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CROSS-COUNTRY ANALYSIS OF ONION TRADE IN EU AND BALKAN COUNTRIES

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Abstract

Onions are a staple food in most kitchens. For this reason, the aim of my study is to examine how trade in this product has developed on the European continent, who are the most important producers, exporters and receiving countries.

The source of the trade data used to calculate the Balassa Index was the World Bank's WITS (World Integrated Trade Solution) database (World Bank (2022) and Altabig database (2022). The data were downloaded at HS-2 (Harmonized Commodity Description and Coding System) level for agricultural products (chapters 1-24) for the period 2010-2020. The methodological basis of the study is the index of manifest comparative advantage defined by Balassa in 1967. The index is based on the theory of trade based on Ricardo's theory of comparative advantage. The weight and role of agriculture and agricultural trade is presented using the FAO (Food and Agriculture Organization of the United Nations), and the WTO (World Trade Organization) databases (FAO (2022), WTO (2017)). The Balassa index is calculated for EU27 member states including Hungary and Western Balkan countries such as Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo, and Serbia. Although it should be noted that data for Kosovo was so unavailable that it had to be excluded from the analysis. Where only some data were missing, they were filled in by linear extrapolation.

In recent years, weather and logistical problems have become commonplace in the global onion market, affecting quality and prices in many countries. The Netherlands could export larger quantities, but does not have the transport capacity to do so. British producers face higher fertilizer, energy, transport and labor costs. Demand for white onions is high as production has fallen slightly in several European areas. Italian onions are also in demand abroad, as weather conditions have allowed for good quality this year. Exports are slow and prices are low, similar to the same period last year, but not yet at pre-plague levels. The pressure of low prices for Dutch onions is having a big impact, as is the year-on-year increase in German and UK production. According to the Hungary national report, the area sown to onions this year is 1,360 hectares, with an estimated harvestable yield of 29,776 kg/ha, resulting in a total production of 40.5 thousand tons this year. The area under onions in Hungary has been decreasing for years, while demand for the vegetable has increased. Problems are posed by cheap foreign competition and low purchase prices, but input prices and production costs have increased. Pesticide withdrawals are also making things more difficult for farmers, especially in the area of weed control. The unpredictable weather caused by climate change is also posing increasing challenges for producers in central Europe. The general assumption is that countries trade in a given product because they derive a comparative advantage from it. This is only partly true. Most European countries have a comparative disadvantage from onions. It is assumed that they need imports, which are replaced by Chinese, Indian and American products. At the same time, Spain and the Netherlands have an absolute advantage and are exploiting it. There are countries that are major producers but at a comparative disadvantage. Our case falls into this group. Italy and France. Some countries are large producers and have a comparative advantage. For example, the Netherlands and Spain. Small producers but with an advantage Group 3, Macedonia and Spain. The other countries studied are small producers and have a disadvantage, i.e. they need to import or should import.

If we compare 2010 and 2018 data, we can see that both value and Balassa indexes decreased in the countries analysed. It means that comparative disadvantage increased in Europe.

***Key words**: Balassa index, Onion, Export, Import.*