trade deficit was cumulatively cut by 83.9% between

2008 and 2016. The average annual rate of decline during the period 2010-2016 was 20.3%. The deficit grew slightly in 2013-2014, while last year it almost doubled (84.6% increase). The years to come will show a) if the agro-food trade deficit has a ceiling (e.g. €1 to €1.5 billion) under which it can fall only temporarily (e.g. during good years of olive oil production, as was the case for 2015 and 2016) or, b) if the Greek agro-food sector can support such an increase of exports that they could cut the deficit further. This column has repeatedly underlined the potential of the agro-food sector (both the land and the processing industry) to not only further decrease the deficit but to make it a surplus.

4.1.3. Geographical distribution of agro-food trade

Table 4.1.2 below shows that the economic crisis of the previous years has not significantly affected the geographical structure of the agro-food trade. Agro-food imports come mostly from European Union (EU) countries (75-78%) while the remaining 22-25% comes from third countries. Agro-food exports go mostly to EU countries (70-72%) and the remaining 28-30% goes to non-EU countries. The main characteristic of the agro-food trade last year was the increase of the imports and the marginal decrease of the exports (mainly of olive oil, as will be shown in the next section). Exports to non-EU countries had a slight increase of 1%.

The direct consequence of these developments is the considerable increase of the agro-food trade deficit. While the deficit declined at an average annual rate of 20.5% during the period 2008-2016, in 2017 it increased by 84.6%. It is interesting that the agro-food trade with non-EU countries has had a surplus for the last few years, although this surplus is continuously shrinking. Last year it declined by 36.0%.

4.1.4. Structure of agro-food products trade

The most important feature of agro-food imports in 2017 was the significant increase of meat and dairy products imports. It is well known that the Greek livestock sector does not have the capacity to cover domestic demand, especially bovine and porcine demand. For many decades now, the livestock sector has not been able to increase its production and compete with the production of other European counterparts such as France, Germany or the Netherlands, which are the main import sources. In 2017 imports of meat and dairy products reached €2.1 billion, that

TABLE 4.1.2 Geographical distribution of agro-food trade (in million €)

	2008	2010	2012	2013	2014	2015	2016	2017	% annual change rate 2008-2016	% change 2016-2017
Imports										
Total	7,054	6,299	6,335	6,537	6,488	6,313	6,621	6,998	-0.8	5.7
EU	5,295	4,947	4,903	5,082	5,102	4,841	5,086	5,382	-0.5	5.8
Non-EU	1,758	1,352	1,432	1,455	1,385	1,472	1,535	1,616	-1.7	5.3
% EU	75.1	78.5	77.4	77.7	78.6	76.7	76.8	76.9		
% Non-EU	24.9	21.5	22.6	22.3	21.4	23.3	23.2	23.1		
Exports										
Total	4,011	4,406	5,241	5,415	5,176	5,717	6,136	6,103	5.5	-0.5
EU	2,783	2,954	3,424	3,692	3,539	4,061	4,422	4,372	6.0	-1.1
Non-EU	1,228	1,452	1,817	1,723	1,636	1,657	1,715	1,731	4.3	1.0
% EU	69.4	67.1	65.3	68.2	68.4	71.0	72.0	71.6		
% Non-EU	30.6	32.9	34.7	31.8	31.6	29.0	28.0	28.4		
Balance										
Total	-3,043	-1,893	-1,094	-1,122	-1,312	-596	-485	-895	-20.5	84.6
EU	-2,513	-1,993	-1,479	-1,390	-1,563	-780	-664	-1,010	-15.3	52.0
Non-EU	-530	100	385	268	251	185	180	115	*	-36.0

Source: Hellenic Statistical Authority (ELSTAT), own calculations.

* Due to changes in the sign, the calculation of the rate of change is not possible.

is 30% of the total €7 billion agro-food imports. It is worth noting that the rise in the value of meat and dairy products was mostly due to price increases, not quantity.

The next most important category of agro-food products imports is fruits and vegetables, which has a share of 11.6% (Table 4.1.3). The increase in the value of fruit and vegetable imports is due mostly to quantity increases as their prices declined. Cereals come fourth, with a share of 9.6%, while fish rose to the fifth place after the increase of the import value, which was the result of price (rather than quantity) increases. Coffee, tea etc., after the increase of import values in 2016, last year declined considerably and reached the levels of previous years. Looking at Table 4.1.3, it becomes obvious that since 2008 the structure of agro-food imports has not changed significantly.

Agro-food exports marginally declined by 0.5% in 2017. This decline is due to the decrease of olive oil exports, which is hardly a surprise especially after two

consecutive highly productive years which raised the quantities exported. The value of the exported oils declined by 15.4% and was considerably mitigated by the increase of the international price of olive oil. The quantity exported in 2017 was 31.1% lower than the quantity exported in 2016. This column has often highlighted the importance of the development of the processing and marketing of olive oil, which could offer a significant boost in the price per unit of exported olive oil, thus further mitigating the year-to-year changes in olive oil production.

Fruits and vegetables are always, by far, the most exported agro-food product category and consistently comprise one third of the total agro-food exports. In 2017, although the exported quantity declined by 9.3%, the value of exports increased marginally due to the price increases of the products. Fish climbed to the second place with a share of 11%, increasing their exports both in value and quantity. Dairy products continue their dynamic increase in exports, reaching for the first time a share above 10%.

TABLE 4.1.3 Imports of agro-food product categories in million € (M €)

	2008		2010		2013		2014		2015		2016		2017	
	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%
<i>Meat products^a</i>	1,211	17.2	1,160	18.4	1,179	18.0	1,162	17.9	1,117	17.7	1,150	17.4	1,242	17.7
<i>Dairy</i>	808	11.5	770	12.2	847	13.0	842	13.0	752	11.9	749	11.3	856	12.2
<i>Fruits-Vegetables</i>	786	11.1	672	10.7	642	9.8	663	10.2	731	11.6	748	11.3	812	11.6
<i>Cereals</i>	681	9.7	541	8.6	595	9.1	532	8.2	554	8.8	615	9.3	673	9.6
<i>Fish</i>	428	6.1	384	6.1	351	5.4	378	5.8	375	5.9	432	6.5	489	7.0
<i>Coffee, tea, etc.</i>	365	5.2	376	6.0	404	6.2	442	6.8	472	7.5	547	8.3	425	6.1
<i>Feeding stuff</i>	406	5.8	371	5.9	400	6.1	403	6.2	401	6.4	423	6.4	407	5.8
<i>Various foodstuff</i>	344	4.9	356	5.7	346	5.3	367	5.7	352	5.6	354	5.3	347	5.0
<i>Beverages</i>	436	6.2	370	5.9	257	3.9	248	3.8	255	4.0	281	4.2	318	4.5
<i>Tobacco</i>	335	4.7	310	4.9	234	3.6	236	3.6	301	4.8	323	4.9	305	4.4
<i>Oils and fats</i>	290	4.1	232	3.7	264	4.0	274	4.2	264	4.2	244	3.7	291	4.2
<i>Sugars</i>	225	3.2	220	3.5	278	4.3	227	3.5	207	3.3	231	3.5	251	3.6
<i>Oil seeds</i>	224	3.2	173	2.7	238	3.6	220	3.4	211	3.3	193	2.9	203	2.9
<i>Raw materials</i>	130	1.8	111	1.8	116	1.8	121	1.9	123	1.9	132	2.0	142	2.0
<i>Wood</i>	262	3.7	148	2.3	113	1.7	118	1.8	124	2.0	135	2.0	127	1.8
<i>Hides-skins</i>	93	1.3	76	1.2	147	2.2	116	1.8	56	0.9	46	0.7	86	1.2
Total	7,054^b		6,299		6,537		6,488		6,313		6,621		6,998	

Source: Hellenic Statistical Authority (ELSTAT), own calculations.

a. Includes live animals and meat products.

b. The sum of values for each product may not equal to 'Total' because some categories with insignificant values such as cotton, natural rubber, other natural textile fibers, wool and jute are not included.

As mentioned above, exports of oils significantly decreased, as expected, after two consecutive years of increased production and exports. Besides oil exports, tobacco and cereal exports also declined. The exported quantity of cereals dropped by 40%, but their per-unit price increase limited the export value decline to just 14%. Similarly, the quantity of tobacco exports decreased by 14.5% while its price increase almost halved the drop at export value (7.7%). Overall, most categories of agro-food products exports increased in value, but these increases were neutralized by the considerable decline of oil, cereal and tobacco exports (Table 4.1.4).

4.1.5. Conclusions

Although total agro-food exports marginally declined in 2017, it is a positive development that most agro-

food product categories increased their exports. It is very promising that during the years of economic crisis agro-food exports have increased over 50% since 2008. Comparatively, all other products' exports (except agro-food) have increased by 20% between 2008 and 2016. This is indicative of the dynamism of the agro-food sector. It is true that during 2017, the first year with a positive GDP change after many years of continuous contraction of the economy, all other products' exports increased considerably, by 11%. This is very good and it should be continued given that exports growth is a major indicator of economic growth.

A final remark is about imports. Imports growth is not necessarily a bad thing. On the contrary, it shows the level of wealth of a nation. It goes without saying that imports should not be a result of unsustainable borrowing, which was the case in pre-crisis Greece and one of the reasons the country went bankrupt.

TABLE 4.1.4 Exports of agro-food product categories in million € (M €)

	2008		2010		2013		2014		2015		2016		2017	
	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%
<i>Fruits-Vegetables</i>	1,346	33.6	1,485	33.7	1,856	34.3	1,826	35.3	1,846	32.3	1,966	32.0	1,969	32.3
<i>Fish</i>	449	11.4	541	12.3	562	10.4	556	10.7	590	10.3	661	10.8	674	11.0
<i>Dairy</i>	275	6.9	301	6.8	416	7.7	483	9.3	561	9.8	593	9.7	634	10.4
<i>Oils and fats</i>	333	8.3	287	6.5	580	10.7	322	6.2	714	12.5	674	11.0	570	9.3
<i>Tobacco</i>	416	10.4	374	8.5	392	7.2	386	7.5	450	7.9	524	8.5	484	7.9
<i>Cereals</i>	315	7.9	292	6.6	270	5.0	338	6.5	303	5.3	421	6.9	361	5.9
<i>Cotton</i>	236	5.9	391	8.9	377	7.0	310	6.0	299	5.2	316	5.1	355	5.8
<i>Various foodstuff</i>	124	3.1	161	3.7	206	3.8	221	4.3	236	4.1	253	4.1	282	4.6
<i>Beverages</i>	163	4.1	166	3.8	192	3.5	198	3.8	209	3.7	205	3.3	222	3.6
<i>Meat products^a</i>	76	1.9	67	1.5	74	1.4	84	1.6	84	1.5	95	1.5	109	1.8
<i>Sugars</i>	54	1.3	129	2.9	96	1.8	71	1.4	77	1.3	91	1.5	96	1.6
<i>Coffee, tea, etc.</i>	30	0.7	34	0.8	64	1.2	60	1.2	78	1.4	86	1.4	80	1.3
<i>Oil seeds</i>	76	1.9	64	1.5	79	1.5	86	1.7	96	1.7	81	1.3	75	1.2
<i>Hides-skins</i>	38	0.9	40	0.9	87	1.6	64	1.2	73	1.3	69	1.1	73	1.2
<i>Feeding stuff</i>	51	1.3	41	0.9	59	1.1	58	1.1	54	0.9	58	0.9	61	1.0
<i>Raw materials</i>	18	0.4	20	0.5	32	0.6	34	0.7	37	0.6	35	0.6	46	0.8
<i>Wood</i>	9	0.2	7	0.2	10	0.2	10	0.2	8	0.1	6	0.1	10	0.2
Total	4,011^b		4,406		5,415		5,176		5,717		6,136		6,103	

Source: Hellenic Statistical Authority (ELSTAT), own calculations.

a. Includes live animals and meat products.

b. The sum of values for each product may not equal to 'Total' because some categories with insignificant values such as wool, natural rubber, other natural textile fibers and jute are not included.

Increased borrowing increases debt and undermines future generations' financial sustainability. Imports should be the result of a virtuous cycle of increased

production, which means increased exports as well as other income that flows into the country (e.g. tourism, shipping, etc.).